



7 May 2009

Mr Matthew Foy
Adviser, Issuers (Perth)
Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

Transmission via facsimile: 08 9221 2020 (3 pages)

Dear Matthew,

I refer to your correspondence dated 6 May 2009 relating to the release of the Appendix 5B for the quarter ended 31 March 2009 by Industrial Minerals Corporation Limited ("the Company").

In response to your questions, the Company wishes to advise the following:

- 1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may only have sufficient cash to fund its activities for the quarter ending June 2009. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?*

As the Company disclosed in the Appendix 5B dated 30 April 2009, the cash reserves as at 31 March 2009 were \$686,000, and these have reduced as expected by the Company's budgeted cash flow. The Company is aware of the need to increase its cash resources before the end of the financial year and is cognisant of its cash position/net burn rate. The Company has recently implemented a number of strategic options to preserve the financial position of the Company including a review of remuneration arrangements for directors and senior management.

The Company has previously announced that it has engaged a corporate adviser to assist with securing a minimum of US\$45 million for the construction and development of the main processing plant for the Oregon Heavy Minerals Project. As a consequence of difficult conditions currently prevailing in the international credit markets, there has been considerable time consumed in attempting to secure debt financing. Due diligence has been undertaken by potential investors familiar with the industrial minerals sector and mineral sand processing. The Company's corporate adviser has received indications of interest from several prospective providers of debt and equity funding and they expect to present term sheets to the Company shortly. The Company is hopeful that this funding will be finalised in the current quarter.

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The directors recognise the need to secure interim funding to ensure the Company has sufficient working capital through to securing project finance for the construction and development of the main processing plant. The Company has considered several capital raising initiatives and will shortly announce details of a pro-rata renounceable rights issue of convertible notes to raise approximately \$3.3 million. The issue will be underwritten to \$1.5 million.

2. *Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?*

The Company continues to review its operational expenditure to ensure future cash resources are available to fund its on-going operations. Once terms for the proposed pro-rata renounceable rights issue of convertible notes are agreed, the Company will advise ASX.

3. *What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?*

Plant design and engineering for the main processing plant for the Oregon Heavy Minerals Project have been significantly completed with no additional third party work scheduled until project financing is in place.

The Company has continued pre production development of the project principally focused on product market development, resource area reconnaissance and operating permit related activities including professional and environmental consultation.

The Company continues to pursue limited exploration activities including reconnaissance of potential extensions to the existing resource to verify the geologic model south of the current project area.

The Company also continues to negotiate with mineral and other landowners within the exploration targets.

4. *Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?*

The Company confirms that to the best of its knowledge it is in compliance with the Listing Rules, in particular Listing Rule 3.1 and there is no information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities that has not been advised to the ASX (other than that information which falls under the exceptions to Listing Rule 3.1 as set out in Listing Rule 3.1A).

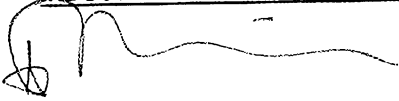
5. *Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule?*

The Company confirms its compliance with Listing Rule 12.2. It has a 'sound' Balance Sheet and does not have any debt financing instruments in place other than trade payables. The Company recognises that it needs sufficient cash resources available to fund its operations until it secures project finance for the construction and development of the main processing plant for the Oregon Heavy Minerals Project.

If you have any further queries in relation to this matter, please do not hesitate to contact me on 08 6263 0888.

Yours sincerely

INDUSTRIAL MINERALS CORPORATION LIMITED



ALEC PISMIRIS

Director/Company Secretary

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ASX
AUSTRALIAN SECURITIES EXCHANGE

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FAXED
6 May 2009

Alec Pismiris
Company Secretary
Industrial Minerals Corporation Limited
52 Ord Street
WEST PERTH 6005

By Facsimile: 9481 5142

Dear Alec,

Industrial Minerals Corporation Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 March 2009, released to ASX Limited ("ASX") on 30 April 2009 ("Appendix 5B").

ASX notes that the Company has reported the following in the Appendix 5B:

1. Net negative operating cash flows for the quarter of \$674,000;
2. Cash at end of quarter of \$686,000; and
3. Estimated cash outflows for next quarter for exploration and evaluation of \$0.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may only have sufficient cash to fund its activities for the quarter ending June 2009. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number 9221 2020**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 5.00 p.m. W.S.T. Tuesday, 12 May 2009**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please contact me on 9224 0017.

Yours sincerely,



Matthew Foy
Adviser, Issuers (Perth)