

HILLGROVE RESOURCES

11 July 2008

The Manager
Company Announcements Office
Australian Securities Exchange
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

By Facsimile: 1300 135 638
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Dear Sir/Madam

Third Supplementary Bidder's Statement In relation to an offer by Hillgrove Resources Limited ABN 73 004 297 116 (ASX Code:HGO) ("Hillgrove") to acquire all or a lesser number of securities In InterMet Resources Limited ABN 66 112 291 960 (ASX Code: ITT) ("InterMet") ("Offer")

In accordance with Section 647(3)(b) of the Corporations Act 2001 (Cth), I hereby provide ASX Limited with a Third Supplementary Bidder's Statement, signed by the Chairman of Hillgrove, which relates to and supplements (and is to be read together with) the:

- Replacement Bidder's Statement dated, and lodged with or sent to ASIC, ASX and InterMet on, 25 June 2008 in respect of the Offer, which replaced Hillgrove's Bidder's Statement lodged with or sent to ASIC, ASX and InterMet on 2 June 2008 and the First Supplementary Bidder's Statement lodged with ASIC, ASX and InterMet on 25 June 2008; and
- Second Supplementary Bidder's Statement lodged with or sent to ASIC, ASX and InterMet on 2 July 2008.

Yours faithfully



Russell Middleton
Chief Financial Officer and
Company Secretary

Encl.

**THIRD SUPPLEMENTARY BIDDER'S STATEMENT
BY HILLGROVE RESOURCES LIMITED
ABN 73 004 297 116**

1. Introduction

This is the Third Supplementary Bidder's Statement issued by Hillgrove Resources Limited (ABN 73 004 297 116) ("**Hillgrove**") in accordance with section 643 of the *Corporations Act 2001 (Cth)*. This Third Supplementary Bidder's Statement relates to and supplements (and is to be read together with)

- the Replacement Bidder's Statement dated, and lodged with ASIC on, 25 June 2008 ("**Replacement Bidder's Statement**") in respect of the offer by Hillgrove to acquire the shares in InterMet Resources Limited (ABN 66 112 291 960) ("**InterMet**"), which replaced Hillgrove's Bidder's Statement lodged with ASIC on 2 June 2008 and the First Supplementary Bidder's Statement lodged with ASIC on 25 June 2008; and
- the Second Supplementary Bidder's Statement lodged with ASIC on 2 July 2008.

A copy of this Third Supplementary Bidder's Statement was lodged with ASIC and sent to ASX and InterMet on 11 July 2008. Neither ASIC nor any of its officers takes any responsibility for the contents of this Third Supplementary Bidder's Statement. If you are in any doubt about how to deal with this document, you should consult your financial, legal or other professional adviser immediately.

2. Definitions and interpretation

All capitalised terms used in this Third Supplementary Bidder's Statement have the same meaning as given to them in Section 10.1 of the Replacement Bidder's Statement. The rules of interpretation set out in Section 10.2 of the Replacement Bidder's Statement also apply to this Second Supplementary Bidder's Statement, unless the context requires otherwise.

3. Letter from the Chairman

Attached to this Third Supplementary Bidder's Statement as Annexure A is a letter dated 11 July 2008 from the Chairman of Hillgrove to InterMet Shareholders.

4. Contact details

If you have any queries about this Third Supplementary Bidder's Statement, you may contact Geoff Stewart at Hillgrove on (02) 8221 0404 or the Share Registry to the Offer, Computershare Investor Services Pty Limited, on 1300 850 505.

5. Authorisation

This Third Supplementary Bidder's Statement has been approved by a unanimous resolution of the directors of Hillgrove.

Signed for and on behalf of Hillgrove by Dean Brown AO, who is authorised to sign pursuant to a unanimous resolution passed by all the directors of Hillgrove.



The Hon Dean Brown AO

Chairman

Dated: 11 July 2008

HILLGROVE RESOURCES

11 July 2008

Annexure A

Dear InterMet Shareholder,

You will have now received Hillgrove's Offer for your InterMet shares ("**Offer**") and InterMet's Target's Statement, a document authorised by Gary Ferris (InterMet's managing director) and Neville Alley (non-executive director of InterMet) (collectively, the "**Offer Committee**").

There is nothing in the Target's Statement or the accompanying independent expert's report that changes Hillgrove's view that the Offer is **VERY ATTRACTIVE** to InterMet Shareholders for the following reasons:

- **VERY SIGNIFICANT PREMIUM** to pre-Offer InterMet share prices;
- **INTERMET SHARE PRICE IS LIKELY TO FALL** in the absence of the Offer;
- **NO ALTERNATIVE OFFER** for InterMet has been announced and the prospect of another offer is unlikely;
- **InterMet has VERY LOW CASH RESERVES**; and
- **Hillgrove's current share price ignores SIGNIFICANT UP-SIDE POTENTIAL FROM THE KANMANTOO PROJECT.**

Key features of the Hillgrove Offer

- 4 New Hillgrove Shares for every 5 InterMet Shares you hold
- the Offer is for **all or any** of your InterMet Shares
- the Offer is **not** conditional on a minimum level of acceptances.

