



INDUSTRIAL MINERALS CORPORATION LIMITED

ABN 26 108 029 198

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

INDUSTRIAL MINERALS CORPORATION LIMITED
ABN 26 108 029 198
INTERIM REPORT

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CORPORATE INFORMATION

Directors

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

Company Secretary

Alec Christopher Pismiris

Registered Office & Principal place of business

52 Ord Street
West Perth WA 6005
Telephone: +61 8 9481 8760

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000
Telephone: 1300 367 601

Stock Exchange Listing

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

Solicitor

Jeremy Shervington
52 Ord Street
West Perth WA 6005

Bankers

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

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Stock Exchange Listing

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

Website

www.industrialmineralscorp.com.au

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Directors' Report

Your directors submit their interim report for the half-year ended 31 December 2009 (“**Balance Date**”).

This interim report covers the consolidated entity comprising Industrial Minerals Corporation Limited (“**Industrial Minerals**” or “**the Company**”) and its wholly owned subsidiaries (together the “**Group**”) for the half-year ended 31 December 2009. The functional currency of the Company is AUD (\$). The functional currency of the subsidiaries is USD (\$).

DIRECTORS

The names of the directors of the Company in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

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

REVIEW AND RESULTS OF OPERATIONS

The principal activities of the Group throughout the half-year comprised of the following:

- significant management effort was focused on processes related to securing project funding;
- the design and engineering studies for construction and commissioning of the main processing plant for the Oregon Heavy Minerals Project significantly completed;
- continuation of marketing initiatives for expected production of chromite, zircon, garnet and high iron ilmenite with potential customers;
- securing additional mineral leases to extend targeted mineral resource areas;
- coordinating the issuance of requisite permits;
- continuation of exploration activities on the Oregon Heavy Minerals Project including development of future drilling programs to delineate additional resources on additional land secured;
- investing cash assets in interest bearing bank accounts; and
- the general administration of the Group.

The Group's net consolidated loss for the half-year was \$1,182,261 (2008: \$1,202,252) representing a modest decrease compared to the previous period. There was a significant decline in revenue for the half-year to \$57,100 (2008: \$128,434) primarily due to a decrease in interest earned on the Company's cash assets. The operating costs over the half-year decreased to \$1,239,361 (2008: \$1,330,686) which was the major component of the Group's consolidated net loss. There was an expense of \$23,316 (non-cash) (2008: \$131,180) recognised pursuant to the grant of options in a prior period to eligible executives of the Group under the Employee Share and Option Plan. Other costs included costs associated with the administration of the Group and additional compliance costs incurred during the period.

OREGON HEAVY MINERALS PROJECT

On 10 July 2009 the Company announced that it had entered entering into a Memorandum of Understanding with IGC Technologies LLC (“IGC”). The MOU outlined the terms for a definitive agreement governing the commercial relationship between the companies and specifically addressed the High Iron/Ilmenite product, its market development and introduction as a value added component to IGC's existing product lines as well as trademarks and intellectual property development contribution and co-ownership.

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Directors' Report (continued)

During the period Weyerhaeuser acquired the surface and mineral rights to a 167+ acre area of land located within the targeted mineral resource area. This area is being added as an addendum to the Company's current Mineral Lease Agreement with Weyerhaeuser. The property is directly adjacent to the current leases which contain JORC classified proven reserves. This property will be added to the 2010-11 drilling program for further resource evaluation.

Negotiations on securing a mineral lease relating to another land holding of approximately 466 acres.

The Company concluded negotiations for a one year extension to the Purchase and Sale Agreement with the Coquille Indian Tribe to extend the closing date for the acquisition of the Westbrook property to 2 February 2011. Consideration of US\$150,000 was paid by the Company for this extension.

The Company accepted a proposal for the preparation and installation of steel pipe for the process site foundation support. The proposed work program includes cutting to size approximately 65,000 lineal feet of steel pipe into sections, joining if required and driving of the steel pipe. Completion of this work is scheduled for mid February 2010 and when complete will ultimately support the foundation for the processing facility and product storage areas.

During the period the Company secured several permits from various regulatory agencies including a Solid Waste Permit Exemption Determination, Operating Permit for the Company's 15 acre processing site and an Operating Permit to mine heavy mineral sand in the Cape Arago area of coastal Coos County.

