INDUSTRIAL MINERALS CORPORATION LIMITED

ACN 108 029 198

PROSPECTUS

For 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 on the Record Date 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, to raise $13,082,700.

UNDERWRITER

RBS Morgans Corporate Limited
ACN 010 539 607 AFSL 235407

The Rights Issue closes at 5.00pm WST on 1 June 2011.

IMPORTANT NOTICE

This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser. Investment in securities offered by this Prospectus should be considered speculative.

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Summary of Important Dates*

Announcement of Rights Issue	4 May 2011
Lodge Prospectus with ASIC	4 May 2011
Shares quoted ex-rights	9 May 2011
Record Date to determine Entitlements	13 May 2011
Opening Date and dispatch of Prospectus	18 May 2011
Closing Date	1 June 2011
Notification to ASX of undersubscriptions	6 June 2011
Allotment of New Shares and free attaching New Options and dispatch of holding statements	9 June 2011

**These dates are indicative only. The Directors reserve the right to vary the key dates, without prior notice and subject to compliance with the Listing Rules.*

IMPORTANT NOTICE

Shareholders should read this Prospectus in its entirety and, if in doubt, should consult their professional advisers before deciding whether to accept their Entitlements. This Prospectus is dated 4 May 2011. A copy of this Prospectus was lodged with the ASIC on 4 May 2011. No responsibility for the contents of this Prospectus is taken by ASIC. No applications for New Shares and free attaching New Options will be accepted nor will New Shares and free attaching New Options be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act 2001 and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult. No person is authorised to give any information or to make any representation in connection with the Rights Issue described in this Prospectus. Any information or representation which is not contained in this Prospectus or disclosed by the Company pursuant to its continuous disclosure obligations may not be relied upon as having been authorised by the Company in connection with the issue of this Prospectus.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus will be issued as an Electronic Prospectus in relation to the Shortfall. The Prospectus will be available on the Company's website at www.indutrialmineralscorp.com.au. The offer of New Shares and free attaching New Options comprising the Shortfall pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. The Corporations Act prohibits any person from passing to another person a Shortfall Application Form unless it is attached to or accompanies the complete and unaltered version of this Prospectus. Prior to the closing date for receipt of Shortfall Applications, as determined by the Directors, any person may obtain a hard copy of this Prospectus by contacting the Company.

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion and are set out in Section 5 of this Prospectus.

CORPORATE DIRECTORY

DIRECTORS

Mr Barry Bolitho (Non Executive Chairman)
Mr Michael James Brindley Brickell (Deputy Chairman)
Mr Philip James Garratt (Chief Executive Officer)
Mr Daniel Frank Smith (Director and Chief Operating Officer)
Ms Cheryl Lynn Wilson (Non Executive Director)
Mr John Terry Mears (Non Executive Director)

SECRETARY

Mr Scott Adrian Mison

REGISTERED OFFICE

Level 2, 28 Kings Park Rd
WEST PERTH WA 6005
Telephone: +61 (8) 6267 9029
Facsimile: +61 (8) 9481 1840
Website: http://www.industrialmineralscorp.com.au

AUDITORS

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

SOLICITORS TO THE ISSUE

Blakiston & Crabb
1202 Hay Street
WEST PERTH WA 6005

UNDERWRITER

RBS Morgans Corporate Limited
Level 29, 123 Eagle Street,
Brisbane Queensland 4000

SHARE REGISTRY*

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Telephone: +61 (8) 9323 200 or 1300 787 272
Facsimile: +61 (8) 9323 2033

* Provided for information purposes only.

BRIEF INSTRUCTIONS

For Current Shareholders

What You May Do

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. You will be granted 1 free attaching New Option for every 2 New Shares issued to you. You may:

- Accept your Entitlement in full or part; or
- Allow the whole of the Entitlement to lapse.

If You Wish To Take Up All or Part Of Your Entitlement

Complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out in the form. Forward your completed Entitlement and Acceptance Form, together with your cheque for the amount shown on the form or for such lesser amount as you wish to apply for, so as to reach the Company's share registry no later than 5:00pm WST on 1 June 2011.

Entitlements Not Taken Up

Any New Shares not taken up by Existing Shareholders will be dealt with in accordance with the Underwriting Agreement.

Section 1 DETAILS OF THE RIGHTS ISSUE

1.1 Rights Issue

This Prospectus invites 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 on the Record Date 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, to raise $13,082,700. Fractional entitlements will be rounded up to the nearest whole number.

The Rights Issue will raise $13,802,700 (less expenses of the Rights Issue estimated to be $572,364).

As at the date of this Prospectus, 457,894,500 Shares are on issue.

Existing holders of Options will not be entitled to participate in the Rights Issue. However, they may exercise their Options prior to the Record Date if they wish to participate in the Rights Issue.

The Company currently has the following 117,625,000 unquoted Options on issue, the details of which are set out in Section 2.2.

Accordingly, in the event that all these Options are exercised prior to the Record Date, this Prospectus will also offer to those shareholders a further 16,803,571 New Shares and 8,401,786 free attaching New Options to raise a further $3,360,714.

1.2 Purpose of the Rights Issue and Use of Funds

The Company is completing construction of its processing plant in Coos Bay. It is in the process of commissioning the plant and starting the excavation of ore. Over the next few months there will be a transition from development stage to operations. The funds from the Rights Issue will be used for final construction payments and working capital in the transition from development to operations as set out in more detail below.

