



i-minerals inc.  
Suite 880 - 580 Hornby Street  
Vancouver, BC, V6C 3B6  
Phone: 604.303.6573  
Fax: 604.684.0642  
Email: info@imineralsinc.com

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

*The following information, prepared as of December 16, 2008, should be read in conjunction with the unaudited consolidated financial statements of i-minerals inc. for the six months ended October 31, 2008, as well as the audited consolidated financial statements for the year ended April 30, 2008 and the related management's discussion and analysis (the "Annual MD&A"). 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 December 16, 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:

- 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.

## Results of Operations

### - Six Month Results

The Company recorded a net loss of \$219,821 (\$0.01 per share) for the six months ended October 31, 2008 as compared to a loss of \$293,264 (\$0.02 per share) reported in the same period of 2007. Expenses decreased to \$231,436 in 2008 compared to \$269,213 in 2007, due primarily to a decrease in non-cash stock-based compensation charges with respect to the granting of stock options which decreased from \$126,492 to \$53,997. This decrease was offset by an increase in professional fees from \$583 to \$29,681 as the Company incurred legal charges associated with the permitting process and support for the ongoing feasibility study. Promotion and shareholder communication expense was \$54,268 in 2008 and \$51,952 in 2007 as the Company has entered into 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 \$9,982 (2007 - \$9,052), and consulting fees of \$18,000 (2007 - \$18,000) charged by directors for services rendered.

The 2008 loss was offset by a foreign exchange gain of \$10,135 resulting from a weakening of the Canadian dollar in relation to U.S. dollar-denominated cash. In 2007, the Company recognized a foreign exchange loss of \$32,660 due to a strengthening of the Canadian dollar during the period. The comparative 2007 loss was offset by a recovery of the non-controlling interest's share of the i-minerals Helmer Bovill L.L.P. losses amounting to \$6,928.

### - Three Month Results

The Company recorded a net loss of \$117,031 (\$0.01 per share) for the quarter ended October 31, 2008 as compared to a loss of \$231,206 (\$0.01 per share) reported in the same period of 2007. Expenses decreased to \$123,590 in 2008 compared to \$191,093 in 2007. Variances included non-cash stock-based compensation charges with respect to the granting of stock options which decreased to \$17,544 from \$113,042; and professional fees which increased to \$22,128 from \$52. Expenses were offset by a foreign exchange gain of \$5,135 (2007 - loss of \$33,109).

## Capital Expenditures

The Company incurred deferred exploration expenditures of \$466,953 during the six months ended October 31, 2008, compared to \$462,973 incurred in the same period of 2007. The 2008 expenditures were incurred on the Helmer-Bovill Property and included costs associated with the ongoing SRK feasibility study.

## Summary of Quarterly Results (unaudited)

|   | For the quarter ended |                 |                  |                    |
|---|-----------------------|-----------------|------------------|--------------------|
|   | October 31<br>2008    | July 31<br>2008 | April 30<br>2008 | January 31<br>2008 |
| Total revenues  | \$nil                 | \$nil           | \$nil            | \$nil              |
| Net loss  | (\$117,031)           | (\$102,790)     | (\$132,885)      | (\$177,613)        |
| Net loss per share (basic and diluted) <sup>(1)</sup> | (\$0.01)              | (\$0.01)        | (\$0.01)         | (\$0.01)           |
| Total assets  | \$5,852,077           | \$5,900,366     | \$4,975,403      | \$4,951,932        |

|   | For the quarter ended |                 |                  |                    |
|---|-----------------------|-----------------|------------------|--------------------|
|   | October 31<br>2007    | July 31<br>2007 | April 30<br>2007 | January 31<br>2007 |
| Total revenues  | \$nil                 | \$nil           | \$nil            | \$nil              |
| Net loss  | (\$231,206)           | (\$62,058)      | (\$65,400)       | (\$103,154)        |
| Net loss per share (basic and diluted) <sup>(1)</sup> | (\$0.01)              | (\$0.00)        | (\$0.00)         | (\$0.01)           |
| Total assets  | \$5,021,413           | \$5,224,887     | \$4,097,212      | \$4,065,308        |

<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 quarter ended January 31, 2008 and the quarter ended October 31, 2007 included non-cash charges of \$121,485 and \$113,042, respectively, for stock-based compensation expense.

