



# **INDUSTRIAL MINERALS CORPORATION LIMITED**

**ABN 26 108 029 198**

**HALF-YEAR FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

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

**CONTENTS**

<b>Corporate Information</b> .....	<b>2</b>
<b>Directors' Report</b> .....	<b>3</b>
<b>Auditor's Independence Declaration to the Directors of Industrial Minerals Corporation Limited</b> .....	<b>6</b>
<b>Consolidated Statement of Financial Position</b> .....	<b>7</b>
<b>Consolidated Statement of Comprehensive Income</b> .....	<b>8</b>
<b>Consolidated Statement of Changes in Equity</b> .....	<b>9</b>
<b>Consolidated Statement of Cash Flows</b> .....	<b>10</b>
<b>Notes to the Financial Statements</b> .....	<b>11</b>
Note 1 Basis of Preparation and Accounting Policies .....	11
Note 2 Segment Information .....	12
Note 3 Cash and Cash Equivalents.....	12
Note 4 Property, Plant and Equipment .....	13
Note 5 Mine Properties and Development .....	14
Note 6 Interest Bearing Loan and Borrowings .....	14
Note 7 Contributed Equity .....	15
Note 8 Dividends Paid.....	16
Note 9 Commitments and Contingencies .....	16
Note 9 Share Based Payments.....	18
Note 11 Events After Balance Date.....	18
<b>Directors' Declaration</b> .....	<b>19</b>
<b>Independent Review Report</b> .....	<b>20</b>

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

**CORPORATE INFORMATION**

**Directors**

Barry Colin Bolitho (Non Executive Chairman)  
Philip James Garratt (Chief Executive Officer)  
Michael James Brindley Brickell  
Cheryl Lynn Wilson  
Daniel Frank Smith  
John Terry Mears

**Company Secretary**

Scott Adrian Mison

**Registered Office & Principal place of business**

Level 2, 28 Kings Park Road  
West Perth WA 6005  
Telephone: +61 8 6269029

**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  
ADRQX: ILMCY

**Website**

[www.industrialmineralscorp.com.au](http://www.industrialmineralscorp.com.au)

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Directors' Report

Your directors submit their interim report for the half-year ended 31 December 2010 (“**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 2010. 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) Resigned 10 March 2011

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)

John Terry Mears (Non-Executive Director)

Barry Colin Bolitho (Non-Executive Chairman) Appointed 10 March 2011

### **REVIEW AND RESULTS OF OPERATIONS**

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

- signed Project Debt Facility ;
- began construction of the main processing plant for the Oregon Heavy Minerals Project;
- continuation of marketing initiatives for expected production of chromite, zircon, garnet and high iron ilmenite with potential customers;
- 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 \$3,051,186 (2009: \$1,182,261) representing an increase compared to the previous period. There was a significant decline in revenue for the half-year to \$16,846 (2009: \$57,100) primarily due to a decrease in interest earned on the Company's cash assets. The operating costs over the half-year increased to \$3,002,795 (2009: \$1,239,361) which was the major component of the Group's consolidated net loss. There was an expense of \$1,626,197 (non-cash) (2009: \$23,316) recognised pursuant to the grant of options 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**

During the period, the Company continued with pre production development of the Oregon mineral sands project.

#### **Assay results & Mineral Resource Update**

Oregon Resources Corporation (ORC) has completed drilling, assay, and resource modelling of the 2010 exploration areas within the Weyerhaeuser mineral lease holdings. The holdings are located on the South Seven Devils Terrace, approximately 18 miles southwest of city of Coos Bay, Oregon and less than one mile south of existing ore reserves.

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Directors' Report (continued)

### Hemlock Mineral Resource

A measured mineral resource of 400,000 short tons for the Hemlock heavy mineral deposit has been estimated using the guidelines outlined in the JORC Code (2004)(Table 1). The Hemlock deposit contains 5.6 per cent Chromite, 0.9 per cent garnet, and 0.3 per cent zircon in-situ (oversize and slimes are factored into the estimate values). This estimate has been derived using a 4 per cent Chromite in-situ cut-off grade. This deposit is along strike with the North and South Seven Devils deposits and represent one depositional paleo-beach feature.

