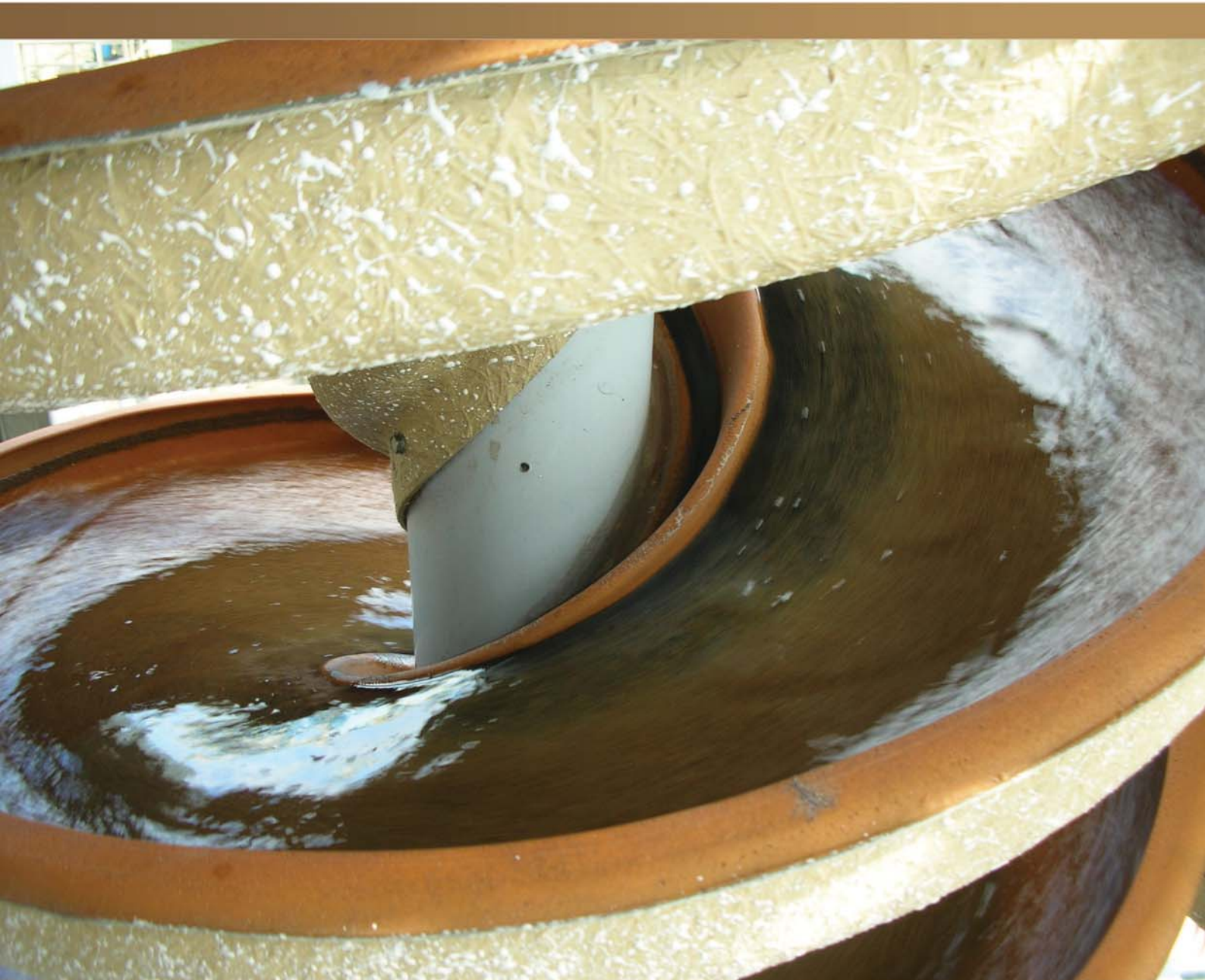




INDUSTRIAL MINERALS CORPORATION LTD.



Annual Report 2007

GENERAL INFORMATION

Industrial Minerals Corporation Limited

ABN 26 108 029 198

Directors

Jeremy David Shervington (Non-Executive Chairman)
Philip James Garratt (Chief Executive Officer)
Michael James Brindley Brickell (Non-Executive Director)
Daniel Frank Smith (Chief Operating Officer)
Cheryl Lynn Wilson (Executive Director)
Alec Christopher Pismiris (Executive Director)

Company Secretary

Alec Christopher Pismiris

Registered Office

52 Ord Street
West Perth WA 6005
Australia

Solicitors

Jeremy Shervington
52 Ord Street
West Perth WA 6005
Australia

Auditors

Ernst & Young
11 Mount Street
Perth WA 6000
Australia

Bankers

National Australia Bank Limited
50 St George's Terrace
Perth WA 6000
Australia

Share Registry

Computershare Investor Services Pty Ltd
Level 2, RBA Building
45 St George's Terrace
Perth WA 6000
Australia

Stock Exchange Listing

The Company is listed on the Australian Stock Exchange Limited
ASX Code: IDM

CORPORATE OBJECTIVE AND VISION



INDUSTRIAL MINERALS' OBJECTIVE

“To create and promote long-term sustainable shareholder value”

INDUSTRIAL MINERALS' VISION

- To be the first chromite foundry sand producer in the United States
- To recognize the importance of and support the development of economically sound minerals industries
- To commit to be stewards of the environment to promote responsible development of natural resources
- To partner with local communities to support economic growth and socially responsible programs



“ The Board of Industrial Minerals
is committed to pursuing a strategy
that will deliver long term ”
growth to shareholders.

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CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of your Board of Directors, I have pleasure in presenting the Annual Report and Financial Statements of Industrial Minerals Corporation Limited ("Industrial Minerals" or the "Company") and its controlled entity for the financial year ended 30 June 2007.

In August 2006 the Company issued a Prospectus offering public investors 40 million fully paid shares at an issue price of 20 cents per share with the Company reserving the capacity for oversubscriptions of up to a further 20 million shares. The offer of securities subsequently closed fully subscribed. The Company's securities commenced trading on the Australian Stock Exchange Limited ("ASX") in November 2006. The directors also made a final call of 15 cents on all the outstanding partly paid shares.

In September 2006, the Company received shareholder approval for the acquisition of Oregon Resources Corporation Inc. being the owner of the Oregon Heavy Minerals Project and the subsequent issue of the consideration securities to Resource Finance & Investment Limited. The Company also received approval for a change of name to Industrial Minerals Corporation Limited.

Following completion of the acquisition of the Oregon Heavy Minerals Project, the Company undertook the following activities during the year:

- relocation, re-commissioning and commencement of the operation of a 10tph pilot plant to the production and processing site at Coos Bay;
- increasing the resource profile of the Oregon Heavy Minerals Project by undertaking additional drilling and exploration;
- purchase of plant and equipment necessary for the full scale operation;
- exercising of an option to acquire land from Teck Cominco Limited located in Coos Bay, Oregon;
- completion of a contract for the design, engineering, construction and commissioning of the main processing plant for the Oregon Heavy Minerals Project; and
- finalising a proposal for project financing with the principal terms being a US\$25 million senior debt facility and US\$3 million revolving credit facility.

"The Board of Industrial Minerals is committed to pursuing a strategy that will deliver long-term growth to shareholders."

Industrial Minerals recorded a consolidated operating loss after tax of \$1,312,038 for the year ended 30 June 2007. The result was achieved on revenue of \$367,390 and operating expenses of \$1,679,428. The majority of the operating expenses incurred related to administration of the Company and expenses associated with the issue of options pursuant to the Employee Share and Option Plan during the financial year.

The 2007/2008 financial year will see the continuation of activities relating to the proposed development of the Oregon Heavy Minerals Project. The Company will also consider further investment opportunities that compliment the Company's existing operations.

The Board of Industrial Minerals is committed to pursuing a strategy that will deliver long-term growth to shareholders. Industrial Minerals is in a strong financial position with significant cash reserves and capacity to raise further funds via its project financing arrangements.

I wish to extend my sincere thanks to the Board of Industrial Minerals for their contributions and efforts to date. Appreciation is also extended to our shareholders for their support and we look forward to continued success in the financial year ahead.



Jeremy Shervington
Chairman

LETTER FROM THE CEO

Dear Shareholder,



Chief Executive Officer | Philip James Garratt

It has been an eventful and positive first year as a publicly held enterprise and I have been privileged to work with an outstanding group of professionals on a day-to-day basis and at board level. We are also very fortunate to have as shareholders some of the mineral sectors leading institutional investors and we appreciate their commitment in supporting our development.

This year our sole focus has been completing the many tasks necessary to ensure that we have the mineral sands extraction and processing operation complete and operational by the end of the first quarter of 2008, coupled with the delineation of our initial product offering derived from our unique suite of heavy minerals. All these tasks have provided challenges and some very complex issues. Resolution of one issue can often have a knock-on effect and create another. This is where the individuals with their unique expertise have come to the forefront and contributed to the problem solving and the overall deliverable by the team.

In our business, the choices for mineral separation plant design, engineering and construction are limited, and, in these times of industry plenty, it has been difficult to obtain commitment from many vendors to meet our desired schedule and general budget. Even though we are of the opinion that no one vendor is totally proficient in all aspects of the overall requirements that comprise a world class plant, we have been fortunate in working with Outotec (formerly Outokumpu Technology) as the principal contractor. Outotec has been a true partner both in keeping our needs and desires at the forefront of their decision making, and in demonstrating flexibility with accepting our requisite third party components for some critical aspects of our plant design.

Our overall plant design has several unique aspects which have been developed by our Director of Engineering and Processing, Todd Lessard, in conjunction with the vendor of our thickener component. These unique attributes will contribute to reduced costs for process water, transportation of processed material and more efficient environmental management techniques.

Prior to and during the year, we engaged the services of Daryl Hoyt, an individual highly regarded in the areas of foundry processes and materials utilized by specialty casting operations in the production of fine and complex castings. His input and the results of product testing and the high level of in situ valuable heavy minerals has complexities from a process and ultimate recovery perspective and requires much more creativity and ingenuity in the flow sheet design, than a typical plant. This complexity has added capital cost in our case, but is more than acceptable when return on investment criteria is applied.

In parallel with the tasks of flow sheet design, product definition and market delineation, is the significant task of permitting all aspects of the operation from preparation of the processing site for the pilot plant through to full operational activity. Cheryl Wilson has the responsibility of overseeing all regulatory, legal and community aspects of the project. The preparation of

“Our objective is to create an enterprise that delivers value to all our stakeholders be they a member of the community in which we operate, a customer, employee or shareholder.”

applications for exploration permits interlinks with the environmental group and is managed by Joe Drew our Chief Geologist. Bi-annual exploration and resource enhancement programs are also Joe's responsibility. Dan Smith, our Chief Operating Officer, amongst his many responsibilities, oversees and directs the environmental and engineering contractors.

All of the activity related to the project to date has been funded by equity capital contributed by our shareholders. This equity, coupled with a senior secured debt facility and revolving credit line, is currently expected to be sufficient to cover the construction and nameplate phase of the plant and working capital through to positive cash flow. The debt and revolving portion is the subject of a conditional proposal provided by a major US-based project finance lender and accepted (with conditions) by the Company. The principle condition this project finance lender has requested is final due diligence. The Company has indicated its willingness to accept the proposal subject to receiving all permits necessary for the commencement of construction and operation, without appeal. At the date of this report there has been an appeal filed against one of the permits granted by the County.

We are proud of the industry in which we operate and feel strongly that our mineral sands operation has many unique and positive attributes. Education and an informed and interested media are critical elements in the process of understanding the importance to everyone of mineral extraction and processing. The simple analysis of what makes up the majority of "things" we interface with everyday, and how life would be without them, is possibly something that is not often fully understood.

We have had a presence in Oregon and in particular Coos County since 1989 and expect to be operating in the region for at least another 20 years. Company management lives and raises their families in the Coos Bay community and the Company has made a commitment to contribute in a positive manner to the communities in which we operate. To this end, we envisage Southwestern Oregon Community College and the local high schools a priority. We intend to partner with the schools on programs for students who wish to learn about our industry. Hopefully, leading to full-time career opportunities when they graduate.

Summary

Industrial Minerals Corporation Ltd has a unique heavy mineral resource, coupled with experienced management who is capable of delivering consistent value over the long term. These attributes combined with our supportive institutional shareholder base, strong balance sheet and debt funding capability bodes well for our current and future projects.

Our very high grade multi-mineral suite presents challenges in process flow to obtain optimal recoveries. These challenges are preferred as opposed to trying to optimise recovery from marginal or low grade deposits. The same high grade provides an extremely robust financial model which could sustain profitable operation if mineral prices were to decline as much as 40% from current pricing.

We are fortunate to have a solid platform of industry experienced individuals and expect to add more during the coming months, particularly in the environmental and occupational health and safety areas. As with most in our industry, we have to compete to attract and retain good people.

I thank each of my colleagues for their focused effort and enthusiasm during the year as well as their ongoing commitment to building this enterprise for the benefit of all stakeholders. Our team is appreciative of the support provided by all our shareholders who have committed capital in support of this collective endeavour.



Philip James Garratt
Chief Executive Officer

DIRECTORS' REPORT



DIRECTORS' REPORT

The directors of Industrial Minerals Corporation Limited (“Industrial Minerals” or “the Company”) present their financial report with respect to the results of Industrial Minerals and its controlled entity (“the Group”) for the year ended 30th June 2007 (“the Balance Date”). The Group's presentation currency and the Company's functional currency is AUD (\$). The subsidiary's functional currency is USD (\$).

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

CURRENT DIRECTORS

QUALIFICATIONS EXPERIENCE AND SPECIAL RESPONSIBILITIES

**Jeremy David
Shervington**

B.Juris., LLB.
Non-Executive Chairman

Mr Shervington operates a legal practice in Western Australia. He specialises in the laws regulating companies and the securities industry in Australia. Mr Shervington has 25 years experience as a lawyer, gained since his admission as a Barrister and Solicitor of the Supreme Court of Western Australia. Mr Shervington has since 1985 served as a director of various ASX listed companies as well as a number of unlisted public and private companies. Presently Mr Shervington also serves as a member of the Audit and Compliance Committee.

Current Directorships of Listed Companies

Altera Capital Limited, Australian Zircon NL, Colonial Resources Limited, Emerald Oil & Gas NL, Industrial Minerals Corporation Limited, Prairie Downs Metals Limited and Western Uranium Limited.

Former Directorships of Listed Companies in last three years

BioProspect Limited, Biron Apparel Limited, Financial Resources Limited and Riversdale Mining Limited.

Philip James Garratt

Chief Executive Officer
Appointed 8 November 2006

Mr Garratt has over 25 years of experience at senior management levels in diverse enterprises. He was the President and Chief Executive Officer of the predecessor company to Resource Finance and Investment Limited, until he resigned in 1993. During his tenure, he commenced the Oregon and Kentucky projects as well as the precious metal exploration subsidiary in Venezuela. Mr Garratt rejoined the Company in July 2004 and in June 2006 became President and CEO and will oversee the next phase of development for Oregon.

Current Directorships of Listed Companies

Industrial Minerals Corporation Limited and Resource Finance and Investment Ltd (NASD OTC Bulletin Board).

Former Directorships of Listed Companies in last three years

Pharmanet Group Limited.

CURRENT DIRECTORS	QUALIFICATIONS EXPERIENCE AND SPECIAL RESPONSIBILITIES
<p>Michael James Brindley Brickell</p> <p>FCA. Deputy Chairman & Non-Executive Director Appointed 8 November 2006</p>	<p>Mr Brickell has over 40 years of experience at senior management levels in retail business enterprises in England, Europe and North America. He was the President of Resource Finance and Investment Limited from 1996 until June 2006 and is now Chairman of the Board. He is also Chairman and CEO of Cotswold Collections Limited a retail mail order company based in Cheltenham, England and is a Director of Cadillac Mining Corporation a junior resource company that has a public listing on the Canadian TSX Venture Exchange.</p> <p>Mr Brickell is a Fellow of the Institute of Chartered Accountants in England & Wales. Presently Mr Brickell also serves as chairman of the Audit and Compliance Committee.</p> <p>Current Directorships of Listed Companies Industrial Minerals Corporation Limited, Cadillac Mining Corporation (TSX), and Resource Finance and Investment Ltd (NASD OTC Bulletin Board).</p> <p>Former Directorships of Listed Companies in last three years None.</p>
<p>Daniel Frank Smith</p> <p>B.S. Geology Chief Operating Officer Appointed 8 November 2006</p>	<p>Mr Smith has over 20 years of experience in the mineral resources industry and a diverse range of management experience including mine management, operations management, project engineering and minerals exploration. He most recently was mining manager responsible for operations based in Florida and Georgia for Iluka Resources Inc, a subsidiary of Iluka Resources Limited, an industry leader in the global production, processing and sales of titanium minerals and zircon.</p> <p>Current Directorships of Listed Companies Industrial Minerals Corporation Limited.</p> <p>Former Directorships of Listed Companies in last three years None.</p>
<p>Cheryl Lynn Wilson</p> <p>Executive Director Appointed 8 November 2006</p>	<p>Ms Wilson has over 17 years of experience in the mineral resources industry and a wide range of management experience in banking, law, marketing and corporate development. She has vast experience on the Oregon Heavy Mineral Sands Project where she has been responsible for overall management and operations. She also manages the operations of Dynamex Resources Corporation, a base metal exploration project in Kentucky, USA.</p> <p>Current Directorships of Listed Companies Industrial Minerals Corporation Limited and Resource Finance and Investment Ltd (NASD OTC Bulletin Board).</p> <p>Former Directorships of Listed Companies in last three years None.</p>

CURRENT DIRECTORS	QUALIFICATIONS EXPERIENCE AND SPECIAL RESPONSIBILITIES
<p>Alec Christopher Pismiris</p> <p>B.Comm., ICSA. Executive Director & Company Secretary Appointed 8 November 2006</p>	<p>Mr Pismiris is currently an executive director of Capital Investment Partners Pty Ltd, a company which provides corporate advisory services. He is also the Company Secretary of several companies listed on ASX and company secretary of several public and private companies. Mr Pismiris completed a Bachelor of Commerce degree at the University of Western Australia and is an associate of Chartered Secretaries Australian. Mr Pismiris has over 20 years' experience in the securities, finance and mining industries. Presently Mr Pismiris also serves as a member of the Audit and Compliance Committee.</p> <p>Current Directorships of Listed Companies Colonial Resources Limited, Industrial Minerals Corporation Limited, Prairie Downs Metals Limited, Sundance Resources Limited and Western Uranium Limited.</p> <p>Former Directorships of Listed Companies in last three years None.</p>

DEPARTING DIRECTORS	
<p>Alan Gordon Coulthard</p>	<p>Mr Coulthard was appointed a director on 17 February 2004 and resigned on 8 November 2006.</p>
<p>Adam Rankine-Wilson</p>	<p>Mr Rankine-Wilson was appointed a director on 17 February 2004 and resigned on 8 November 2006.</p>

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report, the interest of the Directors in the shares and options of Industrial Minerals Corporation Limited were:

Director	Number of Ordinary Shares	Number of Options over Ordinary Shares
J D Shervington	1,475,000	612,500
P J Garratt	1,252,805	3,125,000
M J B Brickell	Nil	Nil
D F Smith	Nil	1,750,000
C L Wilson	Nil	2,750,000
A C Pismiris	1,650,000	575,000

EARNINGS PER SHARE

Basic earnings per share	(1.15) cents
Diluted earnings per share	(1.15) cents

C O R P O R A T E I N F O R M A T I O N

CORPORATE STRUCTURE

Industrial Minerals Corporation Limited is a company limited by shares that is incorporated and domiciled in Australia. Industrial Minerals Corporation Limited has prepared a consolidated financial report incorporating an entity that it acquired during the financial year, which is outlined in note 24 of the financial statements.

