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INDUSTRIAL MINERALS CORPORATION LIMITED

ABN 26 108 029 198

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

INDUSTRIAL MINERALS CORPORATION LIMITED
ABN 26 108 029 198
INTERIM REPORT

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INDUSTRIAL MINERALS CORPORATION LIMITED
ABN 26 108 029 198
INTERIM REPORT

CORPORATE INFORMATION

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 2008. The functional currency of the Company is AUD (\$). The functional currency of the subsidiaries 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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INTERIM REPORT

Directors' Report

Your directors submit their interim report for the half-year ended 31 December 2008 (“**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:

- significant management effort was focused on processes related to securing project funding;
- the continuation of design and engineering studies for construction and commissioning of the main processing plant for the Oregon Heavy Minerals Project with approximately 95% completed during the period;
- the delivery to the production site of foundation pilings comprising of large diameter steel pipe totaling approximately 80,000 lineal feet. Positioning of foundation pilings and form work for the main processing plant commenced in August 2008;
- the provision of chromite, zircon, garnet and high iron ilmenite samples to potential customers for evaluation;
- the purchase of land pursuant to the Lease Agreement and Option to Purchase with Teck Cominco American Inc. in Coos Bay Oregon being the site where the main processing plant is to be constructed;
- continuation of exploration activities on the Oregon Heavy Minerals Project including securing additional land and development of future drilling programs to delineate additional resources;
- 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 \$1,202,252 (2007: \$1,096,144) representing a modest decrease compared to the previous period. There was a significant decline in revenue for the half-year to \$128,434 (2007: \$511,879) primarily due to a decrease in interest earned on the Company's cash assets. The operating costs over the half-year decreased to \$1,330,686 (2007: \$1,607,923) which was the major component of the Group's consolidated net loss. There was an expense of \$131,180 (non-cash) (2007: \$694,515) 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.

In August 2008 the Company invited various regulatory agencies to attend a meeting which included a visit to the proposed mining sites to discuss any issues that may arise in the permitting process. Representatives from all the regulatory agencies participated in the meeting and the site visit. To reaffirm earlier reporting, in June 2008 the Company submitted its Operations and Reclamation Plan and Mine Operating Permit Application to the Oregon Department of Geology and Mineral Industries (“DOGAMI”) lead agency that coordinates with other regulatory agencies for review of the permit Application. DOGAMI is completing an internal review of the application before it is sent to other regulatory agencies.

INDUSTRIAL MINERALS CORPORATION LIMITED
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INTERIM REPORT

Directors' Report (continued)

On 9 October 2008 the Company announced it had entered into a Subscription Agreement with Niemcor Africa Pty Ltd ("Niemcor") for a staged \$48,500,000 funding package. Under the terms of the Subscription Agreement, Niemcor agreed to subscribe for zero coupon unsecured convertible note issue with a face value of \$22,500,000, convertible to equal ranking ordinary shares at 35 cents per share. The Subscription Agreement was conditional on Niemcor entering into a separate agreement with the Company's second largest shareholder, Resource Finance & Investment Limited ("RFI") prior to 13 October 2008 whereby RFI agreed to sell its entire holding of 70 million ordinary shares to Niemcor for a price of 40 cents per share and to advance to Industrial Minerals a loan for the sum of \$26,000,000 from the proceeds.

On 31 October 2008 Niemcor advised that it was unable to procure funding for its obligations under the agreement with RFI due to a combination of the global banking crisis, adverse movements in the South African rand and significant falls in the price of metallurgical grade chrome from which Niemcor derived the majority of its income.

Following Niemcor's decision not to proceed with the staged funding package, the Company recommenced discussions and subsequently engaged a corporate advisory firm to assist with securing a minimum of \$60 million for the construction and development of the processing facilities for the Oregon Heavy Minerals Project.

During the period all planned capital expenditures were suspended pending the outcome of the project funding process. Significant management effort was committed to the processes related to securing project funding.