CORPORATE

On 17 July 2009 the share purchase plan ("SPP") offering up to 25,000,000 fully paid ordinary shares in the Company at an offer price of 4 cents per share to eligible shareholders the opportunity to subscribe for between \$1,000 and \$5,000 of new shares in various increments at an offer price of 4 cents per share closed oversubscribed with 302 applications received from shareholders, representing total proceeds of \$1,339,000. As a consequence of the SPP being oversubscribed, all applications received were subject to a 1 for 4 pro rata reduction in the final allotment of shares.

At a general meeting of shareholders held on 22 July 2009, the Company obtained approval for the issue of the following securities:

- 100,000,000 shares offered under a share placement to sophisticated and professional investors at an issue price of 4 cents per share;
- 25,000,000 shares offered under the SPP to eligible shareholders at an issue price of 4 cents per share;
- the issue of 2,000,000 options to Azure Capital Pty Ltd, in accordance with the terms of its engagement as Lead Manager to the share placement.

On 2 September 2009 the Company announced that it has received a Committed Letter of Offer from Macquarie Bank Limited to provide a debt facility of US\$30,000,000 to partially fund the development of the Oregon Heavy Minerals project. The Offer which was accepted by the Board of Industrial Minerals was subject to conditions that were customary for a debt facility, including, but not limited to:

- approvals for the issue of options to Macquarie Bank Limited representing a component of the fee pursuant to the provision of a debt facility;
- all necessary regulatory and other approvals required for the commencement and development of the Oregon Heavy Minerals Project;
- US\$15,000,000 equity component being finalised with investors identified by the Company's corporate advisor;
- a minimum of 40% of forecast production of Chromite and High Iron/Ilmenite products for the first year of operations shall be committed for sale; and
- completion of satisfactory due diligence.

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Directors' Report (continued)

CORPORATE (CONTINUED)

During the period the following options expired:

- 6,875,000 unlisted options exercisable at \$0.25 with a 2 November 2009 expiry; and
- 8,793,000 listed options exercisable at \$0.20 with a 31 December 2009 expiry.

SUBSEQUENT EVENTS

On 27 January 2010 the Company announced that it had received and accepted a Committed Letter of Offer from Macquarie Bank Limited and The Sentient Group to jointly provide a US\$30 million Debt Facility and US\$15 million Equity Investment with both contributing equally in the provision of the debt and equity to fund the ongoing development of the Company's Southern Oregon Mineral Sands project.

On 3 February 2010 the Company announced that it received applications for initial investments of \$2,175,000 from both Macquarie Bank Limited and The Sentient Group, representing a total investment of \$4,350,000. The Company issued 43,500,000 new shares at a price of \$0.10 per share.

On 1 March 2010 the Company announced that its wholly owned subsidiary Oregon Resources Corporation Inc. had entered into a mineral lease agreement with Kimberly Clark Corporation ("Kimberley"), effective for a period of ten years from 22 February 2010 and for so long thereafter that minerals are produced or operations continued on the property. The lease area was approximately 466 acres and adjoined existing properties controlled by the Company. The lease payment and royalties were in accord with industry standards and existing agreements.

As a consequence of securing the mineral lease with Kimberly, the Company estimates that an inferred mineral resource of approximately 7.3 million short tons grading at 7.8 % chromite has been added to its resource inventory. The estimate was derived by using the assay data of drilling adjacent to the lease, surface and outcrop sampling checks, LIDAR bare-earth confirmation of terrace topography, and existing Seven Devils Terrace deposit information

During February 2010 the Company received confirmation of the grant of the mining permits. The grant was conditional on the Company posting a US\$683,920 performance bond on the related wetlands mitigation plan. The performance bond was 100% secured with a commercial letter of credit issued by US Bank and the commercial letter of credit was 100% secured by cash on deposit with US Bank.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC CO 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



Jeremy Shervington

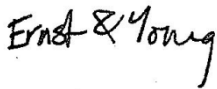
Director

Perth, Western Australia

Dated this 12th day of March 2010

Auditor's independence declaration to the directors of Industrial Minerals Corporation Limited

In relation to our review of the financial report of Industrial Minerals Corporation Limited for the half-year ended 31 December 2009, 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



J C Palmer
Partner
Perth
12 March 2010

INDUSTRIAL MINERALS CORPORATION LIMITED
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Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2009

