



## STOCK EXCHANGE ANNOUNCEMENT

### QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2011

#### **OREGON HEAVY MINERALS PROJECT**

During the latter stage of the quarter ended 30 June 2011, Industrial Minerals Corporation Limited (“IMC” or “the Company”) advanced project development of the Oregon mineral sands project to the commencement of plant.

Mining operations progressed well during the quarter with the mining contractor becoming more familiar with the ore body and the favourable mining conditions. Optimisation of the mining method continues to advance as well as further clearing and site preparation works. Several methods of reincorporating the processing plant tailings for rehabilitation works were assessed with pleasing results. The Company is very pleased with the rehabilitation trials which have confirmed the assumptions made in the Feasibility Study.



Fig 1: South Seven Devils tailings reclamation in foreground and active mining pit in the background June 2011

Ore was processed through the wet plant and stockpiled for dry plant commissioning. The tailings filter circuit was very successfully commissioned which allowed thickened and filtered tailings to be transported back to the mine for backfilling, contouring and rehabilitation. The technology to allow maximum water conservation by thickening and filtering sand tailings was developed by Industrial

Minerals in conjunction with an equipment manufacturer after much research and development and is seen as a major step forward in modern tailings management.

As is common when commissioning a new plant and equipment, a number of design and equipment issues have been identified which are being addressed by the principal design and equipment contractor, Outotec USA. Additionally the Company has engaged several highly experienced consultants with extensive mineral processing to assist with all aspects of commissioning.



Ore stockpile

## **PRODUCTION**

Wet and Dry plant commissioning continued with intermittent stoppages for equipment servicing, adjustment and in some cases replacement.

Limited quantities of premium quality SpheriChrome and Hi-Iron products were produced and shipped to customers which allowed logistics issues to be identified and optimised.

Commissioning will continue in the September quarter and it anticipated that production will ramp up to budget levels by quarter end. No major equipment faults have been identified to date however some circuit changes will be required to facilitate premium product quality as well as ensuring maximum plant availability and low unit operating costs.



Fig 3: Heavy mineral concentrate in the foreground and fluid bed dryer and dry mill in the background, June 2011.

## EXPLORATION

Exploration activity continues with the principal focus directed on identifying additional mineral lease potential situated on properties east and south of the existing lease holds. These properties are primarily owned by timber companies, corporate farmers, family farms and active sand mining operations. The Company is confident of acquiring additional mineralised areas that will substantially add to minelife and increased production levels.

## ENVIRONMENT HEALTH AND SAFETY.

The company is pleased to report that there were zero MSHA Reportable or Lost Time Accidents for the quarter and no notices of violation issued from any State or Federal Agency.

## 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 inferior casting sands. This demand has been stimulated by the sustained price rises and shortage of zircon sand. Due to its excellent casting properties **SpheriChrome** is priced at a premium to conventional South African foundry grade chromite.

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 being sustained and increasing respectively over the prior quarter. The majority of the Companies production has been committed with a small portion held for possible increases in existing customer demand and spot sales.

**SpheriChrome** was officially launched in late June at the German International Foundry Trade Fair (GIFA) the largest foundry event in the world. HA International supported by representatives from Possehl hosted the launch of **SpheriChrome** at the event which was attended by representatives from some of the world's leading foundries and distributors. Strong interest in SpheriChrome was evident and Company representatives completed a full schedule of successful meetings during and after the event.

### **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](http://igctechnologies.com)) continues with market development and initial product deliveries were made late in the quarter.

### **ZIRCON**

The Company is benefiting from the increases in price and demand.



Fig 3: HA International and Possehl Erzkontor collaborated on the introduction of *SpheriChrome*™ at GIFA June 2011.



Fig 4: Bagged SpheriChrome (left) with Hi Iron Ilmenite in plain bags at processing facility - June 2011.

## 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 future schedule. Highlights are:

*"Consistent with the normal practice in cases of this kind, both sides have now filed motions for "summary judgment" requesting that the court rule in their favor as a matter of law. The final brief on the motions for summary judgment is due on July 26, 2011 and the hearing will be held on August 9, 2011. The court will likely issue a decision on the motions by the end of that month or by early September."*

*Assuming the agencies & ORC as Intervener (defendants) prevail as they previously did on plaintiffs' motion for a preliminary injunction, the plaintiffs will almost certainly file another appeal with the Ninth Circuit. Briefing on the appeal will likely take place within 3-6 months after the notice of appeal is filed, after which oral argument will be scheduled. A final decision on the appeal would not likely be issued for at least 12-18 months.*

## **CORPORATE**

### ***Rights Issue***

During the quarter the Company completed a non- renounceable rights issue fully underwritten by RBS Morgans to raise \$13,082,700. The issue invited eligible shareholders to participate in a pro-rata non-renounceable rights issue of 65,413,500 new shares and 32,706,750 new options on the basis of one new share for every 7 shares held at an issue price \$0.20 per new share, and one free attaching new option (with an exercise price of \$0.35 and an expiry date of 8 June 2013) for every 2 new shares issued,.

The rights issue was well received by shareholders, with entitled holders' acceptance rate approximately 89%.

### ***Cash***

The Company's cash balance at 30 June 2011 was A\$9.655 million.

### ***Shareholder Information***

As at 30 June 2011 the Company had 829 shareholders and 523,308,000 ordinary fully paid shares on issue with the top 20 shareholders holding 76.46% of the total issued capital.

During the quarter the Company issued 1,350,000 options exercisable at 16 cents and expiring March 16, 2011

**ENDS**

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