PRINCIPAL ACTIVITIES

The principal activities of the Company throughout the year have comprised of the following: the acquisition of a 100% interest in Oregon Resources Corporation Inc., a USA unlisted company being the owner of the Oregon Heavy Minerals Project;

- raising \$8.0 million under a public offer of shares made under a Prospectus;
- raising \$459,375 from the final call on 3,062,500 partly paid shares;
- transportation and commissioning of the 10tph pilot plant in Coos Bay, Oregon;
- commencement of exploration activities on the Oregon Heavy Minerals Project;
- contracting for the design, engineering, construction and commissioning of the main processing plant for the Oregon Heavy Minerals Project;
- raising \$8.8 million by a placement of ordinary shares to sophisticated investors under a Prospectus to meet the equity component of the project financing requirements for the construction and completion of commissioning of the main processing plant and working capital;
- securing a commitment for the provision of project financing for the construction and commissioning of the main processing plant;
- acquisition of land and plant and equipment necessary for commencement of full scale operation;
- investing cash assets in interest bearing bank accounts; and
- the general administration of the Company.

EMPLOYEES

The Group employed 9 employees as at 30 June 2007 (2006: nil employees).

D I V I D E N D S

No dividends in respect of the current or previous financial year have been paid, declared or recommended for payment.

OPERATING & FINANCIAL REVIEW

The Company entered into an agreement with Resource Finance & Investment Limited ("RFI") to acquire a 100% interest in Oregon Resources Corporation Inc. ("Oregon"), a wholly owned subsidiary of RFI. The principal features of the transaction were:

- a pre IPO capital raising to raise \$1.6 million which was completed in the prior financial year;
- a final call of 15 cents on 3,112,500 partly paid shares which was made in August 2006;
- the Company advancing funds to Oregon for working capital requirements with RFI guaranteeing the repayment of the loan;
- the acquisition of the entire issued capital of Oregon from RFI with the consideration comprising the issue of 70 million shares and 30 million performance shares;
- the issue of a Prospectus to raise a minimum cash subscription level of \$8 million and a maximum cash subscription level of \$12 million;
- change of name to "Industrial Minerals Corporation Limited"; and
- the reconstitution of the Board to comprise nominees of RFI.

In November 2006 the Company was admitted to the official list of the Australian Stock Exchange Limited and its securities commenced trading on 8 November 2006. The listing resulted in the granting quotation for approximately 54.4 million shares issued at 20 cents together with the 2.3 million 20 cent options. The Company also completed the acquisition of Oregon by issue of 70 million shares and 30 million performance shares to RFI at an issue price of 20 cents per share.

In December 2006 the 10tph pilot plant was commissioned and a Conditional Use Permit was granted by Coos County for limited production on the main processing site. Approximately 12 tons of material was shipped to Outokumpu Mineral Separation facilities in Jacksonville Florida for wet and dry separation, which would assist with the final design of the main processing facility. This material was a representative sample taken from the four main deposit areas. Initial results from the first stage wet gravity process provided recorded 90% chromite recovery. The tails or residue from the first stage were found to contain 8% heavy minerals which further tests through a second stage spirals were undertaken to ascertain the level of valuable heavy mineral capture.

As a consequence of the results achieved from primary separation of the main valuable heavy mineral constituents coupled with favourable market conditions and property acquisitions covering approximately 6,000 acres, an increase in the throughput capacity of the main plant was considered. Management determined that a significant capacity increase (approximately 80%) could be implemented with a slight increase (<20%) in the capital cost estimated for a 400,000 tpa plant.

In January 2007 the Company commenced a 200 hole drill program with the principal objective being to verify and delineate two resources previously defined by the U.S. Bureau of Mines located within the project area and to explore the established marine terrace systematically for new resources within the project area and thirdly, to expand the quantifiable resource in compliance with JORC standards.

In May 2007 the Company announced its intention to raise \$14.0 million by a share placement to sophisticated investors to meet the equity component of the project financing requirements for the construction and completion of commissioning of the main processing plant for the Oregon Heavy Minerals Project and working capital. The share placement was completed in two tranches as follows:

- the first tranche comprising of a placement of 22.0 million shares to sophisticated and international investors at an issue price of 40 cents to raise \$8.8 million within the Company's 15% share issue capacity was completed on 11 June 2007.
- the second tranche comprising of a placement of 13.0 million shares to sophisticated investors at an issue price of 40 cents to raise \$5.2 million which required approval by shareholders at general meeting held on 26 July 2007.

In June 2007 the Company's applications for the conditional use permits for the processing plant and associated

mining sites in Coos Bay, Oregon were heard by the Coos County Planning Commission ("Commission") in a public hearing which included testimonies by Industrial Minerals and its technical consultants and the general public. The Commission also held written records open through July 2007. All participants had an opportunity to provide additional written submissions to address concerns raised in the hearing and provide final written arguments as to the merits of the applications.

The Commission re-convened in August 2007 to deliberate the merits of the two applications and approved the two applications for the conditional use permits for its processing plant and associated mining sites in Coos Bay.

In June 2007 the Company reached substantial agreement with Outotec (USA) Inc. (formerly Outokumpu Mineral Separation Technologies Inc.) on the terms of final contract for the design, engineering, construction and commissioning of the main processing plant. Outotec will be prime contractor for the project responsible for the supply of the majority of principal components of the wet and dry separation processes. Industrial Minerals will take responsibility for contracting Eimco for the thickener and related technology as well as the supply of concrete. The total estimate for all aspects of the contract including the current design and engineering with Outotec and other third party equipment supply install and commissioning is US\$35 million.

In June 2007 the Company received a proposal for project financing from a leading commercial finance corporation. The principal terms are for a US\$25 million senior debt facility and US\$3 million revolving credit facility. The facility is subject to the proposed lender completing a final due diligence and Industrial Minerals making a US\$250,000 payment to cover legal and documentation expenses related to the provision of the debt.

OREGON HEAVY MINERALS PROJECT

PROPERTY AND MINERAL INTERESTS

The Project is situated in a favourable setting for national and international transportation and is within a short distance of a deep-sea shipping port. The region has a well qualified work force experienced with technical equipment related to processing and milling of forest products. Abundant heavy equipment and repair facilities are located in the area. Most of the deposits are located within one-half mile of all-weather paved roads and are accessible by all-weather gravel roads.

Coos County has a mild and humid marine climate. From March through October the area is subject to prevailing winds from the northwest and from November through February winds come mainly from the southwest. Average annual temperatures range from a high of 35 degrees to a low of 10 degrees Celsius with average annual precipitation of 63 inches.

The Project is located in an area comprising of three elevated terraced deposits with approximate average elevation between 100 and 400 feet above sea level and largely consists of undeveloped timberlands that can, after mining, be reclaimed either to forest lands or alternate use.



GEOLOGY AND MINERALISATION

Exploration by the U.S. Bureau of Mines and by Oregon Resources Corporation has identified heavy mineral sands deposits in the Cape Arago area of southwest coastal Oregon. Exploration data shows the existence of multiple minerals including chromite, garnet, zircon, ilmenite and magnetite. The mineral deposits identified consist of mineral sands that occur on ancient beach terraces that range over a 240 square kilometre coastal

plain. Over several millennia, ocean wave action tends to carve a flat terrace at the base of a sea cliff. In southwestern Oregon, the earth's crust has lifted the coast line above sea level intermittently over the past several hundred thousand years. As a result, several distinct wave-cut beach terraces can now be found inland from the present coastline, elevated above sea level. As beach terraces form, the waves erode the receding sea cliffs. Additional sediments come from coastal streams. Heavy minerals are concentrated on the lower layers of sand covering the beach terrace. Mineral deposits consisting of loose rock fragments, such as these beach sands, are referred to as placers. Along the southwestern Oregon coast, eight known terraces formed during the last few million years at elevations ranging from 10 metres to 770 metres. Over 30 mineral sands placer occurrences are known.

PREVIOUS EXPLORATION

The southwest region in Oregon has a long and varied mining history. Gold was first produced in this area in the mid-1800s. Production also took place inland on some of the ancient marine terraces. During World War II to assist in the war effort, chromite ore was extracted from local mines by the Krome Corporation and Humphrey Gold Company.

In 1947, the U.S. Bureau of Mines identified an estimated 8.9 million short ton of heavy mineral sands resource having an average chromite content of 12%. During World War II, chromite was produced from 1.8 million metric tons of mineral sands.

During the 1970's, the U.S. Bureau of Mines sampled and prepared geological maps of certain mineral sands deposits, analyzed historical exploration and production records of Krome Corporation and Humphrey Gold Company and drilled over 100 exploration holes. It is estimated that approximately 220,000 tons of chromite were produced during the 1940s with no record of significant production since that time.

CONCEPTUAL MINE PLAN

The main components for a heavy mineral sands operation are excavation equipment, wet and dry mills, laboratory and storage facilities. Rubber-tired front end loaders will extract and move the mineral sands material. The soil and overburden materials will be removed via truck and front-end loader method and stockpiled adjacent to the working site. Stockpiling next to the worksite allows for ready access and retrieval during the ongoing backfill and reclamation program.

RECLAMATION

Twenty to forty acres of land will be disturbed at one time. This is achievable because, due to their geologic nature, the deposits are narrow elongated strandlines. Restoration of the site is designed to be part of the on-going operation. Reclamation encompasses the back-filling, contouring and grading of all disturbed areas.

Concurrent with mining, topsoil will be collected by dozing, scraping or grading and either immediately placed on areas being regenerated or temporarily stockpiled close to the edge of operations until it can be replaced when land reclamation is being completed. Overlying terrace sands (overburden) will be continuously moved to backfill excavated areas. Once overburden is recycled into the excavated areas, it will be re-contoured to blend with the natural setting. Depending on zoning and desired practical use, sites can be reclaimed to forest lands, wetlands, grazing or cranberry bogs. Because this operation breaks up and blends the soil into a uniform mixture, it is believed that by eliminating any hardpan, the tree root structure will better penetrate the soil and therefore have a beneficial effect on forestry production.

SEPARATION OF MINERALS

The wet mill separation stage will reduce the bulk of the material being handled and produce a rough concentrate which contains the majority of the heavy minerals. The wet separation plant, located directly adjacent to the dry plant, will screen and wash the sands.

Gravity separation of minerals will then be achieved by pouring the water/sand slurry down through spiral concentration coils. As the sand slurry slides down the spirals, heavier grains will be separated from the lighter grains. No environmentally harmful chemicals are used in the operation. Approximately 60% of the material removed will be returned to the excavated area and resulting heavy mineral concentrate will be moved by conveyor and front end loader to the dry mill plant, located at the same site. By exploiting

electrostatic and magnetic susceptibility differences in mineral species, separation of wet mill concentrate into individual products can be achieved. Electrostatic separation divides the concentrate into conductors and non-conductors. Metals such as chromite, ilmenite, and rutile are typical of the conductor stream. Non-metals, such as zircon, garnet, and staurolite are passed into the non-conductor stream. The conductor and non-conductor streams are then subjected to variable high-intensity magnets that further separate the concentrates into magnetic and non-magnetic products. Minerals containing elemental iron will be susceptible to the magnets. Chromite, ilmenite, garnet, and staurolite contain iron, thus are successfully pulled by magnetic separation. Zircon and rutile are two common non-magnetic minerals that are not affected by the high-intensity magnet separators. Additional gravity and screening will assist in achieving various product control specifications.

PLANT DESIGN, CONSTRUCTION AND PERMITTING

In 2006, the Company purchased a pilot wet concentrating plant for material testing. In August 2007, material was processed successfully through the pilot plant. The heavy mineral concentrate was sent to another facility to be processed through the dry stage, with the final product to be used for testing by potential customers.

The Company is in the final design stages of the processing plant. In August 2007, the Company received a Conditional Use Permit from the Coos County Planning Commission for the processing plant.

Also in August 2007, the Company received a Conditional Use Permit from the Coos County Planning Commission for the mining sites. A Notice of Appeal has been filed by a nearby property owner on this Permit. The Board of County Commissioners will render its decision on the appeal within sixty (60) days.



MARKETING AND SALES

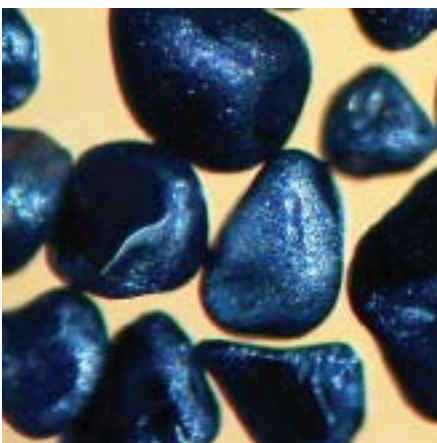
The Company presently has three primary minerals that are marketable products. These minerals in order of volume are:

- Chromite
- Garnet
- Zircon

The chromite and garnet products to be produced have undergone rigorous testing and comparison analysis for market placement and pricing validation.

Chromite

The chromite is a unique sand that has applications in the foundry industry as a molding sand. This has been confirmed through extensive testing performed by the foundry laboratory of the University of Northern Iowa ("UNI") under the supervision of senior foundry sand technology consultant, Mr. Daryl Hoyt. Mr. Hoyt is a respected foundry-man who has authored many technical papers and is the recipient of numerous awards for his industry achievements.



The majority of chromite foundry sand used in the world today is sourced from South Africa, as most other sources are not suitable. The annual consumption of chromite foundry sand is <> 600,000 m/tons of approximately 20 million m/tons (2006) of total production (International Chromium Development Association 2007). The majority of chromite produced is destined for the production of ferrochrome. The chemical make-up of the Company's chromite is identical to South African foundry grade, with its low silica content being an important factor. However, there are some noteworthy differences and advantages over the South African chromite.

The Oregon chromite is much finer with an 80-85 AFS GFN (General Fineness Number) as compared with the South African chromite at 50-55 AFS GFN. Another unique characteristic is the well rounded grain structure compared to the irregular angular structure of South African chromite. A more rounded finish means less surface area which reduces the amount of binding agent required by the foundry. The binder is glue like and is mixed with foundry sand prior to lining the casting or mold. The binder keeps the sand uniform against the wall of the casting. Tests have demonstrated that the Oregon chromite produces castings with higher core tensile strength (the point at which a casting would break - the higher the tensile the better) as well as providing a superior finish to the South African chromite.

A large US regional foundry produced castings from a 100 lb sample of the Oregon chromite and confirmed the results in a letter to which stated ..."We ran a comparative test using your (Oregon) Chromite product vs. an Australian zircon. The sands were both used in our core process using the same binder types and percentages. The cores were used to manufacture hydraulic control valves that have extremely critical internal passage ways to minimize temperature and other heat to heat variations. The results from the above trial were encouraging. The castings produced, using your chromite product for cured passage ways, exhibited far superior surface finish with no metal penetration or veining".

One of the objectives of the test work at UNI was comparing the Oregon chromite and zircon. The Oregon chromite was equal to zircon foundry sand in tensile strength and had a similar finish, unlike the South African chromite which had a lower tensile strength and not as good of a finish. The UNI testing compared:

- Oregon chromite with Australian and South African zircon;
- Blending Oregon chromite with South African chromite.

In all cases the results were an improvement in tensile strength as well as finish. These results assisted in the definition of a market strategy which focuses on the positive aspect of creating a higher value product(s) instead of going 'head to head' with South African chromite. This blended material is an enhancement over the currently used South African chromite. The Oregon chromite can be substituted for the much more expensive zircon foundry sand or can be blended with zircon.

Through its own and third party distribution channels, the Company is expecting to place approximately 60,000 tons of its foundry chromite into the world market. Current plans indicate that approximately 65% will be exported.

The Chromite Market

The Company is in a very good position as the only North American producer of a specialty chromite foundry product. In the spring of 2007, both India and South Africa recognized that exporting their chromite ore was harmful to their ferrochrome industries. India applied a \$45.00 per ton surcharge on chromite exports and South Africa has been reviewing either an outright ban on its chromite exports or an export tax. This bodes well for Oregon chromite since there will be more internal demand for South African feed material for domestic ferrochrome production and less for foundry sand export. Since early 2007, the price of chromite used as ferrochrome feed has increased significantly. This coupled with the new dynamic of pelletisation has reduced the supply of finer chromite grades which have been historically sold as foundry sand.

This pelletisation process creates larger material from the fines and enables the end product to be sold as ferrochrome feed. Due to the price differential that currently exists between foundry sand and ferrochrome feed, we expect that the pelletising process will increase and further reduce supply of fine chromite for foundry application.

