



*6 May 2011*

Dear Shareholder

**INFORMATION FOR SHAREHOLDERS  
PRO RATA NON-RENOUNCEABLE RIGHTS ISSUE**

As you may be aware, the Company will shortly be offering to you an opportunity to acquire more shares in the Company pursuant to 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**"). This offer will be made pursuant to a prospectus ("**Prospectus**") and if you wish to participate in the Rights Issue, you will need to complete the Entitlement and Acceptance Form that will accompany the Prospectus.

A copy of the Prospectus has been lodged with ASX and is available on the ASX website ([www.asx.com.au](http://www.asx.com.au)) and will be dispatched to persons holding shares as at the Record Date.

Pursuant to the Listing Rules of ASX Limited ("**Listing Rules**"), the Company is required to provide to you certain information before proceeding with the Rights Issue. This letter contains all the information required by Appendix 3B of the Listing Rules.

1. 65,413,500 New Shares and 32,706,750 free Attaching Options will be issued pursuant to the Rights Issue (assuming no existing options are exercised).
2. The New Shares to be issued will rank equally in all respects from the date of allotment with the existing class of quoted ordinary shares. There are currently no existing classes of quoted options on issue.
3. The issue price of the New Shares will be \$0.20 (20 cents) each. The Attaching Options are free attaching options and accordingly will be granted for no consideration.
4. The Company will apply for quotation of the New Shares issued pursuant to the Rights Issue on the official list of the ASX.

5. The New Shares will be fully paid ordinary shares in the capital of the Company. The Attaching Options are exercisable at \$0.35 each and expire on 8 June 2013.
6. The purpose of the Rights Issue is, after meeting the expenses of the Rights Issue, to raise funds for the Company's
  - (a) construction payments;
  - (b) equipment, initial consumable and crucial parts inventory
  - (c) plant commissioning, mine development and start up;
  - (d) interest on loan facility; and
  - (e) working capital.
7. It is anticipated the New Shares will be entered into uncertificated holdings on 9 June 2011.
8. The total number and class of all securities quoted on ASX (including the maximum number of New Shares to be issued in the Rights Issue but assuming no existing options are exercised prior to the Record Date) is as follows:

<b>Number</b>	<b>Class</b>
523,308,000	Ordinary shares

9. The total number and class of all securities not quoted on the ASX (including the maximum number of Attaching Options to be issued in the Rights Issue but assuming no existing options are exercised prior to the Record Date) is as follows:

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
50,000,000	\$0.06	19 April 2014
25,000,000	\$0.16	23 July 2014
38,500,000	\$0.10	5 July 2015
4,125,000	\$0.16	4 March 2016
32,706,750	\$0.35	8 June 2013

10. Dividends are payable out of the Company's profits and may be declared by the Directors.

11. No shareholder approval for the Rights Issue is required.
12. The Rights Issue is *non-renounceable*.
13. The New Shares in the Rights Issue will be offered on the basis of one New Share for every seven shares held by the shareholder on 5.00pm AWST on 13 May 2011. Attaching Options will be offered on the basis of one free attaching option for every two New Shares issued.
14. The offer under the Rights Issue relates to fully paid ordinary shares in the capital of the Company and options in the Company, exercisable at \$0.35 each and expiring on 8 June 2013.
15. The "*ex date*" is 9 May 2011.
16. The *record date* to determine entitlements is 13 May 2011.
17. There are no holdings on different registers (or subregisters), therefore there will be no aggregation for calculating entitlements
18. Fractional entitlements will be rounded up to the nearest whole number.
19. The Company will not be sending an offer under the Rights Issue to any security holders resident outside of Australia, New Zealand and the Cayman Islands.

In compliance with Listing Rule 7.7.1 of the Listing Rules, the Company has decided that it is unreasonable to make the offer to security holders outside of Australia, New Zealand and the Cayman Islands, having regard to each of the following:

- the number of security holders registered outside of Australia, New Zealand and the Cayman Islands;
- the number and value of the securities to be offered to security holders outside of Australia, New Zealand and the Cayman Islands; and
- the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

The Company will send to each of the security holders outside of Australia, New Zealand and the Cayman Islands details of the offer and advise them that the Company will not be making the offer to them.

20. The closing date for receipt of acceptances is 5.00pm AWST 1 June 2011.
21. The Rights Issue is underwritten by RBS Morgans Corporate Limited ACN 010 539 607 ("**Underwriter**").

22. The Company will pay the Underwriter a Management fee equal to 1% of the total funds to be raised under the Rights Issue and an underwriting commission equal to 5% of the aggregate funds raised under the Rights Issue (excluding the fees attributable to Macquarie Bank Limited's entitlement and Sentient Executive GP III Ltd, Sentient Executive GP II Ltd, Sentient Executive GP II Ltd <Global Res FD II A/C> and Sentient Executive GP III Ltd <Global Res FD II A/C>'s entitlement). Further, the Company must reimburse the Underwriter for all out of pocket expenses and disbursements incurred by the Underwriter in connection with the Rights Issue.
23. There are no brokers to the Rights Issue.
24. Brokers will receive no handling fee for acceptances lodged by them on behalf of security holders.
25. The Prospectus for the Rights Issue and the accompanying Entitlement and Acceptance Form will be sent to you on 18 May 2011.
26. Existing option holders may participate in the Rights Issue upon exercise of their options. The Company sent a notice to option holders to notify them of their right to participate in the Rights Issue upon exercise of their options on 4 May 2011.
27. The latest date for entry of the securities into your security holdings is 9 June 2011.

The above information was provided to the ASX on 4 May 2011.

If you have any queries regarding your entitlement or participation in the upcoming Rights Issue, please do not hesitate to contact the Company's Share Registry, Computershare Investor Services Pty Ltd, on 1300 787 272.

Yours faithfully  
INDUSTRIAL MINERALS CORPORATION LIMITED



SCOTT MISON  
Company Secretary