



ABN 26 108 029 198

SHARE PURCHASE PLAN

Eligible Shareholders can purchase a maximum of \$5,000 of
Industrial Minerals Corporation Ltd Shares

Offer closes 5.00pm WST on 17 July 2009

*This is an important document that requires your immediate attention
Should you wish to participate in the Share Purchase Plan.*

26 June 2009

Dear Shareholder,

Invitation to participate in Industrial Minerals Corporation's Share Purchase Plan

As you may be aware, Industrial Minerals Corporation Limited ("IDM" or "Company"), recently announced capital raisings totalling \$5 million, comprising a share placement to sophisticated and professional investors to raise up to \$4 million ("Placement") and a Share Purchase Plan ("SPP") offer to Eligible Shareholders to raise up to \$1 million. I am pleased to present this offer to participate in IDM's SPP to Eligible Shareholders.

The SPP is for a total offer of 25,000,000 fully paid ordinary shares in the Company ("Shares") at an offer price of 4 cents per Share, which is the same price at which Shares will be issued under the \$4 million Placement. The offer of Shares pursuant to the Placement and the SPP is subject to shareholder approval at a General Meeting to be held on 22 July 2009.

I urge Eligible Shareholders to note that, in the event of oversubscriptions, the Directors will scale back applications in their sole discretion, however preference will be given to those shareholders whose applications are received earlier during the offer period.

Under the SPP Offer, each Eligible Shareholder can subscribe for between \$1,000 and \$5,000 of new Shares in various increments at an Offer price of 4 cents per share. The Offer price represents a significant discount to the closing price of IDM shares before the Offer was announced on 12 June 2009.

The proceeds from the SPP together with the proceeds from the private placement offer and the Company's existing cash reserves will be used:

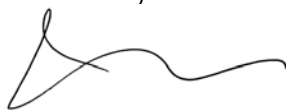
- to purchase a portion of plant and equipment required for the 700,000 tonne per annum mineral sands processing plant;
- to maintain operational activities at a level that will enable the acquisition of additional mineral leases, exploration and securing of project finance;
- meet the costs of the Placement; and
- provision of working capital.

The Directors believe the SPP provides a good opportunity for Eligible Shareholders to maintain or increase their shareholding and to participate further in IDM's future.

Further details of the SPP and the application form to purchase Shares in the SPP are included in this Offer documentation. I commend this opportunity to Eligible Shareholders.

A shareholders' meeting has been convened for Friday, 22 July 2009, and a Notice of Meeting was recently mailed to shareholders. If you are unable to attend the meeting, please submit a proxy form as soon as possible.

Yours faithfully



Jeremy Shervington
Chairman

**INDUSTRIAL MINERALS CORPORATION LIMITED
PURCHASE PLAN OFFER – TERMS AND CONDITIONS**

The Directors of Industrial Minerals Corporation Ltd (“IDM” or “Company”) are pleased to extend an invitation to each IDM shareholder to subscribe for fully paid ordinary shares in the Company (“Shares”) to raise a maximum of \$1.0 million under this Share Purchase Plan (“SPP”). The SPP offers Eligible Shareholders the ability to subscribe for a maximum of \$5,000 worth of Shares in the Company through the SPP (“Offer”).

These terms and conditions and the accompanying Share Purchase Plan Application Form set out the terms and conditions (“Terms and Conditions”) of the SPP. By accepting the offer to subscribe for Shares in Industrial Minerals Corporation Ltd (ABN 28 108 029 198) under the SPP, you agree to be bound by the Terms and Conditions and the constitution of IDM.

Opening and Closing Date of the Offer

The offer to purchase Shares under the Plan opens on 30 June 2009 at 9.00am (WST) and will close at **5.00pm WST on 17 July 2009**.

No late applications will be accepted, however the Directors reserve the right to extend the closing date.

