

**INDUSTRIAL MINERALS CORPORATION LIMITED**

**ABN 26 108 029 198**

**NOTICE OF ANNUAL GENERAL MEETING**

**AND**

**EXPLANATORY MEMORANDUM**

**IMPORTANT INFORMATION**

*This is an important document that should be read in its entirety.  
If you do not understand it you should consult your professional advisers without delay.*

*If you wish to discuss any aspect of this document with the Company please contact  
Mr Scott Mison on telephone (+6 18) 6267 9029.*

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of Industrial Minerals Corporation Limited will be held at Level 2, 28 Kings Park Road, West Perth, Western Australia at 10.30am (WST) on Wednesday, 30<sup>th</sup> November 2011 to conduct the following business and to consider, and if thought fit, to pass the following Resolutions.

**AGENDA**

**ORDINARY BUSINESS**

**FINANCIAL & OTHER REPORTS**

To receive and consider the financial report for the year ended 30 June 2011 and the accompanying Directors' Report, Directors' Declaration, and Auditor's Report.

**RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT**

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

*“That the Remuneration Report that forms part of the Directors' Report for the financial period ended 30 June 2011, be adopted.”*

The Remuneration Report is set out in the Directors' Report in the annual report. Please note that the vote on Resolution 1 is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

**Voting Prohibition Statement:**

The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter<sup>1</sup>. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of a Restricted Voter.

Further, the Company will not disregard a vote cast by the Chair of the meeting as a proxy, if the appointment of the Chair expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

**RESOLUTION 2 – RE-ELECTION OF MR JOHN TERRY MEARS**

To consider, and if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

*“That Mr John Terry Mears, having retired in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”*

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<sup>1</sup> A Restricted Voter is a member of Key Management Personnel or their Closely Related Parties as defined in the glossary.

### **RESOLUTION 3 – RE-ELECTION OF MR MICHAEL JAMES BRINDLEY BRICKELL**

To consider, and if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

*“That Mr Michael James Brindley Brickell, having retired in accordance with the Company’s Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.”*

### **RESOLUTION 4 – RE-ELECTION OF MR BARRY COLIN BOLITHO**

To consider, and if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purpose of clause 3.3 of the Constitution and for all other purposes, Mr Barry Colin Bolitho, a Director who was appointed on 10 March 2011, retires, and being eligible, is re-elected as a Director.”*

### **RESOLUTION 5 – RATIFICATION OF THE ISSUE OF OPTIONS**

To consider, and if thought fit, pass with or without amendment, the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, the Company ratify the allotment and issue of 25,000,000 Options each Option exercisable at A\$0.25 and an expiry date of 4 August 2015 to Macquarie Bank Limited and the Sentient Group on the terms and conditions in the Explanatory Memorandum (including Annexure A to the Explanatory Memorandum).”*

#### **Voting Prohibition Statement:**

The Company will disregard any votes cast on Resolution 5 by any person who participated in the issue the subject of Resolution 5 and any person associated with those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **RESOLUTION 6 – CHANGE OF NAME**

To consider, and if thought fit, pass with or without amendment, the following resolution as **special** resolution:

*“That, pursuant to section 157 of the Corporations Act that the name of the Company be changed from “Industrial Minerals Corporation Limited” to “IDM International Limited”.”*

### **RESOLUTION 7– GRANT OF INCENTIVE OPTIONS TO MR BARRY COLIN BOLITHO**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*“That, pursuant to and in accordance with section 208 of the Corporations Act and Listing Rules 7.1 and 10.14 and all other purposes the Directors be and are hereby authorised to grant 3,000,000 Incentive Options for no consideration, each Incentive Option exercisable at \$0.23 (which is a 35% premium to the closing price of the Shares on the ASX on 24 October 2011, being the date prior to the date of this Notice) each Incentive Option vesting 12 months from the date of issue and having an expiry date being the date that is 59 months after the date of issue, to Mr Barry Bolitho or his nominee, on the terms and conditions set out in the Explanatory Memorandum (including Annexure B to the Explanatory Memorandum).”*

**Voting Prohibition Statement:**

The Company will disregard any votes cast on Resolution 7 by Barry Bolitho and any associate of Barry Bolitho. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of Barry Bolitho or an associate of Barry Bolitho.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 7 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 7; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 7, Shareholders may also choose to direct the Chair to vote against Resolution 7 or to abstain from voting.