Reasons to accept the Hillgrove Offer

Hillgrove believes that an amalgamation of InterMet with Hillgrove makes strong commercial sense for InterMet Shareholders.

Hillgrove Resources Limited

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InterMet is a small exploration company with a pre-Offer market capitalisation of only \$10 million, no significant delineated resources and limited financial and management capacity. In contrast Hillgrove is a significantly larger company, with proven resources, substantial investments and expertise in mineral assets and project development, management and funding.

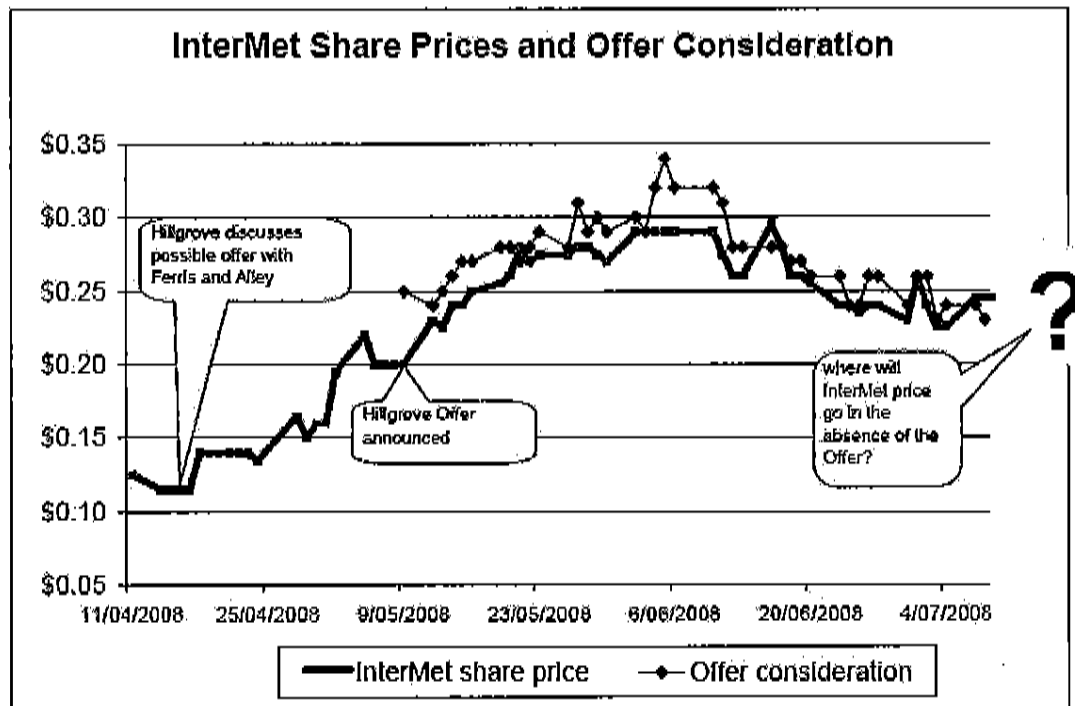
The main reasons for InterMet Shareholders to accept the Hillgrove Offer are:

- the value of the Offer – as detailed in Hillgrove's Bidder's Statement - was at a **very significant premium** to trading prices of InterMet shares before the Offer was announced on 12 May 2008;
- the price of InterMet Shares traded in the range **11.5-14.0 cents** in mid April 2008 when Hillgrove initiated discussions with the Offer Committee regarding an amalgamation of InterMet with Hillgrove;
- in the absence of the Offer, the Hillgrove directors believe that the price of InterMet Shares may return to the prices prevailing prior to the announcement of the Offer. This view is confirmed in the independent expert's report in InterMet's Target's Statement;
- no other offer for InterMet has been announced. The Offer Committee has stated they are not aware of any other offer or potential offer for InterMet and the InterMet independent expert's report states that the prospect of an alternative offer emerging in the near term is unlikely;
- InterMet has very low cash reserves. InterMet disclosed that as at 31 May 2008 it had cash reserves of only \$1.48 million and current payables of \$0.4 million. Those payables exclude the full costs of announced drilling programs, the full amount of the costs authorised by the Offer Committee in connection with the Offer, and ongoing corporate and overhead costs;
- InterMet has stated that it intends to raise, after 12 August 2008, additional funds through a share placement to 'sophisticated investors' at up to a 20% discount to the then prevailing five day VWAP for InterMet shares. If the Hillgrove Offer has closed at this time and the InterMet share price falls in the absence of the Offer, this may cause a significant dilution for current InterMet shareholders; and
- by accepting the Hillgrove Offer you will continue to share in any potential of InterMet's early stage exploration assets as well as in Hillgrove's existing more established assets, which include the Kanmantoo copper/ gold development project and the strategic investment in the New South Wales coal seam gas company, Eastern Star Gas Limited (ESG).

