

International KRL



International KRL
R E S O U R C E S C O R P

**A N N U A L
R E P O R T**

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100% Canadian Projects

Project	NOR	Turn River	Wolf	Carswell	Bear River	Lac d'Or
Elements	Iron Oxide Copper Gold Uranium	Uranium Nickel	Silver Lead Zinc	Uranium	Gold	Gold
Location	YK	YK	YK	SASK	BC	QUE
Claims	402	3,377	289	1	31	72
Hectares	8,403	69,521	5,494	2,425	775	3,794
Acres	20,764	171,790	13,576	5,993	1,918	9,375
Interest/ Ownership	100% + NSR	50%	60% + NSR	20%	100% + NSR	100%

IRK TSXV

Letter to Shareholders

On behalf of the board, management and staff, I wish to thank our loyal shareholders for sharing our determination and enthusiasm and for their continued support during the past year. I would also like to acknowledge the efforts of our team. International KRL has dedicated its efforts this year to evaluating and advancing a number of the projects in the Company's diversified exploration portfolio.

As an exploration company, International KRL specializes in acquiring mineral properties with excellent discovery potential, evaluating them effectively, and as quickly as is feasible; then either moving forward with drill programs or switching to the next project. International KRL's business strategy of having a number of projects at varying stages with potential for different commodities enables the Company to maximize opportunities as the markets and commodity prices dictate, and focus on projects with the best potential at that time.

There are a number of developments worth mentioning for fiscal 2008. During the period, an extensive exploration program was carried out at Nor which included diamond drilling, prospecting, scintillometer surveys, and high resolution airborne magnetic and radiometric surveys. The information obtained from these programs continues to provide encouragement and advances the geological understanding of this significant multi-element project. Seven drill holes were completed and encouraging copper mineralization continued to be intersected. The Company discovered additional uranium showings on the northern part of the Nor property; which returned values from 0.11% to 5.54% U₃O₈ over 1.1 km. In addition, the Company modelled the soil geochemical data and the results were particularly favourable in light of the Iron Oxide-Copper-Gold (IOCG) model. For the year ahead, International KRL continues to seek a joint venture partner to share the costs of exploring and advancing Nor.

During the year, International KRL continued to acquire and dispose of mineral properties, while maintaining a diversified mixture of uranium, base metal and gold projects at various stages of exploration. Significant acquisitions include: the Turn River uranium-nickel project, jointly owned with Logan Resources Ltd.; and the Lac D'or gold project, both of which were acquired through staking; and the Wolf silver lead zinc project, which was optioned from Tarsis Capital. Staking is an economic method for the Company to acquire exploration projects of this magnitude since the net acquisition cost is simply the staking costs rather than the cash payments, share issuances and net smelter royalties (NSR) that are often fundamental in property option agreements.

The value and potential of the Turn River project was articulated further by the subsequent option agreement with Longview Capital Partners, who agreed to spend \$15 million on the Turn River property to earn a 50% interest in the project. Optioning the property to Longview ensured our shareholders had access to the significant discovery potential of this property, while eliminating the dilutive effect if International KRL had financed the exploration programs. Subsequent to the Company's year-end, Longview dropped the option agreement, but not before they spent close to \$1.5 million on the property. These expenditures not only covered International KRL's costs of acquisition but they ensured that the claims remain in good standing for the next several years.

With the gold market remaining strong, International KRL added a substantial gold project to its exploration portfolio. The Company staked a large land package in the emerging gold camp of the Eastmain Greenstone Belt in Quebec. The project is strategically located next to several significant gold deposits in highly favourable geological environments, and International KRL could benefit dramatically from the area plays surrounding these claims. In addition, the Quebec government has particularly enticing tax advantages for exploration companies operating in the province, which International KRL intends to take advantage of.

To further its base metal potential, your Company also added the Wolf silver lead zinc project to its portfolio. The location and road access to this property facilitates a winter exploration and drill program, which complements our summer season in the Yukon. During the year, the Company completed a preliminary drill program in the spring and evaluated a number of the geophysical and geochemical anomalies. International KRL exceeded the work commitments for year one in the underlying option agreement and the ground is now in good standing for the next several years.

Letter to Shareholders (continued)

Additionally, after lengthy discussions, your Company and ESO Uranium Corp. (TSXV:ESO) penned a joint venture agreement subsequent to year end, regarding International KRL's uranium project in the Athabasca Basin. This agreement provides all the upside benefits to our shareholders, should an economic uranium deposit be found on the property, without the exploration cost or dilution. Under the terms of the agreement, your Company is carried to the bankable feasibility stage in exchange for giving ESO an additional 30% interest in the single claim, leaving International KRL with a 20% carried interest. This means that International KRL is not required to spend any money going forward and yet, would benefit if a significant discovery is made. More importantly, if ESO decides not to continue working on this property, then a 100% interest is reverted back to International KRL.

Finally, with the sale of the Copper Hill Property to Golden Harp Resources Inc. in exchange for 10,000,000 shares, our shareholders benefit from the upside opportunities as that company actively explores the property. Golden Harp successfully completed its Initial Public Offering in March 2008 and has conducted several drill programs and some extensive geophysical and geochemical surveys to further their target generation activities. International KRL Resources currently owns 40.53% of Golden Harp. Given the significant ownership position, our shareholders should see a reflective share price improvement should Golden Harp make a significant discovery. The investment also provides additional exposure to the strong gold market forecast for the year ahead. At this time, the Board of Directors feels it is in the best interest of International KRL shareholders to hold onto this investment. Should market conditions change, the Company may proceed with a distribution of the shares at a more appropriate date.

International KRL Resources continues in fiscal 2009 with a strong portfolio of 100% owned projects, and substantial investments, which provides tremendous flexibility for deal making going forward. Our projects are located in favourable geopolitical regions, are large in scale with excellent exploration potential and provide lots of opportunity for discovery. We look forward to reporting our progress in the year ahead.



Seamus Young President & CEO

October 10, 2008

Management's Discussion & Analysis

For the Year Ended May 31, 2008

INTRODUCTION

The following management discussion and analysis (MD&A) of the financial position of International KRL Resources Corp. ("Company"), its 50% owned joint venture and its investment in Golden Harp Resources Inc. (GHR) and results of operations should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended May 31, 2008. The audited annual consolidated financial statements together with the following management discussion and analysis are intended to provide readers with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance. All statements, other than those of historical fact, included in this MD&A, including without limitation, statements regarding potential mineralization and reserves, exploration results and future plans and objectives of the Company, are forward-looking statements that involve various risks and uncertainties. There can be no assurance such statements will prove accurate and actual results and future events could differ materially from those anticipated in such statements. This MD&A includes material occurring up to and including September 2, 2008.