The funds raised will be applied towards the following:

(a) funding the costs of the Rights Issue;

(b) construction payments;

(c) equipment, initial consumable and crucial parts inventory

(d) plant commissioning, mine development and start up;

(e) interest on loan facility and

(f) working capital.

The application of the $13,082,700 raised under the Rights Issue is summarised as follows:

Use of Funds	**Amount ($)**
Expenses of the Rights Issue	$572,364
Construction payments	$4,000,000
Equipment, initial consumable and crucial parts inventory	$1,000,000
Plant commissioning, mine development and Start Up	$1,500,000
Interest on loan facility	$250,000
Working Capital	$5,760,336
TOTAL	**$13,082,700**

Any additional funds raised from the participation of shareholders in the Rights Issue as a result of their exercising any of the 117,625,000 Options currently on issue will be applied towards the Company's working capital and administration expenses.

1.3 No Rights Trading

Entitlements to New Shares and free attaching New Options pursuant to the Rights Issue are non-renounceable and accordingly, Eligible Shareholders may not dispose of or trade any part of their Entitlement.

1.4 Opening and Closing Dates

The Rights Issue will open for receipt of acceptances at 9.00am WST on 18 May 2011 and will close at 5.00pm WST on 1 June 2011 (except where payment is via BPAY® in which case payment must be made no later than 4.00pm WST on 1 June 2011 or such earlier time that your own financial institution may implement with regards to electronic payments), or such later date as the Directors, in their absolute discretion and subject to compliance with the Listing Rules, may determine and provided that the Company gives ASX notice of the change at least 6 Business Days prior to the Closing Date.

® registered to BPAY Pty Ltd ABN 69 079 137 518.

1.5 Underwriting

The Rights Issue is underwritten by RBS Morgans Corporate Limited (refer to Section 4.10 for full details). Pursuant to the Underwriting Agreement, the Company will pay a Management fee equal to 1% of the total funds raised under the Rights Issue and an underwriting commission equal to 5% of the aggregate funds raised under the Rights Issue less 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. A summary of the material terms of the Underwriting Agreement, including rights of termination, are set out in Section 4.10.
No brokerage or stamp duty will be payable by investors.

1.6 Entitlements and Acceptance

The number of New Shares to which you are entitled is shown in the accompanying Entitlement and Acceptance Form.

In determining entitlements, any fractional entitlement will be rounded up to the nearest whole number.

Acceptance of Entitlement in Full

If you are an Eligible Shareholder and wish to take up **all** of your Entitlement under the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form.

Partial Acceptance of Entitlement

If you are an Eligible Shareholder and wish to take up **part** of your Entitlement pursuant to the Rights Issue, please complete the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form and insert the number of New Shares for which you wish to accept the Offer (being less than your Entitlement as specified on the Entitlement and Acceptance Form).

Acceptance of Terms

All applications for New Shares and free attaching New Options must be made on the Entitlement and Acceptance Form. Any application will be treated as an offer from the applicant to acquire New Shares and free attaching New Options on the terms and conditions set out in the Prospectus. The Directors reserve the right to reject any applications for New Shares and free attaching New Options.

Please ensure the completed Entitlement and Acceptance Form and your cheque is received by the Company's Share Registry at:

By Delivery:	**By Post:**
Computer Share Investor Services Pty Limited Level 2, Reserve Bank Building 45 St Georges Terrace PERTH WA 6000	Computer Share Investor Services Pty Limited GPO Box D182 PERTH WA 6840

not later than 5.00pm WST on 1 June 2011 or such later date as the Directors advise. Cheques should be made payable to "**Industrial Minerals Corporation Limited – Rights Issue Account**" and crossed "Not Negotiable".

Please note that payment via BPAY must be made by no later than 4.00pm WST on 1 June 2011. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the applicant to ensure that funds are submitted through BPAY by the date and time mentioned above. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

Non-Acceptance of Entitlement

If you do not wish to take up any part of your Entitlement under the Rights Issue, you are not required to take any action. If you decide not to accept all or part of your Entitlement, the New Shares and free attaching New Options not accepted will be dealt with in accordance with Section 1.7.

Enquiries

If you have any queries regarding your Entitlement, please contact Scott Mison (Company Secretary) by telephone on +61 8 6267 9029 or your stockbroker or professional adviser.

1.7 Rights Issue Shortfall

If you decide not to accept all or part of your Entitlement pursuant to the Rights Issue, you are not required to take any action. The New Shares and free attaching New Options not accepted will form part of the Shortfall and will be dealt with in accordance with the Underwriting Agreement. In these circumstances, you will receive no benefit.

1.8 Issue and Allotment of New Shares and free attaching New Options

The New Shares and free attaching New Options are expected to be issued and allotted by no later than 9 June 2011. Until issue and allotment of the New Shares and free attaching New Options under this Prospectus, the acceptance money will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the acceptance money will be for the benefit of the Company and will be retained by it irrespective of whether allotment of the New Shares and free attaching New Options takes place.

1.9 ASX Listing

The Company will make application to ASX within 7 days following the date of this Prospectus for official quotation of the New Shares and the free attaching New Options to be offered pursuant to this Prospectus.

If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot or issue any New Shares or New Options and will repay all application monies as soon as practicable, without interest.

A decision by ASX to grant official quotation of the New Shares and the New Options is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the New Shares and free attaching New Options now offered for subscription.

1.10 No Issue of New Shares and free attaching New Options after 13 months

No New Shares and free attaching New Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

1.11 Overseas Investors

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Eligible Shareholders outside of Australia, New Zealand and the Cayman Islands having regard to:

(a) the number of Eligible Shareholders registered outside of Australia, New Zealand and the Cayman Islands;

(b) the number and value of the securities to be offered to Eligible Shareholders registered outside of Australia, New Zealand and the Cayman Islands; and

(c) the cost of complying with the legal requirements and requirements of regulatory authorities in the overseas jurisdictions.