InterMet share prices v Offer consideration

The chart below illustrates the trading prices for InterMet shares from mid April 2008 to 9 July 2008 and the value of the Offer consideration (based on prevailing prices for Hillgrove shares) from 9 May 2008, the last trading day before the announcement of the Offer, to 9 July 2008.

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The Hillgrove and InterMet closing share prices on 10 July 2008 were \$0.275 and \$0.23 respectively.

Hillgrove notes in relation to the above chart:

- the InterMet share price rose significantly in the period leading up to the announcement of the Offer, and
- since the announcement of the Offer the InterMet share price has, at best, tracked the value of the Offer consideration and, in Hillgrove's opinion, is reflective of the existence of the Offer, which is NOT subject to any minimum acceptance condition.

Risks of Remaining as an InterMet shareholder

- The Offer Committee has not provided InterMet shareholders with any clear strategy to create future value for InterMet shareholders or maintain the InterMet share price in the absence of the Offer, and have not provided any details about future funding needs, or about what happens to InterMet if it fails to delineate economic resources from its early stage exploration properties, or raise necessary funding.

It is a challenging task to move from "exploration targets" to delineating resources and subsequently to an economically viable project. In Hillgrove's opinion, this task is beyond the ability and experience of the current InterMet management, without the support of Hillgrove.

- Hillgrove, on the other hand, has a clear and announced strategy to develop into a mid-tier resources group managed by a team of professionals well experienced in the resources industry. The Hillgrove strategy is based around its development of one of the few new copper mines in Australia at the Kanmantoo Mine development close to Adelaide, which has a 31.8MT Mineral Resource (21.4MT Indicated and 10.4MT Inferred) that is well placed to meet burgeoning global demand for copper. The implementation of this strategy is complemented by Hillgrove's strategic investment in the energy sector through its 22.6% fully diluted

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shareholding in Eastern Star Gas ("ESG"). ESG promises to play an important role in New South Wales's energy equation – ESG is targeting expanding its 2P gas reserves to over 1,200 PJ by December 2009 which would be one of the largest onshore gas reserves in Australia.

Comments on Hillgrove and InterMet assets and valuations

- The Offer Committee has made numerous negative comments about Hillgrove's Kanmantoo copper/gold project. InterMet shareholders should consider the following:
 - Hillgrove commissioned and published (ASX – 18 December 2007) the results of a positive Definitive Feasibility Study ("DFS") conducted by the independent industry consultant Lycopodium on Kanmantoo, and has made the decision to proceed to develop the project. At the time of publishing the results of the DFS, Hillgrove advised that the potential base case net present value of the Kanmantoo project could be \$72 million.
 - The Target's Statement suggests that the market ascribes a nil or negative value to the Kanmantoo project in Hillgrove's market capitalisation. If this is correct, it is fair to say that there is significant potential upside value in Kanmantoo for Hillgrove shareholders.
- The Offer Committee has authorised the publication in the Target's Statement of values for mineral tenements that have been presented in a manner that the Hillgrove directors believe **do not comply with the requirements of ASX Listing Rules, the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) and /or the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (VALMIN Code).**
- The Offer Committee's critique of Hillgrove relates mostly to issues that are inherent to most developing resources companies. It fails to highlight that these same issues do apply, arguably in much stronger measure, to InterMet because of the very immature and early stage nature of InterMet's exploration assets, its low cash reserves, its small market capitalisation and its lack of an operational and management track record.
- The facts are that InterMet has no delineated reserves in any of its mineral tenements other than a very small inferred gold resource in Queensland. This is confirmed in the Target's Statement.

The Conduct of the Offer Committee

- The Offer Committee appears to have spent considerable time, and incurred considerable cost, pursuing many trivial and legalistic matters relating to the Offer. This has caused a material delay in InterMet shareholders receiving the Hillgrove Offer and the Target's Statement. The Offer Committee did not explain the following in the Target's Statement, that:
 - InterMet sought a Takeovers Panel hearing alleging unacceptable circumstances in relation to the Hillgrove Bidders Statement and Offer. The Panel declined to make a declaration of unacceptable circumstances; and
 - InterMet effectively refused to consent to Hillgrove sending you its Offer and Bidder's Statement immediately after the Takeovers Panel proceedings were concluded. Hillgrove therefore sought and obtained ASIC's approval to send the Bidder's Statement to you without further delay.