DESCRIPTION OF BUSINESS

International KRL Resources Corp. was incorporated in the Province of British Columbia. The Company is a reporting issuer in British Columbia and its shares trade on the TSX Venture Exchange under the symbol IRK. The Company is engaged in the acquisition, exploration and development of mineral properties in British Columbia, Saskatchewan, the Yukon Territory, and Quebec. International KRL is currently focusing its exploration activities for base and precious metals on its Nor and Wolf properties in the Yukon Territory. During the fiscal year, the Company terminated its option agreement to earn a 100% interest in the U-Claims and the White River Copper properties. All expenses incurred on these two properties have been written off.

The Company recorded its investment in Golden Harp on a fully-consolidated basis until February 29, 2008. Thereafter, the Company's investment in Golden Harp was determined by management to have converted from a controlled entity to an equity investment. At both May 31, 2008 and 2007, the Company owned 10,000,000 shares in Golden Harp. The Company's interest in Golden Harp declined from 65.32% to 40.53% during the year as a result of share issuances by Golden Harp, and from the exercise of stock options and warrants.

At this time, the Company does not own any operating mines and has no operating income/sales from mineral production. Funding for operations is raised primarily through public and private share offerings. Future operations and the Company's ability to meet mineral property option commitments are dependent on the Company's ability to raise sufficient funding through share offerings or operations to support current and future expenditures. At May 31, 2008, the Company had working capital of \$232,815.

Realization of the carrying value of mineral interests is dependent upon funding, the ability of the Company and third parties to bring mineral interests into profitable production, or recovery from sale.

The audited annual consolidated financial statements have been prepared on a going concern assumption which contemplates the Company will continue in operation and realize its assets and discharge its liabilities in the normal course of operations. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values may be required.

FINANCIAL SUMMARY

During the year, the Company raised no cash from private placements. Pursuant to the Company's mineral property option agreements, the Company issued 400,000 shares at fair value ranging from \$0.13 to \$0.16 per share for a total fair value of \$58,000. The Company also issued 103,000 common shares pursuant to a mineral property finder's fee agreement at a fair value of \$0.11 per share for a total fair value of \$11,330.

The Company spent a total of \$2,888,186 on mineral interest acquisition and exploration expenditures. Administration expenses amounted to \$1,157,278 which includes non-cash stock-based compensation totaling \$138,607 and amortization expense totaling \$50,599. There was a net decrease in cash and cash equivalents of \$431,073 for the year.

SELECTED ANNUAL INFORMATION

	May 31, 2008	May 31, 2007	May 31, 2006	May 31, 2005
Restated				
Net income (loss)	(647,421)	(1,894,578)	(187,656)	(609,027)
Net income (loss) per share (basic and diluted)	(0.01)	(0.03)	0.00	(0.02)
Total assets	8,847,818	10,701,277	9,467,561	5,569,509

As the Company has no revenues, increased exploration activity and operations causes an increase in losses. Other losses can be caused by write-downs or write-offs of carrying value of impaired mineral assets.

RESULTS OF OPERATIONS

Net loss in the current year was \$647,421 compared to a net loss of \$1,894,578 for the prior year, reflecting a net overall decrease in loss of \$1,247,157. Significant line item changes were as follows:

- Gain on dilution on shares issued by GHR was \$294,973 in the current year compared to a dilution loss on share issuance of \$749,584 in the prior year reflecting an overall increase of \$1,044,557.
- Impairment loss in the prior year was \$958,629 to reflect the full value at which the Copper Hill property was transferred to GHR compared to a loss of \$211,367 in the current year due to the abandonment of the U-Claims and the White River Copper properties. This resulted in a net decrease in loss of \$747,262 from the prior year.
- Professional fees decreased by \$75,839 due to the decreased activities associated with the spin-off of the Copper Hill property to GHR and GHR seeking reporting issuer status.
- Stock-based compensation decreased by \$21,854 mainly due to options granted at lower market prices in the current year compared to the prior year.
- Management fees increased by \$77,351 mainly due to Management fees paid by Golden Harp.
- Amortization increased by \$37,428 mainly due to the amortization effect of the new Airborne Field equipment in the newly formed joint venture with Logan Resources Ltd.
- Interest income decreased by \$55,436 due to the decrease in cash and investments.
- Future Income Tax recovery decreased by \$436,912 because there were no flow-through shares issued and renounced in the current year.

SUMMARY OF QUARTERLY RESULTS

(Prepared in accordance with Canadian generally accepted accounting principals and expressed in Canadian dollars)

	May 31, 2008	Feb 29, 2008	Nov 30, 2007	Aug 31, 2007	May 31, 2007	Feb 28, 2007	Nov 30, 2006	Aug 31, 2006
Net income (loss)	(33,125)	3,109	(506,476)	(110,929)	(384,756)	(278,708)	(1,004,619)	(226,495)

Net income								
(loss) per share								
(Basic and diluted)	(0.001)	0.000	(0.008)	(0.002)	(0.006)	(0.005)	(0.018)	(0.004)

LIQUIDITY

At May 31, 2008, the Company had working capital of \$232,815 which management considers sufficient to continue operations for the coming year. However, these funds are insufficient to meet all property commitments listed below, as they now stand. The Company will be seeking further funding from private placement financings to meet these commitments or it may seek extensions to the exploration schedule. Also, in the longer term, in order to continue operations, and in particular, to fund ongoing expenditure commitments listed below and in the notes to the financial statements, the Company will need to raise additional capital. The Company plans to do this through private placements and public offerings.

CAPITAL RESOURCES AND EXPLORATION EXPENDITURE COMMITMENTS

The Nor and Wolf properties are held under option agreements. During the fiscal year the Company entered into property mineral option agreement with Tarsis Capital Corp. to earn 60% interest in the original 10 claims of the Wolf property. International KRL Resources Corp. staked an additional 300 claims and the Wolf property now consists of 310 claims. The Company terminated the property option agreements to earn 100% interest in the U-Claims and the White River Copper property.

Under the Nor property agreement, International KRL must make a \$60,000 cash payment and issue 200,000 shares by December 1, 2008. Under the option agreement for the Wolf property, the Company is also required to issue 200,000 shares to Tarsis Capital Corp. by October 14, 2008. Details of these requirements are listed in the notes to the audited annual consolidated financial statements.