Participation by Shareholders

The right to participate in this offer under the SPP is available exclusively to persons who are registered as holders of Shares at 5.00pm (WST) on the record date of 19 June 2009 and whose registered address, as recorded in the Company’s register of members, is in Australia or New Zealand (“Eligible Shareholders”). The Directors of IDM have determined that because of foreign securities laws, it is not practical for holders of Shares with registered addresses in other jurisdictions to participate in the SPP.

Eligible Shareholders are entitled to apply for a maximum of \$5,000 worth of Shares under the SPP.

To participate, Eligible Shareholders must complete the enclosed pre-printed Share Purchase Plan Application Form in accordance with the instructions on the form and return it together with their payment by 5.00pm WST on Friday 17 July 2009.

Do I have to participate?

No. Participation in the SPP is entirely voluntary (subject to the eligibility criteria set out above). In deciding whether to participate in the SPP, please take time to read these terms and conditions and contact your financial or taxation adviser if necessary.

Participation by Directors

The directors of the company, as Eligible Shareholders, may participate in the offer on the same terms and conditions as all other Eligible Shareholders in IDM and their participation is subject to shareholder approval at a General Meeting to be held on 22 July 2009 (in this respect please refer to the Notice of Meeting recently mailed to shareholders).

Beneficiaries

If a trustee or nominee is expressly noted on the register of members as holding Shares on account of another person (a “Beneficiary”), then the Beneficiary is taken to be the registered holder in regard to those Shares. Any application for the Offer is taken to be an issue to the Beneficiary.

Purchase Price of Shares to be Issued under the Plan

As an incentive for shareholders, who have shown loyalty to the Company, the purchase price of the new Shares to be offered under the SPP has been set at 4 cents per Share, the same price at which Shares will be issued under the Placement. The issue price represents a discount of approximately 33% to the closing price of IDM Shares before the Offer was announced on 12 June 2009.

In accordance with ASX Listing Rules, the number of securities that may be issued by IDM under the Plan cannot exceed 30% of the number of Shares already on issue. In the event of subscriptions exceeding the maximum permitted, Shares will be issued on a **first-in-first served basis**.

The directors of IDM have assessed the capital requirements of the Company to continue with the development of the Oregon Heavy Mineral Sands Project and provide working capital required through to securing project finance for the construction and commissioning of the main processing plant. As such the Directors have decided that the proceeds of the SPP will be a maximum of \$1.0 million totalling 25,000,000 Shares.

Any shortfall to the Offer may be placed at the discretion of the Board of Directors. Should applications total an amount less than \$1.0 million. IDM has retained Azure Capital to place any shortfall with sophisticated and professional investors.

General Meeting

The Offer is conditional on shareholders of the Company approving the issue of Shares under the Offer at a General Meeting to be held on 22 July 2009 (in this respect please refer to the Notice of Meeting recently mailed to shareholders).

Allotment of Shares to be Issued under the Plan

The Shares issued pursuant to the SPP will be issued following completion of the Share Placement announced on 5 June 2009 and no later than 10 business days from the close of the Offer. The Company will apply for the Shares allotted to be quoted on ASX, within the relevant period specified in the Listing Rules. All Shares issued will rank equally with existing Shares in IDM and will carry the same voting rights, dividend rights and entitlements to dividends, rights and bonus issues. It is expected that the Shares issued under the SPP will be quoted on ASX on or around 24 July 2009 and you should receive your holding statement or transaction confirmation statement shortly after that date.

Indicative Timetable

Announcement of Share Purchase Plan	Friday 12 June 2009
Record Date (5.00pm WST)	Friday 19 June 2009
Dispatch of Entitlement and Acceptance Forms	Friday 26 June 2009
Opening Date of Offer	Tuesday 30 June 2009
Closing Date of Offer	Friday 17 July 2009
General Meeting	Wednesday 22 July 2009
Allotment of Shares under the Plan	Wednesday 22 July 2009
Dispatch date for holding statements	Friday 24 July 2009

These dates are indicative only. IDM may vary the date and times of the Offer (including extending the closing date) without notice. Accordingly, Eligible Shareholders are encouraged to submit their pre-printed Share Purchase Plan Application Forms as early as possible.