Accordingly, the Company is not required to make offers under the Prospectus to Eligible Shareholders registered outside of Australia, New Zealand and the Cayman Islands.

1.12 Market Prices of Shares on ASX

The highest and lowest closing market sale prices of Shares on ASX during the 3 months immediately preceding the date of this Prospectus and the respective dates of those sales were $0.29 on 13 April 2011 and $0.155 on 16 February 2011. The latest available market sale price of Shares on ASX immediately before the date of issue of this Prospectus was $0.245 on 3 May 2011.

1.13 Privacy Act

The Company collects information about each application from an Application Form for the purposes of processing the application and, if the application is successful, to administer the applicant's security holding in the Company.

By submitting an Application Form, each applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), the ASX, the ASIC and other regulatory authorities.

If an applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

Section 2 EFFECT OF THE RIGHTS ISSUE ON THE COMPANY

2.1 Principal Effects

The principal effects of the Rights Issue are:

(a) the Company's cash funds will increase by $13,082,700 less expenses of the Rights Issue, which are estimated to be approximately $572,364;

(b) the total number of Shares on issue will be 523,308,000 (assuming no Options currently on issue are exercised and no New Options are exercised). Assuming all Options currently on issue are exercised, a further 16,803,571 New Shares and 8,401,786 free attaching New Options will be offered pursuant to this Prospectus; and

(c) there will be 65,413,500 New Options on issue, each exercisable at $0.35 and expiring on 8 June 2013.

2.2 Capital Structure

The pro-forma capital structure of the Company following the Rights Issue pursuant to this Prospectus is set out below:

Issued Capital	**Number**
Existing Shares	457,894,500
Maximum number of New Shares to be issued pursuant to this Prospectus (assuming no Options exercised)*	65,413,500
Shares after this Rights Issue	523,308,000
Maximum number of New Options to be issued pursuant to this Prospectus (assuming no Options exercised)*	32,706,750

** Note: Assuming all Options currently on issue are exercised, a further 16,803,571 New Shares and 8,401,786 free attaching New Options will be offered pursuant to this Prospectus.*

The Company also has the following unquoted Options on issue:

Number	**Exercise Price**	**Expiry Date**
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

2.3 Consolidated Balance Sheet

Set out as follows is an audit reviewed pro forma Consolidated Balance Sheet as at 31 December 2010 adjusted to reflect:

- the Rights Issue of 65,413,500 New Shares and 32,706,750 free attaching New Options to raise $13,082,700; and
- the costs of the Rights Issue of $572,364 (including underwriting and management fees of $531,354).

Balance Sheet
Pro-forma Reflecting Proposed Rights Issue

	Audit Reviewed Consolidated 31 December 2010 $'000	Pro-Forma Consolidated 31 December 2010 $'000
CURRENT ASSETS		
Cash and cash equivalents	2,926	15,436
Trade and other receivables	8	8
Prepayments	118	118
TOTAL CURRENT ASSETS	3,052	15,562
NON-CURRENT ASSETS		
Other financial assets	1,070	1,070
Property, plant and equipment	45,750	45,750
Exploration and evaluation	121	121
Mine properties and development	20,856	20,856
TOTAL NON-CURRENT ASSETS	67,797	67,797
TOTAL ASSETS	70,849	83,359
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	2,688	2,688
Loan and borrowings	10,441	10,441
TOTAL CURRENT LIABILITIES	13,129	13,129
NON - CURRENT LIABILITIES		
Trade and other payables	1,118	1,118
Loan and borrowings	9,669	9,669
TOTAL NON - CURRENT LIABILITIES	10,787	10,787
TOTAL LIABILITIES	23,916	23,916
NET ASSETS	46,933	59,443
EQUITY		
Issued capital	63,028	75,538
Reserves	(4,899)	(4,899)
Accumulated losses	(11,196)	(11,196)
TOTAL EQUITY	46,933	59,443

Notes to the pro-forma consolidated balance sheet:

1. The Pro Forma Balance Sheet includes $13,082,700 (less Rights Issue costs of $572,364) received by virtue of the Rights Issue.

2. No existing Options are exercised prior to the Record Date for this Rights Issue. If all Options are exercised after the Record Date (but excluding New Options issued pursuant to this Prospectus), cash will increase by a further $3,360,714 and contributed capital would increase by a similar amount.

3. No account is taken of any transactions between 31 December 2010 and the date of this Prospectus. The Pro Forma reflects only the transactions the subject of this Prospectus.

Section 3 RISK FACTORS

3.1 Introduction

This Section identifies the areas the Directors regard as the major risks associated with participation in the Rights Issue. Investors should be aware that an investment in the Company involves many risks, which may be higher than the risks associated with an investment in other companies. Intending investors should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to apply for New Shares and free attaching New Options.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business and its involvement in the mining industry. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed business of the Company. The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

3.2 Risk Factors

(a) General Investment Risk Factors

Factors such as inflation, currency fluctuation, interest rates, market sentiment and commodity prices may have a significant impact on the Company's future revenues. The impact of those factors on the Company's future profitability is to a large extent beyond the control of the Company.

(b) General Economic Risk

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors which contribute to that general economic climate include:

- contractions in the world economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
- the level of direct or indirect competition against the Company;
- international currency fluctuations;
- new or increased government taxes or duties or changes in taxation laws; and
- changes in government regulatory policy affecting the industry in which the Company operates and further regulation of the industry generally.