OUTSTANDING SHARE CAPITAL

At September 2, 2008, the Company had the following number of securities outstanding:

Securities	Number	Exercise Price	Expiry Date
Common shares issued and outstanding	66,539,641	N/A	N/A
Share purchase warrants	0	N/A	N/A
Share purchase options	3,850,000	\$0.15-\$0.38	23 March 2009 to 1 May 2010
Fully diluted share Capital	70,389,641	N/A	N/A

RELATED PARTY TRANSACTIONS

For details of related party transactions, the reader is directed to Note 13 and comments included in the May 31, 2008 audited annual financial statements. Additional details are as follows:

International KRL Resources Corp. pays a company controlled by the President of the Company, Seamus Young, \$5,000 per month for management and consulting services in relation to the evaluation, acquisition, maintenance and exploration of International KRL's mineral properties plus a per diem for supervision time spent at the properties; and \$5,000 per month for general office administration services including financing, liaison with professionals, continuous disclosure and general office functions (management fees).

Logan Resources Ltd. is a resource exploration company that has four common Directors with International KRL, including the President of both companies, Seamus Young. Amounts owed from Logan Resources Ltd. of \$7,566, represents amounts billed under a cost sharing arrangement with Logan Resources Ltd. for office space and administrative services.

FOURTH QUARTER COMPARISON

For the three months ended May 31, 2008 the general and administration expenses totaled \$69,212 compared to \$190,316 in Q4-2007 resulting in a decrease of \$121,104. The majority of the decrease was a result of lower stock based compensation and management fees.

The travel and promotion/business development expenses were \$27,865 in Q4-2008 (Q4-2007: \$69,147). The \$41,282 decrease is attributed to reduced travel.

Professional fees were \$25,263 in Q4-2008 (Q4-2007: \$49,122). The \$23,859 decrease is attributed to decreased activities requiring professional fees associated with the spin-off of the Copper Hill property to GHR and GHR seeking reporting issuer status.

Management fees were \$14,937 in Q4-2008 (Q4-2007: \$33,063). The \$18,126 saving is a result of not consolidating management fees of three officers of Golden Harp as of Feb 29,2008 due to the change in accounting for Golden Harp from the consolidation method to the equity method.

EXPLORATION EXPENDITURES

The Company spent a total of \$2,756,084 net of tax credits recoverable of \$Nil, on exploration in the current period. The focus of the work in the current period was on the Company's Nor and Wolf properties in the Yukon where expenditures totaled \$1,546,857 and \$770,219 respectively (no tax credit recoverable).

A total of \$439,008 net of tax credits of \$Nil, recoverable, was spent on the Company's remaining mineral interests. Full details on exploration expenditures are disclosed in Note 7 accompanying the audited annual consolidated financial statements. See the mineral property update below, for further details of activities.

MINERAL INTERESTS UPDATE

COPPER HILL PROPERTY, Ontario – Gold

GHR's Copper Hill property is located in the Shining Tree/Gowganda Area of Northern Ontario, and consists of 849 claim units or approximately 17,000 hectares covering 56 sq. miles in the prolific Abitibi Greenstone Belt. Exploration to date has identified four known gold zones and one copper zone. Numerous exploration targets are identified on the property, which warrant follow-up exploration work to be done. Ownership details are listed in Note 7(a) to the 2008 audited consolidated financial statements.

Update on the Spin-off for Copper Hill Property

International KRL will seek regulatory approval from the TSX-V and Supreme Court of British Columbia when market conditions change for the distribution of its interest in the Copper Hill Project to its shareholders, by way of a reduction of paid up share capital on a pro-rata basis. The proposed plan of reorganization is being implemented in several stages. The first stage involved the transfer of the Copper Hill Project to the Company's subsidiary in return for shares of GHR. International KRL intends to distribute the shares of GHR, to the shareholders of International KRL on a pro rata basis. Following the receipt of regulatory approval, the Company will issue a press release confirming the record date established for such distribution.

Background on Golden Harp Resources Inc.

GHR was incorporated on May 3, 2006 as a subsidiary of International KRL for the purpose of "spinning -off" to the Company's shareholders its various mineral properties located in the Shining Tree Area in the Abitibi Greenstone Belt of Northeast Ontario.

The Return of Capital Shares were issued to International KRL last fiscal year on May 31, 2006 when 10,000,000 GHR shares were issued to the Company in consideration of the transfer by the Company of the Copper Hill Claims at a deemed issue price of \$0.32 per share. During fiscal year 2008, GHR gained reporting issuer status and completed an initial public offering and listed its shares on the TSX Venture Exchange.

Exploration Activity on the Copper Hill Property

Exploration work undertaken by GHR generated a number of new gold and base metal drill targets on several areas of its 56 square mile land package.

Diamond Drill Program on the MC and Cook Gold Zones

This spring GHR completed a 2,043 meter diamond drill program, consisting of 12 holes, on the MC and Cook gold zones on the Copper Hill Project. This drill program was conducted to test a series of coincident Induced Polarization (IP) geophysical targets and Mobile Metal Ion (MMI) anomalies along strike from the historical Cook Zone; as well as a surface gold occurrence (1.17 g/t Au over 25 metres – Trench 2, Cyprus Canada, 1994) associated with a broad IP target on the MC Zone. Ten of the twelve holes on both the Cook and the MC zones returned significant gold values. Details on the diamond drill holes and gold intercepts are presented in Table 2 of news release issued on June 10, 2008.

The broad gold intersections drilled by the two holes on the MC Zone demonstrate near surface bulk tonnage potential. Both holes contained several significant gold-bearing geological units. The primary geological environment (fuchsitic ultramafics or green carbonate altered ultramafics), hosting the gold on the MC Zone, is well documented in the Abitibi and is responsible for substantial gold production from various mines (Kerr Addison) along the Cadillac Larder Lake Break. Results from the holes drilled on the Cook Zone confirmed the potential to extend the strike length of the main occurrence and identified a new gold.

Subsequent to International KRL's year-end, GHR implemented a second phase drill program to continue testing the MC Zone along strike and at depth to evaluate both the near surface bulk tonnage potential and determine if there is potential for higher-grade mineralization at depth. Subsequent to May 31, 2008, GHR also completed an extensive geophysical induced polarization survey and a mobile metal ions soil geochemical survey. Results from these surveys will be issued as soon as they are available.

BEAR RIVER PROPERTY, BC – Gold

The Company's Bear River property is located in the Skeena Mining Division, BC, in the historic Stewart Gold Camp. It consists of three (and a fraction) 100% owned mineral claims (subject to NSR's) representing 31 claim units and a fraction, covering an approximate area of 775 hectares (1,918 acres).

Exploration Activity on the Bear River Property

Exploration to date identified gold and silver mineralization in epithermal quartz veins and gold with massive sulphides in altered volcanics. With improving markets and exploration conditions in BC, the area is undergoing extensive exploration. The Company is seeking a strategic partnership to take advantage of this cycle and accelerate the evaluation of the mineral potential of the Bear River property.

