

Highlights

- **Low Impact Mining Strategy – Stockyard Project, good for farmers & good for the environment;**
- **Positive test work results from soil sampling at Stockyard;**
- **Adoption of global standard for ESG Reporting;**
- **Appointment of Scandinavian Alliance to give the Company better exposure to international investors; and**
- **Appointment of GM for marketing and early customer engagement;**

Industrial Minerals Ltd (ASX: IND or the Company) is pleased to provide an update on its activities during the December 2021 Quarter.

The Company continued to carry out its Low Impact Mining Strategy, targeting High Purity Silica Sands that benefits private landholders while having minimal effect on the surrounding environment. IND's Executive Chair Mr Ashley Pattison commented *"IND's strategy is unique in the High Purity Silica Sands space. Removing unwanted deep sand from paddocks while minimising the need for clearing native vegetation is good for the farm owner and good for the environment. It's also likely to come with fewer environmental approval hurdles as minimal clearing is required."*

During the quarter, most on-ground work was done on private farmland within the Stockyard Project with a total of 997 metres having been drilled with assays still pending for a majority of this work.

Of the 123 auger samples initially taken across the prospective target areas, 111 holes were over the 98.5% cut-off being targeted and have returned an average SiO₂ grade of 99.2% and 724ppm Fe₂O₃. Table 1 below is a summary of in-situ auger sample test results.

| | SiO ₂ (%) | Fe ₂ O ₃ (ppm) | Al ₂ O ₃ (ppm) | TiO ₂ (ppm) |
|---------|----------------------|--------------------------------------|--------------------------------------|------------------------|
| Average | 99.2 | 724 | 1,328 | 2,480 |
| Range | 98.5 - 99.6 | 286 - 5,441 | 439 - 4,277 | 1,864 - 3,410 |

Table 1 : Summary of in-situ auger sample test results

The Company also conducted a bulk sample programme at its Stockyard Project. The initial test work further highlights the exceptional in-situ product characteristics. Table 2 below shows the test work results through only wet screening:

| Size Fraction | Al ₂ O ₃ ppm | Fe ₂ O ₃ ppm | SiO ₂ % | TiO ₂ ppm | LOI-1000°C % | Passing % |
|---------------|------------------------------------|------------------------------------|--------------------|----------------------|--------------|-----------|
| -2.36+1.18mm | 722 | 390 | 99.6 | 622 | 0.39 | 0.7 |
| -1.18mm+600µm | 390 | 263 | 99.9 | 573 | 0.09 | 5.5 |
| -600+300 µm | 376 | 152 | 99.9 | 768 | 0.08 | 22.6 |
| -300+150 µm | 503 | 221 | 99.9 | 1,440 | 0.07 | 47.6 |
| -150 µm | 1,228 | 979 | 99.8 | 5,198 | 0.16 | 23.6 |

Table 2: Summary size fraction analysis by Intertek Genalysis

IND's technical director Mr Jeff Sweet commented *"These results show the high quality of silica contents in the targeted area. With a very simple wet screening process, we expect to be able to achieve great results on export quality products without significant CAPEX investment."*

Mr Sweet further commented *“Initial feedback from potential customers has been very positive on the size distribution and impurity levels of our products.”*

Figure 1 below shows the planned & executed drilling area and potential pit areas at the Company’s Stockyard Project. The Company’s plans to use this strategy across all of its silica sands projects.