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

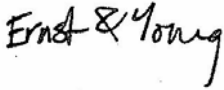
Director

Perth, Western Australia

Dated this 13th day of March 2009

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 2008, 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
13 March 2009

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

Consolidated Balance Sheet

AS AT 31 DECEMBER 2008

	<i>Notes</i>	<i>31 December 2008</i> <i>\$'000</i>	<i>30 June 2008</i> <i>\$'000</i>
ASSETS			
Current Assets			
Cash and cash equivalents	3	1,731	5,514
Trade and other receivables		36	59
Prepayments		63	35
Total Current Assets		1,830	5,608
Non-current Assets			
Property, plant and equipment	4	26,857	13,502
Exploration and evaluation	5	26,482	18,617
Total Non-current Assets		53,339	32,119
TOTAL ASSETS		55,169	37,727
LIABILITIES			
Current Liabilities			
Trade and other payables		7,191	963
Loans and borrowings		-	25
Total Current Liabilities		7,191	988
Non-current Liabilities			
Trade and other payables		1,653	1,293
Loans and borrowings		-	-
Total Non-current Liabilities		1,653	1,293
TOTAL LIABILITIES		8,844	2,281
NET ASSETS		46,325	35,446
EQUITY			
Contributed equity	6	42,504	42,552
Reserves		8,461	(3,668)
Accumulated losses		(4,640)	(3,438)
TOTAL EQUITY		46,325	35,446

INDUSTRIAL MINERALS CORPORATION LIMITED
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HALF-YEAR REPORT

Consolidated Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	<i>31 December 2008</i> <i>\$'000</i>	<i>31 December 2007</i> <i>\$'000</i>
Continuing operations		
Interest revenue	128	511
Revenue	128	511
Administration expenses	(418)	(231)
Board expenses	(193)	(191)
Compliance expenses	(93)	(112)
Employment expenses	(279)	(802)
Occupancy expenses	(33)	(41)
Travel expenses	(71)	(121)
Other expenses	(178)	(71)
Foreign exchange loss	-	(7)
Finance costs	(65)	(31)
Loss from operations before income tax	(1,202)	(1,096)
Income tax expense	-	-
Loss from operations after income tax	(1,202)	(1,096)
Earnings per share for loss attributable to the ordinary equity holders of the Company:		
Basic loss per share (cents per share)	(0.73)	(0.56)
Diluted loss per share (cents per share)	(0.73)	(0.56)

INDUSTRIAL MINERALS CORPORATION LIMITED
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HALF-YEAR REPORT

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	<i>Issued Capital \$'000</i>	<i>Reserves \$'000</i>	<i>Accumulated Losses \$'000</i>	<i>Total \$'000</i>
Balance at 1 July 2008	42,552	(3,668)	(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 recognised income and expense for the period	-	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	8,461	(4,640)	46,325
Balance at 1 July 2007	37,586	182	(1,369)	36,399
Foreign currency translation	-	(200)	-	(200)
Total income and expense recognised directly in equity	-	(200)	-	(200)
Loss for the half year	-	-	(1,096)	(1,096)
Total recognised income and expense for the period	-	(200)	(1,096)	(1,296)
Equity transactions:				
Share based payments	-	694	-	694
Shares issued during the half year				
- Ordinary shares	5,249	-	-	5,249
- Costs of issue	(290)	-	-	(290)
Balance at 31 December 2007	42,545	676	(2,465)	40,756

INDUSTRIAL MINERALS CORPORATION LIMITED
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Consolidated Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER

	<i>31 December 2008</i> <i>\$'000</i>	<i>31 December 2007</i> <i>\$'000</i>
Cash flows from operating activities		
Payments to suppliers and employees	(1,250)	(777)
Interest paid	(3)	(3)
Net cash flows used in operating activities	(1,253)	(780)
Cash flows used in investing activities		
Interest received	181	388
Payment for exploration and evaluation	(653)	(1,088)
Payment for construction of plant	(1,669)	(3,262)
Net cash flows used in investing activities	(2,141)	(3,962)
Cash flows from financing activities		
Finance lease payments	(447)	-
Proceeds from issue of shares	-	57
Repayment of borrowings	(14)	(171)
Payment for share issue costs	(48)	(290)
Short term loan	-	(11)
Net cash flows used in financing activities	(509)	(415)
Net decrease in cash and cash equivalents	(3,903)	(5,158)
Net foreign exchange differences	120	(104)
Cash and cash equivalents at beginning of period	5,514	18,095
Cash and cash equivalents at end of period	1,731	12,833