Drilling along the western and southern property boundaries indicate the continuance of the mineral resource. To the west, mining leases are currently being worked through by ORC and Coos County. To the south, ORC has a mining/exploration lease signed with Kimberly Clark, however, Coos County has contested the ownership. ORC continues to work with both parties on mining/mineral leases to open this area as well as 6,000+ additional acres for exploration.

### Weyco Mineral Resource

A measured mineral resource of 40,000 short tons for the Weyco heavy mineral deposit has been estimated using the guidelines outlined in the JORC Code (2004)(Table 1.). The Weyco deposit contains 4.5 per cent Chromite, 1.4 per cent garnet, and 0.24 per cent zircon in-situ (oversize and slimes are factored into the estimate values). This estimate has been derived using a 4 per cent chromite in-situ cut-off grade. The Weyco deposit is very shallow (max 10 feet) and contains 40 per cent heavy mineral. The concentration of epidote is very high, 40-50 per cent of the heavy mineral fraction. Most of the land parcel is mineralized in this fashion.

**Table 1. Measured Mineral Resource Estimation**

Deposit	Resource Category	Ore Tons (short tons)	Oversize (+1/4 inch)	Slim es (- 63 µ)	<i>In Situ Assemblage*</i>			
					HM Grade (%)	Chromit e Grade %	Garnet Grade %	Zircon Grade %
Weyco	Measured	400,000	0.0	18.3	20.0	5.6	0.9	0.3
Hemlock	Measured	40,000	0.7	5.4	40.0	5.4	1.4	0.2
<b>Grand Total</b>	<b>Measured</b>	<b>440,000</b>			<b>21.8</b>	<b>5.6</b>	<b>0.9</b>	<b>0.3</b>

\**In Situ* Assemblages account for oversize and slimes factors.

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 transfer of the title of the Westbrook property to 2 February 2012. Consideration of US\$150,000 was paid by the Company for this extension.

### CORPORATE

In July 2010, the Group signed a debt facility of US\$30,000,000 (A\$29,520,000) to partially fund the development of the Oregon Heavy Minerals project. Negotiations were also undertaken with representatives of Macquarie Bank and The Sentient Group for the provision of a US\$5,000,000 (A\$4,920,000) working capital facility which would function as a revolving type loan. The facility could be used to cover any additional costs that may arise from cost increases or delays in the time taken to achieve initial cash flow.

During the period the Group issued the following securities:

- 25,000,000 options exercisable at 16 cents and expiring 23 July 2014; and
- 38,500,000 options exercisable at 10 cents and expiring 5 July 2015

During the period 3,437,500 unlisted options exercisable at 30 cents expired.

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

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

### **SUBSEQUENT EVENTS**

On 31 January 2011, U.S. District Judge Michael Hogan denied a motion for a preliminary injunction brought by various environmental groups and individuals who sought to stop any mining activities until resolution of their claims that the U.S. Army Corps of Engineers and National Marine Fisheries Service violated certain environmental laws in issuing a wetlands fill permit for the project.

Judge Hogan's ruling was based in part on his determination that plaintiffs were not likely to succeed on the merits of their claims.

On 4 February 2011, the plaintiffs appealed the decision of the decision put forward by U.S. District Judge Michael Hogan.

On 4 March 2011, the Company issued 4,125,000 options exercisable at 16 cents and expiring 4 March 2016.

On 10 March 2011, Mr Jeremy Shervington resigned as Non Executive Chairman and was replaced by Mr Barry Bolitho.

### **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.

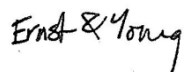
Signed in accordance with a resolution of the directors.



**Philip Garratt**  
Director  
Perth, Western Australia  
Dated this 16th day of March 2011

## 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 2010, 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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to read 'J C Palmer'.