NOR PROPERTY, Yukon – Copper/Gold/Uranium

The Nor IOCG (iron oxide-copper-gold) property is located on the east flank of the Richardson Mountains, about 65 km east of the Dempster Highway and 395 km north of Dawson City, Yukon Territory. International KRL acquired the right to earn a 100% interest in the Nor property, subject to a 2% NSR by an option agreement signed in October 2004. The terms of the option are detailed in Note 7(b) in the financial statements. Since signing the option, the Company has staked additional ground contiguous to, and in the vicinity of the property.

Last year the Company extended its claim block from 236 claims (48 sq. km) to 448 claims covering approximately 94 sq. km (23,127 acres/9,363 hectares). The property was expanded to secure additional areas of interest including the geophysical expression of the Wernecke Breccia. This property bears striking geological, geochemical and geophysical similarities to the Olympic Dam IOCG type deposit in Australia.

Nor Property's Diamond Drill Program

In fiscal year ending May 31, 2008, International KRL conducted a 1,188m diamond drill program. Seven holes were drilled in total with holes NOR 07-12 to -15 targeting the contact zone of a body of Wernecke Breccia with the surrounding Fairchild Lake Group which copper mineralization was intersected in 2006, including 0.25% Cu over 20m from hole NOR 06-09. Results from the diamond drill program, calculated as weighted averages, are summarized below:

Hole No.	From	To	Interval (m)	Cu (%)
NOR 07-14	34.0	45.0	11.0	0.14
including	35.0	38.0	3.0	0.42
NOR 07-15	3.05	68.0	64.95	0.20
including	3.05	35.0	31.95	0.29
(which includes	20.0	35.0	15.0	0.38)
including	44.0	68.0	24.0	0.14

Holes NOR 07-10 to -11 and -16 targeted coincident geochemical and geophysical uranium anomalies in the southern property area. Uranium mineralization observed in surface samples and trenches, with values of 1.3% to 5.54% U₃O₈ from grab samples over a strike length of more than 1.1 km, was not intersected in the drill program. Trenching is necessary to determine the orientation of the mineralization.

Nor Property's Airborne Radiometric and Magnetic Survey

During the fiscal year ended May 31, 2008, International KRL conducted radiometric and magnetic surveys over the Nor property. The surveys were conducted using a new radiometric and magnetic system purchased. The surveys were flown under the supervision of Ron Sheldrake, Geophysicist, at 100m flight line intervals and tie lines at 800m intervals.

The geophysical surveys outlined a deep seated intrusive feature towards the east. The Wernecke Breccia exposure corresponds to a magnetically active zone, probably due to alteration and/or faulting, and elevated thorium values. Elevated potassium values occur in the southeast survey area. These geophysical anomalies require further exploration.

CARSWELL PROPERTY, Saskatchewan – Uranium

The Carswell uranium property is located in the uranium-rich Athabasca Basin. The Company's claim, in the Cluff Lake Structure, also known as the Carswell Dome, is flanked by claims of Titan Uranium Corp. to the south and east, Hathor Exploration Ltd. to the north and on the west side by the mining licenses of the past producing Cluff Lake Mine. The claim covers 2,416 hectares (5,970 acres). International KRL granted an option to ESO Uranium Corp. (previously known as Essendon Solutions Inc.) to acquire a 50% interest in the property in return for \$25,000 cash consideration, 200,000 shares and a \$100,000 work commitment (see Note 7 (c) in the 2008 audited financial statements). During the year, ESO Uranium Corp. met the terms of the option agreement and has a 50% interest in the property.

Subsequent to May 31, 2008, the Company signed a joint venture agreement with ESO (refer to news release issued on August 20, 2008).

U CLAIMS, Yukon – Uranium

The U Claims are located approximately 170 km south of Dawson in the Dawson Mining District of the Yukon Territory. The property consists of 90 mineral claims covering 4,647 acres (1,881 hectares). International KRL acquired the right to earn a 100% interest, subject to a 2% NSR, by an option agreement dated August 1, 2006.

U-Claims' Airborne Radiometric and Magnetic Surveys

During the fiscal year ended May 31, 2008, International KRL conducted radiometric and magnetic surveys over the U-Claims. The surveys were conducted using a new radiometric and magnetic system purchased. The surveys were

flown under the supervision of Ron Sheldrake, Geophysicist, at 100m survey line intervals and tie lines at 800m line intervals.

The geophysical survey identified no significant anomalies and the Company terminated the option agreement for the U-Claims.

WHITE RIVER COPPER PROPERTY, Yukon – Copper

In fiscal 2007, the Company entered into an option agreement with Shawn Ryan of Dawson City, Yukon Territory, whereby International KRL was granted the option to earn a 100% interest, subject to a 2% NSR, in 32 mineral claims located in the Whitehorse Mining District of the Yukon Territory. The White River Copper property covers 1,652 acres (669 hectares).

During the period ended May 31, 2008, the Company terminated its mineral property option agreement to earn a 100% interest in the property.

TURN RIVER (Yukon)

Last year, International KRL and Logan Resources Ltd. jointly acquired the Turn River Project by staking. The property is located in the Cassiar Plateau, approximately 95 km northeast of Whitehorse in the Yukon Territory and has potential for uranium. The Turn River property consists of 3,377 claims in twelve non-contiguous blocks, covering an area of 706 km² (174,432 acres). Each company has a 50% interest in the property.

The highest known uranium silt geochemical values in the Yukon are found in the Cassiar Plateau region and values from the Turn River property are as high as 291ppm. This is significantly higher than the 95th percentile (13.6ppm) for uranium silt geochemical samples in the region. During the fiscal year both International KRL and Logan Resources Ltd. conducted airborne geophysical surveys over the property.

Turn River Property's Airborne Radiometric and Magnetic Surveys

During the fiscal year ended May 31, 2008, International KRL and Logan Resources Ltd. conducted radiometric and magnetic surveys over the Turn River property. The surveys were conducted using a new radiometric and magnetic system purchased from Pico Envirotec of Downsview, Ontario. The surveys were flown under the supervision of Ron Sheldrake, Geophysicist, at 100m survey line intervals (totaling 2,734km survey lines) and tie lines at 800m line intervals (totaling 453km tie lines).

The geophysical survey identified three high priority and 24 secondary priority radiometric anomalies with potential for uranium mineralization. Numerous magnetic anomalies also warrant further exploration for nickel mineralization. International KRL and Logan Resources Ltd. plan to seek a joint venture partner to further explore the Turn River Property.

WOLF (Yukon)

The Wolf (silver, lead, zinc) property, previously referred to as the Tim and Kuda property, is located 72km west of Watson Lake, Yukon. The Company acquired the right to earn a 60% interest in the Wolf property from Tarsis Capital Corp. subsequent to an option agreement signed in September 2007. The terms of the option are detailed in Note 7(h) in the financial statements. Since signing the option, the Company staked additional ground contiguous to the property, bringing the total to 289 claims covering 14,926 acres.