(c) General Exploration and Development Risks

The future viability and profitability of the Company as a mining company will be dependent on a number of factors, including, but not limited to, the following:

- commodity prices and exchange rates and in particular the price of chromite, chromite foundry sands, garnet and zircon;
- risks inherent in mining including, among other things, satisfactory performance of mining operations and competent management;
- the risk of material adverse changes in government policies or legislation affecting the level of mining and exploration activities;
- environmental management issues with which the Company may be required to comply from time to time;
- poor weather conditions over a prolonged period which might adversely affect mining activities and the timing of earning revenues;
- unforseen major failures, breakdowns or repairs required to key items of mining plant and equipment or mine structure resulting in significant delays, notwithstanding regular programs of repair, maintenance and upkeep;
- risks associated with projected continuity of an ore deposit, fluctuations in grades and values of the product being mined, and unforeseen operational and technical problems;
- risks associated with the grant of approvals and permits required to commence a mining operation, including environmental approvals and the grant of suitable water licences, which may be secured outside anticipated time frames or not at all;
- accuracy of capital estimates in the current environment have proven in many cases to be understated. In addition the escalating cost of plant and equipment may make the projects uneconomic; and
- operating costs may increase for both materials and labour due to shortages. Rising costs may make the projects uneconomic.

If mining programmes prove to be unsuccessful, this could result in a diminution of the value of the mining interests which could have a negative impact on the Company’s share price. In the event that programmes yield negative results, mining interests may be relinquished either in total or in part thereof and/or the Company may cease funding, even though a viable mineral deposit may be present, but undiscovered.

(d) Environmental risks

The Company will be subject to environmental regulations. Non-compliance with these could result in a cessation of production and in substantial liabilities.

(e) Share market conditions

The price of the Company's Shares, when quoted on ASX, will be influenced by international and domestic factors. Should these produce a negative effect on the Share price, this may also affect the Company's ability to raise development capital.

(f) Acts of terrorism and outbreak of international hostilities

Acts of terrorism or an outbreak of international hostilities may adversely affect the operations of the Company or more generally the operation of global markets, including the stock market.

(g) Commodity prices

Commodity prices, including the market price of chromite, chromite foundry sands, garnet and zircon and other minerals, may substantially impact on the economics of mining projects and hence on exploration and development programs, and consequently on the value of the Company's Share price. Commodity prices react to the economic climate, market forces of supply and demand and other factors beyond the Company's control. Prices of certain minerals have fluctuated widely in recent years and future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by the Company would have a material adverse effect on the Company. If certain mineral prices were to decrease significantly, the Company would determine that is it not economically feasible to commence or continue production and the Company's initial investment in exploration would be lost.

(h) Competition

The Company operates in a highly competitive industry. The Company competes with other developmental resource companies which have similar operations, and many competitors have operations and financial resources and industry experience greater than those of the Company. The Company may encounter increasing competition from other mining companies in its efforts to acquire additional mineral properties and hire experienced resource industry professionals. Increased competition in the Company's business could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospectus for mineral exploration in the future.

(i) Financial risks

The Company has limited financial resources. Further development of the Company's project will be dependant on the Company's ability to obtain future funding. There can be no assurance that such funding required by the Company will be made available to it and, if such funding is available, that it will be offered on reasonable terms.

(j) Taxation

The Company anticipates dividends that it receives from Oregon will be exempt from taxation in Australia and subsequent distribution of these dividends by the Company to its shareholders will be unfranked.

There may be tax implications arising from the application for Shares, the receipt of dividends (both franked and unfranked) from the Company and on the disposal of Shares and Options.

Applicants should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of tax legislation. The Company, its Directors and its advisers do not accept any responsibility or liability for any taxation consequences incurred by investors. If you are in any doubt as to the course you should follow, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

(k) Government

Mining operations and exploration activities are subject to various federal, state and local laws and regulations in the USA, and the Company's operations are also subject to federal and state laws in Australia. Laws and regulations govern the development, mining, production, importing and exporting or minerals, taxes, labour standards, occupational health, waste disposal, protection of the environment, mine safety, toxic substances and other matters. In many cases, licences and permits are required to conduct mining operations, and there is no assurance that such required permits will be granted. Amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation thereof could have a substantial adverse impact on the Company. Applicable laws and regulations will require the Company to make certain capital and operating expenditures to initiate new operations. Under certain circumstances, the Company may be required to close an operation once it is started until a particular problem is remedied or to undertake other remedial actions.

(l) Foreign currency fluctuations

The Company may be subject to foreign currency fluctuations. The Company's mining properties are located in the United States and the Company's financial results are reported in Australian dollars. The Company's currency fluctuation exposure is primarily to the U.S. dollar and the Australia dollar. The Company does not use derivative financial instruments for speculative trading purposes, nor does the Company hedge its foreign currency exposure to manage the Company's foreign currency fluctuation risk. Fluctuations in and the various currencies in which the Company operates could have a material effect on the Company's operations and its financial results.

(m) Insurance risk

The Company as a participant in exploration programmes, may become subject to liability for hazards which cannot be insured against or against which it may elect not to be insured because of high premium costs or other reasons. The Company may incur liabilities to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

(n) Personnel

The success of the Company's proposed operations depends to some extent on the ability of the Company to attract and retain qualified and capable staff and consultants to perform geological, exploration, analytical, geotechnical, engineering, metallurgical and mining work. In the current tight worldwide conditions for mining personnel, attracting and retaining appropriately experienced staff is particularly difficult.