J C Palmer  
Partner  
Perth  
16 March 2011

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2010

	<i>Notes</i>	<i>31 December 2010</i> \$'000	<i>30 June 2010</i> \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	2,926	1,887
Trade and other receivables		8	72
Prepayments		118	49
<b>Total Current Assets</b>		<b>3,052</b>	<b>2,008</b>
<b>Non-current Assets</b>			
Other financial assets		1,070	1,199
Property, plant and equipment	4	45,750	31,813
Exploration and evaluation		121	464
Mine properties and development	5	20,856	23,542
<b>Total Non-current Assets</b>		<b>67,797</b>	<b>57,018</b>
<b>TOTAL ASSETS</b>		<b>70,849</b>	<b>59,026</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		2,688	3,147
Loan and borrowings	6	10,441	-
<b>Total Current Liabilities</b>		<b>13,129</b>	<b>3,147</b>
<b>Non-current Liabilities</b>			
Trade and other payables		1,118	-
Loans and borrowings	6	9,669	-
<b>Total Non-current Liabilities</b>		<b>10,787</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>23,916</b>	<b>3,147</b>
<b>NET ASSETS</b>		<b>46,933</b>	<b>55,879</b>
<b>EQUITY</b>			
Contributed equity	7	63,028	63,008
Reserves		(4,899)	1,016
Accumulated losses		(11,196)	(8,145)
<b>TOTAL EQUITY</b>		<b>46,933</b>	<b>55,879</b>

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	<i>31 December 2010</i> \$'000	<i>31 December 2009</i> \$'000
<b>Revenue</b>		
Interest revenue	17	57
	17	57
Administration expenses	(412)	(319)
Board expenses	(240)	(173)
Compliance expenses	(75)	(81)
Employment expenses	(1,875)	(168)
Occupancy expenses	(43)	(29)
Travel expenses	(86)	(94)
Other expenses	(337)	(150)
<b>Operating loss</b>	<b>(3,068)</b>	(957)
Finance costs	-	(225)
<b>Loss before income tax</b>	<b>(3,051)</b>	(1,182)
Income tax expense	-	-
<b>Loss for the half-year</b>	<b>(3,051)</b>	(1,182)
<b>Other comprehensive income</b>		
Foreign currency translation	(8,884)	(3,922)
<b>Total comprehensive income for the half-year, net of tax</b>	<b>(11,935)</b>	(5,104)
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company:</b>		
Basic loss per share (cents per share)	7(c) (0.67)	(0.41)
Diluted loss per share (cents per share)	7(c) (0.67)	(0.41)

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	<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
<b>Balance at 1 July 2010</b>	<b>63,008</b>	<b>2,015</b>	<b>(999)</b>	<b>(8,145)</b>	<b>55,879</b>
Other comprehensive income	-	-	<b>(8,884)</b>	-	<b>(8,884)</b>
Loss for the half-year	-	-	-	<b>(3,051)</b>	<b>(3,051)</b>
Total comprehensive income/(loss) for the half-year	-	-	<b>(8,884)</b>	<b>(3,051)</b>	<b>(11,935)</b>
Transactions with owners in their capacity as owners:					
Share based payments	-	<b>2,969</b>	-	-	<b>2,969</b>
Cost of issue	<b>20</b>	-	-	-	<b>20</b>
<b>Balance at 31 December 2010</b>	<b>63,028</b>	<b>4,984</b>	<b>(9,883)</b>	<b>(11,196)</b>	<b>46,933</b>
Balance at 1 July 2009	46,450	1,972	205	(6,003)	42,624
Other comprehensive income	-	-	<b>(3,922)</b>	-	<b>(3,922)</b>
Loss for the half-year	-	-	-	<b>(1,182)</b>	<b>(1,182)</b>
Total comprehensive income/(loss) for the half-year	-	-	<b>(3,922)</b>	<b>(1,182)</b>	<b>(5,104)</b>
Transactions with owners in their capacity as owners:					
Share based payments	-	23	-	-	23
Shares issued during the half-year					
- Ordinary shares	1,000	-	-	-	1,000
- Costs of issue	<b>(215)</b>	-	-	-	<b>(215)</b>
Balance at 31 December 2009	<b>47,235</b>	<b>1,995</b>	<b>(3,717)</b>	<b>(7,185)</b>	<b>38,328</b>

