

## Management's Discussion and Analysis of Financial Position and Results of Operations ("MD&A")

*The following information, prepared as of August 27, 2008, should be read in conjunction with the audited consolidated financial statements of i-minerals inc. (the "Company") for the year ended April 30, 2008, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.*

### Forward-Looking Statements

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

This MD&A and in particular the "Outlook" section, contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning the interpretation of drill results may also be considered a forward-looking statement, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as of August 27, 2008.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

The material assumptions that were applied in making the forward looking statements in this MD&A include: execution of the Company's existing plans or exploration programs for the Helmer-Bovill property, either of which may change due to changes in the views of the Company or if new information arises which makes it prudent to change such plans or programs; and the accuracy of current interpretation of drill and other exploration results.

For a description of material factors that could cause the Company's actual results to differ materially from the forward-looking statements in this MD&A, please see "Risks and Uncertainties".

### General

The Company's principal business is the development of the Helmer-Bovill industrial mineral property. The Helmer-Bovill property is comprised of ten adjacent and non-adjacent mineral leases that cover a border phase of the Thatuna granodiorite ("TG") that hosts potentially economic deposits of feldspar, quartz and kaolinitic clays, primarily kaolinite and halloysite. The mineral commodities are found in three modes of occurrence, each of which contains two or more of the targeted minerals:

- the unweathered Thatuna granodiorite hosts primary deposits of sodium ("Na") feldspar and quartz;
- the weathered Thatuna granodiorite hosts residual deposits of potassium ("K") feldspar, kaolin (kaolinite / halloysite) and quartz; and
- the Latah formation is favourable for the occurrence of transported kaolin and quartz.

All of the deposits types are amenable to low strip ratio, low-cost open pit mining techniques. The Helmer-Bovill property is favourably located in Latah County, Idaho where it enjoys very competitive transportation logistics: rail access; deep water port access through the Port of Lewiston about 50 miles away; and proximity to the Interstate highway network. The town of Bovill has readily available electricity and natural gas.

To date, the Company has identified two resources, a measured and indicated Na-feldspar-quartz resource known as the Kelly's Basin deposit; and a K-feldspar-quartz deposit known as the Moose Creek Tailings deposit. The Kelly's Basin deposit is the subject of an ongoing feasibility study by SRK Consulting (US), Inc. ("SRK").

Elsewhere on the property, where portions of the granitoid body have been subjected to intense weathering, residual and sedimentary deposits of kaolinitic clays occur. In these areas, kaolinite and halloysite are the primary minerals of economic interest. Based upon recent metallurgical work and historic mining and related development efforts, the Helmer-Bovill property has the potential to host significant tonnages of halloysite bearing clays.

### Selected Annual Information

The table below provides selected financial information for the Company on a consolidated basis for each of the past three years ended April 30. Reporting currency for the Company is the Canadian dollar.

(Audited)

	2008	2007	2006
Working Capital (Deficit)	\$ (142,254)	\$ (81,386)	\$ 920,615
Total Revenues	\$ nil	\$ nil	\$ nil
Net Loss	\$ (603,762)	\$ (354,989)	\$ (387,281)
Net Loss Per Share (basic and diluted) <sup>(1)</sup>	\$ (0.03)	\$ (0.02)	\$ (0.03)
Total Assets	\$ 4,975,403	\$ 4,097,212	\$ 4,148,506
Long-term Debt	\$ nil	\$ nil	\$ nil
Deferred Exploration Expenditures - for the year	\$ 877,121	\$ 911,179	\$ 719,693
Deferred Exploration Expenditures - cumulative	\$ 4,741,087	\$ 3,863,966	\$ 2,952,787
Dividends declared	\$ nil	\$ nil	\$ nil

<sup>(1)</sup> The basic and diluted calculations result in the same values due to the anti-dilutive effect of outstanding convertible instruments, stock options and warrants.

