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# **INDUSTRIAL MINERALS CORPORATION LIMITED**

**ABN 26 108 029 198**

**HALF-YEAR FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**HALF-YEAR REPORT**

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**CORPORATE INFORMATION**

This half-year report covers the consolidated entity comprising Industrial Minerals Corporation Limited (“**Industrial Minerals**” or “**the Company**”) and its wholly owned subsidiary (the “**Group**”). The Group's presentation currency and the Company's functional currency are AUD (\$). The subsidiary's functional currency is USD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on page 3. The directors' report is unaudited and does not form part of the financial report.

**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: (+6 18) 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  
50 St George's Terrace  
Perth WA 6000

**Auditors**

Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
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## Directors' Report

Your directors submit their report for the half-year ended 31 December 2007 (“**Balance Date**”).

### **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 Company throughout the half-year have comprised of the following:

- continuation of design and engineering studies for construction and commissioning of the main processing plant for the Oregon Heavy Minerals Project;
- completion of a second tranche of a share placement following shareholder approval by the issuance of 13 million shares to sophisticated investors to raise \$5.2 million;
- completion of an auction of 50,000 partly paid shares which had been forfeited as a consequence of a final call not being in accordance with forfeiture notices issued to shareholders in May 2007;
- production of a heavy mineral concentrate through the pilot plant with the resulting products of chromite, zircon, garnet and magnetite sent to potential customers for evaluation;
- entering into an agreement for the purchase of the Westbrook property with the Coquille Tribe for a total consideration of \$US1,600,000 comprising of an initial payment of \$US300,000 on execution and the balance of \$US1.3 million due in January 2009;
- continuation of exploration activities on the Oregon Heavy Minerals Project;
- 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 \$1,096,144 (2006: \$772,813) representing a significant increase compared to the previous period. There was an improvement in revenue for the half-year to \$511,879 (2006: \$124,586) achieved primarily from investing the Company's cash assets. The operating costs over the half-year increased to \$1,607,923 (2006: \$897,399) which was the major component of the Group's consolidated net loss. A significant part of the operating costs for the half-year was an expense of \$694,515 (non-cash) associated with the issue of options to senior management pursuant to 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.

In August 2007 the Coos County Planning Commission approved two applications for the conditional use permits for its processing plant and associated mining sites in Coos Bay, Oregon. Interested parties with standing were given an opportunity to appeal the Commission's decisions to the Board of County Commissioners within fifteen days of the mailing of the decisions. The Company was advised that an appeal was filed against the mine site permit. There has been no appeal lodged against the processing permit. The Coos County Board of Commissioners affirmed the Planning Commission decision to approve the conditional use authorising Oregon Resources Corporation a mineral sands mining operation within the Forest and Forest Mixed Use zones subject to certain conditions.

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## **Directors' Report (continued)**

In November 2007 a notice of Intent to Appeal was filed with the Oregon State Land Use Board of Appeal (LUBA) against the permit approval by the Coos County Board of County Commissioners in which the appellants argued:

1. the Coos County Board of Commissioners ("Board") failed to include certain farm uses in its analysis of whether the Company's Conditional Use Application met the specific requirements of the Coos County Zoning and Land Development Ordinance and the Board erred by excluding "hobby farms" from the analysis of impacts to "accepted farming practices."
2. the findings adopted by the Board were inadequate because they were not supported by substantial evidence in the record. Specifically the record failed to show: (i) that the Company's operation would not force a significant change in or significantly increase the cost of accepted farming and forest practices; and (ii) that the Company's operation would not significantly increase fire hazard, fire suppression costs, or risks to fire suppression personnel.

The LUBA panel comprised of three attorneys appointed by the Governor to review local land use decisions.

The Company's management and attorneys collaborated on the preparation of documentation in response to the filing of the Petition for Review with the LUBA panel. The Company filed a responsive brief to the Petition in mid December. The next stage in the process was oral argument which was held on 17 January 2008. Legal representatives for the parties presented their arguments to the LUBA panel. Possible rulings from the LUBA panel included affirmation of the County's decision, reversal of the County's decision or remand of the County's decision for further consideration.