During the year, International KRL staked the Coyote claims in B.C. which are contiguous, and add to the Wolf claims. The Wolf property now consists of 310 claims.

Diamond Drill Program on Wolf Property

During fiscal year 2008, International KRL conducted a diamond drill program on the Wolf property. The Company drilled a total of five holes targeting a previously untested induced polarization (IP) anomaly. The IP anomaly is made up of two portions, a large anomaly indicative of a large buried sulphide body and a narrow coeval anomaly associated with the known mineralization on the property. The known mineralization consists of an oxide zone up to 30 m wide, which returned 4 m of 352.4 g/t Ag and 9.12% Pb in a trench. The entire anomaly indicates potential for a large volume of sulphides in a zone at least 1700m long and up to 500 m wide.

The diamond drill core samples collected were shipped to Acme Analytical Laboratories in Vancouver for analysis. Assay results from the program will be reported once they are received and compiled.

LAC D'OR (Quebec)

During the 2008 fiscal year, International KRL obtained by staking the Lac d'Or property in the James Bay region of northern Quebec. The property is 100%-owned by the Company and consists of 72 mineral claims and covers an approximate area of 3,800 hectares.

The Lac d'Or property is located in the highly prospective Eastmain greenstone belt and is strategically located in the vicinity of several significant gold deposits. The Eastmain belt consists of volcanic and sedimentary rocks which have excellent potential to host vein gold and VMS deposits. The property is immediately north of Eastmain Resources Inc.'s Clearwater property, and is approximately 12 km northeast of Eastmain's Eau Claire gold deposit. Eau Claire hosts a NI-43-101 compliant resource of 1,029,332 tonnes @ 9.46 g/t gold (indicated) and 3,049,660 tonnes @ 6.93 g/t gold (inferred), for a total resource of 992,655 oz. gold. Eastmain recently reported drilling results which included visible gold in 76 half-metre drill core samples averaging 70.74 g/t gold or 2.07 oz/ton (refer to Eastmain Resources (TSX:ER) news release dated April 2, 2008).

Another high-grade gold occurrence in the region is Goldcorp Inc.'s Roberto deposit on the Éléonore property, located approximately 53 km to the northwest. The Roberto deposit has been traced by drilling over a strike length of 1.9 km and a depth of 1,300 metres, and remains open in all directions. This world-class deposit contains a NI-43-101 compliant resource of 10.78 Mt @ 7.23 g/t gold (indicated) and 5.63 Mt @ 6.47 g/t gold (inferred), for a total resource of 3.68 million oz. gold. The James Bay region has experienced a major boom in mineral exploration since the discovery of the Roberto gold deposit in 2003.

International KRL plans to explore the Lac d'Or property in the next exploration season.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective June 1, 2007, the Company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook section 1506, "Accounting Changes", permitting accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles ("GAAP"), or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless impracticable. Any prior period errors identified also require retroactive application. The revised standards did not have any material impact on the Company's financial statements.

Effective June 1, 2007, the Company adopted new CICA Handbook Sections 3855 "Financial Instruments – Recognition and Measurement", CICA 3861 "Financial Instruments - Disclosure and Presentation", CICA 3865 "Hedges", CICA 1530 "Comprehensive Income", CICA 3051 "Investments" and CICA 3251 "Equity". The new Handbook Sections establish standards governing the recognition, measurement, disclosure and presentation of financial instruments, when and how hedge accounting may be applied, the reporting and presentation of comprehensive income, accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. The Company does not have any hedging relationships or investments that fall under these standards. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

In accordance with CICA 1530, "Comprehensive Income", and CICA 3251, "Equity", these sections provide standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income includes net income plus changes in unrealized gains or losses from changes in the fair market value of available-for sale investments, changes in the fair value of derivatives designated as cash flow hedges and currency translation adjustments on self-sustaining foreign operations. The Company does not have any derivative instruments or self-sustaining foreign operations and currently the Company's other comprehensive income (loss) is comprised only of changes in the fair value of the Company's available-for sale investments.

Under CICA 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange

amount in accordance with the Canadian Institute of Chartered Accountant Handbook Section 3840, "Related Party Transactions". Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is impaired or sold at which time the amounts will be recorded in net income; financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for trading are measured at amortized cost, using the effective interest method of amortization. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalized and presented as a reduction of the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This Section does not permit the restatement of financial statements of prior periods.

The Company classified its financial instruments as follows:

Cash and cash equivalents	held-for trading
Short-term investments	held-for trading
Marketable securities	available for sale
Amounts receivable	loans and receivables
Due from related parties	loans and receivables
Accounts payable	other financial liabilities

In addition, the Company has elected to account for transaction costs related to the acquisition or issuance of financial instruments as a reduction of the carrying value of the related financial instruments except for those classified as available for sale which are expensed as incurred. The Company did not have any held-to-maturity instruments and outstanding contracts with embedded derivatives at June 1, 2007.

As at May 31, 2008, the Company's financial instruments consist of cash and cash equivalents, short-term investments, marketable securities, amounts receivable, accounts payable and due from related parties. The fair values approximate their carrying values due to the short-term maturity of the instruments except for marketable securities which has been recorded at fair value. The Company is not exposed to significant interest rate, currency exchange rate or credit risk arising from these financial instruments. The Company is not party to any derivative instruments.

Upon the adoption of these new standards the Company classified its marketable securities as available for sale, which are measured at fair value, and recorded an \$13,507 increase in their carrying value as at June 1, 2007; representing the aggregate cumulative unrealized gain on the statement of accumulated other comprehensive income. There were no other opening adjustments recorded on the adoptions of these standards.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and is effective for interim and annual periods relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

In May 2007, the Accounting Standards Board issued CICA Handbook Section 3031, "Inventories". Section 3031 introduces changes to the measurement and disclosure of inventory and converges with international financial reporting standards and is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862, "Financial Instruments - Disclosure" and Section 3863, "Financial Instruments - Presentation" which replace Section 3861, "Financial Instruments - Disclosure and Presentation". Section 3862 increases the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. This section carries forward the former

presentation requirements and is effective for fiscal years beginning on or after October 1, 2007. The Company is currently assessing the impact of the new disclosure standard and has not yet determined its impact on the Company's financial statements.

In October 2006, the Accounting Standards Board issued CICA Handbook Section 1535, "Capital Disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

FINANCIAL REPORTING UPDATE

Effective March 2006, all reporting issuers in Canada are subject to new disclosure requirements as per Multilateral Instrument 52-109 ("MI 52-109"). As a result of MI 52-109 the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have to certify that they have designed internal controls over financial reporting to provide reasonable assurance over the reliability of financial reporting and the preparation of external financial statements in compliance with GAAP. In addition, they are subject to a second certification that they have ensured disclosure of changes in internal control that has had or may have a material effect on the Company's internal control.

