

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

*The following information, prepared as of August 20, 2009, should be read in conjunction with the audited consolidated financial statements of i-minerals inc. (the "Company") for the year ended April 30, 2009, 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 20, 2009.
- 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)

	2009	2008	2007
Working Capital (Deficit)	\$ (557,150)	\$ (142,254)	\$ (81,386)
Total Revenues	\$ nil	\$ nil	\$ nil
Net Loss	\$ (451,520)	\$ (603,762)	\$ (354,989)
Net Loss Per Share (basic and diluted) <sup>(1)</sup>	\$ (0.02)	\$ (0.03)	\$ (0.02)
Total Assets	\$ 6,030,256	\$ 4,975,403	\$ 4,097,212
Long-term Debt	\$ nil	\$ nil	\$ nil
Deferred Exploration Expenditures - for the year	\$ 1,090,960	\$ 877,121	\$ 911,179
Deferred Exploration Expenditures - cumulative	\$ 5,832,047	\$ 4,741,087	\$ 3,863,966
Dividends declared	\$ nil	\$ nil	\$ nil

(1) 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).

### Results of Operations

The Company recorded a net loss of \$451,520 (\$0.02 per share) for the year ended April 30, 2009 as compared to a loss of \$603,762 (\$0.03 per share) reported in fiscal 2008. Expenses decreased to \$474,577 in 2009 from \$591,740 in 2008. Variances include non-cash stock-based compensation expense which decreased to \$8,143 from \$238,735. 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. Professional fees increased to \$144,996 from \$48,984 reflecting increased legal fees associated with the permitting process. Variances also include travel expense which increased to \$40,908 from \$30,837 due in part to the trip to Taiwan with the Secretary of State of Idaho; and office, telephone and miscellaneous expense which increased to \$56,340 from \$48,100. Promotion and shareholder communication expense was \$103,744 in fiscal 2009 and \$102,952 in 2008 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 2009 also include management fees of \$20,870 (2008 - \$18,101), and consulting fees of \$38,500 (2008 - \$36,000) charged by directors or officers or companies controlled by them for services rendered.

The 2009 expenses were offset by a foreign exchange gain of \$21,496 resulting from a weakening of the Canadian dollar during the period in relation to U.S. dollar-denominated cash. In 2008, the Company recognized a foreign exchange loss of \$21,297.

### Capital Expenditures

During the year ended April 30, 2009, the Company incurred deferred exploration expenditures of \$1,090,960 on the Helmer-Bovill property, compared to \$877,121 incurred during fiscal 2008. The 2009 expenditures include engineering and consulting charges of \$491,249 (2008 - \$270,610) and environmental costs of \$217,753 (2008 - \$20,717) associated with the ongoing feasibility study being undertaken by SRK.

### Summary of Quarterly Results (unaudited)

	Fiscal year ended April 30, 2009			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Total revenues	\$nil	\$nil	\$nil	\$nil
Net loss	(\$119,379)	(\$112,320)	(\$117,031)	(\$102,790)
Net loss per share (basic and diluted) <sup>(1)</sup>	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.01)
Total assets	\$6,030,256	\$5,924,557	\$5,852,077	\$5,900,366

	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

<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 \$119,379 (\$0.00 per share) during the fourth quarter. Expenses totalled \$132,719, including \$96,232 in professional fees incurred in respect of the ongoing permitting process. These expenses were offset by a recovery of stock-based compensation amounting to \$50,775.

During the fourth quarter, the Company incurred deferred property expenditures of \$344,881 at Helmer-Bovill. The fourth quarter costs include \$167,016 in environmental costs in respect of the Section 404 Wetlands Permit.

## Financing Activities

During the year ended April 30, 2009, the Company completed a financing in which it raised net proceeds of \$901,464 through a non-brokered private placement of 1,510,032 units at a price of \$0.60 per unit. Each unit was 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 the fourth quarter of fiscal 2009, the exercise price of the warrants, other than those warrants issued as part of finder's fee units, was amended to \$0.43 per share, subject to an Exchange imposed accelerated expiry provision that if the shares trade over \$0.56 for 10 consecutive days, the warrants will expire thirty days thereafter. In addition, during the year, 625,000 stock options were exercised at a price of \$0.35 per share, generating proceeds of \$218,750.