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	<i>31 December 2010</i> \$'000	<i>31 December 2009</i> \$'000
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(851)	(973)
Interest paid	-	(112)
<b>Net cash flows used in operating activities</b>	(851)	(1,085)
<b>Cash flows used in investing activities</b>		
Interest received	17	53
Payment for exploration and evaluation expenditure	-	(640)
Payment for construction of plant	(18,583)	-
Payment for plant and equipment	(17)	(1,120)
<b>Net cash flows used in investing activities</b>	(18,583)	(1,707)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	1,000
Proceeds from borrowings	22,251	-
Interest and finance costs paid	(1,181)	-
Payment for broker fees	(480)	(215)
<b>Net cash flows from/(used in) financing activities</b>	20,590	785
Net increase / (decrease) in cash and cash equivalents	1,156	(2,007)
Net foreign exchange differences	(117)	(2)
Cash and cash equivalents at beginning of period	1,887	4,168
<b>Cash and cash equivalents at end of period</b>	2,926	2,159

3

# Notes to the Financial Statements

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

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

### **(a) Basis of preparation**

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial report has been prepared on a going concern basis. The Directors' have taken this view following a review of cashflow forecasts and after confirming that sufficient additional debt funding is available.

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 2010 and considered together with any public announcements made by Industrial Minerals Corporation Limited during the half-year ended 31 December 2010 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**

From 30 June 2010 The Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010. Adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]
- Interpretation 19 Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The Group has not elected to early adopt any new standards or amendments that are issued by not yet effective.

### **New Accounting Policies**

The Group has adopted the following policies during the period following drawdown of the facility:

#### **Loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Notes to the Financial Statements (continued)

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

### 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### (b) Changes in Accounting Policy (continued)

##### **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### 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 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 2010</i>	<i>31 December 2009</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	2,911	469
Short-term deposits	15	1,515
	2,926	1,984

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

### 4 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>
<b>Half-year ended 31 December 2010</b>					
At 1 July 2010	1,783	907	29,100	23	31,813
net of accumulated depreciation					
Additions	-	17	20,436	-	20,453
Net exchange differences	(280)	(139)	(6,012)	(3)	(6,434)
Depreciation charge for the period	-	(72)	-	(10)	(82)
Balance at 31 December 2010, net of accumulated depreciation	<b>1,503</b>	<b>713</b>	<b>43,524</b>	<b>10</b>	<b>45,750</b>
<b>Balance at 31 December 2010</b>					
Cost	1,503	1,132	43,524	89	46,248
Accumulated depreciation	-	(419)	-	(79)	(498)
Net carrying amount	<b>1,503</b>	<b>713</b>	<b>43,524</b>	<b>10</b>	<b>45,750</b>
<b>Half-year ended 31 December 2009</b>					
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	3,033	883	19,049	33	22,998
<b>Balance at 31 December 2009</b>					
Cost	3,033	1,215	19,049	102	23,399
Accumulated depreciation	-	(332)	-	(69)	(401)
Net carrying amount	3,033	883	19,049	33	22,998

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Notes to the Financial Statements (continued)

### 5 MINE PROPERTIES AND DEVELOPMENT

	<i>CONSOLIDATED</i>	
	<i>31 December 2010</i>	<i>31 December 2009</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>Half-year ended 31 December 2010</b>		
Balance at beginning of financial period	23,542	-
Additions	1,097	-
Transfers from exploration and evaluation	-	-
Transfer from property, plant and equipment	-	-
Net exchange differences	(3,783)	-
Balance at end of financial period	20,856	-

	<i>CONSOLIDATED</i>	
	<i>31 December 2010</i>	<i>30 June 2010</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>6 INTEREST - BEARING LOANS AND BORROWINGS</b>		
Secured loans:		
US\$35,000,000 bank loan		
Current	10,441	-
Non-Current	9,669	-
	20,110	-