There were no material factors affecting the comparability of the foregoing financial data except that during the year ended April 30, 2008, the Company recorded a non-cash charge of \$238,735 for stock-based compensation expense (2007 - \$141,515; 2006 - \$160,751).

### Results of Operations

The Company recorded a net loss of \$603,762 (\$0.03 per share) for the year ended April 30, 2008 as compared to a loss of \$354,989 (\$0.02 per share) reported in fiscal 2007. Expenses increased to \$591,740 in 2008 from \$488,162 in 2007. Variances include non-cash stock-based compensation expense which increased to \$238,735 from \$141,515. The fair value of all stock options granted is recorded as a charge to operations over the vesting period, with a corresponding credit to contributed surplus. Variances also include transfer and regulatory fees which increased to \$25,407 from \$13,869, and travel expense which increased to \$30,837 from \$2,473. These variances were offset by a decrease in professional fees incurred in respect of regulatory filings from \$91,928 to \$48,984. Promotion and shareholder communication expense was \$102,952 in fiscal 2008 and \$110,102 in 2007 as the Company has an agreement for investor relations and other corporate development services at a cost of \$8,000 per month. Expense items in 2008 also include management fees of \$18,101 (2007 - \$20,939), and consulting fees of \$36,000 (2007 - \$36,000) charged by directors or officers or companies controlled by them for services rendered.

The 2008 loss includes a foreign exchange loss of \$21,297 resulting from a strengthening of the Canadian dollar during the period in relation to U.S. dollar-denominated cash. In 2007, the Company recognized a foreign exchange gain of \$12,413. The 2008 loss was also offset by a recovery of the non-controlling interest's share of the *i-minerals* Helmer Bovill L.L.P. ("Helmer Bovill L.L.P.") losses amounting to \$6,928 (2007 - \$108,472).

### Capital Expenditures

During the year ended April 30, 2008, the Company incurred deferred exploration expenditures of \$877,121 on the Helmer-Bovill property, compared to \$911,179 incurred during fiscal 2007. The 2008 expenditures including drilling charges of \$260,718, as well as costs associated with the ongoing feasibility study being undertaken by SRK.

### Summary of Quarterly Results (unaudited)

	Fiscal year ended April 30, 2008			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Total revenues	\$nil	\$nil	\$nil	\$nil
Net loss	(\$132,885)	(\$177,613)	(\$231,206)	(\$62,058)
Net loss per share (basic and diluted) <sup>(1)</sup>	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.00)
Total assets	\$4,975,403	\$4,951,932	\$5,021,413	\$5,224,887

	Fiscal year ended April 30, 2007			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Total revenues	\$nil	\$nil	\$nil	\$nil
Net loss	(\$65,400)	(\$103,154)	(\$87,878)	(\$98,557)
Net loss per share (basic and diluted) <sup>(1)</sup>	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.01)
Total assets	\$4,097,212	\$4,065,308	\$4,080,576	\$4,159,215

<sup>(1)</sup> The basic and diluted calculations result in the same values due to the anti-dilutive effect of outstanding convertible instruments, stock options and warrants.

There were no material factors affecting the comparability of the foregoing financial data except that the net loss for the third and second quarters in fiscal 2008 included non-cash charges of \$121,485 and \$113,042, respectively, for stock-based compensation expense.

### Fourth Quarter

The Company recorded a net loss of \$132,885 (\$0.01 per share) during the fourth quarter. Expenses totalled \$134,007, including \$43,386 in professional fees incurred in respect of regulatory filings.

During the fourth quarter, the Company incurred deferred property expenditures of \$200,839 at Helmer-Bovill, and received \$26,500 from the exercise of 50,000 stock options.

## **Financing Activities**

During the year ended April 30, 2008, the Company completed a financing in which it raised \$900,000 from a non-brokered private placement of 1.8 million units at a price of \$0.50 per unit. Each unit is comprised of one common share and one share purchase warrant entitling the holder to acquire an additional share at a price of \$0.60 per share until July 13, 2008, and \$0.70 per share thereafter until expiry on July 12, 2009. The Company paid 10% finders' fees on a portion of the units subscribed through the issuance of 43,400 units with terms identical to those placed in the offering.