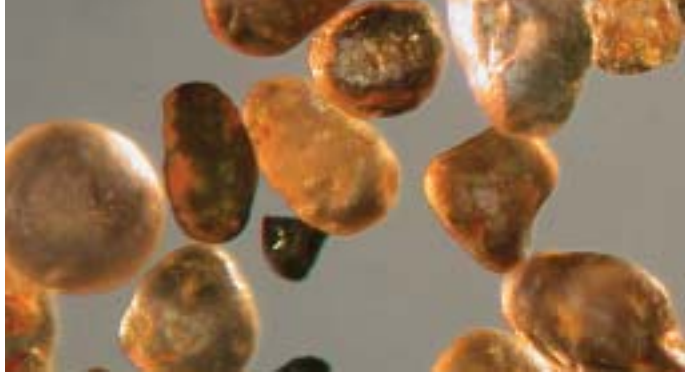
In fourth quarter of 2007, the Company will begin large scale testing of one ton chromite samples with select North American and international foundries. Contract terms are currently being discussed for expected 2008 production.

The Company's mineral deposits and processing facilities are well situated at a deep sea port with excellent rail and road transport enabling product shipment to domestic or international destinations.

Garnet

The Company's garnet has been determined to be suitable for feedstock as an abrasive for water jet cutting.

Water jets are machines that use very small volumes of water mixed with an abrasive (90%+ garnet in most applications) and use specialized pumps that can generate pressure up to 50,000 pounds per square inch. It produces a laser like stream of high pressure material that can cut through steel, aluminum, etc.



The Oregon garnet has been comparison tested by the water jet division of Ingersoll Rand; as well as Omax, a leading water jet equipment manufacturer. In both cases the Oregon garnet was tested against Barton Mines #80 HPX, regarded as a superior water jet garnet. The most recent Omax testing reported "The Oregon garnet cut at 95.8% efficiency cutting aluminum vs. the Barton garnet. The Oregon garnet cut at 90.9% efficiency cutting steel vs. the Barton Garnet."

The Oregon garnet demonstrated that it could be a lower cost substitute of the Barton garnet. The Oregon garnet is a finer material than the Barton #80 garnet, which allows for a smoother surface finish. Due to this, the Oregon garnet has other applications where a fine finish is required, such as furniture, finished steel, aluminum etc.

Currently, the US consumes close to 75,000 tons of garnet in water jet use. The US water jet industry is growing at around 10% per year. The US does not domestically produce enough garnet for US consumption. The majority of garnet is sourced from Western Australia, China and India. Oregon has an excellent logistics advantage in providing its garnet for the large US West Coast water jet companies.

Currently, garnet producers and end users are comparison testing the Oregon garnet. Management is optimistic that prior to the commencement of production the Company will have secured commitments for the entire planned 2008 production.

Zircon

Due to its superior heat resistant characteristics (high melting point), zircon is used in refractory bricks as well as foundry sand. It is typically used in specialized applications such as glass making, aluminum engine block casting and investment casting. Zircon is also well suited for ceramic tile glazing as well as zirconium metal.

Australia has historically been the world's largest producer of zircon, with the global production of zircon being concentrated to a small number of countries, totalling 1.184 million tonnes in 2006. Zircon demand is rising due to increased use in ceramics and zircon metal with China being the lead on consumption in those areas.

The Oregon zircon chemical specifications are equivalent to Australian and South African product. The Company's production of zircon will be less than 1% of the total worldwide supply and the Coos Bay location has excellent access to the large Asian zircon markets. Chinese zircon consumers have expressed interest in the Oregon zircon and will be receiving zircon samples as soon as the bulk sample is finished in last quarter of 2007.

Other Minerals

As chromite and garnet constitute a significant portion of the overall value of the mineral sand ore, the main focus has been on developing these markets. However, there are other valuable heavy minerals in the deposits, which are:

- Ilmenite
- Kyanite
- Magnetite
- Staurolite

Limited work has been performed on these minerals, with the exception of the magnetite.

Ilmenite: This material contains chromite that was not able to be separated from the ilmenite. There is a possibility that this product could have refractory applications. When the bulk sample work is completed in the last quarter of 2007, there will be samples available to undertake test work for refractory applications.

Kyanite and Staurolite: These two minerals report together from the processing and have not been satisfactorily separated. They are known as aluminium-silicates and have a potential (if not contaminated by any other minerals) in foundry applications. However if other minerals are present that cannot be easily separated, the kyanite/staurolite based on their hardness have a good possibility of being a low cost abrasive. When the bulk testing is finished in the last quarter of 2007, adequate samples will be available to determine possible foundry or abrasive applications.

Magnetite: There have been limited samples of magnetite available and submitted to the University of Northern Iowa foundry lab as a potential feedstock for "deveining" applications. The Oregon magnetite does not have as high an iron content as most magnetite; however, it has more ilmenite (TiO₂) which gives it a unique chemistry. Limited testing has indicated that the magnetite has to be ground to a much finer size for potential foundry applications as a deveining material. When samples are available from the bulk sample, further testing will be initiated. If the magnetite has application as a deveining feedstock, it could double in price over the current market price.

These other minerals require further evaluation with no guarantee that they will have value.

RESOURCES, RESERVES AND EXPLORATION

Current Resources and Reserves

The past year has been a successful one, as an aggressive drilling program started February 2007 delineating not only what would become a significant resource play in the area, but the expansion of known deposits. Through this program, we have expanded our resources and gained valuable geological, mineralogical, and metallurgical information that will be instrumental in proving reserves.

Ore Reserves

Ore reserve totals for the year have not changed (Table 1). The management team has spent the past year developing updated costs that will ultimately be used to evaluate the resources in play. The Company has also diligently analysed bulk samples acquired from previous drill samples to gain knowledge regarding the complete mineralogy (and product saleability) of the deposits.

TABLE 1. SUMMARY OF MINERAL RESERVES

Deposit	Resource Category	Ore Short Tons (Mt)	<i>In Situ Assemblage</i>					
			HM Tons (Mt)	HM Grade (%)	Chromite Grade %	Garnet Grade %	Zircon Grade %	Magnetite Grade %
North Seven Devils	Probable	0.49	0.17	34.8	15.2	1.7	1.2	1.5
South Seven Devils	Probable	0.60	0.26	43.4	15.3	6.0	1.8	1.5
Shepard	Probable	0.29	0.18	62.3	13.7	8.3	0.8	1.8
Total		1.38	0.61	44.4	14.9	5.0	1.4	1.6

Mineral Resources

The successful exploration program which started February 2007 helped delineate an additional 3.65 million tons of mineral resource. The largest advancement was in the West Bohemia deposit. Previous estimates of this extensive terrace deposit were 1.29 Mt. Drilling results have now added an additional 2.88 Mt of resource for a grand total of 4.17 Mt (3.17 Mt measured, 1.0 Mt indicated). At the location of this deposit is adjacent to previously delineated deposits (Westbrook and North Seven Devils), this represents an excellent find. A complete listing of mineral resources can be found in Table 2.

In addition to the West Bohemia addition, the North and South Seven Devils deposits were extensively drilled, primarily for edge definition, but with the hopes that additional resources would be found. A total of 0.18 Mt (measured) and 0.58 Mt (indicated) were added to South and North Seven Devils, respectively.

TABLE 2. SUMMARY OF MINERAL RESOURCES

Deposit	Resource Category	<i>In Situ Assemblage</i>						
		Ore Short Tons (Mt)	HM Tons (Mt)	HM Grade (%)	Chromite Grade %	Garnet Grade %	Zircon Grade %	Magnetite Grade %
South Seven Devils	Measured	0.18	0.08	43.4	13.1	4.8	1.0	1.5
Westbrook	Measured	0.73	0.16	21.9	9.0	1.0	0.6	0.1
West Bohemia	Measured	3.17	0.57	17.9	7.3	1.9	0.3	0.1
Total		4.08	0.80	19.7	7.9	1.9	0.4	0.2
West Bohemia	Indicated	1.00	0.18	17.9	7.3	1.9	0.3	0.1
North Seven Devils	Indicated	0.58	0.18	31.5	10.2	3.3	0.6	1.5
Shepard	Indicated	1.87	-	-	7.6	-	-	-
Section 33 Deposit	Indicated	1.66	-	-	8.9	-	-	-
South Slough	Indicated	2.59	-	-	7.4	-	-	-
Pioneer Eagle	Indicated	0.80	-	-	13.8	-	-	-
Rose	Indicated	0.04	-	-	14.4	-	-	-
West Section 10	Indicated	0.03	-	-	10.8	-	-	-
Section 36 Deposit	Indicated	0.12	-	-	7.3	-	-	-
Butler	Indicated	0.12	-	-	15.7	-	-	-
Total		8.81	-	-	8.6	-	-	-
Grand Total		12.89	-	-	8.4	-	-	-

Exploration

With the Company's geologic model tested and proven, future exploration will continue to branch out from currently delineated resources. Because much of the adjacent beach terraces are relatively unexplored, there is great optimism that further mineral resources will be delineated close to existing deposits.

The Company is committed to exploration and further delineation of mineral resources. Total footage drilled last year was 3500 ft (sonic core) bringing the total footage drilled by the Company since inception to 19,000 ft. In the coming year, it is estimated that the Company will drill an additional 8,300 ft of sonic core. This commitment to exploration underpins the drive for not only successful implementation of mining and processing, but to sustainable operations for years to come.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Joseph D. Drew, who is a Member of The Australasian Institute of Mining and Metallurgy. Joseph D. Drew is employed as Director of Geology by Oregon Resources Corporation.

Joseph D. Drew has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking 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'. Joseph consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Tenement Information

The Group's rights to mineral resources are provided by private parties under terms of leases held by Oregon Resources Corporation Inc. ("Oregon Resources"). The federal and state governments do not own or control mineral rights on these private lands. However, permits from various governmental agencies are required in order to conduct mineral exploration or mining activities.

At the Balance Date Oregon Resources held leases with two private parties, Weyerhaeuser and Yoder. During the period 1 two permits were granted by the State of Oregon to conduct exploration activity on the Weyerhaeuser property. Oregon Resources has applied for mining permits but has not yet received approval to proceed.

Oregon Resources is presently preparing a permit application to conduct exploration on the Yoder property within two months.

In September 2007, Oregon Resources completed the fee simple acquisition of the Westbrook property. As a consequence, Oregon Resources will own 100% of the mineral resources at Westbrook subject to existing royalties on production.

Terms of Lease Agreements

Weyerhaeuser:

Effective date of lease:	1/1/2006	
Base term of lease:	10 years	
Royalty:	3.5% of gross receipts - mineral sands and 5% of gross receipts of any precious minerals	
Minimum Future Royalty Advance:	12/1/2007	\$25,000
	12/1/2008 - 2012	\$50,000 per year (5 years)
	12/1/2013 - 2014	\$100,000 per year (2 years)
Leased Area:	Approx. 1,856 acres	

Yoder:

Effective date of lease:	1/9/2003	
Base term of lease:	5 years	
Royalty:	US\$0.875 per ton mined - Mineral Sands and 10% of net smelter returns of any precious minerals	
Minimum Future Annual Payments:	1/9/2008 - 2011	\$6,400 per year (4 years)
Leased Area:	Approx. 320 acres	

FINANCIAL OVERVIEW

OPERATING RESULTS FOR THE YEAR

The Company's consolidated operating loss after income tax was \$1,312,038. This result was in line with expectations and reflected the operating costs incurred over the financial year and comprised largely of costs associated with the general administration of the Company and compliance expenses incurred during the year. There was an expense of \$604,449 (non-cash) recognised pursuant to the grant of 10,250,000 options to directors and eligible executives of the Group under the Employee Share and Option Plan.

REVIEW OF FINANCIAL CONDITION

During the financial year the Company raised approximately \$22.86 million from its capital raising activities which included an offer of 40 million shares at an issue price of \$0.20 per share under a Prospectus dated 3 August 2006 and an offer of 35 million shares to sophisticated investors at an issue price of \$0.40 per share under a Prospectus dated 8 June 2007.

During the year the Company utilised funds received from the offer made under the Prospectus dated 3 August 2006 and the final call of 15 cents on the outstanding partly paid shares in the following manner:

- meet the costs of due diligence investigations conducted during the year;
- transportation and commissioning of the 10tph pilot plant in Coos Bay, Oregon;
- increasing the resource profile of the Oregon Heavy Minerals Project by undertaking additional drilling & exploration;
- contracting for the design, engineering, construction and commissioning of the main processing plant for the Oregon Heavy Minerals Project;
- acquisition of land and plant and equipment necessary for commencement of full scale operation;
- investing cash assets in interest bearing bank accounts;
- funds for the administration of the Group; space and
- meet the expenses of the offer of shares under the Prospectus.

Liquidity and Capital Resources

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the year ended 30 June 2007 of \$17,283,831 (2006: \$884,341). Operating activities generated \$749,929 (2006: \$22,557) of net cash out-flows. During the financial year the net cash out-flow from investing activities of \$2,829,519 (2006: \$594,328) was mainly attributable to purchases of property, plant and equipment and expenditure relating to exploration and evaluation of the Oregon Heavy Minerals Project. There was a \$20,863,279 net cash in-flow (2006: \$1,501,226) from the capital raising activities during the year.

The significant cash flow items for the Group during the financial year consisted of:

- funds received from the offer made under the Prospectus dated 3 August 2006 and the final call of \$0.15 on all the outstanding partly paid shares;
- interest income from interest bearing bank accounts;
- payments relating to the evaluation of the Oregon Heavy Minerals Project;
- payments for land and plant and equipment;
- payment of capital raising expenses; and
- payments to employees, contractors and suppliers.

Share Issues

The Company issued the following shares during the financial year:

- 500,000 shares issued in July 2006 at an issue price of \$0.005 to a seed capital investor;
- 2,987,500 shares issued in September 2006 pursuant to the payment of a final call on partly paid shares; 40,000,000 shares issued in November 2006 at an issue price of \$0.20 to investors pursuant to the Prospectus dated 3 August 2006 to raise \$8,000,000;
- 70,000,000 shares issued in November 2006 at an issue price of \$0.20 to Resource Finance & Investment Limited representing consideration for the acquisition of Oregon Resources Corporation Inc.;
- 30,000,000 performance shares issued in November 2006 at an issue price of \$0.20 to Resource Finance & Investment Limited representing consideration for the acquisition of Oregon Resources Corporation Inc.;
- 2,000,000 shares issued in November 2006 at an issue price of \$0.20 representing payment of a corporate advisory fee;
- 22,000,000 shares issued in June 2007 at an issue price of \$0.40 to sophisticated investors pursuant to the Prospectus dated 8 June 2007 to raise \$8,800,000;
- 75,000 shares issued in June 2007 pursuant to the payment of a final call on partly paid shares; and
- 25,000 shares issued in June 2007 pursuant to the exercise of options exercisable at 20 cents and expiring 31 December 2009.

As at the Balance Date four shareholders each holding equal parcels of 12,500 partly paid shares had not paid the final call of 15 cents per share. As a consequence of the final call not being paid and in accordance with forfeiture notices issued to these shareholders by the Company in May 2007, ownership of the 50,000 outstanding partly paid shares has reverted to the Company. The Company intends to dispose of these partly paid shares by way of a share auction.

Treasury Policy

The Board is responsible for the treasury function and managing the Group's currency risks and finance facilities management. Treasury management is a recurring agenda item at meetings of the Board.

Risk Management

The Board takes a pro-active approach to risk management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process and as such has not established a separate risk management committee. Risk management is a recurring agenda item at meetings of the Board.

Grant of Options

The company granted and issued the following options under the Employee Share and Option Plan during the financial year:

- 1,812,500 options exercisable at 20 cents expiring 02 November 2008 to directors in November 2006 for no consideration as part of their remuneration;
- 3,625,000 options exercisable at 25 cents expiring 02 November 2009 to directors in November 2006 for no consideration as part of their remuneration; and
- 1,812,500 options exercisable at 30 cents expiring 02 November 2010 to directors in November 2006 for no consideration as part of their remuneration.

The company granted the following options under the Employee Share and Option Plan during the financial year:

- 625,000 options exercisable at 20 cents expiring 02 November 2008 to the Chief Financial Officer in May 2007 for no consideration as part of his remuneration;
- 1,250,000 options exercisable at 25 cents expiring 02 November 2009 to the Chief Financial Officer in May 2007 for no consideration as part of his remuneration;
- 625,000 options exercisable at 30 cents expiring 02 November 2010 to the Chief Financial Officer in May 2007 for no consideration as part of his remuneration;
- 180,000 options exercisable at 30 cents expiring 05 May 2009 to the Office Administration Manager in May 2007 for no consideration as part of her remuneration;
- 180,000 options exercisable at 32.5 cents expiring 05 May 2010 to the Office Administration Manager in May 2007 for no consideration as part of her remuneration; and
- 140,000 options exercisable at 35 cents expiring 05 May 2011 to the Office Administration Manager in May 2007 for no consideration as part of her remuneration.

Summary of Shares and Options on the date of the Director's Report

As a result of the various issue of shares and options during the financial year and since the Balance Date, the Company has the following securities on issue as at the date of the Directors' Report;

Security Description	Number of Securities
Fully paid shares	165,719,500
Performance shares	30,000,000
Partly paid shares	50,000
Options exercisable at 20 cents expiring 31 December 2009	8,918,000
Options exercisable at 20 cents expiring 02 November 2008	1,812,500
Options exercisable at 25 cents expiring 02 November 2009	3,625,000
Options exercisable at 30 cents expiring 02 November 2010	1,812,500

Unissued shares

As at the date of this report, there were 16,168,000 unissued ordinary shares under options (16,287,500 at Balance Date). Refer to the remuneration report for further details of options outstanding.

Option holders do not have any right, by virtue of the options, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

There were 25,000 shares issued during the financial year on the exercise of options which were exercisable at 20 cents and expiring 31 December 2009.

