

Oregon Heavy Minerals Project



INDUSTRIAL MINERALS CORPORATION LTD.

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Joseph Drew is employed as Director of Geology by Oregon Resources Corporation (a wholly owned subsidiary of Industrial Minerals). Joseph 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.

Corporate Overview

Industrial Minerals is a publicly listed company on the ASX.

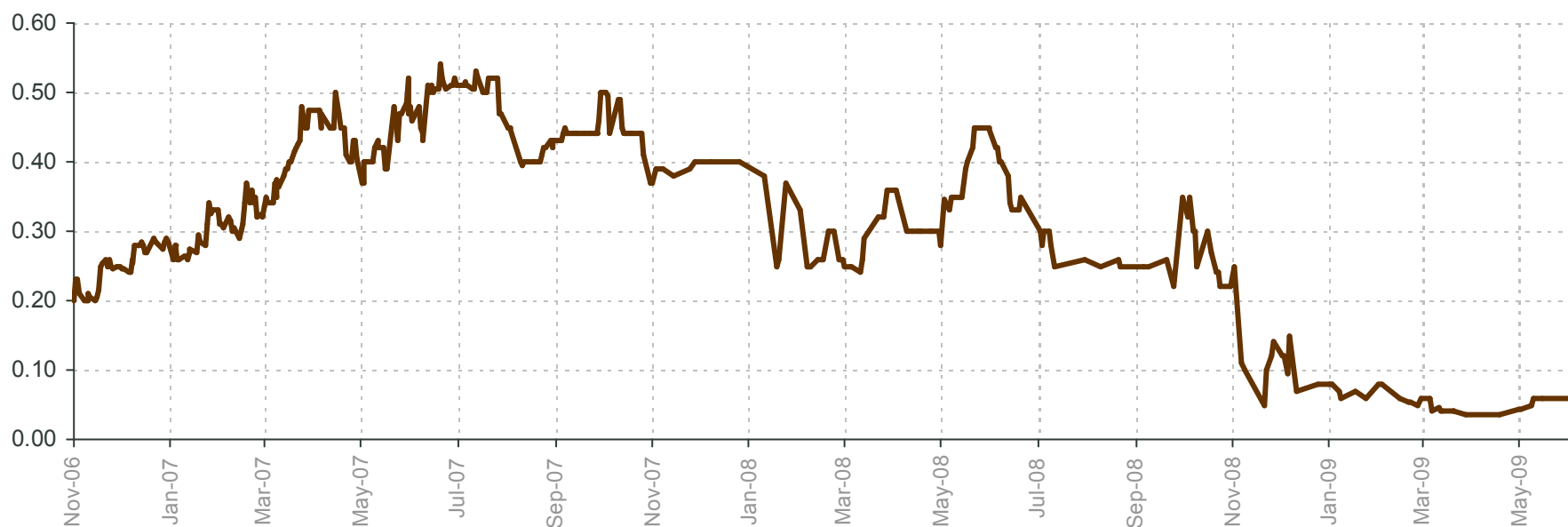
Key statistics (A\$)

Ordinary shares on issue	26-Jun-09	165.9m
Options on issue	26-Jun-09	8.8m
Fully diluted shares on issue	26-Jun-09	174.7m
Share price	26-Jun-09	\$0.06
Market capitalization	26-Jun-09	\$9.95m

Top 20 shareholders

The top 20 shareholders collectively hold 82.5% of the securities on issue

Industrial Minerals share price (A\$)



Source: Bloomberg, ASX announcements, company reports

Directors

Strong, resources industry experienced board...

Philip Garratt
CEO, Director

- Over 25 years of experience at senior management levels in diverse enterprises
- He is the President and Chief Executive Officer of Resource Finance and Investment (RFI), currently the largest shareholder (42%). Under his stewardship RFI commenced the Oregon project with other base and precious metal projects in 1989. His resource sector experience also covers hydrocarbon exploration and petroleum distribution. He was appointed CEO in 2006 contemporaneously with the acquisition of the Oregon project from RFI.