On 22 February 2008 the Company announced the Oregon Land Use Board of Appeals affirmed the Coos County Commissioners' decision to approve the conditional use authorising a mineral sands mining operation within the Forest and Forest Mixed Use zones.

Signed in accordance with a resolution of the directors.



**Jeremy Shervington**

Director

Perth, Western Australia

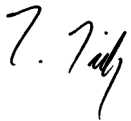
Dated this 14<sup>th</sup> day of March 2008

## Auditor's Independence Declaration to the Directors of Industrial Minerals Corporation Limited

In relation to our review of the half year financial report of Industrial Minerals Corporation Limited for the half-year ended 31 December 2007, 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



V W Tidy  
Partner  
Perth  
14 March 2008

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**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
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## Balance Sheet

AS AT 31 DECEMBER 2007

*CONSOLIDATED*

	<i>Note</i>	<i>31 December 2007</i>	<i>30 June 2007</i>
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	12,833,430	18,095,358
Trade and other receivables		137,318	104,415
Prepayments		37,908	25,882
<b>Total Current Assets</b>		<u>13,008,656</u>	<u>18,225,655</u>
<b>Non-current Assets</b>			
Property, plant and equipment	4	8,205,686	3,554,439
Exploration and evaluation	5	22,056,219	21,193,208
<b>Total Non-current Assets</b>		<u>30,261,905</u>	<u>24,747,647</u>
<b>TOTAL ASSETS</b>		<u>43,270,561</u>	<u>42,973,302</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		1,105,513	1,321,810
Share subscriptions received in advance		7,500	5,200,000
<b>Total Current Liabilities</b>		<u>1,113,013</u>	<u>6,521,810</u>
<b>Non-current Liabilities</b>			
Bank loan		39,638	52,718
Land acquisition		1,362,353	
<b>Total Non-current Liabilities</b>		<u>1,401,991</u>	<u>52,718</u>
<b>TOTAL LIABILITIES</b>		<u>2,515,004</u>	<u>6,574,528</u>
<b>NET ASSETS</b>		<u>40,755,557</u>	<u>36,398,774</u>
<b>EQUITY</b>			
Contributed equity	6	42,544,798	37,585,968
Reserves		676,574	182,477
Accumulated losses		(2,465,815)	(1,369,671)
<b>TOTAL EQUITY</b>		<u>40,755,557</u>	<u>36,398,774</u>

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## Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER

	<i>Note</i>	<i>CONSOLIDATED</i>	
		<i>2007</i>	<i>2006</i>
		\$	\$
<b>Continuing operations</b>			
Interest revenue		511,441	124,586
Other revenue		438	-
<b>Revenue</b>		511,879	124,586
Administration expenses		(231,129)	(161,603)
Board expenses		(190,998)	(60,667)
Compliance expenses		(112,260)	(77,815)
Employment expenses		(802,498)	(532,488)
Occupancy expenses		(41,109)	(4,573)
Travel expenses		(121,014)	(42,249)
Other expenses		(71,298)	(13,499)
Foreign exchange gain/(loss)		(7,005)	-
Finance costs		(30,712)	(4,505)
<b>Loss from operations before income tax</b>		(1,096,144)	(772,813)
Income tax expense		-	-
<b>Loss from operations after income tax</b>		(1,096,144)	(772,813)
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company:</b>			
Basic loss per share (cents per share)		(0.56)	(1.18)
Diluted loss per share (cents per share)		(0.56)	(1.18)

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## Statement of Changes in Equity