**OTHER BUSINESS**

To transact any other business which may be legally brought before the meeting.

Dated this 25<sup>th</sup> day of October 2011

**BY ORDER OF THE BOARD****SCOTT MISON**

Company Secretary

## Definitions

Terms which are used in this Notice and which are defined in Section 10 of the Explanatory Memorandum have the meanings ascribed to them therein.

## Note

If you have recently changed your address or if there is any error in the name and address used for this Notice, please notify the Company Secretary. In the case of a corporation, notification is to be signed by a director or company secretary.

## How to vote

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post, or by facsimile.

## Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 10 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

## Voting by a Corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed.

## Voting by proxy

- A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit. However, where a Restricted Voter is appointed as a proxy, the proxy may only vote on Resolutions 1 and 7, if the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
- Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions.

Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed resolutions. These rules are explained in this Notice.

- To be effective, proxies must be lodged by 10.30am (WST) on 28 November 2011. Proxies lodged after this time will be invalid.
- Proxies may be lodged using any of the following methods:
  - by returning a completed proxy form in person or by post to:  
Level 2, 28 Kings Park Road, West Perth WA 6005 or PO Box 285, West Perth WA 6872
  - by faxing a completed proxy form to (+61) 8 9481 1840

or

The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 10.30am (WST) on 28 November 2011. If facsimile transmission is used, the power of attorney must be certified.

#### **Shareholders who are entitled to vote**

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (WST) on 28 November 2011.

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**

**EXPLANATORY MEMORANDUM TO ACCOMPANY THE NOTICE OF MEETING**

**1. Introduction**

This Explanatory Memorandum forms part of a Notice convening the 2011 Annual General Meeting of Industrial Minerals Corporation Limited to be held at 10.30am (WST) on Wednesday, 30<sup>th</sup> November 2011 at Level 2, 28 Kings Park Road, West Perth, Western Australia.

Certain terms used in this Explanatory Memorandum are defined in Section 10.

At the AGM, Shareholders will be asked to consider resolutions:

- adopting the Remuneration Report, this resolution is advisory only;
- re-electing Mr John Terry Mears as a director who retires by rotation in accordance with the Company's constitution;
- re-electing Mr Michael James Brindley Brickell as a director who retires by rotation in accordance with the Company's constitution;
- re-electing Mr Barry Colin Bolitho as a director who was appointed by the Directors during the previous 12 months retires in accordance with the Company's constitution;
- ratifying the issue of up to 25,000,000 Options to Macquarie Bank Limited and The Sentient Group);
- change the Company name to "IDM International Limited"; and
- Approving the issue of 3,000,000 Incentive Options to Mr Barry Bolitho (or his nominee)

The purpose of this explanatory memorandum is to provide Shareholders with information that the Board believes to be material to Shareholders in deciding whether or not to approve the above resolutions. This explanatory memorandum is an important document and should be read carefully in full by all Shareholders.

**2. Financial and Other Reports**

As required by section 317 of the Corporations Act, the financial report for the year ended 30 June 2011 and the accompanying Directors' Report, Directors' Declaration and Auditor's Report will be laid before the Meeting.

Neither the Corporations Act nor the Company's Constitution requires a vote on the reports. However, Shareholders will have an opportunity to ask questions about the report at the Annual General Meeting.

**3. Resolution 1 – Adoption of Remuneration Report**

As required by the Corporations Act, the Board is presenting the Remuneration Report to Shareholders for consideration and adoption by a non-binding vote. The Remuneration Report contains:

- information about Board Policy for determining the nature and amount of remuneration of the Company's Directors and senior executives;
- a description of the relationship between remuneration policy and the Company's performance;
- a summary of performance conditions, including a summary of why they were chosen and how performance is measured against them; and
- remuneration details for each Director and for each of the Company's specified executives.

The Remuneration Report, which is part of the 2011 Annual Report, has been sent to Shareholders (except those who have made an election not to receive the Annual Report). Copies of the 2011 Annual Report are available by contacting the Company's Share Registry or visiting the Company's web site ([www.imcl.com.au](http://www.imcl.com.au)).