Jeremy Shervington
Chairman

- Operates a legal practice in Western Australia. He specialises in the laws regulating companies and the securities industry in Australia. He has 28 years experience as a lawyer gained since his admission as a Barrister and Solicitor of the Supreme Court of Western Australia
- Since 1985 has served as a Director of various ASX listed companies as well as a number of unlisted public and private companies. Presently he also serves as a member of the Audit and Compliance Committee

Michael Brickell
Non Executive
Director

- Has over 40 years of experience at senior management levels in retail business enterprises in England, Europe and North America
- Is a Fellow of the Institute of Chartered Accountants in England and Wales. Presently he also serves as Chairman of the Audit and Compliance Committee

Alec Pismiris
Non Executive
Director

- Is currently an Executive Director of Azure Capital 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
- Has over 20 years experience in the securities, finance and mining industries. Presently he also serves as a member of the Audit and Compliance Committee

Cheryl Wilson
ORC President,
Executive Director

- Over 17 years of experience in the mineral resource industry and a wide range of management experience in banking, law, marketing and corporate development
- She has vast experience on the Oregon Heavy Minerals Project where she has been responsible for the overall management and operations

Management

... and management team.

Daniel Smith COO, Executive Director	<ul style="list-style-type: none">▪ BSc (Geology) Mine manager and Exploration Geologist▪ Over 20 years experience in the resources industry including exploration, project management, geology and project engineering▪ He has considerable experience in the mineral resource industry with Iluka Resources Inc., Hanson Aggregates and Western Mining Corporation. His broad scope of operational experience includes the management of mineral sand, precious metal and aggregate mining operations where he delivered a comprehensive range of skills including mine planning, ore control, pre-project exploration and economic evaluation of mineral programs
Todd Lessard Production / Process Manager	<ul style="list-style-type: none">▪ BSc (Chemical Engineering)▪ Over 13 years operational experience including production management, supervision of maintenance, process/project engineering in mining/reclamation operations, physical separations, bulk & packaged storage and delivery. He is well-versed in Environmental (Solid Waste Minimization, Surface Water & Groundwater and Title V Air) and Quality System (ISO/QS9000) requirements and compliance. Previously with Iluka Resources and General Chemical
Joseph Drew Geology and Geophysics	<ul style="list-style-type: none">▪ BSc (Geology), BA (Economics & Statistics), PhD (Geology) and Fellow of the Australasian Institute of Mining and Metallurgy▪ Mine and exploration geologist with proven success on industrial mineral projects (DuPont and Iluka)▪ He is experienced in the many aspects of developing a resource for production and in all aspects required for the determination of geologic zonation of deposits for metallurgical study
Steve Blacklock CFO	<ul style="list-style-type: none">▪ Chartered Accountant with 18 years of senior management experience for companies reporting in Canada and the United States▪ He has a broad base of experience including strategic planning, operations, internal and external financial reporting, equity and debt financing, regulatory compliance and risk management, and tax compliance
Jim Dingman Marketing & Sales	<ul style="list-style-type: none">▪ Over 25 years of experience in the resources industry▪ He has an extensive sales and marketing background focusing on market research for chromite, gold and ferrochrome projects

Oregon Heavy Minerals Project

Industrial Minerals owns 100% of Oregon Resources Corporation Inc. (ORC) which is developing the Oregon Heavy Minerals Project (“the Project”) located in the state of Oregon in the USA.

1

Unique Mineral Deposit

- Unique deposits with proven reserves of a multiple suite of very heavy minerals has created a project with outstanding and robust economics

2

Market Advantage

- Sole North American producer of foundry chromite and other minerals
- Resource profile provides ability to increase plant throughput above original prospectus forecast