The Company also completed a private placement of convertible partnership units amounting to \$212,100 (U.S. \$200,000), and raised \$61,500 on the exercise of 150,000 stock options at an average price of \$0.41 per share; and \$17,500 from the exercise of 50,000 warrants at \$0.35 per share.

During the comparative year ended April 30, 2007, the Company raised \$233,000 on the exercise of 630,000 stock options; and repaid a shareholder loan amounting to \$55,900.

## **Liquidity and Capital Resources**

The Company's aggregate operating, investing and financing activities during the year consumed cash of \$27,940. As at April 30, 2008, the Company had cash of \$74,404 and a working capital deficit of (\$142,254).

The Company has not as yet put into commercial production any of its mineral properties and as such has no operating revenues. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital. The Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

Subsequent to April 30, 2008, the Company raised \$906,019 through a non-brokered private placement of 1,510,032 units at a price of \$0.60 per unit. Each unit is comprised of one share and one share purchase warrant entitling the holder to acquire an additional share at a price of \$0.70 per share until expiry on January 20, 2010. A finder's fee was paid in the amount of 8,000 units with terms identical to those placed in the offering. In addition, 625,000 stock options were exercised at a price of \$0.35 per share, generating proceeds of \$218,750.

Based upon the receipt of a favourable feasibility study on the Kelly's basin deposit, further funding will be required. However, attractive State-sponsored debt financing instruments are available, and the Company intends to pursue such financial instruments to cover the bulk of the capital costs associated with placing the Kelly's Basin deposit into production.

## **Transactions with Related Parties**

The Company has entered into the following transactions with related parties.

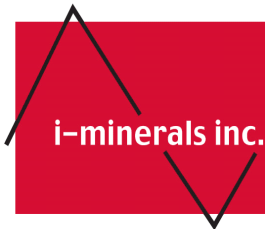
During the year ended April 30, 2008, management fees of \$18,101 (2007 - \$20,939) and consulting fees of \$36,000 (2007 - \$36,000) were charged by directors or officers or companies controlled by them. These charges are included in the accompanying statements of loss and deficit. A further \$109,870 (2007 - \$121,944) in consulting and research fees were charged by directors and are included with mineral property deferred costs. As at April 30, 2008, \$105,966 (2007 - \$33,298) is still owed to a director and officer of the Company. The balance is non-interest bearing, unsecured and due on demand. Included in accounts payable as at April 30, 2008 was \$5,511 (2007 - \$6,087) payable to related parties.

During the comparative year ended April 30, 2007, the Company repaid non-interest bearing advances to a director amounting to \$55,900 (U.S. \$50,000).

Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

A director of the Company owns a 25% interest in Idaho Industrial Minerals LLC, the property vendor in respect of the agreement to acquire a 100% interest in the Helmer-Bovill property.

All of the Units issued under the 2005 and 2007 convertible partnership unit private placement were subscribed for by a private company related to a director of the Company.



## Critical Accounting Estimates

The Company's consolidated financial statements are impacted by the accounting policies used, and the estimates and assumptions made, by management during their preparation. The Company's accounting policies are described in Note 2 to the consolidated financial statements.

The accounting estimates considered to be significant to the Company include the review of the carrying values of mineral property acquisition costs and deferred costs, the computation of stock-based compensation expense and the valuation of warrants.

Management reviews the carrying values of its industrial mineral properties on at least an annual basis to determine whether an impairment provision should be recognized. For the years ended April 30, 2008 and 2007, there have been no write-downs in respect of the values attributed to the Company's mineral properties.

