



STOCK EXCHANGE ANNOUNCEMENT

OPERATIONS UPDATE

5 December 2006

Industrial Minerals Corporation Ltd (“the Company”)(IDM : ASX)

Project Highlights

- The Company’s management team - with proven track records in resource enhancement & development, process engineering, operations planning and plant commissioning is currently committed full time on executing the processes required for the commencement of production and ongoing operational activities of the Company’s southern Oregon mineral sands project.
- In the first nine months of this calendar year operational expenditure on the Project has been approximately US\$1,400,000.
- The Company has acquired under contract of sale an industrial property ideally situated for the establishment of its proposed mineral sands processing and production facilities in Coos Bay, Oregon.
- The Company is moving forward with the compilation of the necessary information for seeking project financing.
- The Company is experiencing continuing high level end user and distributor interest for the purchase of the principal mineral constituents that are expected to be produced from the Project. This demand has been stimulated in part by the presentation by Company executives at industry forums providing information obtained from laboratory controlled test results of the Company’s chromite sand.
- Earlier in the year, The University of Northern Iowa foundry Lab under the supervision of Mr Jerry Thiel continued with and completed the testing of the Chromite products expected to be produced from the project.
- These tests included the pouring of moulds in a foundry environment and the comprehensive analysis of the mould characteristics during multiple phases of the process in creating the final castings. These particular tests clearly indicated that the Company’s ORC chromite demonstrated characteristics in chilling, heat transference and finish that were similar to that achieved in the same process using a zircon sand.
- Individual tests also in a foundry environment included varied percentage blending of the Company’s ORC chromite with South African chromite and different quality zircon sands confirmed the unique characteristics of the Company’s chromite foundry sand and the potential for the introduction of a new zircon substitute at a price level below the current zircon price. The Chromite product which the Company expects to produce demonstrates many unique attributes most suitable for its use as foundry sand and a potential Zircon substitute in many applications. Some of these attributes are its tensile strength, chilling & heat transfer characteristics and its surface finishing.
- The Company remains optimistic that its chromite should be relatively easily placed in the domestic and international market. The Company continues to discuss options for product classification, pricing and timing for market introduction with established domestic and international distributors and end users.

- A large component of the current year expenditure was utilised on engineering services and consultants with respect to the production site preparation and work related to the transportation and commissioning of the pilot plant. The pilot plant is expected to be commissioned the week of December 4th. Photos taken during the last week of November depicting the final stages of the construction are incorporated in this release.
- Specialist engineering firm Gannett Fleming has provided the services of executives with many years experience in the engineering design and operation of similar plants who have provided input relative to the location of the individual components of the main production and processing facilities to optimize process efficiencies.
- A representative sample of the garnet recovered from the Company's project was comparison tested at the Omax Water Jet cutting facilities in Kent, Washington. The objective of the test was to obtain a Jet Cutting Index ("JCI") rating for the garnet against other garnets in the world market which were used in the water jet cutting environment. This comparison test resulted in the garnet achieving a rating of 91% when cutting steel and 95% in cutting speed when cutting aluminium. The garnet was comparison tested against the Barton #80 HPX Garnet which is considered for the JCI index as 100. The Barton garnet is considered the best and most costly water jet abrasive in the world.
- Preliminary testwork on the Company's Magnetite mineral sample was undertaken by Foundry Sand Technology with initial results indicating application as an anti veining foundry product.
- All of the results were encouraging and confirmed the characteristics and quality of the individual products and assisted with the further delineation of the target markets.

Exploration

The favourable testing of a sonic drilling process earlier in the year and the overall efficiencies achieved during the drilling and core sample production process has encouraged management to engage in the first stage of a resource enhancement program scheduled for commencement in the second week of January 2007. When completed in February 2007 this program is expected to provide JORC standard data in respect of any increase in attributable resource.

Management objectives are to increase resources to a level which would sustain at least a 25 year mine life. The current plan is focused on five annual exploration programmes on controlled properties incorporating extensive close spaced and distance spaced drilling.

A 12 ton representative sample of product from the Project is currently undergoing separation testing at Outokumpu's mineral separation unit at Jacksonville, Florida. Final plant flow sheet design will be completed once this material has been processed.

The Company has contracted Outokumpu a specialist company in minerals processing technology, to commence the basic engineering design work in advance of receiving the final flow sheet design. This work is a component of the anticipated 15 month timeline to commissioning of the main plant for the Project.

Current estimates indicate total project capital (including first years operating requirements) of approximately \$US25 million. Revised modelling and pricing for end product indicate that the Project would return a full pay back of capital from two years of full production.

Shareholders and potential investors should note that the Company website where corporate data and news releases can be accessed is www.industrialmineralscorp.com.au

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