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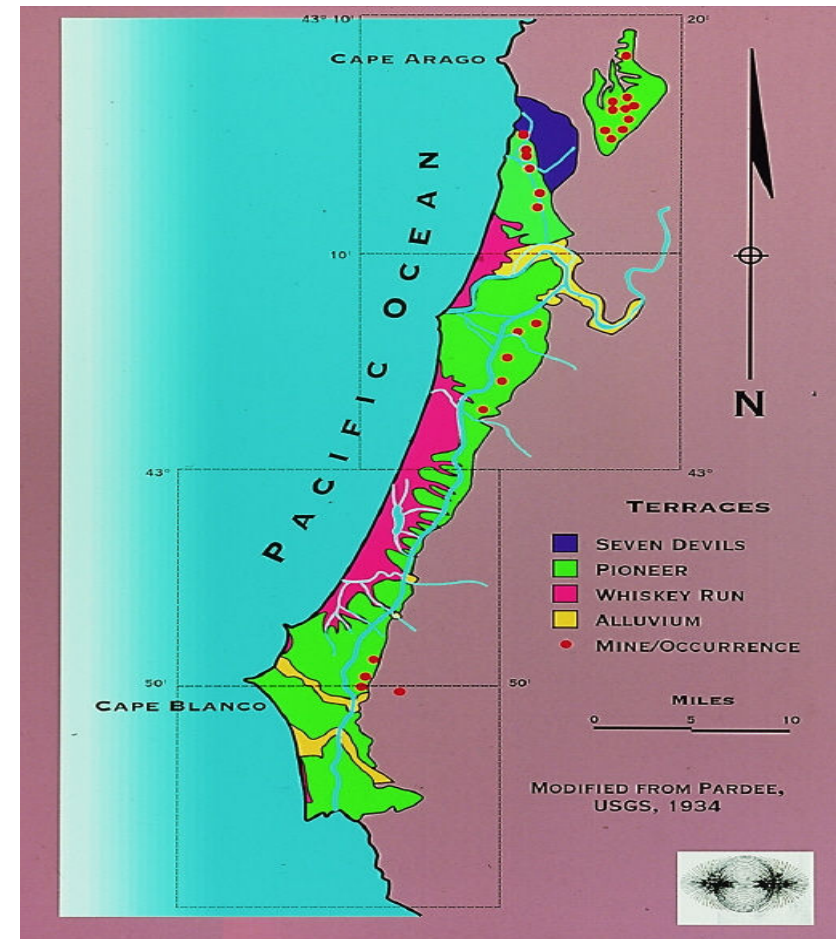
Low Capex

- Low capital expenditure relative to peers and simple eco friendly extraction methodology
- Less than three year pay back of capital

Mineral Deposits

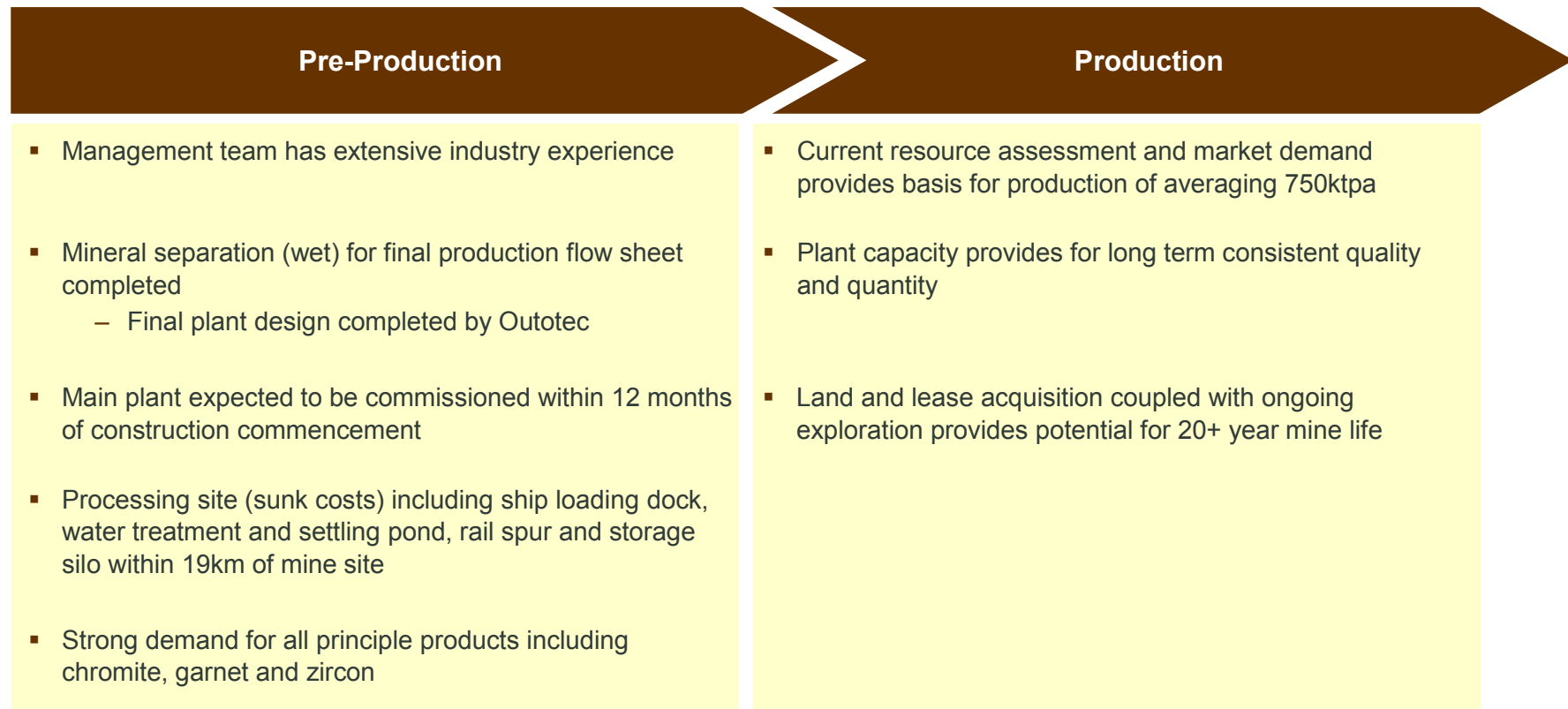
Chromite, garnet and zircon are the main minerals to be produced from the deposit.