Risk Factors

Before deciding whether to accept the Offer, you should refer to the current market price of IDM Shares, which can be obtained from daily newspapers, stockbroker, financial adviser or the ASX.

Owning Shares in IDM is considered a speculative form of investment and that the future price of the Company's Shares can rise or fall.

Also, shareholders should be aware that there is a risk that the market price of the Shares may change between the date of this Offer and the date when the new Shares are issued to you under the Plan. The value of the Shares you receive may rise or fall accordingly.

Finally, shareholders should note that the offer is not made under a Prospectus or other disclosure document and does not require the type of disclosure required under the Corporations Act 2001. Shareholders must rely on their own knowledge of the Company and previous disclosures made by the Company on ASX. You should consult your professional adviser when deciding whether or not to accept the offer and participate in the Plan.

Scaling back Applications

If, and to the extent to which, the total value of applications for Shares under the SPP exceeds \$1 million, IDM reserves the right to close the SPP earlier, to scale-back applications or to accept over-subscriptions.

If a scale-back occurs, you may be allocated Shares to a value which is less than you applied for. Any determination by the Directors in respect of any scaling back will be final.

If IDM rejects, or partially rejects, an application, IDM will promptly return to the Eligible Shareholder the relevant subscription monies, without interest.

Discretion and Disputes

IDM reserves the right to waive strict compliance with any of the Terms and Conditions. Any powers or discretions of IDM may be exercised by the Directors of IDM or any delegate of them.

IDM may determine, in any manner it thinks fit, any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP, whether generally or in relation to any participant or application. A determination made by IDM will be conclusive and binding on all participants and other persons to whom the determination relates.

Changes and Termination

IDM may change or terminate the SPP or the Terms and Conditions at any time, whether because of a change of law, ASIC requirement or policy, or any other circumstance relevant to the SPP or IDM. If IDM does this, it will notify the Australian Stock Exchange and post a notice on the Company's website (www.imcl.com.au). Failure to notify shareholders of a change to or termination of the SPP or the terms and conditions or the non-receipt of notice by any shareholder will not invalidate the change or termination. If IDM terminates the SPP, it will refund any application moneys to you (without interest).

ASIC Relief

The offer of securities under the SPP is made in reliance on ASIC Class Order 02/831 which grants relief from the requirement to prepare a prospectus for the offer of Shares under the SPP.

Additional Information

If you would like to participate in the Plan, please return your completed pre-printed application form, together with a cheque in Australian dollars for the subscription price, in the return addressed envelope to our share registry by **5.00pm WST on 17 July 2009**.

Please make cheques payable to "Industrial Minerals Corporation Ltd Share Issue Account" and cross the cheque "Not Negotiable". If you do not provide the exact amount, the Company reserves the right to return your application form and cheque. The amount that you provide will be for an investment of either \$5,000, \$2,500 or \$1,000. Please mark clearly on the application form the option you choose to participate in. If the Company returns your form and cheque, no Shares will be allotted to you. No interest will be paid on any funds returned.

Alternatively, you can participate using BPAY following instructions contained on the reverse of the Application Form.

In the event of oversubscription, Shares will be issued on a first-in-first served basis.

Please note that the maximum investment per shareholder is \$5,000 (representing 125,000 new Shares at a subscription price of 4 cents per Share) and the minimum investment per shareholder is \$1,000 (representing 25,000 new Shares at a subscription price of 4 cents per Share).

Please note that participation is entirely at your option and the offer is non-renounceable which means it cannot be transferred to anyone else.

No brokerage, commission, or other participation costs are payable by you in receipt of the acquisition of Shares under the SPP.