



## STOCK EXCHANGE ANNOUNCEMENT

### RENOUNCEABLE RIGHTS ISSUE

21 May 2009

The directors of Industrial Minerals Corporation Limited (IDM:ASX) ("**the Company**") are pleased to announce their intention to undertake a Renounceable Rights Issue of one (1) Convertible Note for every three (3) existing Shares held by shareholders at an issue price of \$0.06. The principal terms of the Convertible Notes are included in the Annexure attached to this announcement.

The Rights Issue seeks to raise approximately \$3.32 million before costs by the issue of up to 55,298,166 Convertible Notes.

Subject to finalisation of a formal underwriting agreement, it is intended that the Rights Issue will be partially underwritten to \$1.5 million by Vison Pty Ltd, a company controlled by Mr Philip Garratt.

Further information on the Rights Issue including a timetable and a disclosure document will be announced as soon as appropriate and is subject to finalisation of documentation.

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Annexure

A summary of the principal terms of the Convertible Notes is set out below.

<b>Rights Issue</b>	A pro rata renounceable Rights Issue of up to 55,298,166 Convertible Notes on the basis of one (1) Convertible Note for every three (3) Shares held by Eligible Shareholders.
<b>Maximum subscription</b>	Up to 55,298,166 convertible notes to up to raise \$3,317,890.
<b>Ranking</b>	The Convertible Notes will be unsecured debt obligations of the Company and will rank, in relation to repayment of principal and interest, equally with other ordinary unsecured creditors of the Company. The Convertible Notes will rank behind any secured creditors of the Company but will rank ahead of holders of Ordinary Shares. Industrial Minerals, will need to raise additional funding of up to US\$45 million to carry out its objectives, and this funding may be secured against the assets and revenues of Industrial Minerals.
<b>Issue Price</b>	\$0.06 per Convertible Note.
<b>Conversion terms</b>	<p>Each Convertible Note entitles the holder to one Share (subject to any adjustment for bonus shares, rights issues and capital reconstructions). The Convertible Notes may, at the holder's option, be converted annually on 30 April 2010, 30 April 2011 and the Maturity Date or at other times in certain limited circumstances such as following a Takeover Event. If the conversion right is exercised by a holder, the principal amount repayable on the Convertible Note (\$0.06 per Convertible Note) will be applied as the subscription price for the Share. Any accrued and unpaid interest up to the date of conversion will be paid to the holder.</p> <p>A minimum of 83,334 (or, if the total number of Convertible Notes held is less than 83,334, that amount) must be converted and, if the amount converted is more than 83,334, the number converted must be an integral multiple of 83,334 Convertible Notes. Noteholders wishing to convert all of their Convertible Notes may do so regardless of the number of Convertible Notes held.</p> <p>The Company will issue Shares in respect of converted Convertible Notes within 5 Business Days of the applicable conversion date for those Convertible Notes.</p> <p>There is no right for the Company to require conversion of the Convertible Notes into Shares.</p>
<b>Coupon (Interest)</b>	<p>10% per annum on the Issue Price payable bi-annually on each 6 and 12 month anniversary of the Issue Date in arrears until the earlier of conversion into Shares or redemption. None of the Company, the Trustee or any other entity guarantees the interest payments on the Convertible Notes.</p> <p>The Company expects to make interest payments using available cash balances, the proceeds from future debt or equity raisings and cashflow from operations (if available). Section 5 includes a summary of the Company's financial position.</p>

<b>Term</b>	Three years unless previously redeemed or converted into Shares. The Convertible Notes will be redeemable at the face value of the Convertible Note.
<b>Quotation and Trading</b>	Application will be made to the ASX within 7 days following the date of this Prospectus for official quotation of the Convertible Notes.
<b>Redemption</b>	<p>The Company must redeem all issued and uncanceled Convertible Notes on the Maturity Date, namely the third anniversary of the Issue Date.</p> <p>The Company may redeem Convertible Notes by providing written notice to holders one month prior to the following dates and for the following amounts:</p> <ul style="list-style-type: none"> <li>- on the first anniversary of the Issue Date at \$0.08 and</li> <li>- on the second anniversary of the Issue Date at \$0.10; and</li> <li>- on the occurrence of a Takeover Event.</li> </ul> <p>Neither the Company nor any other entity guarantees the redemption of the Convertible Notes. The Company expects to redeem the Convertible Notes using the proceeds from future debt or equity raisings and cashflow from operations (if available). Section 5 includes a summary of the Company's financial position.</p>
<b>Shareholder Approval</b>	The issue of Convertible Notes pursuant to the Offer is not be subject to shareholder approval.
<b>Entitlement to Subsequent Issues</b>	The Convertible Notes will not carry any entitlement to participate in future issues of securities by the Company. The conversion ratio of the Convertible Notes will be adjusted for the bonus element of any pro rata issue of Shares or for any capital reorganisation prior to the conversion date.
<b>Voting</b>	Except in the circumstances required by the Listing Rules or the Corporations Act, holders of Convertible Notes will not be entitled to vote at meetings of the Company prior to the conversion of Convertible Notes in Shares, other than at a meeting convened for holders of Convertible Notes.
<b>Rights Trading</b>	Rather than subscribing for their entitlement to Convertible Notes, Shareholders may seek to sell or transfer their Rights, which will be quoted on ASX.