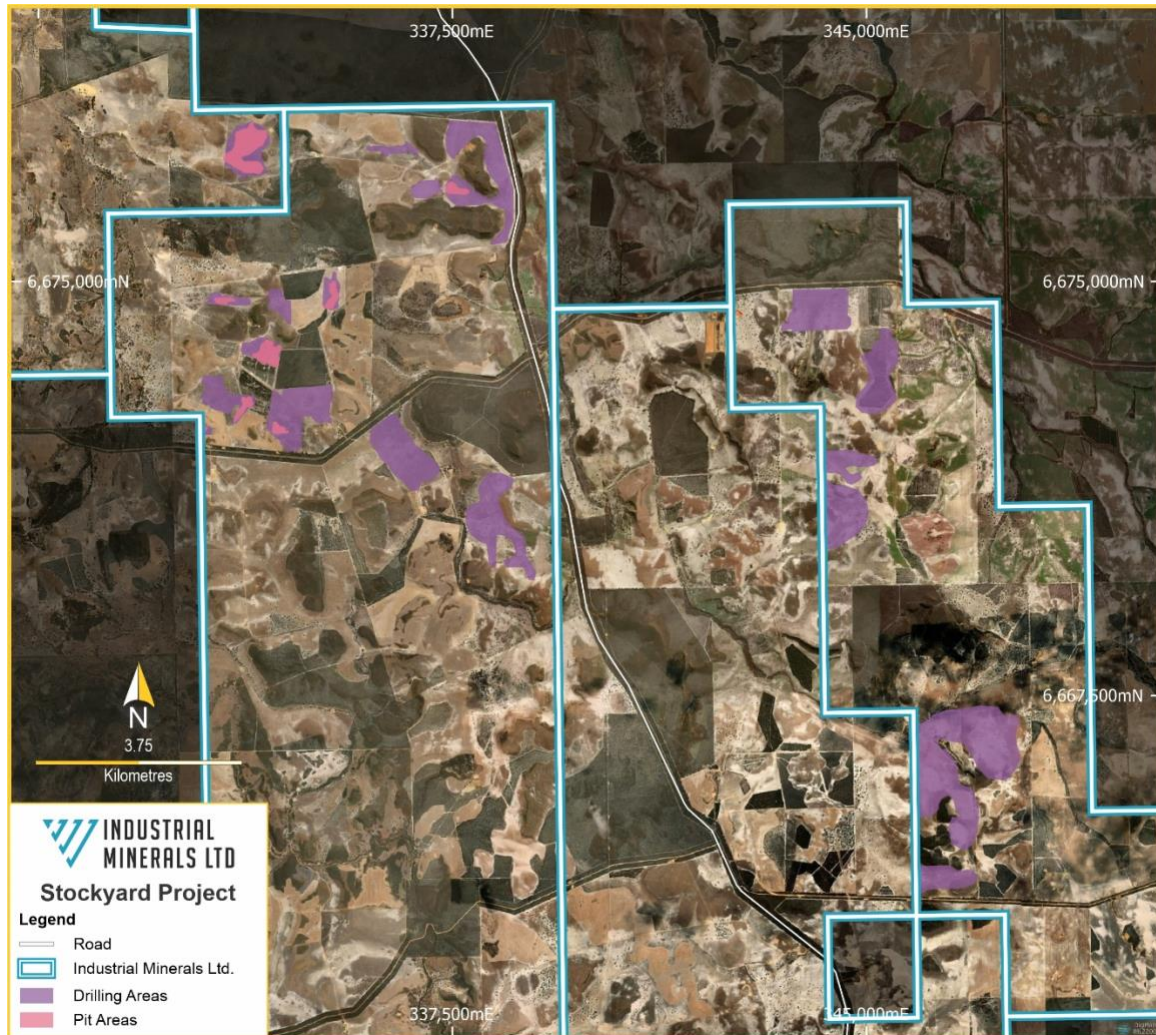


Figure 1 Stockyard Project

As announced on 6 December, the Company has adopted an Environmental, Social, and Governance (ESG) framework with 21 core metrics and disclosures created by the World Economic Forum (WEF). In conjunction with our ESG adoption, IND has appointed Scandinavian Alliance as its European Investor Relations advisors to work closely with IND on its corporate design and branding, business development and investor relations, particularly to Scandinavian and European ESG funds and investors.

The Company has also appointed a GM for Marketing in December 21. Samples sent from the Stockyard Project received very positive feedback from potential customers. The Company is working closely with potential customers in China on the quality and specifications of products that suit various downstream uses.

Company Landholdings

During the quarter, the Company has applied for further Exploration Tenements prospective for both High Purity Silica Sand and Strategic Industrial Minerals. The Company's landholdings are shown in Figure 2 & Figure 3



Figure 2 : High Purity Silica Sands Projects



Figure 3 : Strategic Industrial Mineral Projects

Plans for coming quarters

IND's primary objective for 2022 is the rapid development of the Stockyard project. This will entail achieving key results including:

- Assessment and reporting of a Maiden Resource and Scoping Study;
- The application and approval of a Mining Lease;
- Submission and approval of statutory requirements including Mining Proposal, Mine Closure Plan, Project Management Plan and Works Approvals;
- Engagement of mining, processing and logistics service providers;
- The further growth and development of potential customers with the aim to enter into offtake agreements and commence trial shipments.

IND will continue to maintain momentum across its portfolio of High Purity Silica Sand and Strategic Industrial Mineral Projects with continued systematic assessment and exploration. The Company looks forward to further engaging with landowners and stakeholders, presenting its Low Impact Mining Strategy and highlighting the benefits to agricultural productivity while minimising negative effects to the surrounding environment.