As at the date of this report there have been 119,500 shares issued since the Balance Date on the exercise of options which were exercisable at 20 cents and expiring 31 December 2009.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Except as otherwise set out in this report, the Directors are unaware of any significant changes in the state of affairs or principal activities of the Company that occurred during the period under review.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

At a general meeting of shareholders held on 26 July 2007, the share placement announced in May 2007 was approved. The share placement comprised of the issue of 35 million shares at an issue price of 40 cents per share in two tranches under a Prospectus. The second tranche of the share placement was completed subsequent to the shareholder meeting by the issuance of 13 million shares to sophisticated investors to raise \$5.2 million.

In August 2007 the Coos County Planning Commission approved the two applications for the conditional use permits for its processing plant and associated mining sites in Coos Bay, Oregon. Interested parties with standing were given an opportunity to appeal the Commission's decisions to the Board of County Commissioners within fifteen days of the mailing of the decisions. The Company was advised that an appeal was filed against the mine site permit. There has been no appeal lodged against the processing permit.

On 5 September 2007 a Purchase and Sale Agreement was executed with the Coquille Tribe for the purchase of the Westbrook property. The total consideration for the land acquisition was \$US1,600,000 comprising of an initial payment of \$US300,000 on execution and the balance of \$US1.3 million due in January 2009.

Commencement of a further exploration program on the Oregon Heavy Mineral Project during September 2007 with an expenditure commitment of approximately \$US500,000.

In September 2007 the Company initiated purchase orders relating to the construction and commissioning of the main processing plant for the Oregon Heavy Minerals Project.

Other than the matters detailed above no circumstance has arisen since the Balance Date which has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board of Directors intends to continue with development of the Oregon Heavy Minerals Project and will seek to identify new investment opportunities in the resources sector that will compliment the Group's existing operations.

Further information on likely developments in the operations of the Group has not been included in this report because at this stage the directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental regulations under Federal, Commonwealth or State legislation.

REMUNERATION REPORT

The information in this section is audited.

This Remuneration Report outlines the director and executive remuneration arrangements of Industrial Minerals Corporation Limited and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporation Regulation 2M.6.04. For the purpose of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing

and controlling the major activities of the company and the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent and the group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, general managers and secretaries of the parent and the group.

Remuneration Philosophy

The Board of Directors of Industrial Minerals Corporation Limited is currently responsible for determining and reviewing compensation arrangements for the directors and senior executives of the Group. The Board's remuneration policy has been implemented to ensure that the remuneration package properly reflects the person's duties and responsibilities, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The policy seeks to provide remuneration and benefits that encourage high standards of performance and demonstrate the value the Group places on its officers by being equitable, consistent with individual performance and experience, and market competitive. Such officers are given the opportunity to receive their base emolument in a variety of forms. It is intended that the manner of payment chosen will be optimal for the recipient without creating any additional cost to the Company.

To assist in achieving these objectives, the Board has adopted the following principles in its remuneration framework:

- Provide competitive rewards to attract executives of the high calibre;
- Link executive rewards to shareholder value;
- Place a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution specifies that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was in the constitution adopted on 11 May 2006 which approved an aggregate remuneration of \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a Director of the Company. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

Non-executive directors are encouraged by the board to hold shares in the Company. It is considered good governance for directors to have a stake in the Company on whose board he or she sits. The non-executive directors of the Company can participate in the Employee Share Option Plan which provides incentives where specified criteria are met.

The remuneration of non-executive directors for the year ending 30 June 2007 is detailed in the table on page 24 of this report.

Senior Executive Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Company, business unit and individual performance;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board obtains independent advice from external consultants on market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with the Chief Executive Officer and all senior executives.

Variable Remuneration – Short Term Incentives

Objective

The objective of variable remuneration will be to reward executives in a manner that aligns this element of remuneration with the creation of shareholder wealth. Variable remuneration is made to executives who can influence the generation of shareholder wealth and thus have a direct impact on the Company's performance.

Variable remuneration is delivered by short term incentive payments for executives of the Group which are subject to approval of the Board and are delivered as a cash bonus in the following calendar year. No cash bonuses were paid to executives during the year.

Variable Remuneration – Long Term Incentives

Objective

The objectives of long term incentives are to:

- align executives remuneration with the creation of shareholder wealth;
- recognise the ability and efforts of the directors, employees and consultants of the Company who have contributed to the success of the Company and to provide them with rewards where deemed appropriate;
- provide an incentive to the directors, employees and consultants to achieve the long term objectives of the Company and improve the performance of the company; and
- attract persons of experience and ability to employment with the company and foster and promote loyalty between the Company and its directors, employees and consultants.

Structure

Long term incentives granted to senior executives are delivered in the form of options issued under the Employee Share and Option Plan adopted during the financial year.

Company Performance

It is not possible at this time to evaluate the Company's financial performance using generally accepted measures such as profitability, total shareholder return or peer company comparison as the company is at a very early stage in the implementation of the corporate strategy. This assessment will be developed over the next few years.

Relationship of Reward and Performance

The value of options will represent a significant portion of an executive's salary package. The ultimate

value to the executives of the options depends on the share price of Industrial Minerals. The share price is the key performance criteria for the long term incentive as the realised value arising from options issued is dependent upon an increase in the share price to above the exercise price of the options.

Short Term Incentive to Performance

The objective of the shorter term incentive plan is to reward executives in a manner which aligns reward with the creation of shareholder wealth. As such this reward is only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance.

Long Term Incentive to Performance

The objective of the long term incentive plan is to reward executives in a manner which aligns reward with the creation of shareholder wealth. As such this reward is only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance.

Long term incentives are delivered in the form of options. The strike price of options are determined so as to ensure that the options only have value if there is an increase in shareholder wealth over time.

EMPLOYMENT CONTRACTS

Chief Executive Officer

The Company and Mr Garratt have entered into a Services Agreement under which the services of Mr Garratt as a director and in the capacity of Chief Executive Officer are to be provided. The agreement provides for Mr Garratt to be remunerated at the rate of \$250,000 per annum commencing from 2 November 2006. The Company is obliged to reimburse Mr Garratt for all reasonable and necessary expenses incurred in the performance of his duties.

The term of Mr Garratt's appointment is from 2 November 2006 and will continue thereafter unless terminated on not less than six months' notice given at any time. The Company may pay the salary in lieu of notice.

In the event the Company terminates the Employment Services Agreement immediately on grounds of insolvency, incapacitation, unsatisfactory performance, misconduct or commits a fraud, a fee is payable for the period up to the date of dismissal only. In accordance with the terms of the Employee Share and Option Plan, any options issued to Mr Garratt as remuneration will automatically expire 3 months after the termination of the Employment Services Agreement. Mr Garratt may exercise any of the options during that 3 month period.

Other Executives (standard contracts)

Other executives have rolling contracts. The Company may terminate the executive's employment contracts by providing up to 6 months written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). On termination on notice by the Company, any options that have vested during the notice period will be released. Options that have not vested will be forfeited. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Remuneration of key management personnel

TABLE 1: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2007

	Short Term		Post Employment	Share Based Payment	Total	Performance Related *
	Salary & Fees	Non Monetary Benefits	Superannuation	Options		
	\$	\$	\$	\$	\$	%
Non-executive directors						
J D Shervington	40,000	-	-	-	40,000	-
M J B Brickell ²	24,000	-	-	-	24,000	-
A G Coulthard ¹	-	-	-	-	-	-
A Rankine-Wilson ¹	-	-	-	-	-	-
	64,000	-	-	-	64,000	
Executive directors						
P J Garratt ²	144,213	-	-	191,881	336,094	57.1
D F Smith ²	167,741	-	-	122,107	289,848	42.1
C L Wilson ²	86,285	-	-	191,881	278,166	69.0
A C Pismiris ²	68,000	-	-	-	68,000	-
	466,239	-	-	505,869	972,108	
Other key management personnel						
S M Blacklock ³	40,451	-	-	94,167	134,618	69.9
J Drew ⁵	81,146	-	-	-	81,146	-
G Gabriel ⁶	61,804	-	-	-	61,804	-
S C Kaiser ⁴	28,168	-	-	4,413	32,581	13.5
T Lessard ⁷	84,036	-	-	-	84,036	-
	295,605	-	-	98,580	394,185	-
Totals	825,844	-	-	604,449	1,430,293	-

* All performance related remuneration consists of options.

Notes:

1. Resigned 8 November 2006
2. Appointed 8 November 2006
3. Appointed 15 May 2007
4. Appointed 5 February 2007
5. Appointed 15 May 2006
6. Appointed 1 July 2006
7. Appointed 15 May 2006

TABLE 2: REMUNERATION FOR THE YEAR ENDED 30 JUNE 2006

	Short Term		Post Employment	Share Based Payment	Total	Performance Related *
	Salary & Fees	Non Monetary Benefits	Superannuation	Options		
	\$	\$	\$	\$	\$	%
Non-executive directors						
J D Shervington	-	-	-	-	-	-
A G Coulthard	-	-	-	-	-	-
A Rankine-Wilson	-	-	-	-	-	-
	-	-	-	-	-	-
Other key management personnel						
A C Pismiris	6,750	-	-	-	6,750	-
	6,750	-	-	-	6,750	-
Totals	6,750	-	-	-	6,750	-

TABLE 3: COMPENSATION OPTIONS: GRANTED AND VESTED DURING THE YEAR

30 June 2007	Granted		Terms & Conditions for each Grant				Vested	
	No.	Grant Date	Fair Value per option at grant date \$	Exercise price per option \$	Expiry Date	First Exercise Date	No	%
Directors								
P J Garratt	687,500	8 Nov 2006	0.0682	0.20	2 Nov 2008	8 Nov 2006	687,500	100
	1,375,000	8 Nov 2006	0.0693	0.25	2 Nov 2009	8 Nov 2006	1,375,000	100
	687,500	8 Nov 2006	0.0723	0.30	2 Nov 2010	8 Nov 2006	687,500	100
D F Smith	437,500	8 Nov 2006	0.0682	0.20	2 Nov 2008	8 Nov 2006	437,500	100
	875,000	8 Nov 2006	0.0693	0.25	2 Nov 2009	8 Nov 2006	875,000	100
	437,500	8 Nov 2006	0.0723	0.30	2 Nov 2010	8 Nov 2006	437,500	100
C L Wilson	687,500	8 Nov 2006	0.0682	0.20	2 Nov 2008	8 Nov 2006	687,500	100
	1,375,000	8 Nov 2006	0.0693	0.25	2 Nov 2009	8 Nov 2006	1,375,000	100
	687,500	8 Nov 2006	0.0723	0.30	2 Nov 2010	8 Nov 2006	687,500	100
Executives								
S M Blacklock	625,000	1 May 2007	0.227	0.20	2 Nov 2008	1 May 2008	-	-
	1,250,000	1 May 2007	0.224	0.25	2 Nov 2009	1 May 2008	-	-
	625,000	1 May 2007	0.229	0.30	2 Nov 2010	1 May 2008	-	-
S C Kaiser ¹	180,000	5 Feb 2007	0.136	0.30	5 May 2009	5 May 2008	-	-
	180,000	5 Feb 2007	0.163	0.325	5 May 2010	5 May 2008	-	-
	140,000	5 Feb 2007	0.183	0.35	5 May 2011	5 May 2008	-	-
Total	10,250,000						7,250,000	

Notes:

1. The vesting period for options granted to S C Kaiser is over three years with 1/3 of the options from each series vesting on 5 May of 2008, 2009 and 2010.

2. The vesting period for options granted to S M Blacklock is one year from date of grant.

There were no compensation options granted during the financial year ended 30 June 2006.

TABLE 4: OPTIONS GRANTED AS PART OF REMUNERATION *

	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total Value of options granted, exercised and lapsed during the year	Remuneration consisting of options for the year
	\$	\$	\$	\$	%
Directors					
P J Garratt	191,881	-	-	191,881	57.1
D F Smith	122,107	-	-	122,106	42.1
C L Wilson	191,881	-	-	191,881	69.0
Executives					
S M Blacklock	565,000	-	-	565,000	69.9
S C Kaiser	79,440	-	-	79,440	73.8

* For details on the valuation of the options, including models and assumptions, refer to Note 26.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

There were no forfeitures during the period.

The maximum grant which will be payable is equal to the number of options multiplied by the fair value at the grant date.

Share issued on Exercise of Compensation Options

There were no shares issued on the exercise of compensation options during the financial year ended 30 June 2007.

DIRECTORS' MEETINGS

The number of meetings of the Directors (including the Audit and Compliance committee) held during the year which each director was eligible to attend. The number of meetings attended by each director were as follows:

	Board of Directors		Audit & Compliance Committee	
	Held	Attended	Held	Attended
Current Directors				
J D Shervington	5	5	-	-
P J Garratt	4	4	-	-
M J B Brickell	4	3	-	-
D F Smith	4	4	-	-
C L Wilson	4	4	-	-
A C Pismiris	5	5	-	-
Past Directors				
A G Coulthard	1	1	-	-
A Rankine-Wilson	1	1	-	-

Committee membership

As at the date of this report the Company had an Audit & Compliance Committee. Members of the committee were during the year were M J B Brickell (Chairman), J D Shervington and A C Pismiris.

Other directors and officers may attend meetings of the Audit and Compliance Committee at the invitation of the Chairman. The details of the functions and membership of the Audit and Compliance Committee of the Board are included in the Statement of Corporate Governance Practices.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into Deeds of Indemnity with the Directors indemnifying them against certain liabilities and costs to the extent permitted by law.

The Company has paid premiums totalling \$9,260 in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies, which cover all directors and officers of the Company. The policy conditions preclude the Company from any detailed disclosures.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Industrial Minerals Limited adhere to strict principles of corporate governance. The Company's corporate governance statement is included on page 29 of this annual report.

AUDITOR INDEPENDENCE

The directors received the declaration included on page 28 of this annual report from the auditor of Industrial Minerals Corporation Limited.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young. The directors are satisfied the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not comprised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	\$
Assurance related services	12,154
Corporate advisory services	18,339
Tax compliance services	<u>5,000</u>
	35,493

Signed in accordance with a resolution of the Directors.



Jeremy Shervington

DIRECTOR

Perth, Western Australia

28th September 2007

AUDITORS INDEPENDENCE DECLARATION



■ The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

GPO Box M939
Perth WA 6843

Auditor's Independence Declaration to the Directors of Industrial Minerals Corporation Limited

In relation to our audit of the financial report of Industrial Minerals Corporation Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

V W Tidy
Partner
Perth
28 September 2007

VT:HG:INDUSTRIALMINERALS:007

Liability limited by a scheme approved under
Professional Standards Legislation.

C O R P O R A T E G O V E R N A N C E S T A T E M E N T

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Industrial Minerals Corporation Limited (“Industrial Minerals”) adhere to strict principles of corporate governance.

The Board of Directors of Industrial Minerals is responsible for the overall corporate governance of the Company, guiding and monitoring the business and affairs of Industrial Minerals on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Statement is structured with reference to the Australian Stock Exchange Corporate Governance Council’s (“Council”) “Principles of Good Corporate Governance and Best Practice Recommendations”. In accordance with the recommendations of the Council, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the year. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Industrial Minerals’ Corporate Governance Statement has been structured with reference to the Council’s principles and recommendations. The following is a summary of Industrial Minerals’ adherence to the Council’s principles and recommendations:

Principle 1. Lay the foundations for management and oversight

Industrial Minerals complies with this recommendation.

Principle 2. Structure the Board to add value

Industrial Minerals complies with this recommendation. Industrial Minerals does not have a Nomination Committee due to the scale and nature of its current operations. It is envisaged that on commencement of development of the Oregon Heavy Minerals Project the Board will adopt a Nomination Committee.

Principle 3. Promote ethical and responsible decision making

Industrial Minerals complies with this recommendation.

Principle 4. Safeguard integrity in financial reporting

Industrial Minerals does not comply with this recommendation of having at least three non-executive directors on the Audit Committee. Industrial Minerals is a small company that does not have a fully operational business. Industrial Minerals’s Audit and Compliance Committee is comprised of an executive director and two non executive directors.

Principle 5. Make timely and balanced disclosure

Industrial Minerals complies with this recommendation.

Principle 6. Respect the rights of shareholders

Industrial Minerals complies with this recommendation.

Principle 7. Recognise and manage risk

Industrial Minerals complies with this recommendation.

Principle 8. Encourage enhanced performance

Industrial Minerals complies with this recommendation to the extent that the Board determines appropriate remuneration arrangements. Industrial Minerals does not have a Remuneration Committee due to the scale and nature of its current operations. It is envisaged that on commencement of development of the Oregon Heavy Minerals Project the Board will adopt a Remuneration Committee.

Principle 9. Remunerate fairly and responsibly

Industrial Minerals complies with this recommendation except for the proposed grant of options to a non-executive director. Approval for the grant of options will be sought at the general meeting to be held during the 2007 calendar year. The objective of granting options is to ensure maximum stakeholder benefit is achieved from the retention of a high quality Board and to provide incentive to directors identify new commercial opportunities for the Company.

Principle 10. Recognise the legitimate interests of stakeholders

Industrial Minerals complies with this recommendation.

The Industrial Minerals Corporate Governance Policies and Procedures are largely consistent with the Council's best practice recommendations. The process to achieve consistency with the Council's recommendations are gradual and where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the scale and nature of the Company's operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	Not Applicable
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Reporting on Principle 2	1.2, 1.4.6, 2.3 and the Directors' Report
Recommendation 3.1 Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2 Company Securities Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1 Attestations by Company Secretary	1.4.11
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8 and 4
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.8 and 4
Recommendation 7.1 Policies on Risk Oversight and Management	2.1
Recommendation 7.2 Attestations by Company Secretary	1.4.11
Recommendation 7.3 Reporting on Principle 7	2.1
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1 Remuneration Policies	2.2
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2
Recommendation 9.4 Equity-Based Executive Remuneration	2.2
Recommendation 9.5 Reporting on Principle 9	2.2
Recommendation 10.1 Company Code of Conduct	2.5

I. BOARD OF DIRECTORS

I.1 Role of the Board

The Board's current role is to collectively govern and manage the Company. The Directors must act in the best interests of the Company as a whole. It is the role of the Board to govern and manage the Company in accordance with the stated objectives of the Company.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors in the performance of their roles.

I.2 Composition of the Board

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the directors and their qualifications and experience are stated on page one of the Director's Report. Directors are appointed based on their experience and on the independence of their decision-making and judgment.