DISCLOSURE CONTROLS AND PROCEDURES

The Company has disclosure controls and procedures to ensure that information required to be disclosed by the Company is assembled and communicated to management. The Company's CEO and CFO have concluded, based on their evaluation at May 31, 2008, that disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company is made known to them by others within the entity, except as noted below. The CEO and CFO certified that the Company's disclosure controls and procedures are effective to provide a reasonable level of assurance; however they are not able to conclude that the disclosure controls and procedures are capable to prevent all frauds and errors. Regardless of how well conceived or managed, a control system is incapable of providing absolute assurance to prevent all errors and fraud, as only reasonable assurances that objectives of a control system can be obtained.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has assessed the design of the Company's internal control over financial reporting at May 31, 2008 and has certified that the controls over financial reporting are effective.

In designing the internal controls Management has identified a material weakness outlined below:

1. Due to the limited number of staff, it is not feasible to attain segregation of incompatible duties.

The weakness in the Company's internal controls over financial reporting allow for a greater likelihood that a material misstatement would not be prevented or detected. Management and the Board of Directors mitigate the risk of material misstatement in financial reporting by performing a detail review of quarterly operational and financial reports. It is not possible to provide absolute assurance that this risk can be eliminated.

RISKS AND UNCERTAINTIES

The Company's financial success will, for the most part be dependent upon the discovery or acquisition of mineral resources and mineral reserves, and the economic viability of developing its properties. The market price for minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company's mineral exploration activities will be successful. The exploration of mineral resources and mineral reserves involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company has no source of financing other than those identified in the previous sections.

DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com) No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements including but not limited to comments regarding the timing and content of upcoming operation and exploration plans and business development plans. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. Forward looking statements are usually identified by our use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions.

Forward looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

ADDITIONAL INFORMATION

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.krl.net and by accessing the Company's news releases and filings on the SEDAR website: www.sedar.com

Auditors' Report

To the Shareholders of

International KRL Resources Corp.

(An Exploration Stage Company)

We have audited the consolidated balance sheets of International KRL Resources Corp. (An Exploration Stage Company) as at May 31, 2008 and 2007, and the consolidated statements of operations and deficit, comprehensive income (loss), accumulated other comprehensive loss, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

September 19, 2008

Consolidated Balance Sheets

AS AT MAY 31 (Expressed in Canadian Dollars)	2008	2007
ASSETS		
CURRENT ASSETS		
Cash	\$ 356,234	\$ 581,318
Cash committed for mineral exploration	–	205,989
Short-term investments	–	200,000
Short-term investments committed for mineral exploration	–	1,300,000
Marketable securities	29,865	64,335
Amounts receivable	46,477	57,667
Prepaid expenses and deposits	144,874	214,078
Mining exploration tax credit receivable	–	583,671
Due from related parties (Note 13(b))	22,703	436,311
	600,153	3,643,369
PROPERTY AND EQUIPMENT (Note 6)	401,420	52,937
INVESTMENT IN GOLDEN HARP (Note 8)	2,380,548	–
MINERAL PROPERTIES (Note 7)	5,465,697	7,004,971
	\$ 8,847,818	\$ 10,701,277
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 367,338	\$ 211,958
FUTURE INCOME TAXES (Note 14)	–	336,000
NON-CONTROLLING INTEREST (Note 8)	–	1,208,197
	367,338	1,756,155
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 9)	16,272,011	16,202,681
CONTRIBUTED SURPLUS (Note 12)	794,580	646,661
	17,066,591	16,849,342
ACCUMULATED OTHER COMPREHENSIVE LOSS	(34,470)	–
DEFICIT	(8,551,641)	(7,904,220)
	8,480,480	8,945,122
	\$ 8,847,818	\$ 10,701,277

NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS (Note 1)

COMMITMENTS (Notes 7 and 16)

SUBSEQUENT EVENTS (Note 17)

Approved on Behalf of the Board:



Seamus Young, Director



Judith Mazvihwa, Director

Consolidated Statements Of Operations And Deficit

FOR THE YEARS ENDED MAY 31 (Expressed in Canadian Dollars)	2008	2007
REVENUE	\$ –	\$ –
EXPENSES		
Administration salaries	154,106	128,321
Amortization	50,599	13,171
Management fees (Note 13(a))	173,414	96,063
Office and miscellaneous (Note 13(a))	155,548	139,348
Professional fees	198,691	274,530
Stock-based compensation (Note 10)	138,607	160,461
Transfer agent and filing fees	48,824	22,886
Travel and promotion	237,489	273,615
	1,157,278	1,108,395
LOSS BEFORE OTHER INCOME (EXPENSE)	(1,157,278)	(1,108,395)
OTHER INCOME (EXPENSE)		
Airborne revenue	14,275	–
Dilution income (loss) on share issuance (Note 8)	294,973	(749,584)
Impairment loss on mineral properties (Note 7)	(211,367)	(958,629)
Loss from equity investment	(71,298)	–
Gain on sale of marketable securities	–	18,526
Gain on option of mineral property	37,108	32,744
Gain on disposal of property and equipment	15,763	–
Interest income	35,973	91,409
Penalty on unexpended flow-through funds	(51,210)	(19,941)
	64,217	(1,585,475)
LOSS BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	(1,093,061)	(2,693,870)
FUTURE INCOME TAX RECOVERY (Note 14)	336,000	772,912
NON-CONTROLLING INTEREST (Note 8)	109,640	26,380
NET LOSS FOR THE YEAR	(647,421)	(1,894,578)
DEFICIT – BEGINNING OF YEAR	(7,904,220)	(6,009,642)
DEFICIT – END OF YEAR	\$ (8,551,641)	\$ (7,904,220)
NET LOSS PER SHARE – BASIC AND DILUTED	\$ (0.01)	\$ (0.03)
WEIGHTED AVERAGE SHARES OUTSTANDING	66,298,000	60,513,000

Consolidated Statements Of Comprehensive Income (Loss)

FOR THE YEARS ENDED MAY 31, 2008 AND 2007 (Expressed in Canadian Dollars)	2008	2007
	\$	\$
Net Income (Loss) for the Year	(647,421)	(1,894,578)
Other Comprehensive loss:		
Unrealized loss on available for sale marketable securities	(47,977)	–
Comprehensive income (loss)	(695,398)	(1,894,578)

Consolidated Statements of Accumulated Other Comprehensive Loss

FOR THE YEARS ENDED MARCH 31, 2008 AND 2007 (Expressed in Canadian Dollars)	2008	2007
	\$	\$
Opening Accumulated other Comprehensive loss	–	–
New accounting policy, June 1, 2007 (Note 2)	13,507	–
Unrealized loss on available for sale marketable securities	(47,977)	–
Closing Accumulated other Comprehensive loss	(34,470)	–