**FOR THE HALF-YEAR ENDED 31 DECEMBER**

	<i>CONSOLIDATED</i>			
	<i>Issued Capital</i>	<i>Reserves</i>	<i>Accumulated Losses</i>	<i>Total</i>
	\$	\$	\$	\$
<b>Balance at 1 July 2007</b>	<b>37,585,968</b>	<b>182,477</b>	<b>(1,369,671)</b>	<b>36,398,774</b>
Foreign currency translation	-	(200,418)	-	(200,418)
Total income and expense recognised directly in equity	-	(200,418)	-	(200,418)
Loss for the half year	-	-	(1,096,144)	(1,096,144)
Total recognised income and expense for the period	-	(200,418)	(1,096,144)	(1,296,562)
Share based payments	-	694,515	-	694,515
Shares issued during the half year				
- Ordinary shares	5,248,900	-	-	5,248,900
- Costs of issue	(290,070)	-	-	(290,070)
<b>Balance at 31 December 2007</b>	<b>42,544,798</b>	<b>676,574</b>	<b>(2,465,815)</b>	<b>40,755,557</b>
<b>Balance at 1 July 2006</b>	1,468,889	-	(57,633)	1,411,256
Foreign currency translation	-	(122,087)	-	(122,087)
Total income and expense recognised directly in equity	-	(122,087)	-	(122,087)
Loss for the half year	-	-	(772,813)	(772,813)
Total recognised income and expense for the period	-	(122,087)	(772,813)	(894,900)
Share based payments	-	505,869	-	505,869
Shares issued during the half year				
- Ordinary shares	22,850,625	-	-	22,850,625
- Performance shares	6,000,000	-	-	6,000,000
- Costs of issue	(1,003,240)	-	-	(1,003,240)
<b>Balance at 31 December 2006</b>	<b>29,316,274</b>	<b>383,782</b>	<b>(830,446)</b>	<b>28,869,610</b>

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## Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER

*CONSOLIDATED*

	<i>Note</i>	<i>2007</i>	<i>2006</i>
		\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(777,031)	(713,475)
Interest paid		(2,660)	(19,744)
<b>Net cash flows from/(used in) operating activities</b>		<u>(779,691)</u>	<u>(733,219)</u>
<b>Cash flows used in investing activities</b>			
Interest received		387,713	92,922
Payment for exploration and evaluation		(1,088,121)	(109,006)
Payment for construction		(2,893,042)	-
Purchase of property, plant and equipment		(369,098)	(274,212)
Short term loan		(11,402)	(16,909)
Acquisition of subsidiary, net of cash acquired		-	5,160
Advances to other entities		-	(1,186,260)
<b>Net cash flows from/(used in) in investing activities</b>		<u>(3,973,950)</u>	<u>(1,488,305)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		56,400	8,450,625
Repayment of borrowings		(171,096)	(145,194)
Payment for share issue costs		(290,070)	(603,240)
<b>Net cash flows from/(used in) financing activities</b>		<u>(404,766)</u>	<u>7,702,191</u>
Net increase/(decrease) in cash and cash equivalents		(5,158,407)	5,480,667
Net foreign exchange differences		(103,521)	(7,565)
Cash and cash equivalents at beginning of period		18,095,358	900,784
<b>Cash and cash equivalents at end of period</b>		<u><u>12,833,430</u></u>	<u><u>6,373,886</u></u>

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## **Notes to the Financial Statements**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

### **1 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**(a) Basis of preparation**

This general purpose condensed unaudited financial report for the half year ended 31 December 2007 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporation 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 consolidated entity 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 2007 and considered together with any public announcements made by Industrial Minerals Corporation Limited and its controlled entity during the half year ended 31 December 2007 in accordance with the continuous disclosure obligations of the ASX *listing rules*.

**(b) Changes in Accounting Policy**

The Company has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) and the urgent issues group that are relevant to its operations and effective for annual reporting period beginning 1 July 2007. The adoption of these new revised standards and interpretations did not have any effect on the financial position or performance of the Group. The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007.

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## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

### 2 SEGMENT INFORMATION

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

*CONSOLIDATED*

*31 December 2007*                      *30 June 2007*  
 \$    \$

### 3 CASH AND CASH EQUIVALENTS

Cash at bank and in hand	818,430	6,095,358
Short-term deposits	12,015,000	12,000,000
	12,833,430	18,095,358