The vote on the Resolution is advisory only and does not bind the Directors or the Company. However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2011 AGM, and then again at the 2012 AGM, the Company will be required to put a resolution to the 2012 AGM, to approve calling an extraordinary general meeting (“spill resolution”). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene an extraordinary general meeting (“spill meeting”) within 90 days of the 2012 AGM. All of the Directors who were in office when the 2012 Directors’ Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the spill meeting.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors, sets out remuneration details for each Director and any service agreements and sets out the details of any share based compensation.

## **Voting**

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

### **4. Resolution 2 - Re-election of Mr John Terry Mears**

Resolution 2 deals with the re-election of Mr John Terry Mears who retires by rotation as required by the Company’s Constitution and the Listing Rules and being eligible, has offered himself for re-election.

Mr Mears is an experienced mining industry executive and has been a member of the Investment Team of the Sentient Group (“Sentient”) since its inception in 2001 where he retains the position of Chief Geologist. He is a licensed geologist in the USA with over 15 years experience in exploration and mining. He has served on the board of a number of junior explorers and has successfully established and operated a consulting firm and drilling company. As Chief Geologist for Sentient, Mr Mears has the role of ensuring that geological assessments are undertaken at the highest standard by qualified personnel as well as initiating new exploration concepts.

All the Directors except for Mr John Terry Mears recommend that Shareholders vote in favour of Resolution 2.

### **5. Resolution 3 - Re-election of Mr Michael James Brindley Brickell**

Resolution 3 deals with the re-election of Mr Michael James Brindley Brickell who retires by rotation as required by the Company’s Constitution and the Listing Rules and being eligible, has offered himself for re-election.

Mr Brickell has over 40 years of experience at senior management levels in retail business enterprises in England, Europe and North America. He was the President of Resource Finance and Investment Limited from 1996 until June 2006 and is now Chairman of the Board. He is also Chairman and CEO of Cotswold Collections Limited a retail mail order company and Marilyn Moore Studio Limited a wholesale and retail fashion business both based in Cheltenham, England and is a Director of a Private Company. Mr Brickell is a Fellow of the Institute of Chartered Accountants in England & Wales.

All the Directors except for Mr Michael James Brindley Brickell recommend that Shareholders vote in favour of Resolution 3.

## **6. Resolution 4 - Re-election of Mr Barry Colin Bolitho**

Resolution 4 deals with the re-election of Mr Barry Colin Bolitho. Clause 3.3 of the Constitution provides that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Bolitho has many years experience in senior executive roles in the resources industry, including experience as chairman, executive and non-executive directorships on ASX and TSX listed companies. He has tertiary qualifications in metallurgy and chemistry, and has extensive operational experience in a number of metals, including base metals, mineral sands and precious sands. He is a fellow of the Australian Institute of Mining and Metallurgy.

All the Directors except for Mr Barry Colin Bolitho recommend that Shareholders vote in favour of Resolution 4.

## **7. Resolution 5 – Ratification of the Issue of Options**

On 27 January 2010 the Company announced that it had accepted a Committed Letter of Offer (“Offer”) from Macquarie Bank Limited (“Macquarie”) and The Sentient Group (“Sentient”) to provide a debt facility of US\$30 million to its wholly owned subsidiary, Oregon Minerals Corporation Inc. to partially fund the development of the Company’s Southern Oregon Mineral Sands Project (“Debt Facility”). The Macquarie and Sentient Offer was conditional on the Company securing US\$15 million in equity.

Under the terms of the Debt Facility, the Company is required to issue up to 100 million Options to Macquarie and Sentient in three tranches as follows:

- i) the first tranche of 50 million Options were issued on acceptance of the Offer and each have an exercise price of A\$0.06, vesting contemporaneously with the initial draw down under the Debt Facility and an expiry date of 19 April 2014;
- ii) the second tranche of 25 million Options were issued before the first drawdown under the Debt Facility and each have an exercise price of \$0.16 and an expiry date of 23 July 2014; and
- iii) the final tranche of Options were issued upon first chromite production from the Southern Oregon Minerals Sand Project and each have an exercise price of A\$0.25 and an expiry date of 2015.