- The heavy mineral deposits occur along a number of ancient elevated beach terraces that range over a 240km² coastal plain
- The resource contains multiple commodities including:
 - Chromite: is the main commodity to be produced. This mineral is best suited for the foundry markets as a high quality foundry sand
 - Garnet: is used as an environmentally favorable, silica-free, water/air abrasion medium. The garnet is best suited for high-value water-jet cutting processes. Omax tests rate at #2
 - Zircon: is used as a fine abrasive, a strengthener in ceramics and as zirconium metal used by the semiconductor industry
 - ▶ R&D undertaken into blending with potential customers to produce a zircon substitute at significant cost saving
 - Other commodities: staurolite, leucoxene, ilmenite, rutile and magnetite



Production Profile

Currently the Project is well underway with a conceptual mine plan design completed.

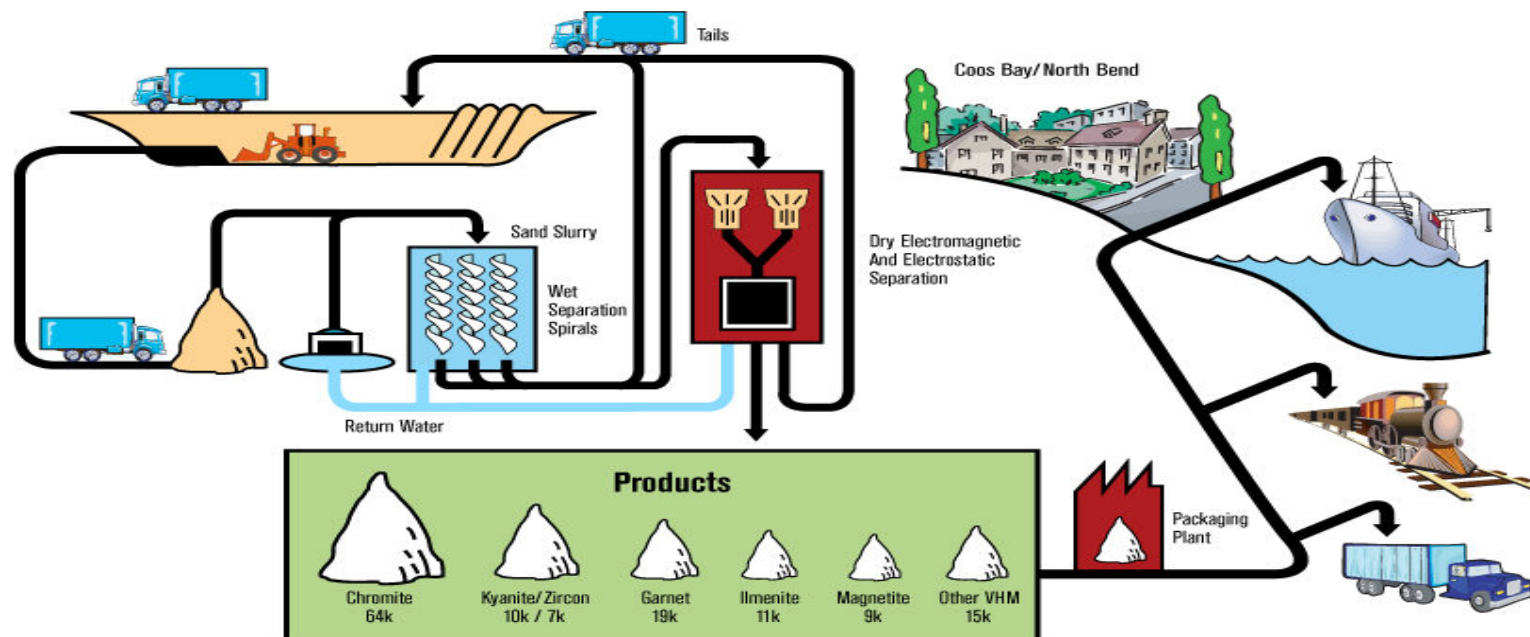


Extraction and Processing (1 of 2)

The mine plan design involves extracting and processing the minerals for direct shipping.