The Company uses the fair-value method of accounting for stock-based compensation related to incentive stock options granted, modified or settled. Under this method, compensation cost attributable to all incentive stock options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. In determining the fair value, the Company makes estimates of the expected volatility of the stock as well as an estimated discount rate. Changes to these estimates could result in the fair value of the stock-based compensation being less than or greater than the amount recorded. During fiscal 2008, the Company recorded stock-based compensation expense of \$238,735 (2007 - \$141,515). A further \$277,062 was charged to share capital in respect of the estimated fair value of warrants.

## Recent Accounting Pronouncements

The Canadian Institute of Chartered Accountants issued new accounting standards which the Company will adopt, effective May 1, 2008: Section 1535 "Capital Disclosures", Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation". The new requirements of Sections 1535, 3862 and 3863 are for disclosure purposes only and will not impact the financial results of the Company.

- (i) Section 1535 establishes guidelines for the disclosure of information on an entity's capital and how it is managed. This enhanced disclosure enables users to evaluate the entity's objectives, policies and processes for managing capital.
- (ii) Sections 3862 and 3863 replace the existing Section 3861 "Financial Instruments - Disclosure and Presentation". Section 3862 requires enhanced disclosure on the nature and extent of financial instrument risks and how an entity manages those risks. Section 3863 carries forward the existing presentation requirements and provides additional guidance for the classification of financial instruments.

The Canadian Institute of Chartered Accountants issued the new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Other Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Management is currently assessing the impact of these new accounting standards on its consolidated financial statements.

## International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## Changes in Accounting Policies Including Initial Adoption

The Company adopted the following accounting policies during the year:

### - Financial instruments

Effective May 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants' new Handbook Section 1530, "Comprehensive Income", Section 3855, "Financial Instruments", and Section 3861, "Financial Instruments - Disclosure and Presentation". These standards were adopted on a prospective basis with no restatement of prior year financial statements.

#### a) Comprehensive income

Section 1530 introduces new requirements for situations when certain gains and losses ("other comprehensive income" or "OCI") must be temporarily presented outside of net loss. Comprehensive income includes both net loss and OCI. OCI is the change in shareholders' equity from non-owner sources which are not included in the calculation of net loss until realized. Cumulative changes in OCI are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category of shareholders' equity on the balance sheet. The Company had no OCI transactions during the year ended April 30, 2008, and no opening nor closing balances for AOCI.

#### b) Financial instruments recognition, measurement, disclosure and presentation

Under Section 3855, all financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in net loss.

Upon adoption of these new standards, the Company has designated its cash as held-for trading, which is measured at fair value. Receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other liabilities, which are measured at amortized cost. At April 30, 2008, the Company had neither available-for-sale nor held-to-maturity financial instruments. The adoption of this policy had no material impact on opening deficit.

Section 3861 identifies and details information to be disclosed in the financial statements.

#### c) Hedging

This standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

#### d) Accounting Changes

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by a new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this new standard cannot be determined until such time as the Company makes a change in accounting policy, other than the changes resulting from the implementation of the new CICA Handbook standards discussed in this note.

## Off-Balance Sheet Arrangements

The Company has not entered into any into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

## Financial Instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and amounts due to related parties. Unless otherwise noted, it is management's opinion the Company is not exposed to significant interest rate or credit risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the short-term or demand nature of these instruments.

The Company operates in the United States and substantially all of its financial assets and liabilities are denominated in U.S. dollars giving rise to risks from changes in foreign exchange rates.

## Outstanding Share Data

Authorized Capital:

100,000,000 common shares, without par value

Issued and outstanding:

20,790,197 common shares as at August 27, 2008

Outstanding options, warrants, and convertible securities as at August 27, 2008:

Security	Number	Exercise price	Expiry date
Stock Options	45,000	\$0.35	August 1, 2009
Stock Options	100,000	\$0.35	September 6, 2010
Stock Options	100,000	\$0.40	September 6, 2010
Stock Options	360,000	\$0.53	March 21, 2011
Stock Options	390,000	\$0.55	July 24, 2012
Stock Options	130,000	\$0.70	October 23, 2012
Warrants	1,843,400	\$0.70	July 12, 2009
Warrants	1,518,032	\$0.70	January 20, 2010

The Company also has outstanding 2,000,000 convertible partnership units which are convertible into 10,000,000 common shares of the Company; and 74,074 convertible partnership units which are convertible into 370,370 common shares of the Company.