(o) Force majeure and uncertainties of nature

Force majeure events may adversely affect the operations of the Company. In particular, the Company's activities are subject to uncertainties of nature including natural disasters and extreme weather conditions.

(p) Litigation

Legal proceedings may arise from time to time in the course of the Company's business and, depending on the outcome of such proceedings, the Company may be exposed to liabilities.

(q) Other risks

The future viability and profitability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries, including, but not limited to, the following:

- financial failure or default by a participant in any contractual relationships to which the Company is, or may become, a party;
- insolvency or other managerial failure by any of the contractors used by the Company in its activities; and
- industrial disputation in the USA and overseas.

3.3 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares and free attaching New Options offered under this Prospectus.

Therefore, the New Shares and free attaching New Options to be issued pursuant to this Prospectus carry no guarantee with respect to, the payment of dividends, return of capital or the market value of those New Shares and free attaching New Options.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares and free attaching New Options in the Company.

Section 4 ADDITIONAL INFORMATION

4.1 Legal Framework of this Prospectus

The Company is a "disclosing entity" under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically as a listed company, the Company is subject to the Listing Rules of ASX which require continuous disclosure to the market of any information possessed by the Company which a reasonable person would expect to have a material effect on the price or value of its Shares.

4.2 Applicability of Corporations Act

As a "disclosing entity", the Company has issued this Prospectus in accordance with section 713 of the Corporations Act applicable to prospectuses for an offer of securities which are quoted enhanced disclosure ("ED") securities or options to acquire securities which are quoted as ED securities and the securities are in a class of securities or underlie a class of securities that were quoted ED securities at all times in the 12 months before the issue of this Prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the provisions of the Listing Rules as in force from time to time which apply to disclosing entities, and which require the Company to notify ASIC of information available to the stock market conducted by ASX, throughout the 12 months before the issue of this Prospectus.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at ASX in Perth during normal working hours. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any regional office of ASIC.

The New Shares and the Shares underlying the New Options to be issued under this Prospectus are in respect of a class of Shares that were continuously quoted securities at all times in the 12 months before the issue of this Prospectus.

4.3 Information Available to Shareholders

The Company will provide a copy of each of the following documents, free of charge, to any investor who so requests during the application period under this Prospectus:

(a) the Annual Financial Report of the Company for the year ending 30 June 2010;

(b) the Half-Year Financial Report of the Company for the half-year ending 31 December 2010; and

(c) the following documents used to notify ASX of information relating to the Company during the period after lodgement of the Annual Financial Report of the Company for the year ending 30 June 2010 and before the issue of this Prospectus:

Date	**Description of Announcement**
29/04/11	Quarterly Activities Report
29/04/11	Quarterly Cashflow Report
25/03/11	IDM joins OTCQX
23/03/11	Response to ASX Price and Volume Query
17/03/11	Final Director's Interest Notice
17/03/11	Initial Director's Interest Notice
17/03/11	Half Year Accounts
10/03/11	Director Appointment/Resignation
09/03/11	Appendix 3B
04/02/11	Corporate Update
31/01/11	Quarterly Activities Report
31/01/11	Quarterly Cashflow Report
31/01/11	Corporate Update
14/01/11	Important appointment for US subsidiary
06/01/11	Corporate Update
31/12/10	Securities Trading Policy
29/12/10	Corporate Update
15/12/10	Details of Company Address
29/11/10	Results of Meeting
17/11/10	Change of Director's Interest Notice
17/11/10	Change of Director's Interest Notice
17/11/10	Change of Director's Interest Notice
17/11/10	Appendix 3B – Expiry of Options
01/11/10	Change in substantial holding
29/10/10	Notice of Annual General Meeting/Proxy Form

4.4 Rights Attaching to New Shares

The New Shares to be issued pursuant to this Prospectus will rank equally in all respects with existing Shares in the Company. Full details of the rights attaching to the Company's Shares are set out in its Constitution, a copy of which can be inspected at the Company's registered office.

The following is a summary of the rights which attach to the Company's existing Shares:

(a) Voting Rights

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her, registered in such shareholder's name on the Company's share register.

A poll may be demanded by the chairman of the meeting, by any five shareholders present in person or by proxy, attorney or representative, or by any one or more shareholders who are together entitled to not less than five percent of the total voting rights of, or paid up value of, the Shares of all those shareholders having the right to vote at that meeting.

(b) Dividend Rights

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

(c) Rights on Winding Up

Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of shareholders divide the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company’s shareholders vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

(d) Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors.

The Directors of the Company may refuse to register any transfer of Shares, other than a proper SCH transfer (as defined in the Corporations Act), where permitted by the Listing Rules. The Company must not refuse to register or give effect to or delay or in any way interfere with a proper SCH transfer of Shares or other securities.

(e) Meetings and Notice

Each shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

(f) Shareholder Liability

As the Shares under Offer pursuant to the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

4.5 Rights attaching to New Options

Each New Option will entitle the holder to subscribe for a Share in the Company on the following terms:

(a) Each New Option entitles the holder, when exercised, to one (1) Share.

(b) The New Options may be exercisable at any time on or before 8 June 2013.

(c) The exercise price of the New Options is $0.35 each.

(d) All Shares issued upon exercise of the New Options will rank pari passu in all respects with the Company's then issued Shares. The New Options will be listed on the ASX under the code IDMO.

(e) Subject to the Corporations Act, the Constitution and the ASX Listing Rules, the New Options are fully transferable.