The first tranche was issued on 19 April 2010, the second tranche was issued on 23 July 2010 and the final tranche was issued on 4 August 2011.

Resolution 4 is an ordinary resolution and seeks Shareholder approval for the issue of the final tranche Options to Macquarie and the Sentient.

### **7.1 Listing Rule 7.4**

Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the Company without requiring Shareholder approval.

Pursuant to Resolution 5, the Directors are seeking ratification under Listing Rule 7.4 of the issue of 25,000,000 Options that was made on 4 August 2011 in order to restore the right of the Company to issue further securities within the 15% limit during the next 12 months.

The following information in relation to the Options is provided to shareholders for the purposes of Listing Rule 7.5:

- (a) 25,000,000 Options were allotted and issued. Each Option is exercisable at A\$0.25 and an expiry date of 4 August 2015;
- (b) the Options were issued for nil cash consideration in accordance with the terms of the Offer from Macquarie;
- (c) the terms and conditions of the Options are set out in Annexure A to this Explanatory Memorandum;
- (d) the Options were issued to Macquarie and Sentient, both receiving 12,500,000 options, both unrelated parties of the Company; and
- (e) no funds were raised from the issue.

**8. Resolution 6 – Change in name**

Resolution 6 seeks to change the name of the Company.

Section 157(1) of the Corporations Act provides that a company may change its name only if shareholders approve the change by a special resolution. Accordingly, the Directors are seeking the approval of members to change the Company's name from "Industrial Minerals Corporation Limited" to "IDM International Limited".

The change of the Company's name will, pursuant to section 157 of the Corporations Act, only take effect when ASIC alters the details of the Company's registration to a public limited liability company to reflect the change of name.

**9. Resolution 7 – Grant of Incentive Options to Mr Barry Bolitho**

Barry Bolitho, or his nominee(s) will be issued 3,000,000 Incentive Options, each Incentive Option will vest 12 months from the date of issue and be exercisable at \$0.23 on or before the date that is 59 months after the date of issue. The grant of Incentive Options encourages Barry Bolitho to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. Under the Company's current circumstances the Directors consider (in the absence of Barry Bolitho) that the incentives intended for Barry Bolitho represented by the grant of these Incentive Options are a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The proposed grant of Incentive Options to Barry Bolitho will be subject to the terms of the Company's Employee Share Option Plan ("**Plan**"). If, however, there is any inconsistency between the terms of the Options as set out in Annexure B and the Plan, the terms as set out in Annexure B prevail to the extent of the inconsistency.

Shareholders should note that for the reasons noted above, it is proposed to grant Incentive Options to Barry Bolitho notwithstanding the guidelines contained in Box 8.2 of the ASX Corporate Governance *Council's Corporate Governance Principles and Recommendations* ("**Principles**") which states that non-executive directors should not receive options.

The number of Incentive Options to be granted to Barry Bolitho has been determined based upon a consideration of:

- the remuneration of the Directors;
- the Directors' wish to ensure that the remuneration offered is competitive with market standards. The Directors have considered the proposed number of Incentive Options to be granted will ensure that Barry Bolitho's overall remunerations is in line with market standards; and
- incentives to attract and ensure continuity of service of directors who have appropriate knowledge and expertise.

In the event the Incentive Options are exercised, the following amounts will need to be paid to the Company by Barry Bolitho:

<b>Director</b>	<b>Amount to be paid</b>
Barry Bolitho, or his nominee(s)	\$690,000

## Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

1. the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
2. shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E of the Corporations Act, Barry Bolitho is considered to be a related party of the Company.

Resolution 7 provides for the grant of Incentive Options to Barry Bolitho which is a financial benefit which requires shareholder approval.

## Current Holdings

Set out below are details of each of Barry Bolitho's relevant interest in Shares of the Company as at the date of this Notice:

Director	Number of Shares
Barry Bolitho, or his nominee(s)	Nil
<b>Total</b>	Nil

Set out below are details of each of Barry Bolitho's relevant interest in Options of the Company as at the date of this Notice:

Director	Number of Options
Barry Bolitho, or his nominee(s)	Nil
<b>Total</b>	Nil

## INFORMATION REQUIREMENTS

For the purposes of Chapter 2E of the Corporations Act the following information is provided.