INDUSTRIAL MINERALS CORPORATION LIMITED
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Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2008 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 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 2008 and considered together with any public announcements made by Industrial Minerals Corporation Limited during the half-year ended 31 December 2008 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 1 July 2008 the Group has adopted the following applicable Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008:

- AASB 2008-10 *Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)*

Adoption of the standard did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

(c) Going Concern

As at 31 December 2008 the Group has a working capital deficiency of \$5,423,424 and has utilised approximately \$3,393,472 of cash during the six months ended 31 December 2008 as part of its operating and investing activities. Commitments for the 12 month period ended 31 December 2009 are approximately \$467,000.

In addition, the consolidated entity's has currently no available banking facilities upon which to draw additional funds as at 31 December 2008.

The working capital deficiency is a result of payments owing to Outotec (USA) Inc. ("Outotec") for long lead items, totalling \$6,645,086. Following balance date, the Company 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.

INDUSTRIAL MINERALS CORPORATION LIMITED
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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(c) Going Concern (continued)

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 capacity to issue up to 15% of its issued capital in accordance with ASX Listing Rules without shareholder approval;
2. Management are confident that major shareholders have the capacity to provide short term finance if required; and
3. The Company's CEO has confirmed in writing he would underwrite 50% of a capital raising to the amount of \$3,000,000.

Should the Group be unable to materially achieve the matters set out above or complete any other alternative forms of fund raisings there is significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

2 SEGMENT INFORMATION

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

CONSOLIDATED

<i>31 December 2008</i>	<i>31 December 2007</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	266	818
Short-term deposits	<u>1,465</u>	<u>12,015</u>
	<u>1,731</u>	<u>12,833</u>

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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

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>
Half-year ended 31 December 2008					
At 1 July 2008, net of accumulated depreciation	2,855	1,026	9,563	58	13,502
Additions	44	10	7,339	-	7,393
Adjustments	(191)	-	-	-	(191)
Net exchange differences	1,100	394	4,724	21	6,239
Depreciation charge for the period	-	(74)	-	(12)	(86)
Balance at 31 December 2008, net of accumulated depreciation	3,808	1,356	21,626	67	26,857
Balance at 31 December 2008					
Cost	3,808	1,616	21,626	130	27,180
Accumulated depreciation	-	(260)	-	(63)	(323)
Net carrying amount	3,808	1,356	21,626	67	26,857
Half-year ended 31 December 2007					
At 1 July 2007, net of accumulated depreciation	1,281	1,235	958	80	3,554
Additions	1,686	55	3,089	-	4,830
Net exchange differences	(41)	(39)	(30)	(2)	(112)
Depreciation charge for the period	-	(56)	-	(10)	(66)
Balance at 31 December 2007, net of accumulated depreciation	2,926	1,195	4,017	68	8,206
Balance at 31 December 2007					
Cost	2,926	1,269	4,017	97	8,309
Accumulated depreciation	-	(74)	-	(29)	(103)
Net carrying amount	2,926	1,195	4,017	68	8,206

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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

5 EXPLORATION AND EVALUATION

The movement from 30 June 2008 is a result of the following:

	<i>CONSOLIDATED</i>	
	<i>31 December 2008</i>	<i>31 December 2007</i>
	<i>\$'000</i>	<i>\$'000</i>
Half-year ended 31 December 2008		
At 1 July 2008	18,617	21,193
Additions	500	926
Net exchange differences	7,365	(63)
Balance at 31 December 2008	26,482	22,056

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.

