



STOCK EXCHANGE ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2011

OREGON HEAVY MINERALS PROJECT

During the quarter ended March 31, Industrial Minerals Corporation Limited (“IMC” or “the Company”) continued with pre production development of the Oregon mineral sands project.

In summary, principal activities undertaken related to completion of construction of the mineral processing plant, road and site preparation, interviewing and hiring, completion of mining and hauling contracts, engagement of consultants to review and assist with pre commissioning and commissioning phases, obtaining the quotation for the Company’s American Depository Receipts (ADR), product marketing and engagement of media & Investor relations consultants . Mr. Jeremy Shervington retired as non executive Chairman and was replaced by Mr. Barry Bolitho. The Company wishes to place on the record its appreciation of the contribution provided by Mr. Shervington during the formative stage of production development. Mr. Bolitho has extensive industry experience in mineral project development and operations.



Coos Bay mineral process site 5 April 2011 -- The large covered building in the foreground is the warehouse, the taller structure at 1 o'clock is the dry plant and the wet plant is the open structure at 11 o'clock. The red tank immediately behind the warehouse is the thickener. The water processing and storage facility is at the left of the picture.



Coos Bay mineral process site 5 April 2011

TIMING AND PRODUCTION SCHEDULE

Key personnel from Iritron have been engaged to manage the plant commissioning processes assisted by company management and key individuals from Outotec and FL Smidth. The commissioning process has been scheduled for sixty days and commenced late April. Plant commissioning will be in stages with initial processing operations running at approximately one quarter to one third of plant capacity gradually increasing during the course of the process. Product produced during the start up phase is expected to be shipped to customers.

Several senior industry consultants with extensive pre and post commissioning expertise were engaged to review the extraction and processing equipment designs and provide input and recommendations as to process and plant modifications that may assist in eliminating or reducing risk and or improve mineral recoveries. These recommendations have been or are in the process of being implemented.

LITIGATION

As previously reported the Company's subsidiary (ORC) had sought to be included as an intervener in the litigation brought against two of the regulatory agencies responsible for issuing several permits enabling the commercial operation of the project.

Our attorneys have provided a summary of the process to date and expected schedule going forward. Highlights are:

"Plaintiffs' motion for a preliminary injunction was denied on January 28, 2011. Plaintiffs filed a notice of appeal of that ruling on February 4, 2011 and filed motions with both the district court and the Ninth Circuit Court of Appeals seeking to impose an injunction for the period in which their appeal was pending. Both the district court and the Ninth Circuit denied plaintiffs' motions. Having failed to obtain

the immediate injunctive relief they were seeking, plaintiffs then elected to voluntarily dismiss their appeal on March 17, 2011.

Following dismissal of the appeal regarding the preliminary injunction, plaintiffs filed a motion on March 30, 2011 to amend their complaint to remove three of the individually named plaintiffs (Halcyn Olenec, Thomas Stark and Tracy Stark) and to clarify that the complaint sought to vacate issuance of the Section 404 permit. Neither ORC nor the government opposed this motion and we expect it will be granted shortly. During the same time period, counsel for plaintiffs, ORC and the government discussed a proposed briefing schedule for the summary judgment motions that will ultimately resolve the case. After some negotiation, the parties agreed to the following schedule:

- May 4: Plaintiffs file their motion for summary judgment
- June 10: ORC and the government file their responses and cross-motions for summary judgment
- July 1: Plaintiffs file their reply and response to the cross-motions
- July 22: ORAC and the government file their reply on cross-motion

Pursuant to this schedule, the court will likely set a hearing date on the motions for summary judgment in early August and will likely issue a decision by the end of that month or by early September.

Briefing on the appeal will most likely take place within 3-6 months after the notice of appeal is filed, after which oral argument will be scheduled. A final decision is not likely to be issued for at least 12-18 months. ”

HIRES

During the quarter staffing levels increased significantly with the Company and its subsidiary responsible for engaging 62 employees. Management is pleased that 100% of the ORC production and administrative staff have been sourced locally (within 40 miles from our operations).

A geographic breakdown of the sourcing shows that;
83% of total ORC staff hired locally
3% hired from within Oregon
14% hired from out of state
All senior management positions have been filled.

During the period a number of senior industry experienced consultants were engaged to assist with the pre commissioning and commissioning phase of the operation. Recommendations were received to modify / change processes and equipment in order to improve recoveries or provide contingencies in order to counter an event or outcome which may eventuate. The costs of the consultants and implementation of the recommendations were not previously budgeted for and will have an impact on capital and operational costs. This financial impact will not be material relative to overall capital cost and operational expenditures but will provide efficiencies and an added level of assurance.



ORC production and administrative staff

AMERICAN DEPOSITORY RECEIPTS (ADR's)

In the past year, as the Oregon project has evolved, an increasing level of interest has been shown by United States investors in the project and our company. The fact that our primary listing is on the ASX has made it difficult for these investors to participate in equity ownership, as many domestic US brokerage firms do not have a level of interest in Australian equities that would warrant the creation of a trading facility or account for ASX trades.

Bank of New York Mellon has facilitated this by the creation of American Depository Receipts that are effectively a derivative instrument backed by a specific multiple of ASX quoted shares. As our project and ambitions are focused in North America the Company has taken the view that ADR's are a useful tool in facilitating exposure to US Investors and increasing liquidity in the ASX securities.