## Risks and Uncertainties

The exploration for and development of industrial mineral deposits are highly speculative activities and are subject to significant risks. The Company's ability to realize its investments in exploration projects is dependent upon a number of factors, including its ability to continue to raise the financing necessary to complete the exploration and development of those projects and the existence of economically recoverable reserves within its projects.

### *Stage of Development*

The Company's properties are in the exploration stage and the Company does not have an operating history. As a result, there can be no assurance that the Company will be able to develop and operate its properties, or any one of them, profitably, or that its activities will generate positive cash flow. As a result of the Company's lack of operating history, it faces many of the risks inherent in starting a new business.

Industrial minerals exploration involves a high degree of risk. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. Hazards such as unusual or unexpected geological formations and other conditions are involved.

Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expenses and delays in the activities of the Company, and they may render the Company's properties uneconomic. The Company has no liability insurance of the type that covers liability for pollution or hazards, and the Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

### ***Risks Inherent in the Mining Industry***

Mineral exploration and development is highly speculative and capital intensive. Most exploration efforts are not successful, in that they do not result in the discovery of mineralization of sufficient quantity or quality to be profitably mined. The operations of the Company are also indirectly subject to all of the hazards and risks normally incident to developing and operating mining properties. These risks include insufficient ore reserves, fluctuations in production costs that may make mining of reserves uneconomic; significant environmental and other regulatory restrictions; labour disputes; geological problems; failure of pit walls or dams; force majeure events; and the risk of injury to persons, property or the environment.

### ***Uncertainty of Reserves and Mineralization Estimates***

There are numerous uncertainties inherent in estimating proven and probable reserves and mineralization, including many factors beyond the control of the Company. The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may justify revision of such estimates. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated. Assumptions about prices are subject to greater uncertainty and metals prices have fluctuated widely in the past. Declines in the market price of industrial minerals also may render reserves or mineralization containing relatively lower grades of ore uneconomic to exploit. Changes in operating and capital costs and other factors including, but not limited to, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may materially and adversely affect reserves.

### ***Fluctuations in the Market Price of Minerals***

The profitability of mining operations is directly related to the market price of the industrial minerals being mined. The market price of industrial minerals may fluctuate widely and is affected by numerous factors beyond the control of any mining company. These factors include expectations with respect to the rate of inflation, the exchange rates of the dollar and other currencies, interest rates, global or regional political, economic or banking crises, and a number of other factors. If the market prices of the mineral commodities the Company plans to explore decline, this will have a negative effect on the availability of financing for the Company.

### ***Marketability***

The marketability of the industrial minerals which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of the feldspar, quartz, kaolin and other industrial mineral markets and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of industrial minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

### ***Environmental Risks***

Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and production. Insurance against environmental risk (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) is not generally available to the Company (or to other companies in the minerals industry) at a reasonable price. To the extent that the Company becomes subject to environmental liabilities, the satisfaction of any such liabilities would reduce funds otherwise available to the Company and could have a material adverse effect on the Company. Laws and regulations intended to ensure the protection of the environment are constantly changing, and are generally becoming more restrictive.

***Mineral Exploration and Mining Activities Require Compliance with a Broad Range of Law and Regulation, Violation of which can be Costly***

Mining operations and exploration activities are subject to national and local laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection and mine safety. In order to comply, the Company may be required to make capital and operating expenditures or to close an operation until a particular problem is remedied. In addition, if the Company's activities violate any such laws and regulations, it may be required to compensate those suffering loss or damage, and may be fined if convicted of an offense under such legislation.

***Land Reclamation Requirements for Exploration Properties May be Burdensome***

Although variable, depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies, as well as companies with mining operations, in order to minimize long term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and to reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on the Company in connection with mineral exploration, the Company must allocate financial resources that might otherwise be spent on further exploration programs.