- The main components of the heavy mineral sand operation are:
 - Excavation equipment comprising of trucks and loaders to extract and move the mineral sands material
 - Wet and dry mills, laboratory and storage facilities

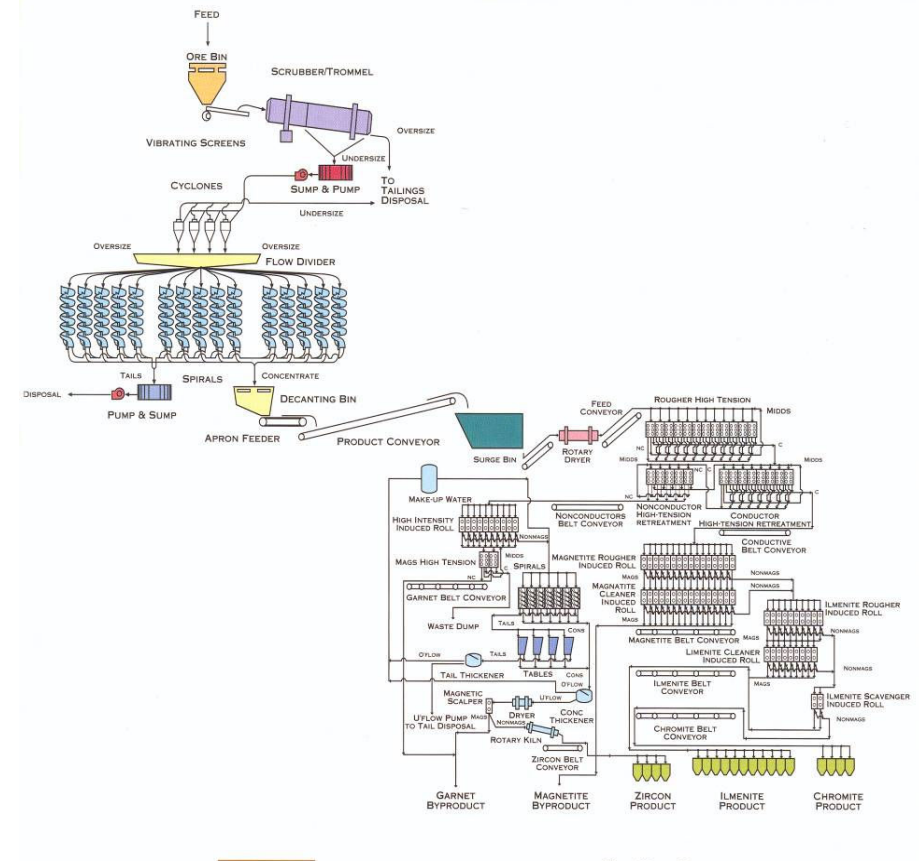
Sand extraction concurrent reclamation and processing



Extraction and Processing (2 of 2)

Once the minerals have been extracted, separation of minerals is achieved by a wet mill.

- The wet mill separation stage reduces the bulk of the material being handled and produces a rough concentrate which contains the majority of the heavy minerals
- The dry separation of the minerals will be achieved by using a combination of both magnetic and electrostatic separation equipment
- High intensity magnets separate magnetic from non-magnetic products
- Higher magnetic products, including magnetite and ilmenite are removed from the chromite and garnet fraction
- The non-magnetic zircon and rutile are processed by gravity methods



Project Benefits

The Project has the potential for extraordinary returns and cash flow, in addition to significant exploration potential.