	<i>Notes</i>	<i>31 December 2009</i> \$'000	<i>30 June 2009</i> \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	3	1,984	4,168
Trade and other receivables		16	21
Prepayments		37	55
Other current asset	4	175	17
Total Current Assets		2,212	4,261
Non-current Assets			
Property, plant and equipment	5	22,998	23,736
Exploration and evaluation expenditure	6	21,036	22,753
Other financial assets		2	-
Total Non-current Assets		44,036	46,489
TOTAL ASSETS		46,248	50,750
LIABILITIES			
Current Liabilities			
Trade and other payables		6,646	8,109
Share subscriptions received in advance		-	17
Loans and borrowings		-	-
Total Current Liabilities		6,646	8,126
Non-current Liabilities			
Trade and other payables		1,274	-
Loans and borrowings		-	-
Total Non-current Liabilities		1,274	-
TOTAL LIABILITIES		7,920	8,126
NET ASSETS		38,328	42,624
EQUITY			
Contributed equity	7	47,235	46,450
Reserves		(1,722)	2,177
Accumulated losses		(7,185)	(6,003)
TOTAL EQUITY		38,328	42,624

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Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	<i>31 December 2009</i>	<i>31 December 2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Revenue		
Interest revenue	57	128
	57	128
Administration expenses	(319)	(418)
Board expenses	(173)	(193)
Compliance expenses	(81)	(93)
Employment expenses	(168)	(279)
Occupancy expenses	(29)	(33)
Travel expenses	(94)	(71)
Other expenses	(150)	(178)
Operating loss	(957)	(1,137)
Finance costs	(225)	(65)
Loss before income tax	(1,182)	(1,202)
Income tax expense	-	-
Loss for the half-year	(1,182)	(1,202)
Other comprehensive income	-	-
Total comprehensive income for the half-year, net of tax	(1,182)	(1,202)
Earnings per share for loss attributable to the ordinary equity holders of the Company:		
Basic loss per share (cents per share)	7 (0.41)	(0.73)
Diluted loss per share (cents per share)	(0.41)	(0.73)

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Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	<i>Issued Capital</i>	<i>Option Issue Reserve</i>	<i>Foreign Currency Reserve</i>	<i>Accumulated Losses</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009	46,450	1,972	205	(6,003)	42,624
Foreign currency translation	-	-	(3,922)	-	(3,922)
Total income and expense recognised directly in equity	-	-	(3,922)	-	(3,922)
Loss for the half-year	-	-	-	(1,182)	(1,182)
Total comprehensive income/(loss) for the half-year	-	-	(3,922)	(1,182)	(5,104)
Equity transactions:					
Share based payments	-	23	-	-	23
Shares issued during the half-year					
- Ordinary shares	1,000	-	-	-	1,000
- Costs of issue	(215)	-	-	-	(215)
Balance at 31 December 2009	47,235	1,995	(3,717)	(7,185)	38,328
Balance at 1 July 2008	42,552	1,748	(5,416)	(3,438)	35,446
Foreign currency translation	-	-	12,024	-	12,024
Total income and expense recognised directly in equity	-	-	12,024	-	12,024
Loss for the half-year	-	-	-	(1,202)	(1,202)
Total comprehensive income/(loss) for the half-year	-	-	12,024	(1,202)	10,822
Equity transactions:					
Share based payments	-	105	-	-	105
Shares issued during the half-year					
- Ordinary shares	-	-	-	-	-
- Costs of issue	(48)	-	-	-	(48)
Balance at 31 December 2008	42,504	1,853	6,608	(4,640)	46,325

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Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER

	<i>31 December 2009</i>	<i>31 December 2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Cash flows from operating activities		
Payments to suppliers and employees	(973)	(1,250)
Interest paid	(112)	(3)
Net cash flows used in operating activities	(1,085)	(1,253)
Cash flows used in investing activities		
Interest received	53	181
Payment for exploration and evaluation expenditure	(640)	(653)
Payment for plant and equipment	(1,120)	(1,669)
Net cash flows used in investing activities	(1,707)	(2,141)
Cash flows from financing activities		
Finance lease payments	-	(447)
Proceeds from issue of shares	1,000	-
Repayment of borrowings	-	(14)
Payment for share issue costs	(215)	(48)
Net cash flows from/(used in) financing activities	785	(509)
Net decrease in cash and cash equivalents	(2,007)	(3,903)
Net foreign exchange differences	(2)	120
Cash and cash equivalents at beginning of period	4,168	5,514
Cash and cash equivalents at end of period	2,159	1,731

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Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by Industrial Minerals Corporation Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

(b) Changes in Accounting Policy

The following amending Standards have been adopted from 1 July 2009. Adoption of these Standards did not have any effect on the financial position or performance of the Company.