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- The Offer Committee appears to have authorised very significant cash costs with their aggressive and disproportionate response to the Offer. The Offer Committee has chosen to not disclose these material costs in their lengthy, highly repetitive and lavishly printed Target's Statement. This conduct seems excessive given the size of InterMet and its limited cash reserves and the fact that Hillgrove sought to achieve an agreed merger in the first instance.
- InterMet undertook a poorly executed and ultimately aborted capital raising soon after the Hillgrove Offer was announced. It sought a two day trading halt in InterMet shares to arrange a share placement. However, such placements are prohibited by the ASX listing rules within three months of a takeover offer being announced without prior shareholder approval. An ASX waiver of the applicable listing rule was then sought which the ASX rejected. A suspension in trading in InterMet shares was implemented in order to seek this exemption. Trading in the shares of InterMet was therefore precluded for a total of six trading days for no result.

Corrections to the Target's Statement

Attached as a Schedule is a list of some of the factual errors included in the Target's Statement.

ACCEPTANCE of the Offer

Hillgrove has been a significant shareholder in InterMet from its formation and holds a diluted direct 29.1% shareholding. Despite the inference from the Offer Committee, Hillgrove is and remains a supportive shareholder of InterMet. However, Hillgrove believes that, particularly in the current economic and financial environment, all InterMet stakeholders would be better off if the two companies were amalgamated and, **in particular**, believe that the Offer is attractive to you as an InterMet shareholder.

The decision of whether or not to **ACCEPT** the Hillgrove Offer is now a matter for you as an InterMet shareholder. You have probably heard enough, and received enough paper work. You, as a shareholder, should be the one to decide what is best for you.

The Offer is scheduled to close at 5.00pm (EST) on 30 July 2008.

To accept the Offer, please follow the provisions of Section 8.6 of the Bidder's Statement and the instructions on the Acceptance Form that was sent to you. Should you need new Offer and Acceptance Form documents please let us know.

The directors of Hillgrove hope that you will **ACCEPT** the Offer in respect of your InterMet shares and if you do, will welcome you as a Hillgrove shareholder.

If you require assistance please contact Mr Geoff Stewart at Hillgrove Resources Limited on (02) 8221 0404 or the Share Registry to the Offer, Computershare Investor Services Pty Limited, on 1300 850 505.

Yours faithfully



The Hon. Dean Brown, AO
Chairman

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Schedule

Corrections of factual errors or misleading and deceptive statements in the Target's Statement

Error	Correction
Cover Page: the Offer is "for all InterMet Shares and InterMet Options..."	This is not correct. The Offer is for all outstanding InterMet Shares only. This point is clearly stated throughout the Bidder's Statement. This fact is confirmed on Page 25 of the Target's Statement
Page 1 -- date of Target's Statement as 4 July 2008	This is not correct. The correct date on the Target's Statement is 8 July 2008, being the date it was delivered to Hillgrove Resources Limited
Page 1 – Defined Terms	The Target's Statement repeatedly fails to use capitalised terms in the body of the Target's Statements that are defined in Section 13: Glossary and Interpretation, in the Target's Statement, thereby potentially causing confusion and ambiguity of meaning
Page 3 – "While the Offer remains subject to conditions, it may be extended only before Hillgrove gives notice regarding the status of conditions, which it has said it will do on 30 July 2008"	This is not correct. In Sections 2.11 and 8.12 of the Bidder's Statement, Hillgrove clearly stated that it would give notice regarding the status of conditions, on 23 July 2008 unless that date is otherwise extended in accordance with the requirements of the Corporations Act
Page 9 – "The issue is effectively a re-financing of Hillgrove's short term funding arrangements, with the small residual funds being used for working capital purposes."	This is not correct. As stated in the Target's Statement on the same page, Hillgrove retained in new funds, after payment of all issue costs and the pre-payment of interest on the convertible bonds, US\$12.69 million or 42.3% of the monies raised – hardly "small residual funds".
Page 10 – "The issue of the bonds...as it results in the creation of a \$30 million (plus interest) debt in favour of a number of creditors..."	This is not correct. As publicly stated in Hillgrove's Second Supplementary Bidder's Statement and contemporaneous ASX announcement on 2 July 2008, the total debt created by the Bonds is US\$30 million, which includes US\$3.6 million of effectively pre-paid interest. This fact is confirmed on Page 9 of the Target's Statement