Unique Metallurgical Properties

- High value per tonne processed
- Contains 40% heavy mineral content covering 2,600 acres of terraced mineral sand near Coos Bay in Southern Oregon

Profitable Operation

- Sensitivity analysis confirms profitable operation with chromite alone
- Will be the only producer of foundry grade chromite in the United States

Environmentally Positive Reclamation Program

- The surface excavation methods which will be used are environmentally friendly with concurrent reclamation

Permits

- The proposed operation is closely regulated by the State of Oregon and government departments
- Key approvals and permits have been successfully obtained

Financial Metrics

- Total operating cost including debt service is approximately US\$22/tonne
- Total revenue from 3 products = US\$53/tonne
- EBITDA of US\$26m (in first full year of production)

NPV and Sensitivity Analysis

An independent report by Behre Dolbear gives an NPV of US\$66 million¹, with the sensitivity analysis confirming the profitability of the Project.

Base Case Assumptions

	Assumption	Notes
Forecast Period	8 years of production	This accounts for all reserves currently under direct control of ORC
Chromite Price	US\$480 / short tonne	
Discount Rate	10%	
Opex	US\$21.57 / tonne	
Royalty	3.5%	3.5% of production
Capex to Date	March 2009	US\$16.1 million

- Base case includes all capital investments required for the completion of the project
- Sensitivity analysis conducted assumes different commodity prices, operating costs and capital investments
 - The sensitivity analysis does include capex

Sensitivity Analysis

Variance Item	NPV at 10% (US\$)	Rate of Return
Commodity Prices (+25%)	\$97.4m	49.51%
Base Case	\$54.1m	34.18%
Commodity Prices (-25%)	\$7.8m	14.19%
Opex (+25%)	\$33.9m	26.86%
Base Case	\$54.1m	34.18%
Opex (-25%)	\$72.3m	40.05%
Capital Investment (+25%)	\$42.6m	25.99%
Base Case	\$54.1m	34.18%
Capital Investment (-25%)	\$65.3m	46.50%

1. Project NPV assumes a chromite price of US\$480/short tonne, a discount rate of 10%.

Regulatory Agencies and Permit Approvals

Key approvals and permits have been successfully obtained by ORC.

Regulatory Agencies

- The proposed operation is closely regulated by the State of Oregon and departments therein:
 - Geology and Mineral Industries (DOGAMI)
 - Water Resources
 - Environmental Quality
 - Forestry
 - Transportation

Permits

- In August 2007 the Oregon Department of Environmental Quality approved ORC's application for the plant site to be used for construction of a heavy sands processing facility
- An application to DOGAMI for an operating permit for the processing plant has been prepared and no problems are anticipated in obtaining this permit
- A Mine Operating Permit (MOP) has been filed to DOGAMI and this has been withheld until all other significant permits are in place

Logistics

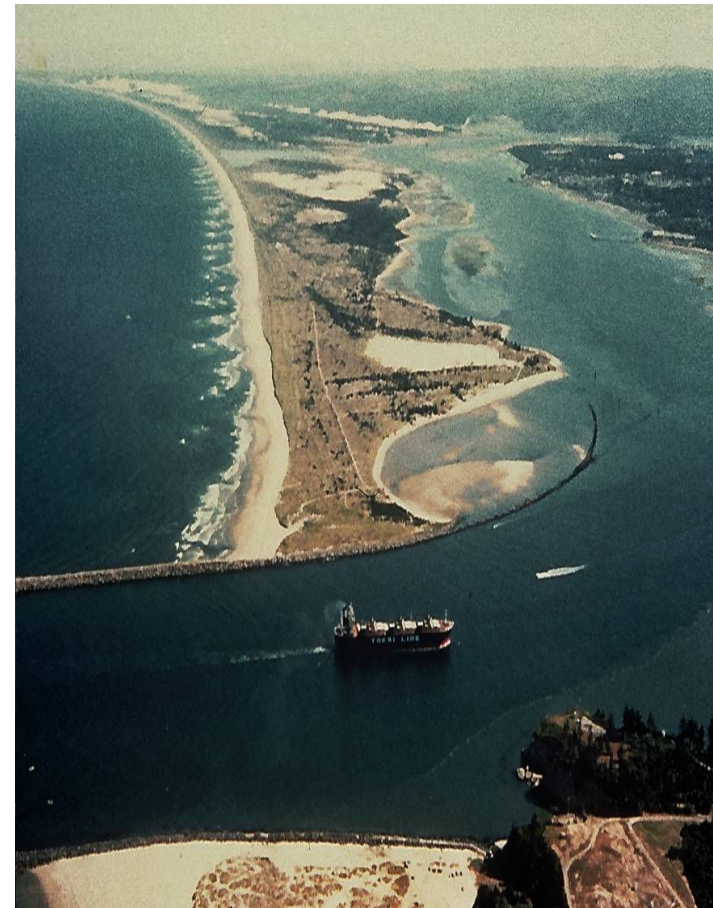
The Project is logistically well situated, with excellent infrastructure in place.