On 16 July 2010, Oregon Resources Corporation entered into a Project Debt Facility Agreement with Macquarie Bank Limited. Industrial Minerals Corporation Limited is the Guarantor to the facility. The debt contains facility A for US\$30,000,000 (A\$29,520,000) and facility B for US\$5,000,000 (A\$4,920,000). The purpose of the loan is to fund the ongoing development of the Company's Southern Oregon Minerals Sands Project. As at the 31 December 2010, US\$22,612,500 (A\$22,250,700) had been drawn down on the facility. Macquarie subsequent to period end pledged the ongoing support of the Oregon Project.

The financial undertakings of the loan are as follows:

1. the Current Ratio is not less than 1:1;
2. the LLCR is not less than 1.50:1;
3. the DSCR on each Calculation Date is not less than 1.2:1;
4. the projected DSCR on each Calculation Date until the Final Maturity Date is not less than 1.2:1;
5. the Reserve Tail Ratio is not less than 35%;
6. the Revenue of the Borrower from sales of Product for any consecutive period of 3 months is at least 80% of the projected Revenue of the Borrower from sales of Product for that period as set out in the Base Case Financial Model; and
7. Operating Costs (excluding royalties payable under a Royalty Agreement and any royalties required to be paid to ensure the Mineral Rights are valid and in good standing) of the Borrower for any consecutive period of 3 months is not more than 120% of projected Operating Costs for that period as set out in the Base Case Financial Model.

## Notes to the Financial Statements (continued)

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

### 6 INTEREST - BEARING LOANS AND BORROWINGS (continued)

As part of the debt facility fee, Macquarie and Sentient will be issued the following:

- 50,000,000 options exercisable at 6 cents and expiring 5 years after issue
- 25,000,000 options exercisable at 16 cents and expiring 5 years after issue
- 25,000,000 options exercisable at 25 cents or at 15% premium to the 90 day VWAP of IDM share trades immediately prior to the date of first chromite production from the project.

The options were valued at US\$1,036,022 (AU\$1,300,000) represented the fair value of services provided.

A fee of US\$434,140 (AU\$500,000) was paid to Bligh Capital for assisting in procuring the debt funding.

Other establishment fees amount to US\$1,329,190 (AU\$1,307,923).

All debt establishment and transaction fees have been deducted from the fair value of the debt upon initial recognition. The loan is carried at amortised cost subsequent to initial recognition.

### 7 CONTRIBUTED EQUITY

#### CONSOLIDATED

	<i>31 December 2010</i> \$'000	<i>31 December 2009</i> \$'000
Ordinary shares	57,028	57,008
Performance shares	6,000	6,000
	63,028	63,008

#### (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>		
<b>At 1 July 2010</b>	457,894,500	57,008
Transaction costs	(i) -	20
<b>Balance at 31 December 2010</b>	457,894,500	57,028

- (i) The transaction represent a refund of GST as a result of ATO review of GST on prior period capital raising fees.

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Notes to the Financial Statements (continued)

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

#### 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 2010</i>	<i>31 December 2009</i>
	<i>\$'000</i>	<i>\$'000</i>
<b>(c) Loss per share</b>	<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share	<b>(0.67)</b>	<b>(0.41)</b>
	<b>\$</b>	<b>\$</b>
Loss used in calculation of loss per share	<b>(3,051)</b>	<b>(1,182)</b>
	<i>Shares</i>	<i>Shares</i>
	<i>Thousands</i>	<i>Thousands</i>
Weighted average number of shares used as denominator in calculating loss per share	<b>457,894</b>	<b>287,905</b>

#### 8 DIVIDENDS PAID

There were no dividends proposed or paid during the half-year ended 31 December 2010 (2009: \$ 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 2010 are as follows:

#### CONSOLIDATED

	<i>31 December 2010</i>	<i>30 June 2010</i>
	<i>\$'000</i>	<i>\$'000</i>
Within one year	<b>8</b>	<b>49</b>
After one year but not more than five years	<b>3</b>	<b>6</b>
More than five years	<b>-</b>	<b>-</b>
Total minimum lease payments	<b>11</b>	<b>55</b>