- AASB 2009-7 *Amendments to Australian Accounting Standards* effective 1 July 2009

The amendments are editorial amendments to AASB 5, AASB 7, AASB 107, AASB 112, AASB 136, AASB 139 and AASB Interpretation 17 that have no major impact on the requirements of the amended pronouncements. The Company adopted this amendment as of 1 January 2010. The amendment had no impact on the application or wording of the Company's accounting policies.

- AASB 8 *Operating Segments* effective 1 July 2009

The amendments to AASB 8 *Operating Segments* is a disclosure standard so will have no direct impact on the Group's financial statements.

- AASB 101 *Presentation of Financial Statements* effective 1 July 2009

The amendments to AASB 101 *Presentation of Financial Statements* are expected to substantially affect the presentation and terminology of the Company's primary financial statements but will not have a material impact on the measurement and recognition of amounts under the current AASB 101.

- AASB 3 (Revised) *Business Combinations* effective 1 July 2009

The Company has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

(c) Going Concern

As at 31 December 2009 the Group has a working capital deficiency of \$4,434,104 and has utilised approximately \$2,792,706 of cash during the six months ended 31 December 2009 as part of its operating and investing activities. Commitments for the 12 month period ended from 31 December 2009 are approximately \$841,029.

In addition, the Group has currently no available banking facilities upon which to draw additional funds as at 31 December 2009.

The working capital deficiency is a result of payments owing to Outotec (USA) Inc. ("Outotec") for long lead items, totalling \$6,455,056. The Company has entered into an agreement with Outotec to defer settlement of this amount until the earlier of the Company securing project finance, or 13 months from 31 March 2009.

The cash utilised from operating activities is primarily due to ongoing expenditure relating to Company administration and meeting its governance and statutory obligations.

The cash utilised from investing activities is primarily due to the ongoing development of the Oregon Heavy Minerals Project and associated plant and equipment.

Management and the Directors are satisfied the Group can continue on a going concern basis. This opinion is based on the following matters:

1. the Company has accepted a Committed Letter of Offer from Macquarie Bank Limited and The Sentient Group to jointly provide a US\$30 million Debt Facility and US\$15 million Equity Investment to fund the ongoing development of the Company's Southern Oregon Mineral Sands project;
2. the Company receiving an initial \$4,350,000 from Macquarie Bank Limited and The Sentient Group, subsequent to the Balance Date, representing a share placement of 43,500,000 shares at an issue price of 10 cents offered under the Company's 15% issues capacity. The placement forms part of the overall US\$15 million Equity Investment; and
3. the remainder of the US\$15 million Equity Investment requires shareholder approval at a general meeting to be held on 1 April 2010. The directors and a major shareholder of Industrial Minerals fully support the terms of the Committed Letter of Offer, therefore the directors are confident all necessary approvals will be received to proceed with the US\$30 million Debt Facility and US\$15 million Equity Investment.

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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

2 SEGMENT INFORMATION

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

The Group's activities consist predominantly of minerals exploration evaluation within United States of America (USA). AASB 8 (IFRS 8) requires operating segments to be identified on the basis of internal reports that are used by the chief operating decision makers ("CODM") in order to allocate resources to the segment and to assess its performance. The CODM of the Consolidated Entity is the Board of Directors. The Consolidated Entity has identified its operating segments based on the internal reports that are provided to the CODM on at least a monthly basis. The entity has one reportable operating segment as follows:

1. Heavy Minerals Segment: This segment includes assets and activities that are associated with the determination and assessment of the existence of mineral reserves within USA.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of these financial statements.