### ***The related parties to whom the proposed resolutions would permit the financial benefit to be given:***

Subject to shareholder approval, 3,000,000 Incentive Options will be granted to Barry Bolitho, or his nominee(s).

### ***The nature of the financial benefit***

The proposed financial benefit to be given is the grant of Incentive Options for no consideration to Barry Bolitho as noted above.

### ***Directors' recommendation***

All the Directors were available to make a recommendation. For the reasons noted above:

Messrs Michael Brindley Brickell, Philip Garratt, John Mears, Daniel Smith and Ms Cheryl Wilson (who have no interest in the outcome of Resolution 7) recommend that shareholders vote in favour of Resolution 7. Barry Bolitho declines to make a recommendation about Resolution 7 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Incentive Options to him or his nominee(s).

**Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors.**

The proposed ordinary Resolution 7 would have the effect of giving power to the Directors to grant a total of 3,000,000 Incentive Options on the terms and conditions as set out in Annexure B to this Explanatory Memorandum and as otherwise mentioned above.

The Company currently has 540,008,000 listed Shares, 32,706,750 listed Options on issue (each exercisable at \$0.35 on or before 8 June 2013 and the following unlisted Options on issue:

Number	Exercise Price	Expiry Date
33,300,000	\$0.06	19 April 2014
38,500,000	\$0.10	5 July 2015
25,000,000	\$0.16	23 July 2014
25,000,000	\$0.25	4 August 2015
5,000,000	\$0.16	4 March 2016

If all Incentive Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, the effect would be to dilute the share holding of existing shareholders by 0.43%. The market price of the Company's Shares during the period of the Incentive Options will normally determine whether or not Barry Bolitho exercises the Incentive Options. At the time any Incentive Options are exercised and Shares are issued pursuant to the exercise of the Incentive Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Incentive Options.

Barry Bolitho's fees per annum (including superannuation) and the total financial benefit to be received by him in this current period as a result of the grant of the Incentive Options the subject of Resolution 7 is as follows:

Director	Fees p.a. (\$)	Value of Incentive Options (\$)	Total Financial Benefit (\$)
Barry Bolitho	80,000	312,000	392,000

The indicative option valuation of \$0.104 cents is a theoretical valuation of each option using the Black and Scholes Option Pricing Model.

**Valuation of Incentive Options**

The Company's advisers have valued the Incentive Options to be granted to Barry Bolitho using the Black & Scholes Model. The value of an option calculated by the Black & Scholes Model is a function of a number of variables. The valuation of the Incentive Options has been prepared using the following assumptions:

Variable	Input
Share price	\$0.17
Exercise price	\$0.23
Risk Free Interest Rate	5%
Volatility	80%
Time (years to expiry)	4.9

The Company's advisers have calculated the value of each option based on the following assumptions:

1. They have based the underlying value of each share in the Company on the ASX closing price of \$0.17 cents on 24 October 2011;
2. Risk free rate of return – 5% (estimated, based on the implied yield on zero coupon Australian government bonds);
3. They used a volatility of the share price of 80% as determined from the daily movements in share price over the last 12 months, adjusted for abnormal trading.

Based on the assumptions, it is considered that the estimated average value of the Incentive Options to be granted to Barry Bolitho is \$0.104 cents per Incentive Option.

Any change in the variables applied in the Black & Scholes calculation between the date of the valuation and the date the Incentive Options are granted would have an impact on their value.

The following table gives details of the highest, lowest and latest closing prices of the Company's Shares trading on ASX over the past 12 months ending on 24 October 2011:

Highest Price (cents) / Date	Lowest Price (cents) / Date	Latest Price / Date
\$0.2951 on 27 April 2011	\$0.1426 on 29 and 30 December 2010 and 4 January 2011	\$0.1700 on 24 October 2011

#### **Other Information**

Under the Australian Equivalent of IFRS, the Company is required to expense the value of the Incentive Options in its statement of financial performance for the current financial year. Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Incentive Options pursuant to Resolution 7.