During the comparative 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 was 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. In the fourth quarter of fiscal 2009 the exercise price of the warrants, other than those warrants issued as part of finder's fee units, was amended to \$0.43 per share, subject to an Exchange imposed accelerated expiry provision. These warrants expired, unexercised, subsequent to April 30, 2009.

During the comparative year ended April 30, 2008, 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.

## Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities during the year consumed cash of \$34,298. As at April 30, 2009, the Company had cash of \$40,106 and a working capital deficit of (\$557,150).

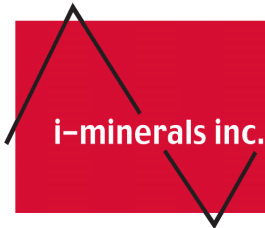
The Company has not as yet put into commercial production any of its mineral properties and as such has no operating revenues. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital. The Company's capital resources are largely determined by the strength 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.

The recent events in the global financial markets have had a profound impact on the global economy. Virtually all industries are impacted by these market conditions, which have included: a sharp contraction in the credit markets resulting in a widening of credit risk spreads and higher costs of funding; a deterioration in the credit ratings of numerous large financial institutions; devaluations and high volatility in global equity, commodity, foreign exchange and metals markets and a corresponding lack of market liquidity; and a slowdown in economic activity that is affecting major global economies. These events could have a significant impact on the Company.

Current financial markets are likely to continue to be volatile, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. Unprecedented uncertainty in the credit markets has also led to increased difficulties in raising funds. Junior exploration companies world-wide have been hit particularly hard by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting the present shareholders of the Company.

The Company is dependent on raising further funds to fund its obligations as they become due.

Subsequent to April 30, 2009, the Company closed the first tranche of a proposed U.S. \$400,000 private placement of convertible debentures, raising proceeds of U.S. \$250,000. The debentures have a term of two years to June 30, 2011 and are convertible into shares of the Company at the rate of one share per \$0.35 of principal outstanding. Accordingly the U.S. \$250,000 debentures are convertible into 830,565 shares and the Company has also issued 830,565 common share purchase warrants entitling the holder to acquire an additional common share at a price of \$0.43 per share for a period of one year. The debentures bear interest at 12% per annum, calculated semi-annually and payable semi-annually. Interest is payable in cash or shares at the option of the Company.



Management intends to pursue additional equity financing in fiscal 2010 and has re-priced all of its outstanding share purchase warrants. Management remains confident that equity financing will continue to be available; however, the Company cannot provide any assurance that equity financing will be available on terms and conditions acceptable to the Company or at all.

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, 2009, management fees of \$20,870 (2008 - \$18,101) and consulting fees of \$38,500 (2008 - \$36,000) were charged by directors or officers or companies controlled by them. A further \$124,352 (2008 - \$109,870) in consulting and research fees were charged by directors and are included with mineral property deferred costs. As at April 30, 2009, \$88,268 (2008 - \$105,966) 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, 2009 was \$5,775 (2008 - \$5,511) payable to related parties.

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 2,074,074 Units issued under the 2005 (2,000,000) and fiscal 2008 (74,074) convertible partnership unit private placements were subscribed for by a private company related to a director of the Company. These Units were all converted into 10,370,370 common shares of the Company during fiscal 2009.

A private company related to a director of the Company subscribed for U.S. \$150,000 as part of a convertible debenture financing that closed subsequent to April 30, 2009.

#### **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, 2009 and 2008, 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 2009, the Company recorded stock-based compensation expense of \$8,143 (2008 - \$238,735). A further \$212,043 (2008 - \$277,062) was charged to share capital in respect of the estimated fair value of warrants.

## Recent Accounting Pronouncements

### Goodwill and intangible assets

The Canadian Institute of Chartered Accountants ("CICA") 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.

### Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3, "Business Combinations" (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, "Consolidated and Separate Financial Statements" (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

### 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 generally accepted accounting principles ("GAAP") with 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.

### Financial Statement Concepts

CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal year beginning on or after October 1, 2008. The Company is currently evaluating the impact of the adoption of this change on its financial statements.