CONSOLIDATED

	<i>31 December 2009</i>	<i>31 December 2008</i>
	<i>\$'000</i>	<i>\$'000</i>

3 CASH AND CASH EQUIVALENTS

For the purpose of the half year cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	469	266
Short-term deposits	1,515	1,465
	1,984	1,731

CONSOLIDATED

	<i>31 December 2009</i>	<i>30 June 2009</i>
	<i>\$'000</i>	<i>\$'000</i>

4 OTHER CURRENT ASSETS

Cash deposit - Bonds	175	-
Share subscriptions received	-	17
	175	17

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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

5 PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED

	<i>Land and improvements \$'000</i>	<i>Plant and equipment \$'000</i>	<i>Construction in progress \$'000</i>	<i>Motor vehicles \$'000</i>	<i>Total \$'000</i>
Half-year ended 31 December 2009					
At 1 July 2009, net of accumulated depreciation	3,330	1,044	19,315	47	23,736
Additions	33	7	1,698	-	1,738
Adjustments	(1)	-	(11)	-	(12)
Net exchange differences	(329)	(98)	(1,953)	(4)	(2,384)
Depreciation charge for the period	-	(70)	-	(10)	(80)
Balance at 31 December 2009, net of accumulated depreciation	<u>3,033</u>	<u>883</u>	<u>19,049</u>	<u>33</u>	<u>22,998</u>
Balance at 31 December 2009					
Cost	3,033	1,215	19,049	102	23,399
Accumulated depreciation	-	(332)	-	(69)	(401)
Net carrying amount	<u>3,033</u>	<u>883</u>	<u>19,049</u>	<u>33</u>	<u>22,998</u>
Year ended 30 June 2009					
At 1 July 2008, net of accumulated depreciation	2,855	1,026	9,563	58	13,502
Additions	73	12	8,045	1	8,131
Adjustments	(177)	(52)	694	-	465
Net exchange differences	579	214	1,013	12	1,818
Depreciation charge for the period	-	(156)	-	(24)	(180)
At 30 June 2009, net of accumulated depreciation	<u>3,330</u>	<u>1,044</u>	<u>19,315</u>	<u>47</u>	<u>23,736</u>
At 30 June 2009					
Cost	3,330	1,341	19,315	112	24,098
Accumulated depreciation	-	(297)	-	(65)	(362)
Net carrying amount	<u>3,330</u>	<u>1,044</u>	<u>19,315</u>	<u>47</u>	<u>23,736</u>

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Notes to the Financial Statements (continued)

6 EXPLORATION AND EVALUATION EXPENDITURE

The movement from 30 June 2009 is a result of the following:

	<i>CONSOLIDATED</i>	
	<i>31 December 2009</i>	<i>30 June 2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Half-year ended 31 December 2009		
At 1 July 2009	22,753	18,617
Additions	534	1,018
Adjustments	9	(465)
Net exchange differences	(2,260)	3,583
Balance at 31 December 2009	21,036	22,753

The recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

7 CONTRIBUTED EQUITY

Ordinary shares		41,235	40,450
Performance shares	(i)	6,000	6,000
		47,235	46,450

(a) Ordinary shares

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

		<i>Number</i>	<i>\$'000</i>
<i>Movements in ordinary shares on issue</i>			
At 1 July 2009	(ii)	265,894,500	46,450
Share issue – Share Purchase Plan	(iii)	25,000,000	1,000
Exercise of options		-	-
Transaction costs	(iv)	-	(215)
Balance at 31 December 2009		290,894,500	47,235

- (i) 30,000,000 Performance Shares held by RFI were cancelled on 28 February 2009 as a consequence of Oregon Resources Corporation Inc. (“ORC”) not achieving a Performance Hurdle of an audited net profit after tax (after adjusting for depreciation and other similar non-cash items) of \$5,000,000 for the 12 month period ending 28 February 2009. No adjustment was made to equity as a result of the cancellation on the basis that the performance shares did not represent contingent consideration for the acquisition of ORC, but instead cash equivalent payment for the acquisition of an asset.
- (ii) At 30 June 2009 the Company had received applications for 100,000,000 ordinary shares at an issue price of 4 cents pursuant to an offer of shares under a placement to sophisticated and professional investors. The shares were issued following receipt of shareholder approval at a general meeting held on 22 July 2009. At 30 June 2009 these shares were included in equity as shares to be issued.
- (iii) 25,000,000 shares issued in July 2009 at an issue price of 10 cents to shareholders that participated in the share purchase plan following receipt of shareholder approval at a general meeting held on 22 July 2009.
- (iv) The transaction costs represent the costs of issuing the shares under the share placement from a prior period.

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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

7 CONTRIBUTED EQUITY (CONTINUED)

(b) Options

Options are considered to be potential ordinary shares. The options have not been included in the determination of basic or diluted earnings per share as the options are anti-dilutive.