Neither the Directors nor the Company are aware of other information that would be reasonably required by shareholders to make a decision in relation to the financial benefits contemplated by the proposed resolutions.

#### **Listing Rule 10.14:**

Listing Rule 10.14 requires shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party under an employee incentive scheme. Accordingly, Listing Rule 10.14 requires shareholders to approve the issue of Incentive Options under the Plan to Barry Bolitho.

For the purposes of Listing Rule 10.15, the following information is provided to shareholders with respect to Resolution 7:

- (a) the Incentive Options will be granted to Barry Bolitho, or his nominees, as noted above;
- (b) the maximum number of Incentive Options to be granted is 3,000,000;
- (c) under Resolution 7, 3,000,000 Incentive Options each Incentive Option exercisable at \$0.23, (which is a 35% premium to the closing price of the Shares on the ASX on 24 October 2011, being the date prior to the date of this Notice) and having an expiry date being the date that is 59 months after the date of issue will be issued:
- (d) the Incentive Options will be granted for no consideration;
- (e) no funds will be raised by the grant of the Incentive Options;
- (f) all Directors, or his permitted nominees, are entitled to participate in the Plan but for the purposes of Resolution 7 at this time the Company is only seeking to grant Incentive Options to Barry Bolitho;
- (g) the following Directors, or permitted nominees, have received Incentive Options under the Plan:

<i>Director</i>	<i>Number of options</i>	<i>Price</i>	<i>Expiry date</i>
Michael Brickell	2,000,000	\$0.10	5 July 2015
Cheryl Wilson	4,750,000	\$0.10	5 July 2015
Daniel Smith	5,500,000	\$0.10	5 July 2015

- (h) no loan will be offered in relation to the exercise of the Incentive Options; and
- (i) the Incentive Options will be granted on a date, being no later than 12 months after the date shareholder approval is obtained for Resolution 7.

## **Voting**

Note that a voting exclusion applies to Resolution 7 in the terms set out in the Notice of Meeting. In particular, the directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

## 10. Definitions

In this Explanatory Memorandum:

“**Accounting Standards**” has the meaning given to that term in the Corporations Act;

“**ASX**” means ASX Limited A.C.N. 008 624 691 and where the context permits, the Australian Securities Exchange operated by ASX Limited;

“**Board**” means the board of Directors of the Company;

“**Closely Related Party**” has the meaning given to that term in the Corporations Act;

“**Company**” means Industrial Minerals Corporation Limited A.C.N. 108 029 198;

“**Constitution**” means the constitution of the Company as amended from time to time;

“**Corporations Act**” means the Corporations Act 2001 (Cth);

“**Debt Facility**” means the debt facility of US\$30 million to be provided by Macquarie to the Company’s wholly owned subsidiary Oregon Minerals Corporations Inc. to partially fund the Company’s Southern Oregon Mineral Sands project and which was announced to ASX on 2 September 2009;

“**Director**” means a director of the Company;

“**Explanatory Memorandum**” means this Explanatory Memorandum;

“**Incentive Option**” means an option to acquire a Share on the terms set out in Annexure B;

“**Key Management Personnel**” has the meaning given to that term in the Accounting Standards;

“**Listing Rules**” means the official listing rules of the ASX;

“**Macquarie**” means Macquarie Bank Limited A.C.N. 008 583 542;

“**Meeting**” means the meeting of Shareholders convened by this Notice;

“**Notice**” and “**Notice of Meeting**” means the notice of meeting to which this Explanatory Memorandum is attached;

“**Option**” means an option to acquire one Share;

“**Plan**” means the Industrial Minerals Corporation Limited Employee Share Option Plan;

“**Remuneration Report**” means the remuneration report relating to the financial year ended 30 June 2011 and provided to Shareholders;

“**Resolution**” means a resolution set out in this Notice and “**Resolutions**” has a corresponding meaning;

“**Restricted Voter**” means the Key Management Personnel and their Closely Related Parties;

“**Section**” means a section of this Explanatory Memorandum;

“**Sentient**” means the Sentient Group;

“**Share**” means an ordinary fully paid ordinary share in the capital of the Company and

“**Shareholder**” means the holder of a Share; and

“**WST**” means Western Standard Time.