The Company's Constitution provides for the appointment of a minimum number of directors as three with the maximum determined by the Board. Currently the Company has six directors comprising four executive directors. The Constitution does not require a shareholding qualification for directors.

The Company recognises the importance of non-executive directors and the external perspective and advice that non-executive directors can offer. Messrs Shervington and Brickell are Non-Executive Directors and meets the following criteria for independence adopted by the Company.

An independent director:

- Is a non-executive director and:
- Is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- Within the last three years has not been employed in an executive capacity by the Company or another company member, or been a Director after ceasing to hold any such employment;
- Within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another company member, or an employee materially associated with the service provided;
- Is not a material supplier or customer of the Company or another company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has no material contractual relationship with the Company or other company member other than as a Director of the Company;
- Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Garratt holds the position of Chief Executive Officer and is responsible for management of the Company, negotiating arrangements with third parties, advising the Board on the strategic direction of the Company, assessing new opportunities and risks and monitoring the operating performance of the Company and therefore does not meet the Company's criteria for independence.

Mr Smith holds the position of Chief Operating Officer and is responsible for management the Companies overall operations and therefore does not meet the Company's criteria for independence.

Ms Wilson holds the position of Executive Director and President of Oregon Resources Corporation Inc. and is

responsible for management of the Company's US operations, negotiating arrangements with third parties, advising the Board on the strategic direction of the Company, assessing new opportunities and risks and monitoring the operating performance of the Company and therefore does not meet the Company's criteria for independence.

Mr Pismiris is an executive director and also holds the position of Company Secretary. Mr Pismiris is responsible for the overall administration and financial management of the Company and therefore does not meet the Company's criteria for independence.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- i. Leadership of the organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
- ii. Strategy formulation: working to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- iii. Overseeing planning activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long-term budgets.
- iv. Shareholder liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- v. Monitoring, compliance and risk management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- vi. Company finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
- vii. Human resources: appointing, and, where appropriate, removing the Managing Director/Chief Executive Officer and Chief Financial Officer as well as reviewing their performance and monitoring the performance of senior management in their implementation of the Company's strategy.
- viii. Ensuring the health, safety and well-being of employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- ix. Delegation of authority: where appropriate delegating appropriate powers to the Company's executives to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of any Committees of the Board.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company and if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- Concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- That would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company is able to publish the information in accordance with this policy.

1.4.5 Education and Induction

New Directors undergo an induction process in which they are given a full briefing on the Company. Information conveyed to new Directors includes:

Details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;

- Formal policies on Director appointment as well as conduct and contribution expectations;
- Details of all relevant legal requirements;
- A copy of the Board Charter;
- Guidelines on how the Board processes function;
- Details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- Background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- An analysis of the Company;
- A synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- A copy of the Constitution of the Company.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company and will be reported in writing to each Board meeting. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- i. Communicating effectively with shareholders through releases to the market via ASX, information mailed to share holders and the general meetings of the Company;
- ii. Giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- iii. Making it easy for shareholders to participate in general meetings of the Company; and
- iv. Requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

The Company has a Share Trading Policy under which Directors are required to discuss their intention to trade in the Company's securities with the Chairman prior to trading. Consideration will be given in these discussions to any special circumstances (eg financial hardship).

Directors must not trade in the shares of any other entity if inside information on such entity comes to the attention of the director by virtue of holding office as a director of the Company.

The following guidelines are to be observed by Directors and employees of Industrial Minerals:

- Securities may be purchased or sold during the two week period immediately following the release of Industrial Minerals', half-yearly and final results ("results announcements") (subject to observing the additional approval requirements set out below).
- Securities should not be purchased or sold during the two week period preceding any results announcements.
- Securities should not be purchased or sold preceding any material ASX announcement by Industrial Minerals, if the employee is aware that it is likely that such an announcement will be made.
- Securities should not be purchased or sold for the purpose of short term speculation.
- Securities may be purchased or sold at other times (subject to additional disclosure requirements established by the Board).

In addition, consistent with the law, designated officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. Unpublished price sensitive information is information regarding the Company of which the market is not aware and that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Notice of an intention to trade must be given prior to trading in the Company's securities as well as a confirmation that the person is not in possession of any unpublished price sensitive information. The completion of any such trade by a Director must also be notified to the Company Secretary who in turn advises the ASX.

1.4.10 Performance Review/Evaluation

The Board intends to conduct an evaluation of its performance annually. There was no evaluation conducted during the financial year.

1.4.11 Attestations by Company Secretary

In accordance with the Board's policy, the Company Secretary is required to make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

2. BOARD COMMITTEES

2.1 Audit & Compliance Committee

The Board has adopted an audit and compliance committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company to deal with the effectiveness and efficiency of business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Board has delegated the responsibility for the establishment and maintenance of the internal control framework and ethical standards to the audit and compliance committee. The committee's responsibilities include the following:

- Oversee and appraise the independence, quality and extent of the total audit effort;
- Perform an independent overview of the financial information prepared by Company management for shareholders and prospective shareholders;
- Evaluate the adequacy and effectiveness of the Company's and the Company's risk management and financial control, and other internal control systems and evaluate the operation thereof; and
- Review and endorse the annual and half year attestation statements in accordance with regulatory requirements.
- The appointment of external auditors.
- Review and implement risk management and internal control structures appropriate to the needs of Industrial Minerals.
- Monitor compliance issues applicable laws and regulations, particularly compliance with the Stock Exchange Listing Rules;
- Review all public releases to the ASX of material consequence, prior to release to the market; and
- Review of Corporate Governance Practices.

The members of the audit and compliance committee during the year were Messrs M J B Brickell, J D Shervington and A C Pismiris.

Mr Brickell (FCA.) has over 40 years of experience at senior management levels in retail business enterprises in England, Europe and North America. He is also a director of a number of public listed companies and is a Fellow of the Institute of Chartered Accountants in England & Wales.

Mr J D Shervington (B.Juris., LLB.) has been a practicing lawyer for 25 years and has extensive experience in the area of corporate law. He is also a director of a number of public companies where as part of his role, he serves as a member of audit committee.

Mr A C Pismiris (B.Comm., ICSA.) has significant experience in the management and administration of public companies where his roles have included Financial Controller. He is also a director of a number of public companies where as part of his role, he serves as a member of audit committee.

The audit and compliance committee had not met prior to 30 June 2007.

2.2 Remuneration Committee

The Directors have elected not to appoint a Remuneration Committee due to the scale and nature of the Company's activities.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating directors fairly and appropriately with reference to relevant market conditions. To assist in achieving this objective, the Board attempts to link the nature and amount of directors' emoluments to the Company's performance. The outcome of the remuneration structure is:

- Reward executives for company and individual performance against appropriate benchmarks;
- Align the interests of the executives with those of shareholders;

- Link reward with the strategic goals and performance of the Company; and
- Ensure remuneration is comparable to market standards.

For details of the amount of remuneration and all monetary and non-monetary components for each of the directors during the financial year, refer to page 24 of the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to directors.

For further information in relation to the remuneration of Directors, refer to the Directors' Report.

2.3 Nomination Committee

The Directors have elected not to appoint a Nomination Committee due to the scale and nature of the Company's activities.

Subject to the provision of the Company's Constitution, the issues of Board composition and selection criteria for directors are dealt with by the full Board. The Board continues to have the mix of skills and experience necessary for the conduct of the Company's activities.

The Constitution provides for events whereby directors may be removed from the Board. Similarly shareholders have the ability to nominate, appoint and remove directors. In addition, the Constitution provides for the regular rotation of directors which ensures that directors seek re-election by shareholders at least once every three years.

Given these existing regulatory requirements, directors are not appointed for a specified term and directors' continuity of service is in the hands of shareholders.

2.4 Company Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. This Code includes the following:

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.

Responsibilities to the Community

As part of the community the Company is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs.

Responsibility to the Individual

The Company is committed to keeping private information collected during the course of its activities, confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

2.5 Shareholder Communication

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- The Annual Financial Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Company during the financial year, changes in the state of affairs of the Company and details of future developments, in addition to other disclosures required by the Corporations Act 2001;
- Release of a Half-Yearly Report to the Australian Stock Exchange Limited; and
- Proposed major changes in the economic entity which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholders are responsible for voting on appointment of directors, appointment of auditors, level of remuneration of Non-Executive Directors and any matters of special business.

BALANCE SHEET

BALANCE SHEET AS AT 30 JUNE 2007	Notes	Consolidated		Parent	
		2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	11	18,095,358	900,784	17,912,419	900,784
Trade and other receivables	12	104,415	9,873	104,368	9,873
Other financial assets	13	-	598,949	-	598,949
Prepayments		25,882	-	13,495	-
Total Current Assets		18,225,655	1,509,606	18,030,282	1,509,606
Non-current Assets					
Receivables	14	-	-	4,519,922	-
Other financial assets	15	-	-	20,000,000	-
Property, plant and equipment	16	3,554,439	-	-	-
Exploration and evaluation	17	21,193,208	-	-	-
Total Non-current Assets		24,747,647	-	24,519,922	-
TOTAL ASSETS		42,973,302	1,509,606	42,550,204	1,509,606
LIABILITIES					
Current Liabilities					
Trade and other payables	18	1,321,810	98,350	124,184	98,350
Share subscriptions received in advance	19	5,200,000	-	5,200,000	-
Total Current Liabilities		6,521,810	98,350	5,324,184	98,350
Non-current Liabilities					
Bank Loan	20	52,718	-	-	-
Total Non-current Liabilities		52,718	-	-	-
TOTAL LIABILITIES		6,5574,528	98,350	5,324,184	98,350
NET ASSETS		36,398,774	1,411,256	37,226,020	1,411,256
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	21	37,585,968	1,468,889	37,585,968	1,468,889
Reserves	22	182,477	-	604,449	-
Accumulated losses	22	(1,369,671)	(57,633)	(964,397)	(57,633)
TOTAL EQUITY		36,398,774	1,411,256	37,226,020	1,411,256

The above balance sheet should be read in conjunction with the accompanying notes.

INCOME STATEMENT

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007	Notes	Consolidated		Parent	
		2007	2006	2007	2006
		\$	\$	\$	\$
Interest revenue	6	359,668	4,621	357,043	4,621
Other income	6	7,722	-	6,653	-
		367,390	4,621	363,696	4,621
Administration expenses	7(a)	(364,429)	(39,399)	(218,815)	(39,399)
Board expenses	7(b)	(718,867)	-	(718,867)	-
Compliance expenses	7(c)	(145,827)	(12,250)	(145,826)	(12,250)
Employment expenses	7(d)	(235,450)	-	(99,349)	-
Occupancy expenses	7(e)	(35,533)	-	(543)	-
Travel expenses	7(f)	(128,582)	-	(84,514)	-
Other expenses	7(g)	(42,983)	(2,896)	(2,546)	(2,896)
Finance costs	7(h)	(7,757)	-	-	-
Loss before income tax		(1,312,038)	(49,924)	(906,764)	(49,924)
Income tax expense	8	-	-	-	-
Net loss for the period		(1,312,038)	(49,924)	(906,764)	(49,924)
Loss attributable to members of the parent		(1,312,038)	(49,924)	(906,764)	(49,924)
Earnings per share for loss attributable to the ordinary equity holders of the Company:					
Basic loss per share (cents per share)	10	(1.15)	(0.005)		
Diluted loss per share (cents per share)	10	(1.15)	(0.005)		

The above income statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

Consolidated	Note	Issued Capital	Reserves	Accumulated Losses	Total
		\$	\$	\$	\$
Balance at 1 July 2005		17,663	-	(7,709)	9,954
Total income and expense recognised directly in equity		-	-	-	-
Loss for the year		-	-	(49,924)	(49,924)
Total recognised income and expense for the period		-	-	(49,924)	(49,924)
Shares issued during the year	21				
- Ordinary shares		1,600,000	-	-	1,600,000
- Costs of issue		(148,774)	-	-	(148,774)
Balance at 30 June 2006		1,468,889	-	(57,633)	1,411,256
Balance at 1 July 2006		1,468,889	-	(57,633)	1,411,256
Foreign currency translation		-	(421,972)	-	(421,972)
Total income and expense recognised directly in equity		-	(421,972)	-	(421,972)
Loss for the year		-	-	(1,312,038)	(1,312,038)
Total recognised income and expense for the period		-	(421,972)	(1,312,038)	(1,734,010)
Share based payments	22	-	604,449	-	604,449
Shares issued during the year	21				
- Ordinary shares		31,666,875	-	-	31,666,875
- Performance shares		6,000,000	-	-	6,000,000
- Costs of issue		(1,549,796)	-	-	(1,549,796)
Balance at 30 June 2007		37,585,968	182,477	(1,369,671)	36,398,774

STATEMENT OF CHANGES IN EQUITY (CONT)

Parent	Note	Issued Capital	Reserves	Accumulated Losses	Total
		\$	\$	\$	\$
Balance at 1 July 2005		17,663	-	(7,709)	9,954
Total income and expense recognised directly in equity		-	-	-	-
Loss for the year		-	-	(49,924)	(49,924)
Total recognised income and expense for the period		-	-	(49,924)	(49,924)
Shares issued during the year					
- Ordinary shares	21	1,600,000	-	-	1,600,000
- Costs of issue		(148,774)	-	-	(148,774)
Balance at 30 June 2006		1,468,889	-	(57,633)	1,411,256
Balance at 1 July 2006		1,468,889	-	(57,633)	1,411,256
Total income and expense recognised directly in equity					
Loss for the year		-	-	(906,764)	(906,764)
Total recognised income and expense for the period		-	-	(906,764)	(906,764)
Share based payments	22	-	604,449	-	604,449
Shares issued during the year					
- Ordinary shares	21	31,666,875	-	-	31,666,875
- Performance shares		6,000,000	-	-	6,000,000
- Costs of issue		(1,549,796)	-	-	(1,549,796)
Balance at 30 June 2007		37,585,968	604,449	(964,397)	37,226,020

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007	Notes	Consolidated		Parent	
		2007	2006	2007	2006
		\$	\$	\$	\$
Cash flows from operating activities					
Payments to suppliers and employees		(729,523)	(22,557)	(690,763)	(22,557)
Interest paid		(20,406)	-	-	-
Net cash flows from/(used in) operating activities	23	(749,929)	(22,557)	(690,763)	(22,557)
Cash flows from investing activities					
Advances to other entities		(1,181,835)	(598,949)	(1,181,835)	(598,949)
Interest received		304,367	4,621	299,639	4,621
Other income received		6,653	-	6,653	-
Payments for construction		(707,553)	-	-	-
Purchase of plant and equipment		(333,091)	-	-	-
Payments for exploration & evaluation		(918,060)	-	-	-
Net cash flows from/(used in) investing activities		(2,829,519)	(594,328)	(875,543)	(594,328)
Cash flows from financing activities					
Acquisition of Oregon Resources Corporation Inc.	27	5,160	-	-	-
Repayment of borrowings		(178,093)	-	-	-
Lease payments		(280,867)	-	-	-
Proceeds from issue of shares	21	17,266,875	1,600,000	17,266,875	1,600,000
Proceeds from share subscriptions received in advance	21	5,200,000	-	5,200,000	-
Advance to subsidiary		-	-	(2,739,138)	-
Payment of share issue costs	21	(1,149,796)	(98,774)	(1,149,796)	(98,774)
Net cash flows from/(used in) financing activities		20,863,279	1,501,226	18,577,941	1,501,226
Net increase in cash and cash equivalents		17,283,831	884,341	17,011,635	884,341
Net foreign exchange differences		(89,257)	-	-	-
Cash and cash equivalents at beginning of financial year		900,784	16,443	900,784	16,443
Cash and cash equivalents at end of financial year	11	18,095,358	900,784	17,912,419	900,784

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

I CORPORATE INFORMATION

The financial report of Industrial Minerals Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 28 September 2007.

Industrial Minerals Corporation Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange Limited.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) Basis of preparation
- (b) Statement of compliance
- (c) Basis of consolidation
- (d) Segment reporting
- (e) Cash and cash equivalents
- (f) Foreign currency translation
- (g) Trade and other receivables
- (h) Investments and other financial assets
- (i) Exploration, evaluation and development expenditure
- (j) Property, plant and equipment
- (k) Impairment of non financial assets other than goodwill
- (l) Provision and employee leave benefits
- (m) Leases
- (n) Trade and other payables
- (o) Share based payment transactions
- (p) Contributed equity
- (q) Revenue recognition
- (r) Income tax and other taxes
- (s) Earnings per share

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ending 30 June 2007. These are outlined in the following table.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 <i>Financial Instruments: Disclosures</i>	1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instruments disclosures including in the Group's financial report.	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 <i>Group and Treasury Share Transactions</i>	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments so will have no impact.	1 July 2007
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131, & AASB 1039]	Amending standard issued as a consequence of AASB Interpretation 12 <i>Service Concession Segments</i> .	1 January 2008	As the Group currently has no service concession arrangements or public-private- partnership (PPP) it is expected that this Interpretation will have no impact on its financial report.	1 July 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 <i>Operating Segments</i> .	1 January 2009	AASB is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the new standard may have an impact on the segment disclosure included in the Group's financial report.	1 July 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments	The standard is a result of the AASB decision that, in principle, all accounting policy options currently existing in IFRS should be included in Australian equivalents to IFRS and additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment.	1 July 2007	As the Company does not anticipate changing any of its accounting policy choices as a result of the issue of AASB 2007-4 this standard will have no impact on the amounts included in the Company's financial statements. Changes to disclosure requirements will have no direct impact on the amounts included in the Company's financial statements. However the new standards may have an impact on the disclosures in the Company's financial report.	1 July 2007

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Statement of compliance

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretation 1 & 12]	Amending standard issued as a consequence of AASB 123 (revised) <i>Borrowing Costs</i> .	1 January 2009	The Company is currently constructing qualifying assets which will be financed by borrowings the revised standard will have an impact on the Group's financial report. The Company has not yet assessed the extent of the impact.	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standard issued as a consequence of AASB 2007-4	1 July 2007	Refer to AASB 2007-4 above.	1 July 2007
AASB 7	Financial Instruments: Disclosure	New standard replacing disclosure requirements of AASB 132.	1 January 2007	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	<i>Operating Segments</i>	This new standard will replace AASB 114 <i>Segment Reporting</i> and adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 July 2009
AASB 101 (revised October 2006)	Presentation of Financial statements	Many of the disclosures from previous GAAP and all of the guidance from previous GAAP are not carried forward in the October 2006 version of AASB 101. The revised standard includes some text from IAS 1 that is not in the existing AASB 101 and has fewer additional Australian disclosure requirements than the existing AASB 101.	1 January 2007	AASB 101 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements, the revised standard may result in changes to the disclosures included in the Company's financial report.	1 July 2007
AASB 123 (revised June 2007)	Borrowing Costs	AASB 123 previously permitted entities to choose between expensing all borrowing cost and capitalising those that were attributable to the acquisitions, construction or production of a qualifying asset. The revised version of AASB 23 requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.	1 January 2009	Refer to AASB 2007-6 above.	1 July 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Statement of compliance

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB Interpretation 10	Interim Financial Reporting and Impairment	Addresses an inconsistency between AASB 134 <i>Interim Financial Reporting</i> and the impairment requirements related to goodwill in AASB 136 <i>Impairment of Assets</i> and equity instruments classified as available for sale in AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	1 November 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 that interim reporting is not expected to have any impact on the Company's financial report.	1 July 2007
AASB Interpretation 11	Company and Treasury Share Transactions	Specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled.	1 March 2007	Refer to AASB 2007-1 above.	1 July 2007
AASB Interpretation 12	Service Concession Arrangements	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment	1 January 2008	Refer to AASB 2007-2 above	1 July 2008
AASB Interpretation 129 (revised June 2007)	Service Concession Arrangements: Disclosures	The revised interpretation was issued as a result of the issued as a result of the issue of Interpretation 12 and requires specific disclosures about services concession arrangements entered into by an entity, whether as a concession operator or concession provider.	1 January 2008	Refer to AASB 2007-2 above	1 July 2008
IFRIC Interpretation 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Company does not have any customers loyalty programmes and as such this interpretation is not expected to have any impact on the Company's financial report.	1 July 2008
IFRIC Interpretation 14	IAS 19 – The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Company does not have a defined benefit pension plan and as such this interpretation is not expected have an impact on the Company's financial report.	1 July 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Industrial Minerals Corporation Limited and its controlled subsidiary as at 30 June each year ("the Group").