The increases in total assets for the quarters ended July 31, 2008 and July 31, 2007 were due to the completion of private placement financings during the respective quarters.

### Financing Activities

During the six months ended October 31, 2008, the Company completed a financing in which it raised net proceeds of \$901,466 from a non-brokered private placement of 1,510,032 units at a price of \$0.60 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 \$0.70 per share until expiry on January 20, 2010. The Company paid 10% finders' fees on a portion of the units subscribed through the issuance of 8,000 units with terms identical to those placed in the offering. The Company also received \$218,750 from the exercise of 625,000 stock options at \$0.35 per share.

During the comparative period in 2007, 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. The Company also received subscriptions amounting to \$212,100 (U.S. \$200,000) in respect of a convertible private placement of convertible partnership units which closed during the second quarter, and raised \$52,500 on the exercise of warrants and stock options.

### Liquidity and Capital Resources

The Company's aggregate operating, investing and financing activities during the six months ended October 31, 2008 resulted in a net cash inflow of \$411,829. As at October 31, 2008, the Company had cash of \$486,233 (April 30, 2008 - \$74,404) and working capital of \$343,364 (April 30, 2008 - 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.

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.

Management intends to pursue additional equity financing in 2009 and is contemplating the repricing 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 to bring the deposit into production. In this regard, the Company intends to pursue state-sponsored debt financing instruments to cover the bulk of the associated capital costs.

### **Transactions with Related Parties**

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

During the six months ended October 31, 2008, management fees of \$9,982 (October 31, 2007 - \$9,052) and consulting fees of \$18,000 (October 31, 2007 - \$18,000) were charged by directors or companies controlled by them. A further \$57,978 (October 31, 2007 - \$55,710) in consulting and research fees were charged by directors and are included with mineral property deferred costs. Transactions with related parties are recorded at the exchange amount, being the price agreed between the parties.

Current payables of \$176,364 as at October 31, 2008 include \$38,201 owing to related 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 fiscal 2005 and fiscal 2008 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 common shares of the Company during the six month period ended October 31, 2008.

### **Critical Accounting Estimates**

The Company's critical accounting estimates are as described in the Annual MD&A.

### **Recent Accounting Pronouncements**

The 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.

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 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.

There are no recent accounting pronouncements impacting the current quarter's financial statements, except as disclosed in the Annual MD&A.

### **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". These new requirements of Sections 1535, 3862 and 3863 are for disclosure purposes only and have not impacted the financial results of the Company.

#### **a) 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.

b) 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.

### 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 that 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 a significant portion of its financial assets and liabilities is 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:  
31,160,567 common shares as at December 16, 2008

Outstanding options, warrants, and convertible securities as at December 16, 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  |

### 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. The Company's operations are subject to a number of risk factors as detailed in the Annual MD&A.

### 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 interim consolidated financial statements for the six months ended October 31, 2008 and this accompanying MD&A.

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 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 and the parallel mine permitting process. In this regard:

- The final resource calculation is under review based upon a preliminary geostatistical resource model.
- 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.
- The process plant location has been selected with access and permitting issues currently being addressed. The location was selected based upon outbound haulage, mine haulage, plant requirements and general infrastructure.
- 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 Taiwan with the Governor of Idaho generated additional market contacts which the Company is following up.
- The Company's mine 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 completed September 6, 2008. i-minerals is drafting formal responses to comments brought forward by regulatory agencies.
- In general, all of the comments are in line with management's expectations. Any issues brought forward in the comment process that were not already addressed in the Section 404 Wetland Permit Application or the preliminary National Environmental Policy Act ("NEPA") review for the Helmer-Bovill project were identified prior to the comment period and are being addressed on an ongoing basis.
- The proposed operation includes development of a mineral deposit that contains no metals or sulfides and the proposed process facility has zero water discharge, both attributes in the permitting process.

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 numerous industries including life sciences, plastic and polymers industry and others. The halloysite nanotubes are different compounds to improve characteristics such as 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. Commercialization of any halloysite based nano-tech product will require a long term supply of halloysite. There are few deposits that offer the combination of a large volume of clay hosting significant concentrations of halloysite with a high aspect ratio and low levels of initial deleterious impurities. While initial market studies and testing of different halloysite products at international laboratories has generated very strong results, the company's focus going forward will be the completion of the feasibility study, and associated mine permit application on the Kelly's Basin 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.imineralsinc.com](http://www.imineralsinc.com).