## ANNEXURE A

### Terms and Conditions of the Options to be ratified pursuant to Resolution 5

- (a) Each Option is exercisable at any time until 5.00 pm Perth time on 4 August 2015.
- (b) The Options held by each holder can be exercised in whole or in part, and if exercised in part multiples of 500 must be exercised on each occasion except where the number of Options held is less than 500 in which case all such Options must be exercised at the same time.
- (c) The exercise price is 25 cents in cash.
- (d) In accordance with Section 708A of the Corporations Act, the Company must, within 2 Business Days of issuing Shares on exercise of any of the Options, issue a notice complying with Sections 708A(5)(e) and 708A(6) of the Corporations Act to remove any secondary trading restrictions on any such Shares.
- (e) The Options can be transferred subject to the Corporations Act 2001 (Cth).
- (f) The optionholder will be permitted to participate in any new pro-rata issue of securities of the Company on prior exercise of the Options in which case the optionholder will be afforded the period of at least 9 business days prior to and inclusive of the record date to determine entitlements to the issue to exercise the Options.
- (g) The Options do not confer on the holder any right to participate in dividends until Shares are allotted pursuant to the exercise of the Options.
- (h) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on optionholders which are not conferred on Shareholders.
- (i) The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to exercise of the Options so that, upon exercise of the Options the number of Shares received by the optionholder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the Options shall not change as a result of any such bonus issues.
- (j) Application will not be made for the Options to be granted quotation by ASX.
- (k) Subject to paragraph (i) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.

## ANNEXURE B

### Terms and Conditions of the Incentive Options to be issued pursuant to Resolution 7

The terms and conditions of the Options to be issued pursuant to Resolution 7 are as follows:

- (a) Each Option, when exercised, entitles the holder to subscribe for and be allotted one Share in the capital of the Company.
- (b) The Options can be exercised in whole or in part, and if exercised in part multiples of 50,000 must be exercised on each occasion.
- (c) Each Option is exercisable at 23 cents payable in cash.
- (d) Each Option is non-transferable.
- (e) Each Option will expire 5.00 pm Perth time 59 months after the date of issue.
- (f) The Optionholder cannot participate in any new issue of securities of the Company to Shareholders without exercising of the relevant Options in which case the Optionholder will be afforded the period of at least 9 Business Days (as defined in ASX Listing Rules) prior to and inclusive of the record date to determine entitlements to the issue to exercise the relevant Options.
- (g) The Options do not confer on the holder any rights to participate in dividends until Shares are allocated pursuant to the exercise of the Options.
- (h) In the event of a reorganisation of the issued capital of the Company, the Options will be reorganised in accordance with the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on the Optionholder which are not conferred on Shareholders.
- (i) The number of Shares to be issued pursuant to the exercise of Options will be adjusted for bonus issues made prior to the exercise of the Options so that, upon exercise of the Options the number of Shares received by the Optionholder will include the number of bonus Shares that would have been issued if the Options had been exercised prior to the record date for the bonus issues. The exercise price of the Options shall not change as a result of any such bonus issue.
- (j) Application will not be made for the Options to be granted quotation by ASX.
- (k) Subject to paragraph (i) above the Options do not confer on the holder any right to a change in the exercise price of the Options or a change to the number of underlying securities over which the Options can be exercised.
- (l) The vested Options of an Optionholder will expire unless exercised within one month of the date that the relevant person ceases to be employed by or to act as a Director of the Company or a subsidiary of the Company.
- (m) The Options granted will vest 12 months from issue.

- (n) If an Optionholder ceases to be employed by or to act as a Director of the Company or a subsidiary of the Company prior to any Options granted to that Optionholder having vested pursuant to paragraph (m) above, all non-vested Options granted to that Optionholder will thereupon be forfeited.

**INDUSTRIAL MINERALS CORPORATION LIMITED**  
**ABN 26 108 029 198**

**PROXY FORM**

The Secretary  
 Industrial Minerals Corporation Limited  
 Level 2, 28 Kings Park Road  
 West Perth WA 6005

Fax Number: +61 8 9481 1840

**Appointment of Proxy**

If appointing a proxy to attend the Annual General Meeting on your behalf, please complete the form and submit it in accordance with the directions on the reverse of the page.