Subsidiaries are those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiary is prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

The subsidiary is fully consolidated from the date on which control is obtained by the Group and ceased to be consolidated from the date of which control is transferred out of the Group.

During the year Industrial Minerals acquired Oregon Resources Corporation. This was an acquisition of a group of net assets that does not constitute a business combination. Accordingly, the cost of Oregon Resources Corporation has been allocated between the individual identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition.

(d) Segment reporting

Geographical segments

The Group operates predominantly in one geographic segment, the United States of America.

Industry Segments

The Group operates predominantly in the mining and exploration industry.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(f) Foreign currency translation

(i) Functional and presentation currency

The functional and presentation currency of Industrial Minerals Corporation Limited is Australian dollars (\$). The functional currency of Oregon Resources Corporation Inc. is United States dollars (US\$).

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(ii) Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation.

These are taken directly to equity until the disposal of the net investment at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of foreign operations

As at the reporting date the assets and liabilities of Oregon Resources Corporation Inc. are translated into the presentation currency of Industrial Minerals Corporation Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in profit or loss.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

(h) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial instruments: Recognition and measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised costs using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

(i) Exploration, evaluation and development expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either;

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Any impairment losses are recognised in the income statement.

(j) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalization when the cost of replacing the part is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight line and diminishing value basis over the estimated useful life of the assets as follows:

Land – not depreciated

Pilot plant and production facilities – units of production over economic reserve

Office furniture and equipment – 5 years straight line

Motor vehicles – over 5 years diminishing value

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised

(k) Impairment of non financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(l) Provision and employee leave benefits

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits*(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of the employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(n) Trade and other payables

Trade payables and other payables are carried at amortised costs. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Group has adopted an Employee Share and Option Plan to provide these benefits to directors, executives, employees and consultants.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using either a binomial or black and scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the market price of the shares of Industrial Minerals.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employees turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer award vested than were originally expected to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangements, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date on cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is

granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(p) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(r) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except: when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(s) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for: costs of servicing equity (other than dividends);

the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks as summarised below

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 and 4 to the financial statements.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash assets held primarily in short term cash deposits.

Fair value interest rate risk

As the Group holds fixed rate bank debt, there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The level of fixed rate debt is disclosed in note 28 and it is acknowledged that this risk is a by-product of the Group's attempt to manage its cash flow interest rate risk.

Foreign currency risk

As a result of significant investment operations in the United States the Group's balance sheet can be affected significantly by movements in the US\$/A\$ exchange rates. The Group will seek to mitigate the effect of its foreign currency exposure by borrowing in US\$.

Commodity price risk

The Group's exposure to the risk is minimal.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Chief Financial Officer.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by the management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

(a) Determination of minerals resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortization rates and provision for decommissioning and restoration. Industrial Minerals estimates its mineral and ore reserves in accordance with the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve 2004* (the 'JORC code'). The information on minerals resources and ore reserves were prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserved and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(a) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

(b) Impairment of property, plant and equipment

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

(c) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using either a binomial or black and scholes model, with the assumption detailed in note 26. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(d) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experiences as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turn-over policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

5 SEGMENT INFORMATION

The Group operates in the mining and exploration industry segment, with all operations located in United States.

6 REVENUE AND OTHER INCOME

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Finance revenue - bank interest receivable	359,668	4,621	357,043	4,621
Other income	7,722	-	6,653	-
	367,390	4,621	363,696	4,621

7 EXPENSES

(a) Administration expenses				
Accounting fees	59,522	5,100	57,923	5,100
Consulting fees	115,657	-	55,000	-
Insurance premiums	38,576	-	10,138	-
Legal fees	76,361	34,299	64,146	34,299
Other administration expenses	74,313	-	31,608	-
	364,429	39,399	218,815	39,399
(b) Board expenses				
Director fees	212,998	-	212,998	-
Superannuation expense	-	-	-	-
Share-based payments expense	505,869	-	505,869	-
	718,867	-	718,867	-
(c) Compliance expenses				
Audit fees	30,690	5,500	30,690	5,500
ASX listing fees	45,026	-	45,026	-
Company secretarial fees	44,000	6,750	44,000	6,750
Other compliance expenses	26,111	-	26,110	-
	145,827	12,250	145,826	12,250
(d) Employment expenses				
Wages and salaries *	86,154	-	-	-
Defined contribution retirement benefits expense	32,804	-	-	-
Superannuation expense	-	-	-	-
Share-based payments expense	98,580	-	98,580	-
Other employment expenses	17,912	-	769	-
	235,450	-	99,349	-
(e) Occupancy expenses				
Operating lease expenses	29,004	-	-	-
Office maintenance expenses	386	-	386	-
Car parking expenses	6,143	-	157	-
	35,533	-	543	-
(f) Travel expenses				
Accommodation expenses	43,533	-	28,299	-
Meals and entertainment expenses	15,363	-	2,201	-
Travel expenses	59,193	-	48,145	-
Other travel expenses	10,493	-	5,869	-
	128,582	-	84,514	-
(g) Other expenses				
Depreciation expense	34,275	-	-	-
Selling expenses	5,163	-	-	-
Other expense	3,544	2,896	2,545	2,896
	42,982	2,896	2,545	2,896
(h) Finance costs				
Bank loan	7,757	-	-	-
	7,757	-	-	-

8 INCOME TAX

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$

The major components of income tax expense are:

Income Statement

Current Income Tax

Current income tax charge	(818,786)	(12,952)	(343,026)	(12,952)
Current income tax benefit not recognised	818,786	12,952	343,026	12,952

Deferred Income Tax

Relating to origination and reversal of temporary differences	351,298	8,264	2,100	8,264
Deferred income tax charge not recognised	(351,298)	(8,264)	(2,100)	(8,264)
Income tax expense reported in the income statement	-	-	-	-

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Consolidated Group's applicable income tax rate as follows:

Accounting profit before tax from continuing operation	(1,312,038)	(49,924)	(906,764)	(49,924)
Loss before tax from continued operations	-	-	-	-
Accounting profit before income tax	(1,312,038)	(49,924)	(906,764)	(49,924)

At the Group's statutory income tax rates of Australia:30% and USA: 35%

	(393,611)	(14,977)	(272,029)	(14,977)
Adjustment in respect of current income tax of previous years	-	-	-	-
Share based payments	181,335	-	181,335	-
Non-deductible expenses	-	10,290	231	10,290
Other	(7,383)	-	-	-
Tax losses and timing differences not brought to account	219,659	4,687	90,463	4,687
	-	-	-	-

	Balance Sheet		Income Statement	
	2007	2006	2007	2006
	\$	\$	\$	\$

Deferred Income Tax

Deferred income tax at 30 June relates to the following:

Consolidated

Deferred tax liabilities

Exploration tenements	(310,081)	-	310,081	-
	(310,081)	-	-	-

Deferred tax assets

Accrued audit fees	4,500	(2,400)	(2,100)	(1,650)
Section 40-880 costs	-	38,669	-	9,914
Revenue tax losses	834,288	15,502	(818,786)	(12,952)
Deferred tax assets not recognised	(528,707)	(51,771)	510,805	4,688
	310,081	-	-	-

Deferred tax (income)/expense	-	-	-	-
Net deferred tax recognised in Balance Sheet	-	-	-	-

Parent

Deferred tax liabilities

Exploration tenements	-	-	-	-
	-	-	-	-

Deferred tax assets

Accrued audit fees	4,500	2,400	(2,100)	(1,650)
Section 40-880 costs	-	38,669	38,669	9,914
Revenue tax losses	358,528	15,502	(343,026)	(12,952)
Deferred tax assets not recognised	(363,028)	(56,571)	306,457	4,688
	-	-	-	-

Deferred tax (income)/expense	-	-	-	-
Net deferred tax recognised in Balance Sheet	-	-	-	-

The Consolidated Group has tax losses of \$834,288 (2006: \$15,502) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. At 30 June 2007, there is no recognised or unrecognised deferred income tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiary, as the Group has no liability for additional taxation should such amounts be remitted.

9 DIVIDENDS PAID AND PROPOSED

No dividends in respect of the current or previous financial period have been paid, declared or recommended for payment.

10 LOSS PER SHARE

(a) Loss used in calculating loss per share

	Consolidated	
	2007	2006
	\$	\$
For basic loss per share:		
Net loss attributable to ordinary equity holders of the parent	<u>(1,312,038)</u>	(49,924)
For diluted loss per share:		
<i>Net loss attributable to ordinary equity holders of the parent</i>	<u>(1,312,038)</u>	(49,924)

(b) Weighted average number of shares

	2007	2006
	<i>Number</i>	<i>Number</i>
<i>Weighted average number of ordinary shares for basic earnings per share</i>	113,965,890	9,057,723
Effect of dilution:		
Share options	-	-
Performance shares	-	-
<i>Weighted average number of ordinary shares adjusted for the effect of dilution</i>	<u>113,965,890</u>	<u>9,057,723</u>

On 26 July 2007 the company issued 13 million shares to complete second tranche of the share placement to sophisticated investors.

(c) Information on the classification of securities

(i) Options

Options granted to key management personnel as described in note 25 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic loss per share.

Options issued to shareholders pursuant to offers made under disclosure documents in prior financial periods are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic loss per share.

All share options are not considered dilutive as the conversion of options to ordinary shares will result in a decrease in the net loss per share.

(ii) Performance shares

The 30,000,000 performance shares issued to Resource Finance & Investment Limited representing consideration for the acquisition of Oregon Resources Corporation Inc. are considered to be potential ordinary shares. These shares have not been included in the determination of basic loss per share. These shares are not considered dilutive as their inclusion will result in the decrease in the net loss per share.

11 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and in hand	6,095,358	900,784	5,912,419	900,784
Short-term deposits	12,000,000	-	12,000,000	-
	18,095,358	900,874	17,912,419	900,874

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group had no unused borrowing facilities at Balance Date.

12 CURRENT ASSETS - TRADE & OTHER RECEIVABLES

Trade and other receivables (a)	58,369	-	58,322	-
GST receivable	46,046	9,873	46,046	9,873
	104,415	9,873	104,368	9,873

- (a) Trade receivables are non-interest bearing and are generally on 30-90 days terms. The carrying amounts of trade and other receivables represents fair value.

13 CURRENT ASSETS — OTHER FINANCIAL ASSETS

Interest-bearing loan advanced to Oregon Resources Corporation Inc.	-	598,949	-	598,949
	-	598,949	-	598,949

- (a) Under the terms and conditions of a loan agreement dated 18 May 2006, the Company agreed to advance to Oregon up to \$1,500,000 for working capital. Interest accrued at a daily at the rate of 7% per annum, and was payable monthly in arrears.

14 NON-CURRENT ASSETS — RECEIVABLES

Related party receivables				
Loan to subsidiary (a)	-	-	4,519,922	-
	-	-	4,519,922	-

- (a) For the terms and conditions of related party receivables refer to note 24.

15 NON-CURRENT ASSETS — OTHER FINANCIAL ASSETS

Investment in controlled entity (note 24) – at cost	-	-	20,000,000	-
	-	-	20,000,000	-

16 NON-CURRENT ASSETS — PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts at the beginning of the period

	Consolidated					Parent
	Land and improvements	Plant and equipment	Construction in progress	Motor vehicles	Total	Total
	\$	\$	\$	\$	\$	\$
Year ended 30 June 2007						
At 1 July 2006,						
net of accumulated depreciation	-	-	-	-	-	-
Acquisition of subsidiary (note 27)	1,372,187	1,073,131	275,890	105,406	2,826,614	-
Additions	36,177	277,425	707,553	-	1,021,155	-
Net exchange differences	(127,066)	(98,777)	(25,546)	(7,666)	(259,055)	-
Depreciation charge for the year	-	(16,478)	-	(17,797)	(34,275)	-
At 30 June 2007, net of accumulated depreciation	1,281,298	1,235,301	957,897	79,943	3,554,439	-
At 30 June 2007						
Cost	1,281,298	1,253,711	957,897	99,826	3,592,732	-
Accumulated depreciation	-	(18,410)	-	(19,883)	(38,293)	-
Net carrying amount	1,281,298	1,235,301	957,897	79,943	3,554,439	-

(i) The purchase of motor vehicles by Oregon Resources Corporation Inc. is financed by a fixed rate loan which is secured by a charge over the motor vehicles.

(ii) During the year ended 30 June 2006 the Group had no property, plant and equipment.

17 NON-CURRENT ASSETS — EXPLORATION AND EVALUATION

(a) Reconciliation of carrying amounts at the beginning of the period

	Consolidated	Parent
	\$	\$
Year ended 30 June 2007		
At 1 July 2006	-	-
Acquisition of subsidiary	20,257,057	-
Additions	1,033,603	-
Net exchange differences	(97,452)	-
At 30 June 2007	21,193,208	-
At 30 June 2007		
Cost	21,193,208	-
Accumulated impairment	-	-
Net carrying amount	21,193,208	-

(i) During the year ended 30 June 2006 the Group had not incurred expenditure on exploration and evaluation.

18 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade payables (a)	1,139,653	90,350	109,184	90,350
Other payables (b)	182,157	8,000	15,000	8,000
	1,321,810	98,350	124,184	98,350

(a) Trade payables are non-interest bearing and are normally settled on 60 - 90 day terms.

Included in trade payables is a contractual obligation to purchase property for \$589,067 at the Balance Date relating to a land purchase agreement with Teck Cominco Limited. The agreement incorporates a leasing arrangement for the land situated in Coos Bay, Oregon which expires on 31 January 2008. On expiry of the lease the Group will acquire the property with all lease payments applied to purchase price.

(b) Other payables are non-interest bearing and have an average term of 3 months.

(c) Information regarding the effective interest rate risk of current payables is set out in note 28.

19 CURRENT LIABILITIES — SHARE SUBSCRIPTIONS RECEIVED IN ADVANCE

Share subscriptions – share placement	5,200,000	-	5,200,000	-
	5,200,000	-	5,200,000	-

As at 30 June 2007 the Group had received share subscriptions from investors which agreed to participate in the second tranche of the share placement announced during the financial year. The second tranche of the share placement which comprised of an issue of 13 million shares at an issue price of 40 cents per was approved by shareholders at a general meeting and completed on 26 July 2007.

20 NON-CURRENT LIABILITIES — BANK LOAN

Term bank debt	52,717	-	-	-
	52,717	-	-	-

The terms and conditions of the bank loan are as follows:

8.75% bank loan

This fixed rate loan was arranged to finance the purchase of motor vehicles by Oregon Resources Corporation Inc. and is secured by a charge over the motor vehicles. The loan is repayable in full on 21 September 2009.

(a) Information regarding the effective interest rate risk of the bank loan is set out in note 28.

The carrying amount of the Group's borrowings approximate their fair value.

21 CONTRIBUTED EQUITY

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Ordinary shares	31,585,468	1,437,764	31,585,468	1,437,764
Partly paid shares	500	31,125	500	31,125
Performance shares	6,000,000	-	6,000,000	-
	37,585,968	1,468,889	37,585,968	1,468,889
	Number	Number	Number	Number
(a) Ordinary shares				
Issued and fully paid	152,600,000	15,012,500	152,600,500	15,012,500

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Number	\$
<i>Movement in ordinary shares on issue</i>		
At 1 July 2005	5,012,500	(13,462)
Payment of final call on partly paid shares	-	-
Exercise of options	-	-
Share issue	10,000,000	1,600,000
Transaction costs	-	(148,774)
At July 2006	15,012,500	1,437,764
Payment of final call on partly paid shares (i)	3,062,500	490,000
Exercise of options (ii)	25,000	5,000
Share issues (iii)	62,500,000	16,802,500
Share based payments – corporate advisory fee (iv)	2,000,000	400,000
Share based payments – acquisition of subsidiary (v)	70,000,000	14,000,000
Transaction costs (vi)	-	(1,549,796)
At 30 June 2007	152,600,000	31,585,468

- (i) In September 2006 the Company issued 2,987,500 shares following payment of the final call of 15 cents per share from 239 shareholders. In June 2007 a further 75,000 shares were issued following payment of the final call of 15 cents per share from 6 shareholders.
- (ii) On 21 June 2007 25,000 shares were issued on the exercise of 20 cent options expiring 31 December 2009
- (iii) The following shares were issued during the financial year ended 30 June 2007:
- 500,000 shares issued in July 2006 at an issue price of \$0.005 to a seed capital investor
 - 40,000,000 shares issued in November 2006 at an issue price of \$0.20 to investors pursuant to the Prospectus dated 3 August 2006; and
 - 22,000,000 shares issued in June 2007 at an issue price of \$0.40 to sophisticated investors pursuant to the Prospectus dated 8 June 2007.
- (iv) In November 2006 the Company issued 2,000,000 shares at a deemed issue price of \$0.20 representing payment of a corporate advisory fee.
- (v) In November 2006 the Company issued 70,000,000 shares to RFI representing part of the consideration payable for the acquisition of Oregon Resources Corporation Inc.
- (vi) The transaction costs represent the costs of issuing the shares.