## Changes in Accounting Policies Including Initial Adoption

On May 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”); Section 1535 “Capital Disclosures”, Section 3862 “Financial Instruments - Disclosures” and Section 3863 “Financial Instruments - Presentation” and the revisions to Section 1400 “General Standards of Financial Statement Presentation”. These new requirements are for disclosure purposes only and have not impacted the financial results of the Company.

### Capital disclosures - section 1535

Section 1535 specifies the disclosure of (i) an entity’s objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

### Financial instruments - sections 3862 and 3863

The new Sections 3862 and 3863 replace Section 3861, “Financial Instruments - Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. The new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks.

### General standards of financial statement presentation - section 1400

Effective for accounting periods beginning on or after January 1, 2008, the revisions to Section 1400, “General standards of financial statement presentation”, requires management to assess an entity’s ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity’s ability to continue as a going concern, these uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. Because of management’s assessment, the Company has prepared the financial statements on a going concern basis.

## Off-Balance Sheet Arrangements

The Company has not entered 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

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 and are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument, as follows: 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; and 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.

The Company has designated its cash as held-for trading. Receivables are designated as loans and receivables. Accounts payable and accrued liabilities are designated as other liabilities. At April 30, 2009 and 2008, the Company had neither available-for-sale nor held-to maturity financial instruments.

## Outstanding Share Data

Authorized Capital:  
100,000,000 common shares, without par value

Issued and outstanding:  
31,160,567 common shares as at August 20, 2009

Outstanding options, warrants, and convertible securities as at August 20, 2009:

Security	Number	Exercise price	Expiry date
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	1,510,032	\$0.43	January 20, 2010
Warrants	8,000	\$0.70	January 20, 2010
Warrants	830,565	\$0.43	June 30, 2010
Convertible Debenture	830,565	(1)	June 30, 2011

(1) *The convertible debentures are convertible into common shares at the rate of one share per \$0.35 of principal outstanding.*

## 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*

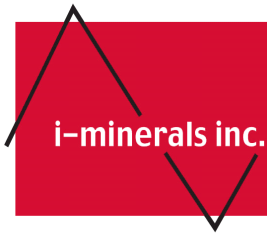
The Company's properties are in the exploration stage and the Company does not have an operating history. As a result, there can be no assurance that the Company will be able to develop and operate its properties, or any one of them, profitably, or that its activities will generate positive cash flow. 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 National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109") 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 full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 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 resource calculation, based upon geostatistical resource model is completed in draft form.
- The initial mine plan is complete incorporating overburden; pit and bench design and haul routes.
- Haul routes from the pit to the preferred plan location site have been completed.
- A preferred site location has been selected and the Company has been negotiating with the Idaho Department of Lands to secure access to the preferred site. Negotiations are progressing slower than anticipated.
- A three dimensional water balance model has been completed indicating minimal impact on the water system in the immediate vicinity of the process plan and open pit.
- Marketing and transportation studies indicate that between western North American and Pacific Rim markets, a base load tonnage of feldspar products can be placed. Strong market contacts were generated when management of the Company undertook a trade mission to Asia with the Secretary of State for Idaho in October, 2008.
- 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 completed September 6, 2008. Significant environmental engineering was required to divert an intermittent creek around the proposed open pit without changing flow rates or impacting defined mineral resources. The majority of all issues identified have been addressed however the permitting process can not complete until the location of the process plant is finalized.

The Company has engaged a leading European research firm to undertake detailed analysis of its halloysite products. Halloysite is a unique kaolin which occurs as microscopic tubes often referred to as "halloysite nanotubes". Testing to date shows i-minerals halloysite to have the lowest initial concentrations of metals of any halloysite tested. Depending how the halloysite reacts to additional treatment, these lowest initial levels of metals could provide a competitive edge into the life science market applications. In general, halloysite nanotubes are being used in an increasing number of applications in the development of products in the plastic and polymers industry. Where halloysite is added to plastic and polymer compounds not only is the strength improved and weight reduced, but in some instances, the resulting compound is biodegradable.

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 defined an initial deposit of sufficient size to be of commercial interest and intends to pursue halloysite and kaolin product and market research in parallel with the development of the Kelly's Basin Feldspar - Quartz Deposit.

## 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.imineralinc.com](http://www.imineralinc.com)