I/We \_\_\_\_\_ of \_\_\_\_\_ being a shareholder/shareholders of Industrial Minerals Corporation Limited pursuant to my/our right to appoint not more than two proxies, appoint:

<input type="checkbox"/> The Chairman of the Meeting (mark with an "X")	OR	<div style="border: 1px solid black; height: 20px; width: 100%;"></div> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
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Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.  
 Write here the name of the person you are appointing as a second proxy (if any).

or failing him/her, (if no proxy is specified above), the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held at Level 2, 28 Kings Park Road, West Perth, Western Australia at 10.30am (WST) on Wednesday 30 November 2011 and at any adjournment of that meeting.

This proxy is to be used in respect of \_\_\_\_\_% of the ordinary shares I/we hold.

**Important for Resolutions 1 and 7- If the Chair of the Meeting is your proxy or is appointed as your proxy by default**

By marking this box, you are directing the Chair of the Meeting to vote in accordance with the Chair's voting intentions on Resolutions 1 and 7 as set out in the Notice of Meeting. If you do not mark this box, and you have not directed your proxy how to vote on Resolutions 1 and 7, the Chair of the Meeting will not cast your votes on Resolutions 1 and 7 and your votes will not be counted in computing the required majority if a poll is called on these items. If you appoint the Chair of the Meeting as your proxy you can direct the Chair how to vote by either marking the boxes below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chair of the Meeting will vote in favour of Resolutions 1 and 7).

The Chair of the Meeting intends to vote all available proxies in favour of Resolutions 1 and 7.

<input type="checkbox"/>	I/We direct the Chair of the Meeting to vote in accordance with the Chair's voting intentions on Resolutions 1 and 7 except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Resolutions 1 and 7 are connected directly or indirectly with the remuneration of a member of Key Management Personnel and /or even if the Chair has an interest in the outcome of these items and any votes cast by the Chair, other than as proxy holder, would be disregarded because of that interest.
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	FOR	AGAINST	ABSTAIN*
Resolution 1 – Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Mr John Terry Mears	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-election of Mr Michael James Brindley Brickell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Re-election of Mr Barry Colin Bolitho	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Ratification of Issue Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Grant of Incentive Options to Mr Barry Bolitho	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*\*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

**PLEASE SIGN HERE**

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Executed in accordance with section 127 of the Corporations Act:

<b>Individual or Shareholder 1</b>	<b>Joint Shareholder 2</b>	<b>Joint Shareholder 3</b>
<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	<div style="border: 1px solid black; height: 20px; width: 100%;"></div>
Sole Director & Sole Company Secretary	Director	Director/ Company Secretary

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

\_\_\_\_\_  
 Contact Name Contact Business Telephone / Mobile

## INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Completion of a proxy form will not prevent individual shareholders from attending the Annual General Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Annual General Meeting.
2. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes.
3. A proxy need not be a shareholder of the Company.
4. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.
5. Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
6. If a representative of a company shareholder is to attend the Meeting, a properly executed original (or certified copy) of evidence of appointment. The appointment must comply with section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment to including any authority under which it is signed.
7. If a representative as power of attorney of a shareholder is to attend the meeting, a properly executed original (or certified copy) of the appropriate power of attorney under which they have been authorised should be produced for admission to the Annual General Meeting.

### 8. Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual:** Where the holding is in one name, the holder must sign.
- Joint Holding:** Where the holding is in more than one name, all of the shareholders should sign.
- Power of Attorney:** If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.
- Companies:** Where the company has a Sole Director who is also the Sole Company Secretary this form must be signed by that person.
- If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone.
- Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### 9. Lodgement of a Proxy

This Proxy Form (and any power of attorney under which it is signed) must be received at the address below not later than 10.30am (WST) on 28 November 2011 (48 hours before the commencement of the Meeting).

Any Proxy Form received after that time will not be valid for the scheduled Meeting.

**Hand/Postal deliveries:** Industrial Minerals Corporation Limited  
Level 2, 28 Kings Park Road  
West Perth WA 6005

**Fax number:** +61 8 9481 1840