Project Logistics

- Deposits are within a short distance of a deep-sea shipping port
- Area has a well qualified work force
- Extensive heavy equipment and repair facilities located in the area
- Processing facility with all utilities and transport access

Deposit Logistics

- The majority of the deposits are within one kilometre of paved roads and are accessible by all-weather gravel roads
- The targeted lands for resource expansion are private timberlands and after mineral extraction, can be reclaimed either to forest or alternate use



Project Fundamentals

Estimated Costs and Financing

Capital cost	~US\$43m
Working capital	~US\$2m
Project finance	~US\$45m

Main Products to be Produced

Product	tonnes	US\$/tonne ¹
Chromite (foundry sands)	75,000	500 – 550
Garnet	20,000	250 – 320
Other VHM	20,000	150 – 255
Zircon	3,800	750 – 850

Project Assets

- Mineral lease and proven reserves (JORC)
- 100,000 tonnes per annum capacity pilot wet mill which will be utilised with the main plant
- 28 acre industrial site with infrastructure in ideal location
- Management and staff



1. Price data is sourced from current market surveys and pricing expected from blended products

Progress to Date

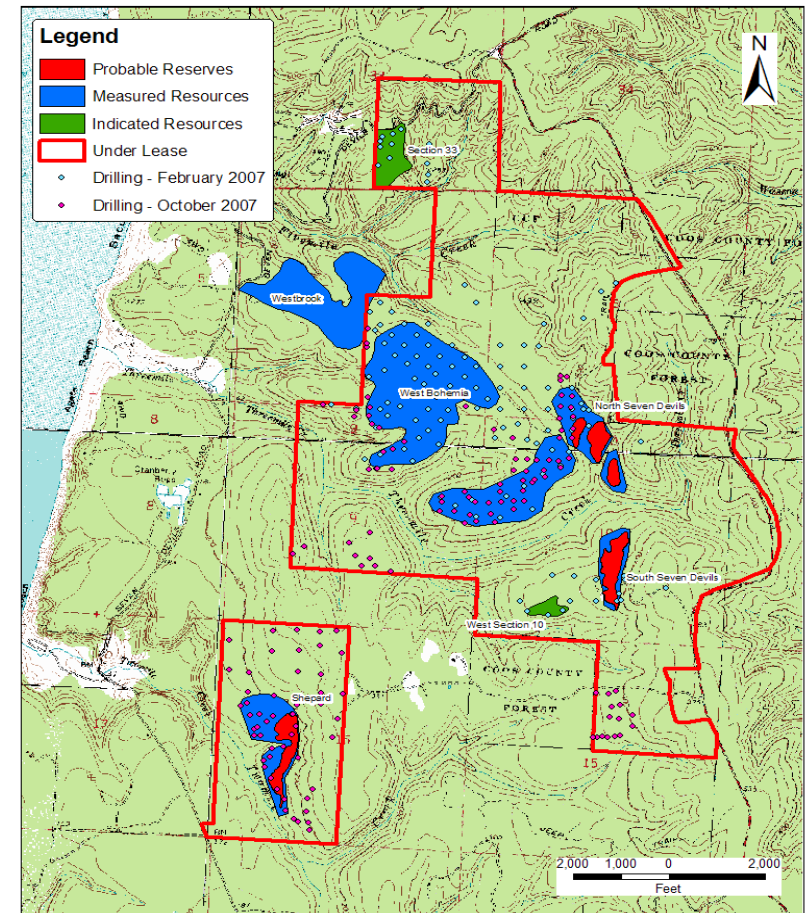
The Project has made significant progress to date.