Consolidated Statements Of Cash Flows

FOR THE YEARS ENDED MAY 31 (Expressed in Canadian Dollars)	2008	2007
OPERATING ACTIVITIES		
Net loss for the year	\$ (647,421)	\$ (1,894,578)
Items not involving cash		
Amortization	50,599	13,171
Future income tax recovery	(336,000)	(772,912)
Impairment loss on mineral property	211,367	958,629
Gain on sale of marketable securities	–	(18,526)
Gain on option of mineral property	(37,108)	(32,744)
Gain on sale of property and equipment	(15,763)	–
Stock-based compensation	138,607	160,461
Dilution (gain) loss on share issuances	(294,973)	749,584
Non-controlling interest	(109,640)	(26,380)
Loss from equity investment	71,298	–
	(969,034)	(863,295)
Changes in non-cash working capital items		
Amounts receivable	(3,736)	3,327
Prepaid expenses and deposits	52,044	(70,908)
Accounts payable and accrued liabilities	261,481	79,992
Due from related parties	401,467	(364,860)
NET CASH USED IN OPERATING ACTIVITIES	(257,778)	(1,215,744)
INVESTING ACTIVITIES		
Acquisition of short-term investments	–	(1,300,000)
Proceeds on sale of short-term investments	1,500,000	1,800,000
Acquisition of property and equipment	(422,868)	(3,557)
Proceeds on sale of property and equipment	36,823	–
Proceeds on sale of marketable securities	–	39,526
Proceeds received on property option agreements	588,029	–
Acquisition of and expenditures on mineral properties	(2,304,515)	(2,791,488)
Deconsolidation of Golden Harp	320,736	–
NET CASH (USED) IN INVESTING ACTIVITIES	281,795	(2,255,519)
FINANCING ACTIVITIES		
Proceeds from issuance of shares – Company	–	2,798,911
Proceeds from issuance of shares – Golden Harp	108,500	–
Share issuance costs	–	(115,367)
Share subscriptions received	–	49,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	108,500	2,732,544
DECREASE IN CASH AND CASH EQUIVALENTS	(431,073)	(738,719)
CASH AND CASH EQUIVALENTS – BEGINNING OF THE YEAR	787,307	1,526,026
CASH AND CASH EQUIVALENTS – END OF THE YEAR	\$ 356,234	\$ 787,307
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	\$ 356,234	\$ 581,318
Cash committed for mineral exploration	–	205,989
	\$ 356,234	\$ 787,307
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Marketable securities received pursuant to a mineral property option agreement	\$ –	\$ 43,000
Issuance of shares pursuant to mineral property option agreements	58,000	139,000
Issuance of shares for finders' fees	11,330	38,006
SUPPLEMENTAL INFORMATION		
Interest paid	\$ –	\$ –
Income tax paid	–	–

Notes to Consolidated Financial Statements

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

International KRL Resources Corp. ("the Company") was incorporated in the Province of British Columbia and is primarily engaged in the acquisition, exploration and development of mineral properties throughout Canada. There has been no determination whether properties held contain ore reserves, which are economically recoverable. In the ordinary course of business, the Company sells or options its mineral property interests to third parties, accepting as consideration cash and/or securities of the acquiring party. The Company is a public company listed on the TSX Venture Exchange.

The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the properties, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

The Company incurred a loss before future income tax recovery and non-controlling interest of \$1,093,061 during the year ended May 31, 2008 (2007 - \$2,693,870) and had a deficit of \$8,551,641 at May 31, 2008 (2007 - \$7,904,220) which has been funded primarily by the issuance of equity. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business, and do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective June 1, 2007, the Company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook section 1506, "Accounting Changes", permitting accounting policy changes only in the event that a change is made within a primary source of generally accepted accounting principles ("GAAP"), or where a change is warranted to provide more relevant and reliable information. All accounting policy changes are to be applied retroactively, unless impracticable. Any prior period errors identified also require retroactive application. The revised standards did not have any material impact on the Company's financial statements.

Effective June 1, 2007, the Company adopted new CICA Handbook Sections 3855 "Financial Instruments – Recognition and Measurement", CICA 3861 "Financial Instruments - Disclosure and Presentation", CICA 3865 "Hedges", CICA 1530 "Comprehensive Income", CICA 3051 "Investments" and CICA 3251 "Equity". The new Handbook Sections establish standards governing the recognition, measurement, disclosure and presentation of financial instruments, when and how hedge accounting may be applied, the reporting and presentation of comprehensive income, accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. The Company does not have any hedging relationships or investments that fall under these standards. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated.

In accordance with CICA 1530, "Comprehensive Income", and CICA 3251, "Equity", these sections provide standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income includes net income plus changes in unrealized gains or losses from changes in the fair market value of available-for sale investments, changes in the fair value of derivatives designated as cash flow hedges and currency translation adjustments on self-sustaining foreign operations. The Company does not have any derivative instruments or self-sustaining foreign operations and currently the Company's other comprehensive income (loss) is comprised only of changes in the fair value of the Company's available-for sale investments.

Under CICA 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount in accordance with the Canadian Institute of Chartered Accountant Handbook Section 3840, "Related Party Transactions". Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is impaired or sold at which time the amounts will be recorded in net income; financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for trading are measured at amortized cost, using the effective interest method of amortization. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalized and presented as a reduction of the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This Section does not permit the restatement of financial statements of prior periods.

The Company classified its financial instruments as follows:

Cash and cash equivalents	held-for trading
Short-term investments	held-for trading
Marketable securities	available for sale
Amounts receivable	loans and receivables
Due from related parties	loans and receivables
Accounts payable	other financial liabilities

In addition, the Company has elected to account for transaction costs related to the acquisition or issuance of financial instruments as a reduction of the carrying value of the related financial instruments except for those classified as available for sale which are expensed as incurred. The Company did not have any held-to-maturity instruments and outstanding contracts with embedded derivatives at June 1, 2007.

As at May 31, 2008, the Company's financial instruments consist of cash and cash equivalents, short-term investments, marketable securities, amounts receivable, accounts payable and due from related parties. The fair values approximate their carrying values due to the short-term maturity of the instruments except for marketable securities which has been recorded at fair value. The Company is not exposed to significant interest rate, currency exchange rate or credit risk arising from these financial instruments. The Company is not party to any derivative instruments.