CONSOLIDATED

	<i>31 December 2009</i> <i>\$'000</i>	<i>31 December 2008</i> <i>\$'000</i>
(c) Loss per share	Cents	Cents
Basic and diluted loss per share	(0.41)	(0.73)
	\$	\$
Loss used in calculation of loss per share	(1,182)	(1,202)
	<i>Shares</i> <i>Thousands</i>	<i>Shares</i> <i>Thousands</i>
Weighted average number of shares used as denominator in calculating loss per share	287,905	165,894

8 DIVIDENDS PAID

There were no dividends proposed or paid during the half-year ended 31 December 2009 (2008: \$ nil).

9 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 31 December 2009 are as follows:

CONSOLIDATED

	<i>31 December 2009</i> <i>\$'000</i>	<i>30 June 2009</i> <i>\$'000</i>
Within one year	35	59
After one year but not more than five years	7	10
More than five years	-	-
Total minimum lease payments	42	69

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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(ii) Property, plant and equipment commitments

Future minimum commitments for property and equipment as at 31 December 2009 are as follows:

	<i>CONSOLIDATED</i>	
	<i>31 December 2009</i>	<i>30 June 2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Within one year	-	186
After one year but not more than five years	1,456	1,615
More than five years	-	-
Total minimum lease payments	1,456	1,801

(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:

Within one year	736	959
After one year but not more than five years	-	-
More than five years	-	-
Total minimum lease payments	736	959

(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 31 December 2009 but not recognised as liabilities are as follows:

Within one year	70	78
After one year but not more than five years	365	420
More than five years	-	124
Total minimum lease payments	435	622

(b) Contingencies

The Group has no contingent assets and liabilities.

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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

10 RELATED PARTIES

(a) Transactions with key management personnel

Key management personnel received fees, compensation in the form of short term employment benefits, post employment benefits and share based payment awards. Key management personnel received total compensation of \$625,655 (2008: \$588,539).

11 EVENTS AFTER BALANCE DATE

On 27 January 2010 the Company announced that it had received and accepted a Committed Letter of Offer from Macquarie Bank Limited and The Sentient Group to jointly provide a US\$30 million Debt Facility and US\$15 million Equity Investment with both contributing equally in the provision of the debt and equity to fund the ongoing development of the Company's Southern Oregon Mineral Sands project.

On 2 February 2010 the Company announced the completion of a \$4,350,000 share placement offered to Macquarie Bank Limited and The Sentient Group at an issue price of 10 cents per share representing an initial equity investment in accordance with the terms of the Committed Letter of Offer.

On 1 March 2010 the Company announced that its wholly owned subsidiary Oregon Resources Corporation Inc. had entered into a mineral lease agreement with Kimberly Clark Corporation ("Kimberly"), effective for a period of ten years from 22 February 2010 and for so long thereafter that minerals are produced or operations continued on the property. The lease area was approximately 466 acres and adjoined existing properties controlled by the Company. The lease payment and royalties were in accord with industry standards and existing agreements.

As a consequence of securing the mineral lease with Kimberly, the Company estimates that an inferred mineral resource of approximately 7.3 million short tons grading at 7.8 % chromite has been added to its resource inventory. The estimate was derived by using the assay data of drilling adjacent to the lease, surface and outcrop sampling checks, LIDAR bare-earth confirmation of terrace topography, and existing Seven Devils Terrace deposit information

During February 2010 the Company received confirmation of the grant of the mining permits. The grant was conditional on the Company posting a US\$683,920 performance bond on the related wetlands mitigation plan. The performance bond was 100% secured with a commercial letter of credit issued by US Bank and the commercial letter of credit was 100% secured by cash on deposit with US Bank.

No matter or circumstance has arisen since 31 December 2009 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.

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Directors' Declaration

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

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the 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.

On behalf of the Board



Jeremy Shervington

Director

Perth, Western Australia

Dated this 12th day of March 2010

To the members of Industrial Minerals Corporation Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Industrial Minerals Corporation Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with 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 half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Industrial Minerals Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

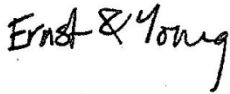
Independence

In conducting our review, we have complied with 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Industrial Minerals Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

Ernst & Young

A handwritten signature in black ink, appearing to be 'J C Palmer'.

J C Palmer
Partner
Perth
12 March 2010