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Drilling for Uranium Commences at InterMet's Watson Project on the Gawler Craton

Highlights

- Drilling by InterMet's joint venture partner, Uranium Equities, will commence this week at InterMet's Watson Project
- Up to 20 holes planned to follow-up previous drilling which reported high levels of uranium within the groundwater

A rotary mud drilling program will commence this week at InterMet Resources (ASX:ITT) Watson Project, located 210km northwest of Ceduna in the far west of South Australia. The drilling will be undertaken by joint venture partner Uranium Equities Limited (ASX:UEQ) who are earning up to 80% interest from InterMet Resources.

Electromagnetic surveys have identified an extensive Tertiary palaeochannel system on the Project area beneath a limestone cap with up to 100m of potentially favourable host sediments.

Previous drilling comprised of 27 holes along five widely spaced traverses. The drilling intersected a zone of predominantly oxidised sediments on the northern traverses and reduced sediments on the southern traverses. Within these sediments, pyritic and lignitic clays interbedded with porous sands were identified from water-bores. Anomalous uranium is present with sample cuttings values up to 72ppm U_3O_8 and water samples up to 602ppb U_3O_8 .

Re-evaluation of the geology by Uranium Equities identified a potential uranium depositional site between areas of oxidized and reduced sands 10km apart (Figure 1). These conditions are highly prospective for the precipitation of uranium at a regional reduction-oxidation front or "roll-front". Drilling and down-hole gamma logging is designed to test this area with up to 20 holes. The target is mineralisation similar to the Beverley or Beverley 4-Mile Deposits.

Managing Director, Mr Gary Ferris, commented that "We are delighted with results thus far and the drilling is the next important step in assessing the highly prospective palaeochannel system. I strongly believe that our portfolio of uranium tenements on the Gawler Craton has great potential for sandstone-hosted uranium and the results confirm that belief."

The information in this report that relates to Exploration Results is based on information compiled by Mr. Gary Ferris, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Ferris is the Managing Director of InterMet Resources and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gary Ferris consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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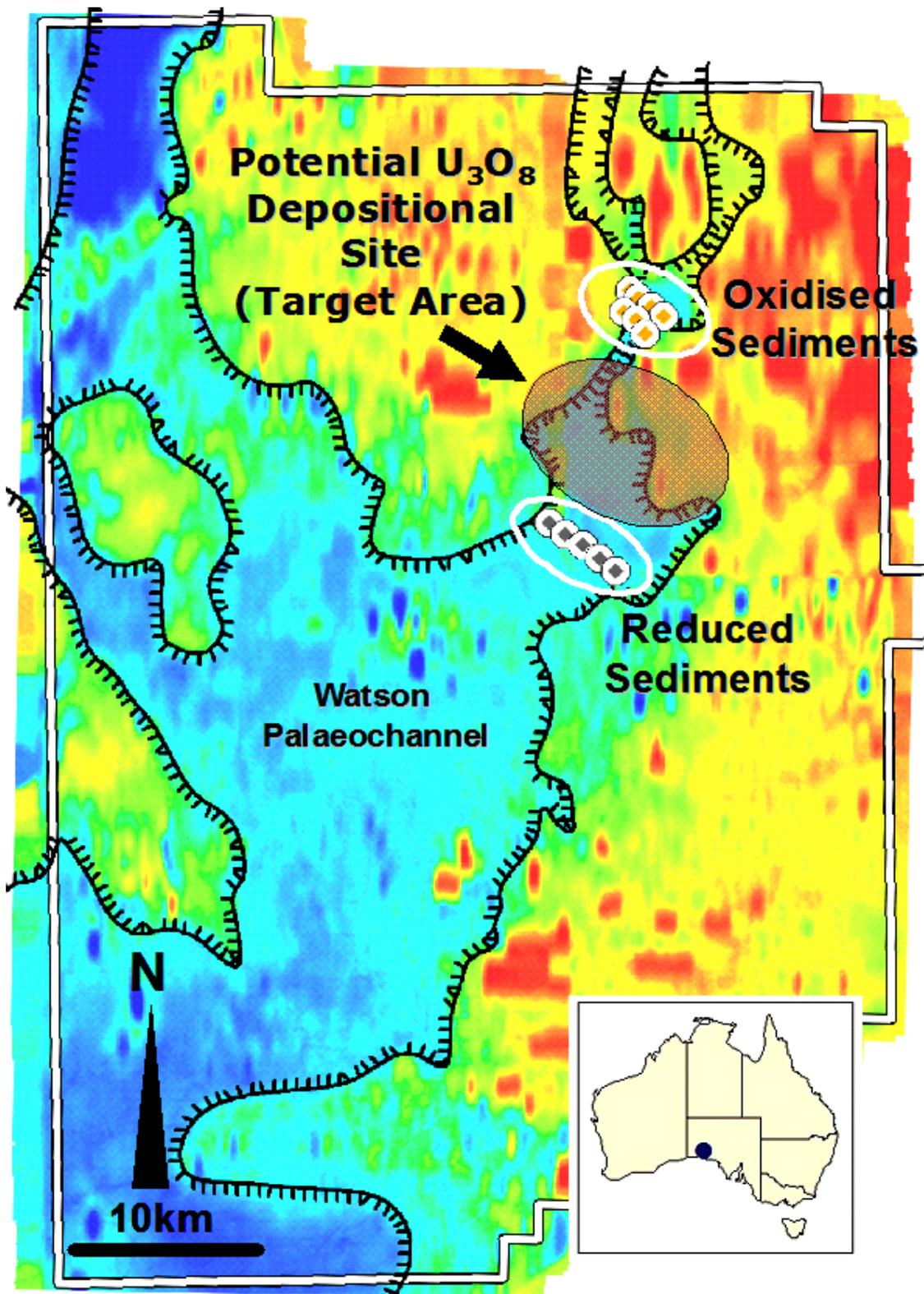


Figure 1: Newly acquired AEM data showing interpreted palaeochannel and target drilling area