Listing Rule 5.3.4 Use of funds

IND was admitted to trading on the ASX on 15 July 2021. The 31 December 2021 quarter is included in a period covered by a Use of Funds statement in a prospectus lodged with ASX under Listing Rule 1.a, condition 3. A comparison of the Company's expenditure against the estimated Use of Funds statement is set out below as required under Listing Rule 5.3.4.

| Expenditure item | Note | Use of Funds (2 years) \$ | Actual to 31 December 2021 (excluding GST) \$ | Variance \$ |
|---------------------------------------|------|---------------------------------|--|------------------|
| Exploration at the projects | 1 | 2,855,000 | 92,200 | 2,762,800 |
| Cash reimbursement to project vendors | | 53,557 | 41,062 | 12,495 |
| Expenses of the offer | 2 | 540,000 | 503,000 | 37,000 |
| Administration costs | 1 | 1,260,000 | 328,285 | 931,715 |
| Working capital | 1 | 772,093 | 464,600 | 307,493 |
| | | 5,480,650 | 1,430,407 | 4,050,243 |

Note:

1. The Use of Funds statement covers a 2 year period whereas current actual expenditure covers the period since incorporation (11 months). Expenditure items are budgeted to be incurred over the full 2 year period.
2. Initial listing fees, Independent Geologist's Fees, Printing and miscellaneous expenses were lower than budgeted in the use of funds statement

For enquiries regarding this Quarterly Report please contact:

Mr. Ashley Pattison
 Executive Chair
 (08) 6270 6316

Mr. Jeff Sweet
 Technical Director
 (08) 6270 6316

About IND:

IND is a diversified Industrial Mineral project developer with a primary focus on High Purity Silica Sand. IND will focus on exploring and developing its highly prospective Australian High Purity Silica Sands and complementary Industrial Mineral Projects.

IND now holds 100% of 12 High Purity Silica Sand projects and five complementary Industrial Mineral projects across Western Australia and is focused on exploring and developing these projects, which have the potential to add significant value to investors and stakeholders.

Website: www.industmin.com

Competent Person

The information in this announcement that relates to exploration activities on the Projects is based on information compiled and fairly represented by Mr Robert Wason, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Wason has sufficient experience relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he has undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Wason consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

Forward-looking Statements

Certain statements contained in this document may be 'forward-looking' and may include, amongst other things, statements regarding production targets, economic analysis, resource trends, pricing, recovery costs, and capital expenditure. These 'forward-looking' statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by IND, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies and involve known and unknown risks and uncertainties that could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as 'believe', 'expect', 'anticipate', 'indicate', 'target', 'plan', 'intends', 'budget', 'estimate', 'may', 'will', 'schedule' and others of similar nature. IND does not undertake any obligation to update forward-looking statements even if circumstances or management's estimates or opinions should change. Investors should not place undue reliance on forward-looking statements as they are not a guarantee of future performance.

Disclaimer

No representation or warranty, express or implied, is made by IND that the material contained in this document will be achieved or proved correct. Except for statutory liability and the ASX Listing Rules which cannot be excluded, IND and each of its directors, officers, employees, advisors and agents expressly disclaims any responsibility for the accuracy, correctness, reliability or completeness of the material contained in this document and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person through use or reliance on any information contained in or omitted from this document.

Appendix A – Tenement Schedule as at 31 December 2021

| Project | Location | Tenement Number | Status | % Interest |
|--------------------|----------------------|-----------------------|-------------|------------|
| Arrowsmith East | Arrowsmith East, WA | E70/5856 | Granted | 100% |
| Bookara | Bookara, WA | E70/5855 | Granted | 100% |
| Bookara | Bookara, WA | E70/6006 | Application | 100% |
| Bookara | Bookara, WA | E70/6007 | Application | 100% |
| Cataby West | Mimegarra, WA | E70/5714 | Application | 100% |
| Cataby West | Mimegarra, WA | E70/5778 ² | Application | 100% |
| Gingin | Gingin, WA | E70/5742 ² | Granted | 100% |
| Gingin | Gingin, WA | E70/5868 | Granted | 100% |
| Gingin | Gingin, WA | E70/5918 | Granted | 100% |
| Gingin | Gingin, WA | E70/5782 ² | Application | 100% |
| Jurien | Cataby, WA | E70/5741 ² | Granted | 100% |
| Karratha | Hammersley Range, WA | E47/3144 ² | Granted | 100% |
| Lake MacLeod | Lyndon River, WA | E08/3089 ¹ | Granted | 100% |
| Mount Lefroy | Mount Lefroy, WA | E70/5857 | Granted | 100% |
| Mullering | Cataby, WA | E70/5715 ¹ | Granted | 100% |
| Quins | Cowalla, WA | E70/5340 ¹ | Granted | 100% |
| Quins | Cowalla, WA | E70/5720 ¹ | Granted | 100% |
| Regans Ford | Regans Ford, WA | E70/5858 | Application | 100% |
| Roebourne | Roebourne, WA | E47/4582 | Application | 100% |
| Stockyard | Stockyard, WA | E70/5845 | Granted | 100% |
| Stockyard | Stockyard, WA | E70/5846 | Granted | 100% |
| Stockyard | Stockyard, WA | E70/5873 | Granted | 100% |
| Stockyard | Stockyard, WA | E70/5936 | Granted | 100% |
| Stockyard | Stockyard, WA | E70/5937 | Application | 100% |
| Stockyard | Stockyard, WA | E70/5938 | Application | 100% |
| Tabba Tabba | Tabba Tabba, WA | E45/6091 | Application | 100% |
| Turner River | Turner River, WA | E45/5268 ³ | Application | 100% |
| Turner River North | Turner River, WA | E45/4570 | Granted | 100% |
| Turner River North | Turner River, WA | E45/6062 | Application | 100% |
| Unicup | North Unicup, WA | E70/5713 ² | Granted | 100% |
| Unicup | North Unicup, WA | E70/5870 | Granted | 100% |
| Waroona | Harvey, WA | E70/5887 | Application | 100% |
| Waroona | Waroona, WA | E70/5888 | Application | 100% |