	<i>CONSOLIDATED</i>	
	<i>31 December 2008</i>	<i>30 June 2008</i>
	<i>\$'000</i>	<i>\$'000</i>
6 CONTRIBUTED EQUITY		
Ordinary shares	36,504	36,552
Performance shares	(i) <u>6,000</u>	<u>6,000</u>
	42,504	42,552

(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 2008	165,894,500	42,552
Share issues	-	-
Exercise of options	-	-
Transaction costs	(ii) <u>-</u>	<u>(48)</u>
Balance at 31 December 2008	165,894,500	42,504

INDUSTRIAL MINERALS CORPORATION LIMITED
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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

6 CONTRIBUTED EQUITY (CONTINUED)

		<i>31 December 2007</i>	
		<i>\$'000</i>	
Ordinary shares		36,544	
Partly paid shares		1	
Performance shares	(i)	6,000	
		<u>42,545</u>	
		<i>Number</i>	<i>\$'000</i>
<i>Movements in ordinary shares on issue</i>			
At 1 July 2007		152,600,000	37,586
Share issues	(iii)	13,000,000	5,200
Exercise of options	(iv)	244,500	49
Transaction costs	(v)	-	(290)
Balance at 31 December 2007		<u>165,844,500</u>	<u>42,545</u>

- (i) The performance shares were cancelled subsequent to the balance date as a consequence of Oregon Resources Corporation Inc. not achieving its Performance Hurdle (refer to note 9).
- (ii) The transaction costs represent the costs of issuing the shares from a prior period.
- (iii) 13,000,000 shares issued in July 2007 at an issue price of 40 cents to sophisticated investors.
- (iv) 244,500 shares issued on the exercise of 20 cent options during the half-year period.
- (v) The transaction costs represent the costs of issuing the shares.

(b) Options

There were no options issued during the period.

7 DIVIDENDS PAID

There were no dividends proposed or paid during the half-year ended 31 December 2008 (2007: \$ nil).

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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

8 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 2008 are as follows:

CONSOLIDATED

	<i>31 December 2008</i>	<i>30 June 2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Within one year	72	49
After one year but not more than five years	88	55
More than five years	-	-
Total minimum lease payments	160	104

(ii) Property, plant and equipment commitments

Future minimum commitments for property and equipment as at 31 December 2008 are as follows:

Within one year	-	2,627
After one year but not more than five years	-	1,352
More than five years	-	-
Total minimum lease payments	-	3,979

(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	300	265
After one year but not more than five years	-	-
More than five years	-	-
Total minimum lease payments	300	265

(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 2008 but not recognised as liabilities are as follows:

Within one year	95	65
After one year but not more than five years	543	352
More than five years	151	104
Total minimum lease payments	789	521

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Notes to the Financial Statements (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingencies

The Group has no contingent assets and liabilities.

9 EVENTS AFTER THE BALANCE SHEET DATE

On 25 February 2009 the Company entered into an agreement with Outotec (USA) Inc. ("Outotec") which allowed for the deferral of payments totalling \$6,645,086 relating to the purchase of long lead equipment required for the pre-production development of the Oregon Heavy Minerals Project. Under the terms of the agreement, Outotec has been granted first mortgage security over the land acquired from Teck Cominco located at Coos Bay, and will be entitled to interest payments on the outstanding payments deferred. The deferral period expire when project finance is secured or 13 months from 31 March 2009, whichever occurs first.

On 5 March 2009 the Company announced that in accordance with the terms of the Implementation Agreement entered into with Resource Finance & Investment Limited ("RFI"), 30 million Performance Shares issued to RFI in November 2006 as part of the consideration for the acquisition of Oregon Resources Corporation Inc. ("ORC") have been cancelled as a consequence of ORC not achieving its Performance Hurdle of an audited of 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.

The Company's corporate advisor has received indicative term sheets from several prospective providers of debt and equity funding. The Company is currently evaluating the indicative terms for debt and equity funding.

Capital expenditures have been suspended pending the outcome of the current project funding process.

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

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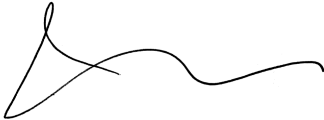
Directors' Declaration

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 2008 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) subject to the achievement of the matters set out in note 1 (c) 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 13th day of March 2009

To the members of Industrial Minerals Corporation Limited

Report on the condensed half-year financial report

We have reviewed the accompanying half-year financial report of Industrial Minerals Corporation Limited, which comprises the balance sheet as at 31 December 2008, 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 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 2008 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.

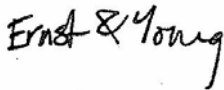
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 2008 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.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the review conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(c) Going Concern, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report of Industrial Minerals Corporation Limited does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



J C Palmer
Partner
Perth
13 March 2009