



INDUSTRIAL MINERALS INC.



Bissett Creek Drilling Program Commences

July 7, 2010 – Industrial Minerals Inc. (IDSM:OTC-BB) and its 51% owned subsidiary **Northern Graphite Corporation** (“Northern” or the “Company”), announce that a 2,500 meter drill program has commenced on the Bissett Creek graphite project. The objectives of the drill program are to upgrade some of the inferred resources to measured and indicated, confirm results of historical drilling, and to expand the resource and demonstrate the potential to significantly increase production in the future if warranted by graphite demand. The drill campaign is part of a Pre Feasibility Study expected to be completed in the fall of 2010.

Indicated resources on the Bissett Creek property, located 15km from the TransCanada highway between North Bay and Ottawa, Ontario, have been estimated at 14.6 million tonnes (“Mt”) grading 2.24% graphitic carbon (“gC”) at a 1.5% cut off grade and inferred resources are an additional 18Mt grading 2.21% gC at a 1.5% cutoff. The Preliminary Assessment indicated that these resources are sufficient for a 40 year mine life based on a 2,500tpd operation.

The current resource estimate is based on approximately 8,400m of drilling in 242 holes completed during the 1980s. Six confirmation holes were drilled in 2007 and the current program includes 13 additional twin and infill holes to further confirm previous results and support the calculation of a proven and probable reserve in the PFS. The drill program has also been designed to upgrade the existing resource such that the PFS can evaluate the economics of a 20 year operation based on measured and indicated resources only.

The graphitic gneiss unit which hosts the Bissett Creek deposit outcrops at surface in a band that is approximately one kilometer wide and three kilometers in strike, and dips to the east at approximately 20 degrees (figure 1). Drilling to date and the planned open pit from the Preliminary Assessment only cover the southern portion of the graphitic unit. The new drill program has also been designed to increase the size of the pit, evaluate the deposit to the north, and demonstrate the potential to increase production in the future if warranted by graphite demand.

Graphite prices have more than doubled in the past couple years due to the ongoing modernization of India, China and other emerging economies which has resulted in strong demand from traditional uses in the steel and automotive industries. In addition, new applications such as lithium ion batteries, fuel cells and nuclear and solar power have the potential to create significant incremental demand growth. There is over 20 times more graphite in a lithium ion battery than there is lithium. China, which produces 80% of the world’s graphite, is seeing production and export growth leveling off and export taxes and a licensing system have been instituted. With limited worldwide exploration and few potential development projects on the horizon, the Company is well positioned to benefit from the continued improvement in graphite demand and prices. High growth, high value graphite applications require large flake and/or high purity graphite which will represent 100% of Bissett Creek production.

The drill program is being supervised by Jeff Ackert, P.Geol. and Mehmet Taner, PhD the Company’s “Qualified Persons”.



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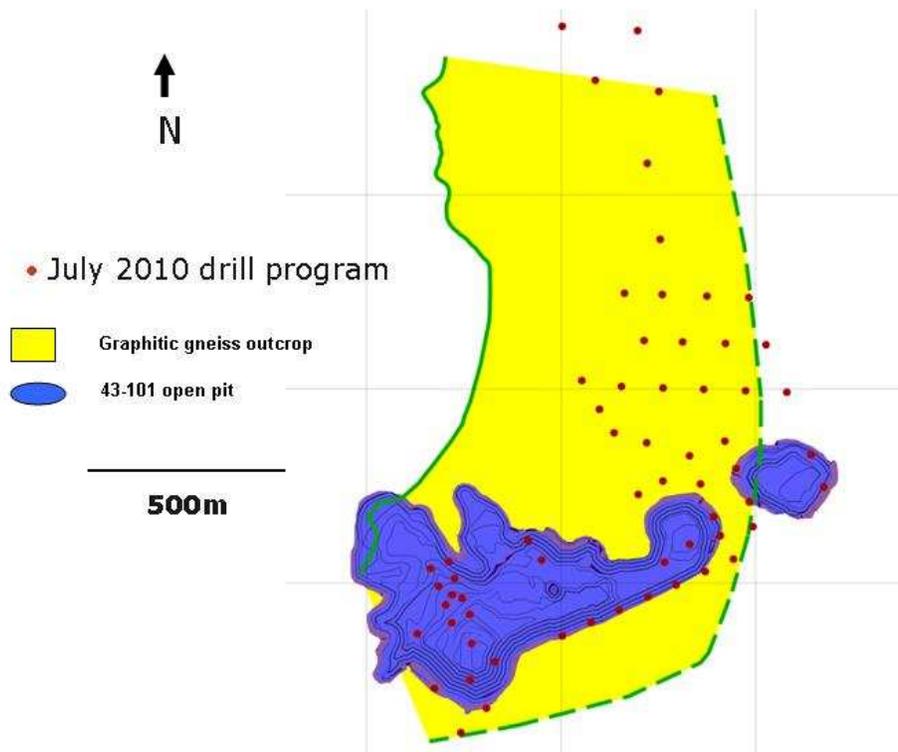
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Figure 1



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