1. Tenement currently held by Mining Equities Pty Ltd. Applications have been submitted for the transfer to Industrial Minerals Ltd.
2. Tenement currently held by Gundara Enterprises Pty Ltd. Applications have been submitted for the transfer to Industrial Minerals Ltd.
3. Tenement currently held by Peter Gianni. Applications have been submitted for the transfer to Industrial Minerals Ltd.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Industrial Minerals Ltd

ABN

87 648 183 297

Quarter ended ("current quarter")

31 December 2021

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | - | - |
| 1.2 | Payments for | | |
| | (a) exploration & evaluation | (201) | (334) |
| | (b) development | - | - |
| | (c) production | - | - |
| | (d) staff costs | - | - |
| | (e) administration and corporate costs | (53) | (289) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | - | - |
| 1.5 | Interest and other costs of finance paid | - | - |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Government grants and tax incentives | - | - |
| 1.8 | Other (provide details if material) | - | - |
| 1.9 | Net cash from / (used in) operating activities | (254) | (623) |

| | | | |
|-----------|---|-------|-------|
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | - |
| | (b) tenements | - | (41) |
| | (c) property, plant and equipment | (8) | (8) |
| | (d) exploration & evaluation | (131) | (164) |
| | (e) investments | - | - |
| | (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (139) | (213) |

| | | | |
|-------------|---|-------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 5,000 |
| 3.2 | Proceeds from issue of convertible debt securities | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | (14) | (374) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | (14) | 4,626 |

| | | | |
|-----------|--|-------|-------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 4,471 | 275 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (254) | (623) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (139) | (213) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (14) | 4,626 |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 4,065 | 4,065 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|-----|--|----------------------------|-----------------------------|
| 5.1 | Bank balances | 4,065 | 4,471 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 4,065 | 4,471 |

| 6. | Payments to related parties of the entity and their associates | Current quarter \$A'000 |
|---|---|----------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | (90) |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |
| <i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i> | | |
| 6.1 | Payment of directors' fees to related parties on an arm's length basis under the terms disclosed in the IPO prospectus (\$90,000) | |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

| | | | |
|-----------|---|---|--|
| 7. | Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
| 7.1 | Loan facilities | | - |
| - | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | Total financing facilities | - | - |
| 7.5 | Unused financing facilities available at quarter end | | - |
| 7.6 | Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |
| | | | |

| | | |
|---|--|----------------|
| 8. | Estimated cash available for future operating activities | \$A'000 |
| 8.1 | Net cash from / (used in) operating activities (item 1.9) | (254) |
| 8.2 | (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | (131) |
| 8.3 | Total relevant outgoings (item 8.1 + item 8.2) | (385) |
| 8.4 | Cash and cash equivalents at quarter end (item 4.6) | 4,065 |
| 8.5 | Unused finance facilities available at quarter end (item 7.5) | - |
| 8.6 | Total available funding (item 8.4 + item 8.5) | 4,065 |
| 8.7 | Estimated quarters of funding available (item 8.6 divided by item 8.3) | 10.6 |
| <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i> | | |
| 8.8 | If item 8.7 is less than 2 quarters, please provide answers to the following questions: | |
| 8.8.1 | Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| | Answer: | |
| 8.8.2 | Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| | Answer: | |

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: ..31 January 2022.....

Authorised by: ..Natalie Madden – Company Secretary.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.