The program was implemented in late February of this year and although volume is limited by the small number of shares in ADR form we view it as a first step and expect a higher level of liquidity and interest as we progress our plans. Our ADR's are quoted on the trading platform of OTC Markets otcqx.com/qx/home with the symbol "ILMCY". One quoted ADR equals twenty IDM ASX listed common shares.

OTC QX - MEDIA & INVESTOR RELATIONS

Prior to establishing the ADR listing we undertook a review of the Australian listed Companies that have ADR's, primarily to determine whether the structure could be of benefit, and if so, what would be required to ensure the ultimate success of such a facility. Based upon this review it was determined that to achieve the best chance of success in obtaining medium to long term benefit, three important elements needed to be implemented. The first two go hand in hand, the quotation of the ADR's on the OTC QX platform coupled with a credible nationally recognized sponsor (PAL). The PAL acts as our representative in the market and assists with ongoing regulatory and domestic obligations. Thirdly, the engagement of an established well known investor and media relations firm. These elements have been established and although at the very early stage of implementation we are confident that this platform will assist in achieving initial exposure in the United States market.

OPERATIONS

Engineering/Design Outotec:

Outotec, FEDinc and Iritron personnel are currently on site to assist with construction issues. All drawings and details from FEDinc and Iritron have been released with RFI items only to be resolved as required.

Current Design Focus:

Engineering design is complete. Current workload consists of supervising installation, resolution of design and co-ordination issues that remain and clearance of any issues requested through RFI's. Additional field work consists of indentifying missing items and fast tracking replacement of same. Iritron staff members are assisting CCC Group with instrumentation and electrical installations and electrical RFI issues.

Equipment installation (All Areas) – By volume, 90% of all equipment has been installed. However all major plant equipment has now been placed and installed and the remaining 10% by volume are minor pieces of equipment such as samplers, weigh feeders etc.

Commissioning - Iritron

Cold Commissioning for the HMC plant for ORC commenced on 23 March 2011 and is well in progress for the Water & tails, Spirals and feed preparation area.

PROJECT SCHEDULE

Wet commissioning will begin the last week of April.

CONTRACTS

The mining and hauling contract with West Coast Resources has been completed.

EXPLORATION

The director of exploration continues to investigate additional lease properties east and south of the existing lease holds. The properties are owned by timber companies, corporate farmers, family farms and active sand mining operations.

MINE DEVELOPMENT

Development of the South Seven Devils deposit has begun.

- Safety and Environmental BMPs are in place and maintained
- Mining staff is MSHA trained
- All haul and access roads complete
- Ground and surface waters contained and infiltrating per WPCF 1000 permit
- Final clearing nearing completion
- Screening tests complete; screen selected
- Boundary survey and grade control staking communicated and begun

Ore hauling from the pit to the process facility is scheduled for April 27th.



South Seven Devils 8 March 2011 - access road to the deposit

PRINCIPAL TEAM ADDITIONS

Operations Accountant

MARKETING

CHROMITE

SpheriChrome™ has been well received by the foundry market and keenly sought by foundries wishing to reduce the related costs and imperfections of sub standard casting sands. This demand has been stimulated by the recent price and shortage of zircon sand and sustained, although **SpheriChrome** is priced at a premium to conventional South African foundry grade chromite.

During the quarter more foundries tested **SpheriChrome**™ and experienced the positive difference between the Company's chromite and any other. As mentioned in prior reports, the unique roundness offers foundries the ability to reduce emissions and save by significantly reducing the need for binder or resin. In addition when formed in a casting the spherical nature of the grains inherently provides a superior bridge with the adjoining grains and enhances heat transfer, which results in superior tensile strength of the casting and clean break out from the mould.

The market for quality grades of foundry and refractory chromites has continued to improve with prices and volumes increasing over the prior quarter. The majority of production has been committed with a small portion held for possible increases in existing customer demand and spot sales.

SpheriChrome will be featured this June, at the German International Foundry Trade Fair (GIFA) the largest foundry event in the world and takes place every four years in Dusseldorf. (gifa.com) HA International together with Possehl Erzkontor have collaborated with respect to the presentation of **SpheriChrome**™ at GIFA.

GARNET

The majority of production has been allocated to one well established customer for distribution into the US and European markets.

HIGH-IRON / ILMENITE

IGC Technologies (igctechnologies.com) continues with market development and preparation for product deliveries scheduled for the second quarter.

ZIRCON

Demand is far outstripping supply and prices continue to increase. The Company is expecting to benefit from the increasing demand through its agreement with HA International.

OTHER MINERALS

The deposits contain a suite of valuable heavy minerals. The strategy has been to commence production with the four main products and then provide focus on the commercialisation of the others. The plant design provides for the separation and production of some additional product streams.

Further evaluation of the "Middlings" chromite product will recommence during the coming quarter as steady state production profiles become clearly defined. Additional minerals which are expected to be separated and ultimately produced when markets and potential sales are identified are;

Kyanite, Staurolite, Silimanite and Epidote

CORPORATE

The Company's cash balance at 31 March 2011 was \$3.455 million. The balance of the debt facility was US\$31.625m with a remaining US\$3.375m unutilised.

Shareholder Information

As at 31 March 2011 the Company had 750 shareholders and 457,894,500 ordinary fully paid shares on issue with the top 20 shareholders holding 75.70% of the total issued capital.

ENDS

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