(f) The New Options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the Option holder to exercise a specified number of New Options, accompanied by an Option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the New Options held does not affect the holder's right to exercise the balance of any New Options remaining.

(g) There are no participating rights or entitlements inherent in the New Options and holders will not be entitled to participate in new issues of New Options to Shareholders during the currency of the New Options. However, the Company will ensure that for the purpose of determining entitlements to any issue in accordance with the Listing Rules. This will give Option holders the opportunity to exercise the New Options prior to the date for determining entitlements to participate in any such issue.

(h) In the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date of the New Options, all rights of the Option holder will be varied in accordance with the ASX Listing Rules (if applicable).

(i) In the event of the Company makes a pro rata issue of securities, the exercise price of the Options will change in accordance with the formula set out in ASX Listing Rule 6.22.2 (if applicable).

(j) In the event of the Company makes a bonus issue of securities, the number of New Options will change in accordance with ASX Listing Rule 6.22.3 (if applicable).

4.6 Interest of Directors

Directors' Holdings

At the date of this Prospectus the relevant interests of each of the Directors in the Shares and Options of the Company are as follows:

Directors	**Shares**		**Options**	
	Direct	**Indirect**	**Direct**	**Indirect**
Mr Barry Bolitho	Nil	Nil	Nil	Nil
Mr Michael James Brindley Brickell	2,375,000	Nil	2,000,000(1)	Nil
Mr Philip James Garratt	Nil	21,137,080(2)	Nil	Nil
Ms Cheryl Lynn Wilson	Nil	Nil	4,750,000(3)	Nil
Mr John Terry	Nil	Nil	Nil	Nil

Mears				
Mr Daniel Frank Smith	Nil	Nil	5,500,000$^{(4)}$	Nil

Notes:

(1) 2,000,000 Options, each with an exercise price of $0.10 and expiring 5 July 2015.

(2) 21,137,080 Shares are held by Vison Pty Ltd as trustee for the Garratt Family A/c and P&H Garratt S/F A/c, of which Mr Garratt is a director and shareholder of Vison Pty Ltd and a beneficiary of the Garratt Family A/c and P&H Garratt S/F A/c .

(3) 4,750,000 Options, each with an exercise price of $0.10 and expiring 5 July 2015.

(4) 5,500,000 Options, each with an exercise price of $0.10 and expiring 5 July 2015.

Remuneration of Directors

Details of remuneration provided to Directors and their associated entities during the past two financial years are as follows:

Financial year up to 30 June 2009			
Director	**Directors' Fees/Salaries $**	**Other Remuneration $**	**Total $**
Mr Michael James Brindley Brickell	36,000	Nil	36,000
Mr Philip James Garratt	249,996	Nil	249,996
Ms Cheryl Lynn Wilson	133,648	Nil	133,648
Mr Daniel Frank Smith	156,788	10,360	167,148

Financial year up to 30 June 2010			
Director	**Directors' Fees/Salaries $**	**Other Remuneration $**	**Total $**
Mr Michael James Brindley Brickell	44,000	1,999	45,999
Mr Philip James Garratt	237,511	1,999	239,510
Ms Cheryl Lynn Wilson	128,468	1,999	130,467
Mr John Terry Mears	11,500	331	11,831
Mr Daniel Frank Smith	167,836	10,784	178,620

Notes:

Mr Bolitho was appointed as a Director on 10 March 2011 and Mr Mears was appointed as a Director on 22 April 2010.

Since 30 June 2010 to the date of this Prospectus, the directors have been paid the following:

Director	**Directors' Fees/Salaries $**	**Other Remuneration $**	**Total $**
Mr Michael James Brindley Brickell	45,000	Nil	45,000
Mr Philip James Garratt	229,200	Nil	229,200
Ms Cheryl Lynn Wilson	164,159	Nil	164,159

Mr John Terry Mears	45,000	Nil	45,000
Mr Daniel Frank Smith	136,106	Nil	136,106

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her or his or her company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Rights Issue.

4.7 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Rights Issue.

- Ernst & Young are the auditors to the Company. They have provided audit services to the Company during the last two years for which the Company has paid or will pay fees totalling approximately $90,460.

- Blakiston & Crabb have acted as solicitors to the Company in relation to this Prospectus. In respect of their work on this Prospectus, the Company will pay approximately $23,000 for these professional services. Blakiston & Crabb have provided other professional services to the Company during the last two years for which the Company has paid or will pay fees totalling approximately $5,770.

- RBS Morgans Corporate Limited has acted as Underwriter for which it will, pursuant to the Underwriting Agreement, receive a management fee of $130,827 and an underwriting commission equal to 5% of the aggregate funds raised under the Rights Issue less 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> entitlement. The Underwriting Agreement is summarised in Section 4.10. RBS Morgans Corporate Limited has not provided any other services to the Company during the last two years and accordingly the Company has not paid RBS Morgans Corporate Limited any other amounts other than as disclosed in this paragraph.

The amounts disclosed above are exclusive of any amount of GST payable by the Company in respect of those amounts.

4.8 Expenses of the Rights Issue

The approximate expenses of the Rights Issue are $572,364. These expenses are payable by the Company.

4.9 Consents

Each of the parties referred to in this Section 4.9:

(a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 4.9; and

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 4.9.

Each of the following has consented to being named in this Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

(a) Ernst & Young, as the auditor of the Company;

(b) Blakiston & Crabb, as solicitors to the Rights Issue; and

(c) RBS Morgans Corporate Limited, as the Underwriter to the Rights Issue.