### 4 PROPERTY, PLANT AND EQUIPMENT

*CONSOLIDATED*

	<i>Land and improvements</i>	<i>Plant and equipment</i>	<i>Construction in progress</i>	<i>Motor vehicles</i>	<i>Total</i>
	\$	\$	\$	\$	\$
<b>Half-year ended 31 December 2007</b>					
At 1 July 2007,					
net of accumulated depreciation	1,281,298	1,235,301	957,897	79,942	3,554,439
Additions	1,685,712	55,011	3,089,251	-	4,829,974
Net exchange differences	(40,776)	(39,312)	(30,484)	(2,544)	(113,116)
Depreciation charge for the period	-	(55,867)	-	(9,744)	(65,611)
Balance at 31 December 2007, net of accumulated depreciation	2,926,234	1,195,133	4,016,665	67,654	8,205,686
<b>Balance at 31 December 2007</b>					
Cost	2,926,234	1,268,824	4,016,665	96,649	8,308,372
Accumulated depreciation	-	(73,691)	-	(28,995)	(102,686)
Net carrying amount	2,926,234	1,195,133	4,016,665	67,654	8,205,686

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## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

### 5 EXPLORATION AND EVALUATION

The movement from 30 June 2007 is a result of the following:

<i>CONSOLIDATED</i>	
\$	
<b>Half-year ended 31 December 2007</b>	
At 1 July 2007	21,193,208
Additions	926,295
Net exchange differences	(63,284)
Balance at 31 December 2007	22,056,219
<b>Balance at 31 December 2007</b>	
Cost	22,056,219
Accumulated impairment	-
Net carrying amount	22,056,219

### *CONSOLIDATED*

### 6 CONTRIBUTED EQUITY

	<i>31 December 2007</i>	<i>30 June 2007</i>
	\$	\$
Ordinary shares	36,544,298	31,585,468
Partly paid shares	500	500
Performance shares	6,000,000	6,000,000
	42,544,798	37,585,968

(a) *Ordinary shares*

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

	<i>Number</i>	\$
<i>Movements in ordinary shares on issue</i>		
At 1 July 2007	152,600,000	37,585,968
Share issues	(i) 13,000,000	5,200,000
Exercise of options	(ii) 244,500	48,900
Transaction costs	(iii) -	(290,070)
Balance at 31 December 2007	165,844,500	42,544,798

- (i) 13,000,000 shares issued in July 2007 at an issue price of 40 cents to sophisticated investors.
- (ii) 244,500 shares issued on the exercise of 20 cent options during the half-year period.
- (iii) The transaction costs represent the costs of issuing the shares.

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## **Notes to the Financial Statements (continued)**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

### **7 SHARE BASED PAYMENT PLANS**

The Company has established an Employee Share Option Plan (ESOP) to assist in the retention and motivation of employees by providing them with the opportunity to acquire Shares. Under the ESOP, options over unissued shares are offered to eligible executives, employees and contractors of the Group.

During the period the Company issued the following options to eligible employees:

- 1,000,000 options exercisable at 20 cents expiring 02 November 2008;
- 2,000,000 options exercisable at 25 cents expiring 02 November 2009; and
- 1,000,000 options exercisable at 30 cents expiring 02 November 2010.

The weighted average value of the options granted during the half-year ended 31 December 2007 was \$0.1924 (2006: \$0.0698).

The Company realised an expense of \$694,515 pursuant to options issued under the ESOP during the half-year ended 31 December 2007 and the prior year ended 30 June 2007 (2006: \$505,869).

### **8 DIVIDENDS PAID**

There were no dividends proposed or paid during the half-year ended 31 December 2007 (2006: \$ nil).

### **9 COMMITMENTS AND CONTINGENCIES**

There have been no material changes to the commitments and contingencies disclosed in the most recent annual financial report.

### **10 EVENTS AFTER THE BALANCE SHEET DATE**

On 17 January 2008 oral argument was held where legal representatives for the Company and the appellants presented their arguments to the LUBA panel.

On 22 February 2008 the Company announced the Oregon Land Use Board of Appeals affirmed the Coos County Commissioners' decision to approve the conditional use authorising a mineral sands mining operation within the Forest and Forest Mixed Use zones.

There have been no other significant events that have occurred after the Balance Date.

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
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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 2007 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 14<sup>th</sup> day of March 2008

To the members of Industrial Minerals Corporation Limited

## Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying condensed half year financial report of Industrial Minerals Corporation Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement 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 an Interim Financial Report 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 2007 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* and other mandatory financial reporting requirements in Australia. 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 2007 and of its performance for the six months ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Ernst & Young*

Ernst & Young

*V. W. Tidy*

V W Tidy  
Partner  
Perth  
14 March 2008

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