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
(b) Partly paid shares				
Issued and paid to \$0.01	500	31,125	500	31,125
	<i>Number</i>	<i>\$</i>		
<i>Movement in partly paid shares on issue</i>				
At 1 July 2005	3,112,500	31,125		
Payment of final call on partly paid shares	-	-		
Transaction costs	-	-		
At July 2006	3,112,500	31,125		
	-	-		
Payment of final call on partly paid shares (i)	(3,062,500)	(30,625)		
Transaction costs	-	-		
At 30 June 2007	50,000	500		

- (i) In September 2006 the Company issued 2,987,500 shares following payment of the final call of 15 cents per share from 239 shareholders. In June 2007 a further 75,000 shares were issued following payment of the final call of 15 cents per share from 6 shareholders.
- (ii) As at the Balance Date four shareholders each holding equal parcels of 12,500 partly paid shares had not paid the final call of 15 cents per share. As a consequence of the final call not being paid and in accordance with forfeiture notices issued to these shareholders, ownership of the outstanding partly paid shares has reverted to the Company.
- (iii) Partly paid shares carry one vote per share and carry the right to dividends.

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
(c) Performance shares				
Issued and fully paid	6,000,000	-	6,000,000	-
	<i>Number</i>	<i>\$</i>		
<i>Movement in performance shares on issue</i>				
At 1 July 2005	-	-		
Share issues	-	-		
Transaction costs	-	-		
At July 2006	-	-		
	-	-		
Share issues (i)	30,000,000	6,000,000		
Transaction costs	-	-		
At 30 June 2007	30,000,000	6,000,000		

- (i) 30,000,000 performance shares issued in November 2006 at an issue price of \$0.20 to Resource Finance & Investment Limited representing part consideration for the acquisition of Oregon Resources Corporation Inc.

The terms of the performance shares are set out below:

- (a) The performance shares are a separate class of shares in Industrial Minerals that will convert into ordinary shares on satisfaction of an agreed performance hurdle (see below);
- (b) (i) If paragraph (a) of the performance hurdle definition is achieved, each performance share will, subject to clause (d) below, automatically convert to one Share which will have the same rights as, and rank equally with, other shares then on issue and the Company will apply for the quotation of the shares so created within the time frame specified in the ASX Listing Rules;
(ii) if paragraph (b) of the performance hurdle definition is achieved, subject to paragraph (d) below, the performance shares will convert to such number of shares as equates to 10% of the total diluted number shares then on issue and each such converted share will have the same rights as, and rank equally with, other shares then on issue and the Company will apply for the quotation of the Shares so created within the time frame specified in the ASX Listing Rules;
- (c) The holders of performance shares:
 - (i) do not have the right to receive dividends or other distributions of capital in the Company;
 - (ii) do not have the right to receive notices or attend general meetings of the Company; and
 - (iii) do not have voting rights in respect of the performance shares;
 - (iv) on a creditor's winding up, have the same entitlements as holders of shares and on any other winding up, have no entitlements;
- (d) If there is a variation of the issued capital of the Company including a capitalisation or rights issue, subdivision, consolidation or reduction of share capital, the reduction of share capital, the number of the performance shares may be adjusted in the same manner and proportion as shares and in accordance with the ASX Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on the holder which are not conferred on shareholders;
- (e) In the event that a takeover bid is made in respect of the securities of the Company, the performance shares will remain the subject of the performance hurdle unless and until the party making any such bid has acquired:
 - (i) the performance shares; and
 - (ii) sufficient of the shares to enable it to proceed to compulsory acquisition of the balance of the shares;

in which case each performance share will, subject to clause (d) above, automatically convert to such number of shares as equates to 10% of the total diluted number shares then on issue and each such converted share will have the same rights as, and rank equally with, other shares then on issue and the Company will apply for the quotation of the shares so created within the time frame specified in the ASX Listing Rules;
- (f) The Company would not apply for quotation of performance shares;
- (g) The performance shares are not transferable;
- (h) If none of the performance hurdles have been achieved by 28 February 2009 all of the performance shares will be cancelled in full.

The definition of performance hurdle is:

- a) the achievement by Oregon Resources Corporation Inc. as recorded in its audited accounts for the 12 calendar months ending 28 February 2009 of net profit after tax (after adjusting for depreciation and other similar non-cash items) of \$5,000,000, subject to any extension beyond 28 February 2009 agreed by Resource Finance and Investment Limited and the Company or as a result of a force majeure event occurring which delays completion of the acquisition of Oregon Resources Corporation Inc. by the Company occurring by 30 September 2006 through no fault of Resource Finance and Investment Limited or Oregon Resources Corporation Inc; or
- b) a third party acquiring sufficient of the shares to acquire a relevant interest in the issued voting shares in Industrial Minerals Corporation Limited of more than 50% and the consideration paid by the third party being more than 40 cents for each share.

22 ACCUMULATED LOSSES AND RESERVES

(a) Movement in accumulated losses were as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance 1 July	(57,633)	(7,709)	(57,633)	(7,709)
Net loss	(1,312,038)	(49,924)	(906,764)	(49,924)
Balance 30 June	(1,369,671)	(57,633)	(964,397)	(57,633)

(b) Other reserves

	Consolidated			Parent		
	Option Issue Reserve	Foreign currency translation	Total	Option Issue Reserve	Foreign currency translation	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2005	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-
At 30 June 2006	-	-	-	-	-	-
Share based payment	604,449	-	604,449	604,449	-	604,449
Currency translation differences	-	(421,972)	(421,972)	-	-	-
At 30 June 2007	604,449	(421,972)	182,477	604,449	-	604,449

(c) Nature and purpose of reserves

Option Issue Reserve

The option issue reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 26 for further details of the Employee Share and Option Plan.

Foreign currency translation

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign subsidiary.

23 CASH FLOW RECONCILIATION

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Reconciliation of net loss after tax to net cash flows from operations				
Net loss	(1,312,038)	(49,924)	(923,430)	(49,924)
<i>Adjustments for:</i>				
Depreciation and amortisation	34,275	-	-	-
Interest income classified as investing cash flow	(308,920)	-	(306,293)	-
Share based payments	604,449	-	604,449	-
<i>Changes in assets and liabilities</i>				
Decrease/(Increase) in trade and other receivables	(56,891)	(8,862)	(94,495)	(8,862)
Decrease/(Increase) in prepayments	1,118	-	(13,494)	-
Decrease/(Increase) in other current assets	-	-	-	-
Increase/(Decrease) in trade and other payables	281,078	32,850	35,500	32,850
Increase/(Decrease) in other current liabilities	7,000	8,000	7,000	8,000
Decrease/(Increase) in provisions	-	-	-	-
Net cash from operating activities	(749,929)	(17,936)	(690,763)	(17,936)
(b) Non-cash financing and investing activities				
Settlement of subsidiary purchase with shares	20,000,000	-	20,000,000	-
Settlement of corporate advisory fee	400,000	-	400,000	-

24 RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of Industrial Minerals Corporation Limited and its subsidiary listed in the following table.

Name	Country of Incorporation	Equity %		Investment (\$)	
		2007	2006	2007	2006
Oregon Resources Corporation Inc.	United States	100	-	20,000,000	-

(b) Ultimate parent

Industrial Minerals Corporation Limited is the parent entity.

(c) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in note 25.

(d) Related Party transactions

The parent entity made payments and received funds on behalf of the subsidiary by way of intercompany loan accounts with the subsidiary. These loans are unsecured, bear no interest and are repayable on demand. However, demand for repayment is not expected in the next 12 months. Aggregate amounts receivable from the subsidiary are set out in note 14. No allowance for impairment loss has been provided for this amounts.

25 KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Directors

Jeremy David Shervington	Chairman (non-executive)
Philip James Garratt	Chief Executive Officer - appointed 8 November 2006
Michael James Brindley Brickell	Director (non-executive) - appointed 8 November 2006
Daniel Frank Smith	Chief Operating Officer - appointed 8 November 2006
Cheryl Lynn Wilson	Director (executive) - appointed 8 November 2006
Alec Christopher Pismiris	Director (executive) - appointed 8 November 2006
Alan Gordon Coulthard	Director (non-executive) - resigned 8 November 2006
Adam Rankine-Wilson	Director (non-executive) - resigned 8 November 2006

(ii) Executives

Steven M Blacklock	Chief Financial Officer - appointed 15 May 2007
Joseph D Drew	Chief Geologist - appointed 15 May 2006
George N Gabriel	Financial Accountant - appointed 1 July 2006
Samantha C Kaiser	Manager Administration - appointed 5 February 2007
Todd M Lessard	Director of Engineering & Processing - appointed 15 May 2006

(b) Compensation of Key Management Personnel

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	825,844	6,750	281,899	6,750
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	604,449	-	604,449	-
	1,430,293	6,750	886,348	6,750

Industrial Minerals Corporation Limited has applied the option under the *Corporations Amendments Regulation 2006* to transfer key management personnel remuneration disclosures required by AASB 124 *Related Party Disclosures* paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' report. These transferred disclosures have been audited.

(c) Option holdings of Key Management Personnel (Consolidated)

Vested at 30 June 2007

30 June 2007	Balance at beginning of period 01 Jul 06	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period 30 Jun 07	Total	Exercisable	Not Exercisable
Directors								
J D Shervington	612,500	-	-	-	612,500	612,500	612,500	-
P J Garratt	-	2,750,000	-	375,000	3,125,000	3,125,000	3,125,000	-
M J B Brickell	-	-	-	-	-	-	-	-
D F Smith	-	1,750,000	-	-	1,750,000	1,750,000	1,750,000	-
C L Wilson	-	2,750,000	-	-	2,750,000	2,750,000	2,750,000	-
AC Pismiris	575,000	-	-	-	575,000	575,000	575,000	-
A G Coulthard ³	150,000	-	-	(150,000)	-	-	-	-
A Rankine-Wilson ³	720,625	-	-	(720,625)	-	-	-	-
Executives								
S M Blacklock ¹	-	2,500,000	-	-	2,500,000	-	-	-
J Drew	-	-	-	-	-	-	-	-
G Gabriel	-	-	-	-	-	-	-	-
S C Kaiser ²	-	500,000	-	-	500,000	-	-	-
T Lessard	-	-	-	-	-	-	-	-
Total	2,058,125	10,250,000	-	(495,625)	11,812,500	8,812,500	8,812,500	-

Notes:

1. Excludes options granted to S M Blacklock in May 2007 but not issued during the financial year pursuant to the Employee Share and Option Plan. The options vest fully in May 2009.
2. Excludes options granted to S C Kaiser in May 2007 but not issued during the financial year pursuant to the Employee Share and Option Plan. The options granted vest fully over three years with 1/3 of the options vesting on the each anniversary.
3. Resigned on 8 November 2006.

(c) Option holdings of Key Management Personnel (Consolidated)

Vested at 30 June 2006

30 June 2006	Balance at beginning of period 01 Jul 05	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of period 30 Jun 06	Total	Exercisable	Not Exercisable
Directors								
J D Shervington	750,000	-	-	(137,500)	612,500	612,500	612,500	-
A G Coulthard	200,000	-	-	(50,000)	150,000	150,000	150,000	-
A Rankine-Wilson	775,000	-	-	(54,375)	720,625	720,625	720,625	-
Executives								
A C Pismiris	68,750	-	-	506,250	575,000	575,000	575,000	-
Total	1,793,750	-	-	264,375	2,058,125	2,058,125	2,058,125	-

(d) Shareholdings of Key Management Personnel (Consolidated)

(i) Fully paid ordinary shares

30 June 2007	Balance 01 Jul 06 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	On Payment of Final Call on Partly Paid Shares Ord	Net Change Other Ord	Balance 30 Jun 07 Ord
Directors						
J D Shervington	1,225,000	-	-	-	250,000	1,475,000
P J Garratt	-	-	-	-	1,252,805	1,252,805
M J B Brickell	-	-	-	-	-	-
D F Smith	-	-	-	-	-	-
C L Wilson	-	-	-	-	-	-
AC Pismiris	1,125,000	-	-	37,500	487,500	1,650,000
A G Coulthard ¹	300,000	-	-	-	(300,000)	-
A Rankine-Wilson ¹	1,391,250	-	-	50,000	(1,441,250)	-
Executives						
S M Blacklock	-	-	-	-	-	-
J Drew	-	-	-	-	-	-
G Gabriel	-	-	-	-	-	-
S C Kaiser	-	-	-	-	-	-
T Lessard	-	-	-	-	-	-
Total	4,041,250	-	-	87,500	249,055	4,377,805

1. Resigned on 8 November 2006, thus these are no longer classified as key management personnel shareholdings.

30 June 2006	Balance 01 Jul 06 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	On Payment of Call on Partly Paid Shares Ord	Net Change Other Ord	Balance 30 Jun 07 Ord
Directors						
J D Shervington	1,500,000	-	-	-	(275,000)	1,225,000
A G Coulthard	400,000	-	-	-	(100,000)	300,000
A Rankine-Wilson	1,500,000	-	-	-	(108,750)	1,391,250
Executives						
AC Pismiris	100,000	-	-	-	1,025,000	1,125,000
Total	3,500,000	-	-	-	541,250	4,041,250

(ii) Partly paid shares

30 June 2007	Balance 01 Jul 06 Partly Paid	Granted as Remuneration Partly Paid	Payment of Final Call Partly Paid	Net Change Other Partly Paid	Balance 30 Jun 07 Partly Paid
Directors					
AC Pismiris	37,500	-	(37,500)	-	-
A Rankine-Wilson	50,000	-	(50,000)	-	-
Total	87,500	-	(87,500)	-	-

30 June 2006	Balance 01 Jul 05 Partly Paid	Granted as Remuneration Partly Paid	Payment of Final Call Partly Paid	Net Change Other Partly Paid	Balance 30 Jun 06 Partly Paid
Directors					
A Rankine-Wilson	50,000	-	-	-	50,000
Executives					
AC Pismiris	37,500	-	-	-	37,500
Total	87,500	-	-	-	87,500

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms no more favourable than those the Group would have adopted if dealing at arm's length.

(e) Other transactions and balances with Key Management Personnel and their related parties

Purchases

During the year legal fees of \$20,266 (2006: \$92,019) were paid under normal terms and conditions to Jeremy Shervington Barrister and Solicitor of which Jeremy Shervington is a partner for the provision of legal services at normal commercial rates.

During the year fees of \$1,408,000 (2006: Nil) were paid under normal terms and conditions to Capital Investment Partners Pty Ltd of which Mr A C Pismiris is a director, for the provision of corporate advisory services pursuant to the capital raisings completed during the year at normal commercial rates.

During the year fees of \$30,000 (2006: Nil) were paid under normal terms and conditions to Capital Investment Partners Pty Ltd of which Mr A C Pismiris is a director, for the provision of consulting services at normal commercial rates.

During the year fees of \$48,000 (2006: Nil) were paid under normal terms and conditions to Capital Investment Partners Pty Ltd of which Mr A C Pismiris is a director, for the provision of services in his capacity as a director and company secretary at normal commercial rates.

During the year fees of \$124,999 (2006: Nil) were paid under normal terms and conditions to Cadogan Consulting Group Ltd of which Mr P J Garratt is a director, for the provision of services in his capacity as chief executive officer at normal commercial rates.

During the year fees of \$41,667 (2006: Nil) were paid under normal terms and conditions to Cadogan Consulting Group Ltd of which Mr P J Garratt is a director, for the provision of services by Mr S M Blacklock in his capacity as chief financial officer at normal commercial rates.

26 SHARE BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Expense arising from equity-settled share-based payment transactions	604,449	-	604,449	-
Total expense arising from share-based payment transactions	604,449	-	604,449	-

The share-based payment plan is described below. There have been no modifications to the plan during the year.