***Permitting***

In the ordinary course of business, mining companies are required to seek governmental permits for expansion of existing operations or for the commencement of new operations. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings. The duration and success of efforts to obtain permits are contingent upon many variables not within the Company's control. Obtaining environmental protection permits, including the approval of reclamation plans, may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary permits will be obtained and, if obtained, that the costs involved will not exceed those that were previously estimated. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that the Company would not proceed with the development or operation of a mine or mines.

***Profitability of Operations***

The Company is not currently operating profitably and it should be anticipated that it will operate at a loss at least until such time as production is achieved from one of the Company's properties, if production is, in fact, ever achieved. The Company has never earned a profit.

***Future Financings***

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The only source of future funds presently available to the Company is through the sale of equity capital or the offering by the Company of an interest in any of its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in substantial dilution to current shareholders.

***Industry Competition in the Acquisition of Industrial Mineral Properties and the Recruitment and Retention of Qualified Personnel***

The Company must compete with other industrial mineral exploration and mining companies, many of which have greater financial resources, for the acquisition of industrial mineral claims, leases and other industrial mineral interests as well as for the recruitment and retention of qualified employees and other personnel. If the Company requires and is unsuccessful in acquiring additional industrial mineral properties or personnel, there can be no assurances the Company will be able to compete against such companies with respect to exploration and development, industrial mineral production and marketing.

## Disclosure Controls and Procedures and Internal Control over Financial Reporting

In connection with the Exemption Orders issued in November 2007 by each of the British Columbia Securities Commission and Ontario Securities Commission, the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the annual audited financial statements and this accompanying Annual MD&A (together the "Annual Filings").

In contrast to the certificate under Multilateral Instrument 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) ("MI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in MI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

## Outlook

The major focus of the Company continues to be the completion of the ongoing feasibility study on the Kelly's Basin portion of the Helmer-Bovill project by SRK. In this regard:

- the final resource calculation is under review based upon a preliminary geostatistical resource model. Completion was postponed while metallurgical work on composite sample was completed at the Minerals Research Laboratory at North Carolina State University ("MRL").
- The initial mine plan is complete incorporating overburden; pit and bench design and haul routes. Finalization of the mine plan is dependent upon the completion of the resource model.
- Evaluation of the locations of the process plant has identified two desirable locations based upon outbound haulage, mine haulage, plant requirements and general infrastructure. Both sites will be evaluated in parallel until a final decision is taken.
- Marketing and transportation studies are proceeding very favorably. Between western North American and Pacific Rim markets, these studies indicate a base load tonnage of feldspar products can be placed. A trade mission to Asia with the Secretary of State for Idaho is planned for October.
- The Company's miner permit application was reviewed and accepted August 7, 2008 by the US Army Corp. of Engineers under application number 2006-640-CO1 with the public comment period due to end September 6, 2008

The Company has concurrently identified several new markets that will provide for value added products. Halloysite is a unique kaolin which occurs as microscopic tubes often referred to as "halloysite nanotubes". A number of companies are pursuing development of products in the plastic and polymers industry wherein these halloysite nanotubes are added to plastic and polymer compounds to improve strength, weight and in some instances, biodegradability of the resulting products. The Company has provided product samples to a few companies for testing in assorted nano-tech applications. One of these nano-tech companies has completed initial tests using the Helmer-Bovill halloysite nano-tubes with very favorable results. Commercialization of any halloysite based nano-tech product will require a long term supply of halloysite.

Based upon recent metallurgical work and historic mining and related development efforts, the Helmer-Bovill property has the potential to host significant tonnages of halloysite bearing clays. In light of this opportunity, and other new kaolin applications, the Company has completed an initial drill program that has defined an initial deposit of sufficient size to be of commercial interest.

## Other Information

Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.imineralsinc.com](http://www.imineralsinc.com)