



**INDUSTRIAL MINERALS INC.**



## **Industrial Minerals Corporate Update**

Ottawa, Canada - (Market Wire) – December 17, 2009 – Industrial Minerals Inc. (“IDSM”) (OTCBB: IDSM) announces that the letter of intent to effect a business combination (the “Transaction”) between its wholly-owned subsidiary, Industrial Minerals Canada, Inc. (“IMC”) and Rattlesnake Ventures Inc. (“RVI”) to form a new company to be called Northern Graphite Corporation (“Northern Graphite”), has been amended to extend the termination date to February 15, 2010, reduce the minimum financing requirement to \$3 million and provide for the appointment of a new financial advisor. The Transaction will constitute the Qualifying Transaction of RVI, a Capital Pool Company, and if completed will result in IMC becoming publicly listed on the TSX Venture Exchange as Northern Graphite.

Gregory Bowes, CEO of IMC stated that “we are the first graphite company to attempt to go public in many years and this involves a substantial market education process. While we are disappointed at the lack of progress to date in obtaining financing, we are in discussions with a number of other parties and will resume the fund raising process after Christmas.” The current Engagement Letter with Research Capital Corporation to raise financing will be allowed to expire on December 31, 2009.

IMC has a 100% ownership interest in a large graphite deposit (the “Bissett Creek Project”) located less than 20km from the Trans-Canada highway, east of North Bay, Ontario. A full feasibility study was completed on the Bissett Creek Project by Kilborn Engineering and others in 1989 (which pre-dates National Instrument 43-101 and is therefore not compliant), but the Bissett Creek Project was not developed due to a decline in graphite prices in the 1990s.

Consumption of graphite continues to grow due to the ongoing industrialization of China, India and other emerging economies, and new applications such as Li ion batteries, fuel cells, nuclear and solar power will create significant incremental demand in the future. There is up to 20 times more graphite than lithium, in a lithium ion battery. China, which produces 80% of the world’s supply, is seeing production and exports leveling off and export taxes and a licensing system have been instituted. There has been little worldwide exploration and consequently few potential development projects exist. As a result, the Company is well positioned to benefit from the continued improvement in graphite demand and prices.

In order to provide working capital, IMC is increasing the size of the senior secured convertible non-interest bearing note financing (the “Notes”) announced on October 28, 2009 to approximately \$600,000. The terms will be substantially the same.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any state in which such offer, solicitation or sale would be unlawful. The securities have not been registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

**For additional information, please contact:**

Gregory Bowes, CEO

(613) 241-9959

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