



STOCK EXCHANGE ANNOUNCEMENT

23 May 2011

COMPANY UPDATE

Industrial Minerals Corporation Limited ("IDM") (ASX: IDM) (OTCQX: ILMCY) wishes to announce a Company update in relation to the commissioning of the plant and rights issue.

Construction and Commissioning of Chromite production facilities in Coos Bay, Oregon USA

- Construction of the plant has been completed with cleaning and touch up painting over the next few weeks;
- The asphalt and concrete work has been completed for the warehouse load out area;
- The excavation, screening and delivery of ore to the process plant have commenced. The mine plan is to deliver ore with 15% to 20% heavy mineral to the plant for commissioning purposes.
- The wet mill and water processing areas have been cold commissioned meaning the process flows are working according to design. Recoveries in the wet mill have been in the mid 80% range during commissioning. The recoveries will improve when IDM reach steady state/24 hour operation. Achieving 80% recovery and HMC grades in the mid 90% range at initial start up is very encouraging.
- The dry mill cold commissioning has been completed and ready for feed;
- Commissioning of the fluid bed dryers and feed into the dry mill has begun;
- Anticipated bagging of finished product in the next few weeks.

Rights Issue

On 18 May 2011, entitled shareholders were mailed a prospectus in relation a pro-rata non-renounceable rights issue to shareholders of 65,413,500 fully paid ordinary shares ("New Shares") on the basis of one New Share for every seven shares held by you at 5.00pm AWST on 13 May 2011 ("Record Date"), at an issue price of 20 cents per New Share and one free attaching option (with an exercise price of \$0.35 and an expiry date of 8 June 2013) for every two New Shares issued ("Attaching Options"), to raise approximately \$13,082,700 ("Rights Issue").

The issue opened on 18 May 2011 and will close on 1 June 2011.

The offer is fully underwritten by RBS Morgans Corporate Pty Ltd, with major shareholders, Macquarie Group Limited (18.12%) and The Sentient Group (19.91%) committing to take up their entitlements in full.

The Directors of IDM also commit to taking up their entitlements in full.

Over the next few months there will be a transition from development stage to operations. The funds from the Rights Issue will be used for working capital in the transition from development to operations, exploration and business development activities.



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