



STOCK EXCHANGE ANNOUNCEMENT

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2011

OREGON HEAVY MINERALS PROJECT

During the latter stage of the quarter ended 30 September 2011, Industrial Minerals Corporation Limited (“**IMC**” or “**the Company**”) proceeded with the plant commissioning and commenced product sales from the Oregon mineral sands project.

Mining operations produced ore at rates sufficient to satisfy the variable feed requirement of the processing plant during commissioning. Improvements in mining methodology and ore control by the mining contractor stabilised mine site costs during September. Mining and hauling rates will improve once steady state production is achieved.

Reclamation and rehabilitation confirmed the excellent results that were achieved during the trial with excellent grass and seedling growth in the newly contoured soil.



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.



Process plant with ore stockpile



Ore truck

Official opening of the operation was on 27th September 2011 and a ribbon cutting ceremony was performed by the State Senator for Oregon, Ms Joanne Verger.

Guests from over 11 countries participated in the planned activities which included mine site and plant tours coupled with informal presentations and a banquet. State and local representatives as well as community leaders were in attendance.



Mine site tour September



South Seven Devils Mine Site

PRODUCTION

Wet and Dry plant commissioning continued with intermittent stoppages for equipment servicing, adjustment and in some cases replacement. On average the plant operated for 69 days during the period. Wet mill availability increased by 66.4% (50% to 83.2%) and the dry mill availability increase by

32.5% (72.2% to 95.7%) during the period. Production was focused on SpheriChrome, Zircon and Hi-Fe Ilmenite.

Increased levels of premium quality SpheriChrome and Ilmenite products were produced and shipped to customers primarily in containers and railcars. Recovery and product levels are behind schedule with delays attributed primarily to equipment issues. Remedies are a continuing work in progress and being addressed by the Company and the principal vendor.



Commissioning will continue during the current quarter as specific equipment fixes are implemented and additional equipment integrated into the wet and dry plants. The zircon circuit in the dry plant has been modified resulting in a change in product specification. This is expected to significantly improve volume of a non- ceramic zircon product.

The previously announced increase in production is contingent on completion of commissioning and plant performance, which is expected to occur in the new-year. Persistent mechanical failure of components of new equipment have hampered availability and production, however work is continuing to resolve these issues and Industrial Minerals is hopeful that additional separation equipment and

solutions to the mechanical issues over the next quarter will resolve most of these. Industrial Minerals is working cooperatively with the Principal Engineer and Primary design and equipment vendor to remedy these flowsheet and mechanical issues.

EXPLORATION

During the period, additional progress was made for the addition of mineral leases and subsequent resources and the Company expects to be able to complete agreements covering land holdings within our area of interest in the coming months. Our objective is to maintain in excess of a twenty year mine life from the leases under our control and continue to add properties or leases that fall within our area of interest.

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

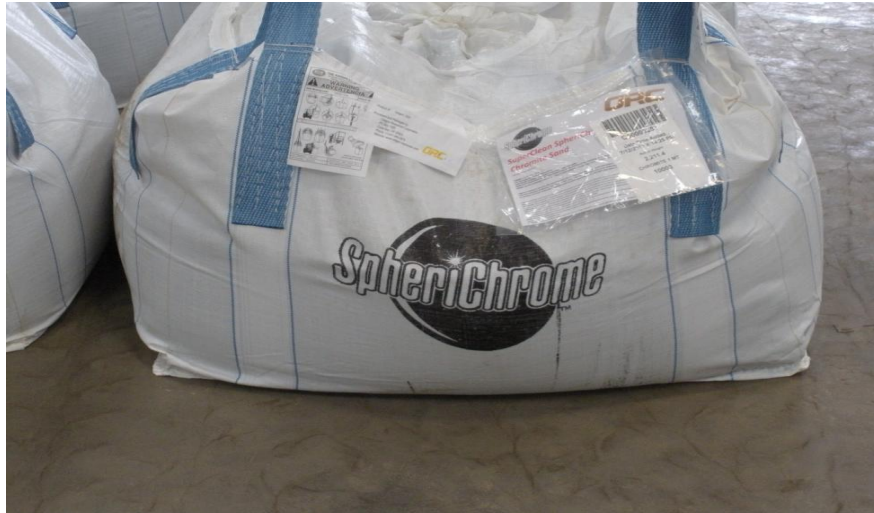
Ongoing product and comparison trials undertaken during the period by leading foundries continue to confirm the benefits of *SpheriChrome*™ as a zircon substitute and enhancer of tensile strength, product finish with virtual elimination of after casting defects. These and other benefits such as the ability to reduce emissions and save by significantly reducing the need for binder or resin are attributed to the unique roundness and uniform particle size. 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.

HIGH-IRON / ILMENITE

IGC Technologies (www.igctechnologies.com) continues with market development and product deliveries were made during the quarter.

ZIRCON

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



SpheriChrome TM

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.

In early October the United States District Court dismissed the law suit brought by various groups and granted motions for summary judgement filed by ORC and the two government agencies and issued a final judgement in ORC's favour. The plaintiffs have until October 28th to appeal the ruling to a higher court.

CORPORATE

Cash

The Company's cash balance at 30 September 2011 was A\$3.36 million.

Shareholder Information

As at 30 September 2011 the Company had 860 shareholders and 523,308,000 ordinary fully paid shares on issue with the top 20 shareholders holding 77.55% of the total issued capital.

During the quarter the Company issued 25,000,000 options exercisable at 25 cents and expiring 4 August 2015 and 500,000 options exercisable at 16 cents expiring 4 March 2016 were forfeited.

ENDS