**(b) Types of share-based payment plans
Employee Share and Option Plan (“ESOP”)**

The Company has established the ESOP to assist in the retention and motivation of employees by providing them with the opportunity to acquire Shares. Under the ESOP, options over unissued shares are offered to eligible executives, employees and contractors of the Group. The principal terms of the ESOP are as follows:

- (a) The persons who are eligible to participate in the ESOP are employees and contractors of the Company (including the directors of the Company from time to time) (“Eligible Employee”) or their nominee who have been selected by the Board to participate in the ESOP;
- (b) The ESOP Options will not be transferable or assignable to any person other than an Eligible Employee’s nominee;
- (c) The ESOP Options may be subject to a vesting period which is determined by the Board;
- (d) The ESOP Options may be exercised wholly or in part, and if exercised in part multiples of 500 must be exercised on each occasion;
- (e) The ESOP Options may be exercised by notice in writing to the Company received at any time during the relevant exercise period together with a cheque for the exercise price and the option certificate (if any) for those ESOP Options for cancellation by the Company;
- (f) The Company shall allot the number of Shares the subject of any exercise notice and apply at its cost for listing of the Shares within 14 days of the allotment of the Shares;
- (g) The ESOP Options will be exercisable after admission of the Company to the ASX, at a price and with an exercise period to be determined in the absolute discretion of the Board;
- (h) Shares issued on the exercise of the ESOP Options will rank pari passu with all existing Shares of the Company from the date of issue;
- (i) The maximum number of ESOP Options that may be offered to participants under the ESOP is 10% of the issued capital at the time of the issue of the ESOP Options;
- (j) It will be a condition of the ESOP that no participant is entitled to more than 5% of the Company’s securities as a result of the issue of any ESOP Options under the ESOP;
- (k) The holder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the ESOP Options in which case the holder will be afforded the period of at least 9 Business Days prior to and inclusive of the record date to determine entitlements to the issue to exercise the ESOP Options;
- (l) The ESOP Options do not confer on the holder any right to participate in dividends until Shares are allotted pursuant to the exercise of the ESOP Options;
- (m) In the event of a reorganisation of the issued capital of the Company, the ESOP Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on holders which are not conferred on Shareholders;
- (n) The number of Shares to be issued pursuant to the exercise of ESOP Options will be adjusted for bonus issues made prior to exercise of the ESOP Options so that, upon exercise of the ESOP Options the number of Shares received by the option holder will include the number of bonus Shares that would have been issued if the ESOP Options had been exercised prior to the record date for the bonus issues. The exercise price of the ESOP Options shall not change as a result of any such bonus issues;
- (o) Quotation of ESOP options on the ASX will not be sought;
- (p) Subject to paragraph (n) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.
- (q) In the case of an employee who ceases to be an employee of the Company the ESOP Options will automatically expire 3 months after the cessation of such employment provided that nothing in this paragraph will prevent the holder of any such ESOP Options exercising any of those Options during that 3 month period.

(c) Summaries of options granted under the Employee Share Option Plan

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, the share options granted during the year:

	2007	2007	2006	2006
	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	10,250,000	0.25	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
	10,250,000	0.25	-	-
	7,250,000	0.25	-	-

Exercisable at the end of the year

The outstanding balance of options that are exercisable as at 30 June 2007 is represented by:

- 1,812,500 options exercisable on or before 02 November 2008 at an exercise price of \$0.20 each;
- 3,625,000 options exercisable on or before 02 November 2009 at an exercise price of \$0.25 each;
- 1,812,500 options exercisable on or before 02 November 2010 at an exercise price of \$0.30 each.

The outstanding balance of options that are not exercisable at 30 June 2007 is represented by:

- 625,000 options exercisable on or before 02 November 2008 at an exercise price of \$0.20 each;
- 1,250,000 options exercisable on or before 02 November 2009 at an exercise price of \$0.25 each;
- 625,000 options exercisable on or before 02 November 2010 at an exercise price of \$0.30 each.
- 180,000 options exercisable on or before 05 May 2009 at an exercise price of \$0.30 each;
- 180,000 options exercisable on or before 05 May 2010 at an exercise price of \$0.325 each;
- 140,000 options exercisable on or before 05 May 2011 at an exercise price of \$0.35 each.

(d) Weighted average remaining contractual life

The weighted average contractual life for the share options outstanding as at 30 June 2007 is 2.33 years (2006: Nil).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.20 to \$0.35 (2006: Nil).

(f) Weighted average fair value

The weighted average fair value for options granted and issued during the year was \$0.112 (2006: Nil).

(g) Option pricing model

The fair value of the equity-settled share options granted under the ESOP is estimated as at the grant date using the Binomial option pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the models for the year ended 30 June 2007:

	ESOP	ESOP	ESOP
	2007	2007	2007
Grant date	8 Nov 2006	5 May 2007	1 May 2007
Share price	20 cents	33 cents	40 cents
Exercise price	20 to 30 cents	30 to 35 cents	20 to 30 cents
Dividend Yield	0.0%	0.0%	0.0%
Expected volatility	65.0%	65.0%	65.0%
Risk-free interest rate	6.0%	6.0%	6.0%
Expected life	3.5 years	3.5 years	2.5 years
Weighted average fair value	6.98 cents	15.9 cents	22 cents
Model used	Binomial	Binomial	Black-Scholes

(h) Other share based payments

During the year fees of \$400,000 (2006: Nil) were paid to Capital Investment Partners Pty Ltd for the provision of corporate advisory services pursuant to the initial public offer made under a Prospectus. The fee was settled by the issue of 2,000,000 shares at an issue price of 20 cents per share.

Prior to 1 July 2005 key management personnel were issued 1,793,750 options. These options were issued to key management personnel as ordinary shareholders and therefore were not accounted for under AASB2.

27 ACQUISITION OF OREGON RESOURCES CORPORATION INC.

On 1 November 2006 Industrial Minerals Corporation Limited acquired 100% of the voting shares of Oregon Resources Corporation Inc., an unlisted company based in Oregon, USA which held interests in the Oregon Heavy Minerals Project, covering 2,598 acres of terraced mineral sands properties near Coos Bay in southwest Oregon.

This has not been accounted for as a business combination as it is the acquisition of a group of net assets and not a business.

The total cost of the acquisition was \$20,000,000 and comprised of the issue of 70 million fully paid ordinary shares and 30 million performance shares at a fair value of 20 cents per share, based on the issue price of shares offered under the Prospectus dated 3 August 2006.

At the date of the acquisition Oregon Resources Corporation was conducting evaluation of the Oregon Heavy Minerals Project.

The fair value of the assets and liabilities of Oregon Resources Corporation Inc. as at the date of acquisition are:

	Consolidated
	<i>Recognised on acquisition</i>
	\$
Cash and cash equivalents	5,160
Trade and other receivables	37,865
Prepayments	28,850
Property, plant and equipment	2,826,614
Exploration and evaluation	20,257,057
	<hr/> 23,155,546
Trade and other payables	(1,158,534)
Loans from related parties	(1,922,466)
Long term loans	(74,546)
	<hr/> (3,155,546)
Fair value of identifiable net assets	<hr/> 20,000,000
Cost of acquisition:	
- shares issued, at fair value	20,000,000
- costs associated with the acquisition	-
Total cost of acquisition	<hr/> 20,000,000
The cash outflow on acquisition is as follows:	
- net cash acquired with subsidiary	5,160
- cash paid	-
Net cash effect of transaction	<hr/> 5,160

28 FAIR VALUE AND INTEREST RATE RISK**(a) Fair values**

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Year ended 30 June 2007	<1year \$	>1-<2 years \$	Non-Interest Bearing \$	Total \$
CONSOLIDATED				
FINANCIAL ASSETS				
Floating rate				
Cash assets	18,095,358	-	-	18,095,358
Related party receivable	-	-	-	-
Trade and other receivables	-	-	104,415	104,415
<i>Weighted average effective interest rate</i>	4.33%	-	0.00%	4.33%
FINANCIAL LIABILITIES				
Fixed rate				
Bank loan – motor vehicles	23,430	29,287	-	52,717
<i>Weighted average effective interest rate</i>	8.75%	8.75%	-	8.75%
Floating rate				
Trade and other payables	-	-	1,321,810	1,338,477
Share subscriptions received in advance	-	-	5,200,000	5,200,000
<i>Weighted average effective interest rate</i>	-	-	0.00%	0.00%
PARENT				
FINANCIAL ASSETS				
Floating rate				
Cash assets	17,912,419	-	-	17,912,419
Related party receivables	-	-	4,519,922	4,519,922
Trade and other receivables	-	-	104,415	104,415
<i>Weighted average effective interest rate</i>	4.35%	-	0.00%	3.55%
FINANCIAL LIABILITIES				
Floating rate				
Bank loan – motor vehicles	-	-	-	-
Share subscriptions received in advance	-	-	5,200,000	5,200,000
Trade and other payables	-	-	124,184	140,850
<i>Weighted average effective interest rate</i>	-	-	0.00%	0.00%

Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

(b) Interest rate risk (continued)

Year ended 30 June 2006	<1year	>1-<2 years	Non-Interest Bearing	Total
	\$	\$	\$	\$
CONSOLIDATED				
FINANCIAL ASSETS				
Floating rate				
Cash assets	900,784	-	-	900,784
Other financial assets	-	-	598,949	598,949
Trade and other receivables	-	-	9,873	9,873
<i>Weighted average effective interest rate</i>	0.04%	-	0.00%	0.03%
FINANCIAL LIABILITIES				
Fixed rate				
Bank loan	-	-	-	-
<i>Weighted average effective interest rate</i>	-	-	-	-
Floating rate				
Bank loan – motor vehicles	-	-	-	-
Trade and other payables	-	-	98,350	98,350
<i>Weighted average effective interest rate</i>	-	-	0.00%	0.00%
PARENT				
FINANCIAL ASSETS				
Floating rate				
Cash assets	900,784	-	-	900,784
Other financial assets	-	-	598,949	598,949
Trade and other receivables	-	-	9,873	9,873
<i>Weighted average effective interest rate</i>	0.04%	-	0.00%	0.04%
FINANCIAL LIABILITIES				
Floating rate				
Bank loan – motor vehicles	-	-	-	-
Trade and other payables	-	-	98,350	98,350
<i>Weighted average effective interest rate</i>	-	-	0.00%	0.00%

Interest on financial instruments classified as floating rate is repriced at intervals of less than a year. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

29 COMMITMENTS AND CONTINGENCIES
(a) Commitments
(i) Leasing commitments

Operating lease commitments – Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2007 are as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Within one year	50,679	-	-	-
After one year but not more than five years	95,231	-	-	-
More than five years	-	-	-	-
Total minimum lease payments	145,910	-	-	-

(ii) Property, plant and equipment commitments

The Group had contractual obligations to purchase plant and equipment for \$24,105 at the Balance Date (2006: Nil) relating to the acquisition of plant and equipment necessary for commencement of full scale operation. This commitment is expected to be settled within 12 months from Balance Date.

Subsequent to the Balance Date the Group entered into a Purchase and Sale Agreement with the Coquille Tribe for the purchase of the Westbrook property. The total consideration for the land acquisition was \$US1,600,000 comprising of an initial payment of \$US300,000 on execution and the balance of \$US1.3 million due in January 2009.

Future minimum commitments for property and equipment as at 30 June 2007 are as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Within one year	593,888	-	-	-
After one year but not more than five years	1,550,858	-	-	-
More than five years	-	-	-	-
Total	2,144,746	-	-	-

(iii) Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable are as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Within one year	416,667	-	416,667	-
After one year but not more than five years	-	-	-	-
More than five years	-	-	-	-
Total	416,667	-	416,667	-

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in note 25 that are not recognised as liabilities and are not included in the directors' or executives' remuneration.

(iv) Other expenditure commitments – Mineral leases

The Group has minimum expenditure commitments relating to mineral leases for the Oregon Heavy Minerals Project. Expenditure commitments at 30 June 2007 but not recognised as liabilities are as follows:

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Within one year	36,993	-	-	-
After one year but not more than five years	294,533	-	-	-
More than five years	235,627	-	-	-
Total	567,153	-	-	-

(b) Contingencies

The Group has no contingent assets and liabilities.

30 EVENTS AFTER THE BALANCE SHEET DATE

At a general meeting of shareholders held on 26 July 2007, the share placement announced in May 2007 was approved. The share placement comprised of the issue of 35 million shares at an issue price of 40 cents per share in two tranches under a Prospectus. The second tranche of the share placement was completed subsequent to the shareholder meeting by the issuance of 13 million shares to sophisticated investors to raise \$5.20 million.

In August 2007 the Coos County Planning Commission approved the two applications for the conditional use permits for its processing plant and associated mining sites in Coos Bay, Oregon. Interested parties with standing were given an opportunity to appeal the Commission's decisions to the Board of County Commissioners within fifteen days of the mailing of the decisions. The Company was advised that an appeal was filed against the mine site permit. There has been no appeal lodged against the processing permit.

In August 2007 the Company announced that continuing results from the exploration programme undertaken during the year had revealed expanded resources in the vicinity of the North and South Seven Devils deposits.

On 5 September 2007 a Purchase and Sale Agreement was executed with the Coquille Tribe for the purchase of the Westbrook property. The total consideration for the land acquisition was \$US1,600,000 comprising of an initial payment of \$US300,000 on execution and the balance of \$US1.3 million due in January 2009.

Commencement of a further exploration program on the Oregon Heavy Mineral Project during September 2007 with an expenditure commitment of approximately \$US500,000.

In September 2007 the Company initiated purchase orders relating to the construction and commissioning of the main processing plant for the Oregon Heavy Minerals Project.

There have been no other significant events that have occurred since Balance Date.

31 AUDITORS' REMUNERATION

The auditor of Industrial Minerals Corporation Limited is Ernst & Young.

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated group	30,690	8,000	30,690	8,000
• other services in relation to the entity and any other entity in the consolidated group				
• tax compliance	5,000	-	5,000	-
• corporate advisory services	30,493	5,100	30,493	5,100
	66,183	13,100	66,183	13,100

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Industrial Minerals Corporation Limited, I state that:

- 1 In the opinion of the directors:
 - (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Industrial Minerals Corporation Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

- This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2007.
- 2

On behalf of the Board



Jeremy Shervington

Director

Perth, Western Australia
28th day of September 2007

AUDITORS' REPORT



■ The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

GPO Box M939
Perth WA 6843

Independent auditor's report to the members of Industrial Minerals Corporation Limited

We have audited the accompanying financial report of Industrial Minerals Corporation Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 20 to 26 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDITORS' REPORT



Auditor's Opinion

In our opinion:

1. the financial report of Industrial Minerals Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Industrial Minerals Corporation Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.
3. the remuneration disclosures that are contained on pages 20 to 26 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "V. W. Tidy".

V W Tidy
Partner
Perth
28 September 2007

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 31 July 2007.

(a) Distribution of equity securities

(i) Ordinary share capital

165,600,000 fully paid ordinary shares are held by 558 individual shareholders.
All issues ordinary shares carry one vote per share and carry rights to dividends.

(ii) Performance shares

30,000,000 performance shares are held by one shareholder.
The terms and conditions of the performance shares are set out in note 20(c).

(iii) Partly Paid share

50,000 partly paid ordinary shares are held by 4 individual shareholders.
The shares have been forfeited due to non-payment of a final call of 15 cents made during the period.

(iv) Options

2,130,500 listed options are held by 144 individual holders.
Options do not carry a right to vote.

The number of holders of securities, by size of holding in each class are:

	No. of holders	Fully paid ordinary shares	No. of holders	Performance shares	No. of holders	No. of options
1 – 1,000	1	1	Nil	Nil	Nil	Nil
1,001 – 5,000	44	151,038	Nil	Nil	1	3,125
5,001 – 10,000	58	517,314	Nil	Nil	123	772,250
10,001 – 100,000	369	12,240,589	Nil	Nil	19	605,125
100,000 and over	86	152,528,058	1	30,000,000	1	750,000
Total Holders	558	165,600,000	1	30,000,000	144	2,130,500

There is one shareholder holding less than a marketable parcel of shares.

(b) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Ordinary shareholders	Fully paid	
	Number	Percentage
Resource Finance & Investment Limited	70,000,000	42.27%
LFG Holdings Pty Ltd	11,500,000	6.94%
Osprey Management LLC	8,450,000	5.10%

(c) Twenty largest holders of quoted equity securities
Ordinary shareholders
Fully paid

	Number	Percentage
Resource Finance & Investment Limited	70,000,000	42.27%
RBC Dexia Investor Services Australia Nominees Pty Ltd	16,959,384	10.24%
HSBC Custody Nominees (Australia) Limited	12,059,406	7.28%
UBS Nominees Pty Ltd	11,200,000	6.76%
Invia Custodian Pty Limited	4,075,000	2.46%
ANZ Nominees Limited	3,154,694	1.91%
Bond Street Custodians Limited	3,000,000	1.81%
Dr Salim Cassim	1,893,908	1.14%
Surfboard Pty Ltd	1,710,500	1.03%
Panga Pty Ltd	1,475,000	0.89%
ACP Investments Pty Ltd	1,462,500	0.88%
Invia Custodian Pty Limited	1,440,000	0.87%
Zumeca Investments Inc	1,200,000	0.72%
Bayonet Investments Pty Ltd	1,100,000	0.66%
Invia Custodian Pty Ltd	1,000,000	0.60%
Vison Pty Ltd	904,500	0.55%
Citicorp Nominees Pty Limited	628,250	0.38%
Surfboard Pty Ltd	617,050	0.37%
Lift Capital Nominees No 1 Pty Ltd	580,211	0.35%
Aziz Hussain	575,000	0.35%
Total	135,035,403	81.52%
Shares on Issue at 31 July 2007	165,600,000	

(d) Twenty largest holders of quoted options
Option holders
Options

	Number	Percentage
Gavin John Argyle	750,000	35.20%
Clodene Pty Ltd	63,775	2.99%
Argentum Investment Management Pty Ltd	56,250	2.64%
Simon Baguley	50,000	2.35%
John Rolf Eric Hansen	50,000	2.35%
John Barry Joseph, Mark John Joseph & Ian Patrick Joseph	50,000	2.35%
Vison Pty Ltd	50,000	2.35%
John Oakley	41,350	1.94%
C Pismiris Pty Ltd	31,250	1.47%
Cazcrest Pty Ltd	31,250	1.47%
Grazian Pty Ltd	31,250	1.47%
Monticone Investments Pty Ltd	31,250	1.47%
Jason Peterson & Lisa Peterson	25,000	1.17%
John Eric Wolf Hansen	18,750	0.88%
Beirne Trading Pty Ltd	12,500	0.59%
Michael Joseph De Marte	12,500	0.59%
International Business Network (Services) Pty Ltd	12,500	0.59%
Guiseppe John Marano & Mrs Chesia Marano	12,500	0.59%
Michael Pavone	12,500	0.59%
White Knight Technology Pty Ltd	12,500	0.59%
Total	1,355,125	63.64%
Listed Options on Issue at 31 July 2007	2,130,500	

(e) Unlisted options on issue

Options issued by the Company which are not listed on the Australian Stock Exchange are as follows:

- 6,787,500 options exercisable on or before 31 December 2009 at an exercise price of \$0.20 each;
- 1,812,500 options exercisable on or before 02 November 2008 at an exercise price of \$0.20 each;
- 3,625,000 options exercisable on or before 02 November 2009 at an exercise price of \$0.25 each;
- 1,812,500 options exercisable on or before 02 November 2010 at an exercise price of \$0.30 each.