Exploration undertaken in 2007

- 2 programs completed in February and October 2007
- Total of 279 holes drilled via sonic technology for 2,552 metres
- Total of 1,373 samples assayed
- Increase in measured resource
- Reserve and resource of 11.23 million tonnes of ore grading 8.1% chromite

Progress to Date

- An aggressive exploration and pre-development program undertaken, comprising:
 - Commissioning of 10 tonnes per hour pilot plant
 - Geologic mapping
 - Aeromagnetic surveying
 - Bulk beneficiation sampling
 - Exploratory and development drilling
 - County mining permitting
 - State water permitting
 - Product testing by potential consumers



Mineral Reserves and Resources

The Project contains a large reserve of 1.38Mt and resource of 11.23Mt.

Table 1. Summary of Mineral Reserves

Deposit	Resource Category	Ore Tons (kt)	<i>In Situ Assemblage</i>					<i>In Situ Tonnages</i>				
			HM Grade (%)	Chromite Grade %	Garnet Grade %	Zircon Grade %	Magnetite Grade %	HM (kt)	Chromite (kt)	Garnet (kt)	Zircon (kt)	Magnetite (kt)
South Seven Devils	Probable	603	43.4	15.3	6.0	1.8	1.5	262	92	36	11	9
North Seven Devils	Probable	490	34.8	15.2	1.7	1.2	1.5	171	74	8	6	7
Shepard	Probable	289	62.3	13.7	8.3	0.8	1.8	180	40	24	2	5
Grand Total	Reserves	1,382	44.3	14.9	5.0	1.4	1.6	612	206	68	19	21

Table 2. Summary of Mineral Resources

Deposit	Resource Category	Ore Tons (kt)	<i>In Situ Assemblage</i>					<i>In Situ Tonnages</i>				
			HM Grade (%)	Chromite Grade %	Garnet Grade %	Zircon Grade %	Magnetite Grade %	HM (kt)	Chromite (kt)	Garnet (kt)	Zircon (kt)	Magnetite (kt)
West Bohemia	Measured	3,950	17.2	6.0	1.9	0.3	0.1	679	239	75	10	4
Westbrook	Measured	729	21.9	9.0	1.0	0.6	0.1	160	66	7	4	1
North Seven Devils	Measured	586	35.9	9.4	1.7	0.5	1.5	210	55	10	3	9
Shepard	Measured	424	49.1	8.5	8.3	0.5	1.8	208	36	35	2	8
South Seven Devils	Measured	180	43.4	13.1	4.8	1.0	1.5	78	24	9	2	3
Total	Measured	5,869	22.8	7.1	2.3	0.4	0.4	1336	419	136	21	24
South Slough	Indicated	2,590	---	7.4	---	---	---	---	192	---	---	---
Section 33 Deposit	Indicated	1,660	---	8.9	---	---	---	---	148	---	---	---
Pioneer Eagle	Indicated	800	---	13.8	---	---	---	---	110	---	---	---
Section 36 Deposit	Indicated	120	---	7.3	---	---	---	---	9	---	---	---
Butler	Indicated	120	---	15.7	---	---	---	---	19	---	---	---
Rose	Indicated	40	---	14.4	---	---	---	---	6	---	---	---
West Section 10	Indicated	30	---	10.8	---	---	---	---	3	---	---	---
Total	Indicated	5,360	---	9.1	---	---	---	---	486	---	---	---
Grand Total	Resources	11,229		8.1					905			

Source: Bloomberg and ASX announcements

Summary

Significant Resource	<ul style="list-style-type: none">▪ Significant mineral sands resource
Unique Heavy Minerals	<ul style="list-style-type: none">▪ Unique suite of heavy minerals 40%+ insitu
High Unit Value	<ul style="list-style-type: none">▪ High unit value compared to other heavy metals projects
Excellent Infrastructure	<ul style="list-style-type: none">▪ Project and deposit logistics well arranged
Management Team	<ul style="list-style-type: none">▪ Strong management team with proven success
Strong Demand	<ul style="list-style-type: none">▪ Strong demand for products both US and offshore





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