Ernst & Young has given its written consent to inclusion in this Prospectus of the audit reviewed consolidated balance sheet as at 31 December 2010 and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

4.10 Underwriting Agreement

Pursuant to an Underwriting Agreement dated 4 May 2011 between the Company and the Underwriter, the Underwriter has agreed to underwrite the Rights Issue pursuant to this Prospectus.

Pursuant to the Underwriting Agreement, the Company will pay the Underwriter a management fee of 1% and an underwriting commission equal to 5% of the aggregate funds raised under the Rights Issue less 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. In addition, the Company must pay, indemnify and keep indemnified the Underwriter for all costs incurred by the Underwriter in connection with the Rights Issue, including legal fees and disbursements and the reasonable costs of advertising, printing and distributing the Prospectus.

The Company has given warranties and covenants to the Underwriter which are usual in an agreement of this nature.

The Underwriting Agreement provides that the Underwriter may terminate the Underwriting Agreement and its obligations thereunder at any time by notice in writing without cost or liability to the Underwriter upon the occurrence of any one or more of the termination events ("**Termination Event**") including:

(a) if the Company fails to obtain or procure from the ASX any waivers or approvals required under the Listing Rules before the Despatch Date;

(b) ASX suspends quotation of the Shares;

(c) approval for official quotation of the Offer Shares on ASX is refused or is not granted on or before the Quotation Approval Date, or if such approval is granted:

  (i) the approval is granted subject to a condition that is not a customary condition; or

  (ii) such approval is subsequently withdrawn, qualified or withheld before Completion; or

    - (iii) the conditions of such approval are not satisfied in accordance with the terms of such approval and official quotation of the Offer Shares on ASX is refused;

- (d) any material adverse change occurs in the assets, liabilities, financial position or operations, profits, losses or prospects of the Company and the Group (insofar as the position in relation to an entity in the Group affects the overall position of the Company) from those disclosed in the Offer Document or the Public Information, including:
    - (i) any change in the earnings, cash position, future prospects or forecasts of the Company or an entity in the Group;
    - (ii) any change in the nature of the business conducted by the Company or an entity in the Group; or
    - (iii) the insolvency or voluntary winding up of the Company or an entity in the Group or the appointment of any receiver, receiver and manager, liquidator or other external administrator;
- (e) the Due Diligence Committee reasonably forms the opinion that:
    - (i) a statement contained in the Prospectus is or becomes misleading or deceptive; or
    - (ii) a matter is omitted from the Prospectus that is required to be included in that document (having regard to the provisions of Chapter 6D of the Corporations Act, the Listing Rules and any other applicable requirements);
- (f) any statement in the Prospectus which relates to future matters is or becomes incapable of being met or, in the reasonable opinion of the Company, unlikely to be met in the forecast time;
- (g) the Company issues or becomes required to issue a supplementary prospectus because of a circumstance set out in section 719 of the Corporations Act;
- (h) any of the following notifications are made:
    - (i) ASIC gives notice of an intention to hold a hearing or issues or an order to interim order under section 739 or the Corporations Act;
    - (ii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus;
    - (iii) any person (other than the Company) gives a notice under section 730(1) of the Corporations Act or any person (other than the Company) who has previously consented to the inclusion of its name in the Prospectus withdraws that consent;

(i) after lodgement of the Prospectus, the Company withdraws the Prospectus t or the Offer;

(j) an event specified in the timetable on the date of the Underwriting Agreement, is delayed for any length of time, regardless of the cause of such delay (other than any delay of less than 3 business days which is wholly attributable to the gross negligence, wilful misconduct, recklessness or fraud of the Company or any delay agreed between the Company and the Underwriter in accordance with the Underwriting Agreement);

(k) the S&P/ASX 300 Index of ASX (at anytime) is at a level that is 10% or more below its level at market close on the date of this agreement;

(l) the Due Diligence Report is untrue, incorrect, misleading or deceptive in a material respect;

(m) any of the following occur:

    (i) a director or member of senior management of the Company is charged with an indictable offence;

    (ii) any governmental agency commences any public action against the Company or any of its directors or senior managers in their capacity as a director or senior manager of the Company;

    (iii) director or member of senior management of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act or any equivalent laws or rules in any other relevant jurisdiction; or

    (iv) the Company or a director or member of senior management of the Company engages in any fraudulent conduct or activity;

(n) other than as disclosed in the Prospectus or by the Company to the Underwriter in writing prior to the date of the Underwriting Agreement, a member of the Group charges or agrees to charge, the whole, or a substantial part of the business or property of the Group;

(o) an insolvency or winding up event occurs in respect of any member of the Group;

(p) the Company alters its share capital or its Constitution in any material respect without the prior written consent of the Underwriter, which consent shall not be unreasonably withheld;

(q) any circumstance arises after despatch of the Prospectus that results in the Company either repaying the money received from applicants or offering applicants an opportunity to withdraw their acceptances for New Shares and be repaid their application money;

(r) a Court or ASIC concludes that the Prospectus does not, as required by the Corporations Act, contain all such information as investors and their professional advisers would reasonably expect to find in the Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses, and prospects of the Company and the rights and liabilities attaching to the Shares, or concludes that the Prospectus otherwise fails to comply with the Corporations Act or any other applicable law;

(s) any circumstance arises after despatch of the Prospectus that results in the Company either repaying the money received from Applicants or offering Applicants an opportunity to withdraw their Acceptances for New Shares and be repaid their application money.