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

### 9 COMMITMENTS AND CONTINGENCIES (continued)

#### (ii) Property, plant and equipment commitments

Future minimum commitments for property and equipment as at 31 December 2010 are as follows:

	<i>CONSOLIDATED</i>	
	<i>31 December 2010</i>	<i>30 June 2010</i>
	<i>\$'000</i>	<i>\$'000</i>
Within one year	11,483	28,615
After one year but not more than five years	-	-
More than five years	-	-
Total minimum lease payments	11,483	28,615

#### (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	281	448
After one year but not more than five years	-	-
More than five years	-	-
Total minimum lease payments	281	448

#### (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 2010 but not recognised as liabilities are as follows:

Within one year	71	85
After one year but not more than five years	322	455
More than five years	39	47
Total minimum lease payments	432	587

### (b) Contingencies

#### Legal claim

During the period, a preliminary injunction was sought after by several residents of the area and a resident association against the US Army Corps of Engineers and the National Marine Fisheries Service (the “Defendants”) seeking to stop the Company from mining in Coos Bay. The residents stated that the Plaintiffs did not follow the required procedures before issuing the permits to the Company to mine chromite in the area. This injunction was not granted by the Oregon District court. An appeal was lodged by the plaintiff in February 2011.

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

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

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

### **10 SHARE BASED PAYMENTS**

During the period options were issued to Directors and Employees under the Employee and Options Plan (ESOP) and also issued to Macquarie and Sentient as part of the fee for the project finance facility.

The fair value of the equity-settled share options granted to employees under the ESOP is estimated as at the grant date using the Binomial or Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the models for the period ended 31 December 2010:

<i>ESOP Options</i>	
Grant date	5 July 2010
Number of options	38,500,000
Share price	10.5 cents
Exercise price	10 cents
Dividend Yield	0.0%
Expected volatility	80.0%
Risk-free interest rate	5.5%
Expected life	5 years
Weighted average fair value	6.0 cents
Model used	Black-Scholes
Total amount	\$2,310,000
Expensed to 31 December 2010	\$1,668,333

The expense for the ESOP options is included in employee expenses.

During the period the following options were issued in respect to establishment costs as part consideration for Macquarie and Sentient providing the debt facility:

- 50,000,000 options exercisable at 6 cents and expiring 19 April 2014
- 25,000,000 options exercisable at 16 cents and expiring 23 July 2014
- 25,000,000 options exercisable at 25 cents or at 15% premium to the 90 day VWAP of IDM share trades immediately prior to the date of first chromite production from the project.

Refer to note 6 for details.

### **11 EVENTS AFTER BALANCE DATE**

On 31 January 2011, U.S. District Judge Michael Hogan denied a motion for a preliminary injunction brought by various environmental groups and individuals who sought to stop any mining activities until resolution of their claims that the U.S. Army Corps of Engineers and National Marine Fisheries Service violated certain environmental laws in issuing a wetlands fill permit for the project.

Judge Hogan's ruling was based in part on his determination that plaintiffs were not likely to succeed on the merits of their claims.

On 4 February 2011, the plaintiffs appealed the decision of the decision put forward by U.S. District Judge Michael Hogan.

On 4 March 2011, the Company issued 4,125,000 options exercisable at 16 cents and expiring 4 March 2016.

On 10 March 2011, Mr Jeremy Shervington resigned as a Director and was replaced by Mr Barry Bolitho as Non –Executive Chairman.

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**  
**31 DECEMBER 2010 HALF-YEAR FINANCIAL REPORT**

## **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 2010 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



**Philip Garratt**

Director

Perth, Western Australia

Dated this 16th day of March 2011

## 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 2010, 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 a 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 2010 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.

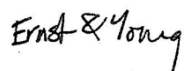
### Independence

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 2010 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 of the Ernst & Young logo.

Ernst & Young

A handwritten signature of J C Palmer.

J C Palmer  
Partner  
Perth  
16 March 2011