Further, the Underwriting Agreement provides that the Underwriter may terminate the Underwriting Agreement and its obligations thereunder at any time without cost or liability to the Underwriter upon the occurrence of any one or more of the following termination events where the Underwriter reasonably believes that:

(a) the event has, or is likely to have, a material adverse effect on the marketing, success of settlement of the Rights Issue or renders it impracticable to effect acceptances of the Rights Issue; or

(b) the event is likely to give rise to a liability for the Underwriter under the Corporations Act or any other applicable law; or

(c) the event has or is likely to have a material adverse effect on:

  (i) the price at which the Shares may trade on ASX after their quotation; or

  (ii) on the willingness of investors to pay the Offer Price for the New Shares.

(t) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, or any State or Territory of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth, State or Territory authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement), any of which, in the reasonable opinion of the Underwriter, does or is likely to have a material adverse effect on the success of the Rights Issue;

(u) a statement contained in the Prospectus is misleading or deceptive or information is omitted from the Prospectus which renders it misleading or deceptive;

(v) prior to the allotment of the New Shares, a change to the constitution of the Company or the Company’s capital structure occurs without the prior written consent of the Underwriter;

(w) a contravention by the Company or any entity in the Group of the Corporations Act, the Listing Rules, its constitution or any other applicable law or regulation;

(x) any aspect of the Rights Issue does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;

(y) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of the United States, Australia, New Zealand, the United Kingdom, the European Union, North Korea, South Korea, China, Japan, Indonesia, Thailand or India or the declaration by any of these countries of a national emergency or war or a major terrorist act is perpetrated involving any of those countries elsewhere in the world;

(z) a change in the board of Directors or senior management of the Company occurs without the prior written consent of the Underwriter, which consent shall not be unreasonably withheld;

(aa) any of the following occurs:

    (i) legal proceedings are commenced against the Company or any Director; or

    (ii) any Director is disqualified from managing a corporation under section 206A of the Corporations Act;

(bb) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Rights Issue or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Rights Issue;

(cc) the Company or an entity in the Group issues a public statement concerning the Rights Issue that has not been approved by the Underwriter, which approval shall not be unreasonably withheld or delayed and other than a statement the Company was required to make to ensure compliance with the continuous disclosure obligations under the Corporations Act and the Listing Rules;

(dd) the Company breaches any of its obligations under the Underwriting Agreement; or

    (a) any representation or warranty contained in the Underwriting Agreement on the part of the Company is not true or correct.

The following terms used in this Section 4.10 with respect to the Underwriting Agreement are defined in the Underwriting Agreement as follows:

"**Due Diligence Committee**" means the committee appointed by the Company to carry out due diligence investigations in connection with the Rights Issue and the preparation of the Prospectus;

"**Due Diligence Report**" means the report of the Due Diligence Committee to the Directors and the Underwriter, including all supporting documents and other work papers to which the Underwriter is given access for the purpose of the due diligence investigations;

"**Group**" means the Company and each Related Body Corporate of the Company;

“**Offer Price**” means $0.20 per Share;

"**Underwritten Amount**" means the number of Underwritten Shares multiplied by the Offer Price;

"**Underwritten Shares**" means 65,413,500 Shares, excluding any New Shares offered as a result of the issue of Shares upon the exercise of options granted by the Company.

Section 5 DEFINED TERMS

"**$**" means an Australian dollar;

"**Application Form**" means the Entitlement and Acceptance Form;

"**ASIC**" means the Australian Securities & Investments Commission;

"**ASX**" means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Business Day**" means every day other than a Saturday, Sunday, New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day;

"**Closing Date**" means 5.00pm WST on 1 June 2011;

“**Company**" means Industrial Minerals Corporation Limited ABN 26 108 029 198;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Directors**" means the directors of the Company;

"**Eligible Shareholder**" is a shareholder of the Company whose details appear on the Company's register of shareholders as at the Record Date;

"**Entitlement**" means the entitlement of an Eligible Shareholder to participate in the Rights Issue, as shown on the Entitlement and Acceptance Form;

"**Entitlement and Acceptance Form**" means the entitlement and acceptance form accompanying this Prospectus;

"**GST**" means any tax, import or other duty raised on the supply of goods and services and imposed by the Commonwealth or a State or Territory of Australia;

"**Listing Rules**" means the Listing Rules of ASX;

"**New Option**" means a free attaching Option offered pursuant to the Rights Issue on the terms in Section 4.5;

"**New Share**" means a share offered pursuant to the Rights Issue on the terms in Section 4.4;

"**Offer**" means an offer of securities pursuant to this Prospectus;

"**Option**" means an option to acquire one Share;

"**Prospectus**" means this prospectus dated 4 May 2011;

"**Record Date**" means 5.00 p.m. WST on 13 May 2011;

"**Rights Issue**" means the issue pursuant to the Prospectus of 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 on the Record Date of 12 May 2011 at an issue price $0.20 per New Share and one free attaching New Option (each with an exercise price of $0.35 and an expiry date of 8 June 2013) for every 2 New Shares issued, to raise approximately $13,082,700;

"**Share**" means an ordinary fully paid share in the capital of the Company;

"**Shortfall**" means the New Shares and free attaching New Options forming Entitlements, or parts of Entitlements, not accepted by Eligible Shareholders;

"**Underwriter**" means RBS Morgans Corporate Limited ACN 010 539 607;

"**Underwriting Agreement**" means the underwriting agreement dated 4 May 2011 between the Company and the Underwriter; and

"**WST**" means Western Standard Time.

Section 6 DIRECTORS’ RESPONSIBILITY STATEMENT & CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Shares and free attaching New Options pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 4 May 2011

Philip Garratt
Director