Upon the adoption of these new standards the Company classified its marketable securities as available for sale, which are measured at fair value, and recorded a \$13,507 increase in their carrying value as at June 1, 2007; representing the aggregate cumulative unrealized gain on the statement of accumulated other comprehensive income. There were no other opening adjustments recorded on the adoptions of these standards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles prepared on a consolidated basis and include the accounts of the Company and its 50% share of the assets, liabilities, other income and expenses of the joint venture formed on November 15, 2007, on a proportionate consolidation basis in accordance with CICA Handbook Section 3055, "Interests in Joint Ventures". All inter-company transaction and balances have been eliminated upon consolidation.

These consolidated financial statements also include 100% of the operations of Golden Harp Resources Inc. ("Golden Harp") beginning May 31, 2006 to November 30, 2006 and 65.32% of the operations of Golden Harp from Dec. 1, 2006 to February 29, 2008 resulting from the issuance of shares to outside interests. As of February 29, 2008, Golden Harp's financial statements are no longer consolidated as a result of the issuance of shares to outside interests decreasing the Company's ownership percentage to 40.53%. As a result, the Company's ownership is now accounted for on the equity method.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the impairment of mineral properties, valuation allowance for future income tax assets and stock-based compensation.

In assessing the underlying values of resource properties, management considers the exploration and development plans and any future operation of the resource properties. These arrangements may, and likely will, change in the future in response to changes in business conditions, and these changes may impact the Company's estimates of cash flows. As a result, actual results could differ from current estimates.

(c) Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(d) Short-term investments

Short-term investments consist of highly liquid short-term interest bearing securities with a term to maturity of greater than three months on the date of purchase. Short-term investments are recorded at the lower of cost plus accrued interest or fair market value.

(e) Marketable securities

Marketable securities are recorded at fair market value with the corresponding unrealized gain or loss recorded in other comprehensive income until sold or considered impaired at which time it is recorded in net income. As at May 31, 2008, the fair market value of the securities held was \$29,865 (May 31, 2007 - \$77,842).

(f) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the declining balance method over the estimated useful lives at the following annual rates:

Computer equipment	30%	
Computer software	50%	
Office and field equipment	20%	
Vehicle	30%	
Field equipment – Airborne	25%	Straight - line

In the year of acquisition, amortization is recorded at one-half the above rates.

(g) Investments

Investments in which the Company has a significant influence are accounted for by the equity method, whereby the Company records its proportionate share of the investee's income or loss.

(h) Joint venture interests

The Company entered into a joint venture agreement on November 15, 2007. The joint venture was established to acquire and govern the use of geophysical survey equipment. The Company has a 50% interest in the joint venture and the consolidated financial statements reflect the Company's proportionate interest in the joint venture activities.

(i) Mineral properties and deferred expenditures

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against future income of the project using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are charged to operations.

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contains economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

(j) Long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(k) Asset retirement obligations

The Company follows the recommendations of the CICA Handbook Section 3110, with respect to asset retirement obligations. This standard required liability recognition for retirement obligations associated with the Company's resource properties. The standard required the Company to recognize the fair value of the liability for an asset retirement obligation in the period in which it is incurred and record a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statements of operations. The increase in the carrying value of the asset is amortized on the same basis as the resource properties. At May 31, 2008 and 2007 the Company did not have any asset retirement obligations.

(l) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. The effect on future taxes for a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(m) Flow-through shares

The Company follows the recommendations of EIC 146 with respect to flow-through shares. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and the share capital is reduced.

If the Company has sufficient unrecognized tax losses or other future income tax assets to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these future income tax assets, a portion of such unrecognized losses is recorded as tax recovery up to the amount of the future income tax liability that would otherwise have been recognized on the renounced expenditures.

(n) Non-controlling interests

As described in note 3(a), during the year the Company's accounting for its investment in Golden Harp changed from the consolidation method of accounting to the equity method of accounting. Accordingly, Golden Harp's results of operations from June 1, 2007 to February 29, 2008 are presented on a consolidated basis reflecting 100% of the results of operations of Golden Harp with an offsetting proportionate allocation to non-controlling interests of approximately 35%.

When the Company's subsidiary or equity investee issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's proportionate share of the proceeds and the carrying value of the underlying equity.

(o) Stock-based compensation

The Company follows the recommendations in CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments", which provides standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. In accordance with these recommendations, stock options granted are recorded at their fair value over the vesting period as a compensation cost with a corresponding increase in contributed surplus. Agents' warrants issued in connection with common share placements are recorded as share issuance costs with a corresponding increase in contributed surplus. When the options and warrants are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation.

(p) Income (loss) per share

Basic income (loss) per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted income (loss) per share. The existence of warrants and options affects the calculation of income (loss) per share on a fully diluted basis. As the effect of this dilution is to increase the reported income per share and reduce the reported loss per share and diluted loss per share excludes all potential common shares if their effect is anti-dilutive, basic and diluted loss are the same.

(q) Government assistance

Mining exploration tax credits for certain exploration expenditures incurred in BC and Yukon Territory are treated as a reduction of the exploration and development costs of the respective mineral property.

(r) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

4. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and is effective for interim and annual periods relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

In May 2007, the Accounting Standards Board issued CICA Handbook Section 3031, "Inventories". Section 3031 introduces changes to the measurement and disclosure of inventory and converges with international financial reporting standards and is effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2008. The Company does not expect that the adoption of this standard will have a material impact on its financial statements.

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation" which replace Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 increases the emphasis on recognition and management of the risks associated with recognized and unrecognized financial instruments. This section carries forward the former presentation requirements and is effective for fiscal years beginning on or after October 1, 2007. The Company is currently assessing the impact of the new disclosure standard and has not yet determined its impact on the Company's financial statements.

In October 2006, the Accounting Standards Board issued CICA Handbook Section 1535, "Capital Disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. This standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The Company does not expect that the adoption of this standard will have a material impact on the Company's financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed that the standards will become effective for all publicly accountable enterprises in interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

5. JOINT VENTURE

During the year, the Company acquired a 50% interest in geophysical survey equipment for use in the exploration of its mineral properties for \$274,019. The equipment is jointly used by the Company and Logan Resources Ltd. who holds the remaining 50% interest. The two parties entered into a joint venture agreement on November 15, 2007 to govern the use of the equipment. Logan Resources Ltd is a Canadian public company that has directors in common with International KRL Resources Corp.

The Company's proportionate share of its interest in and results from the joint venture as at and for the year ended May 31, 2008 is:

	\$
Assets	201,291
Liabilities	(139,996)
Joint Venture Retained Earnings	(61,295)
	\$
Amortization and other expenses	(41,485)
Other income	102,780
Net income	61,295

All intercompany balances and transactions reflected above are eliminated upon proportionate consolidation.

6. PROPERTY AND EQUIPMENT

	2008			2007
	Cost	Accumulated Amortization	Net Carrying Value	Net Carrying Value
Computer equipment	\$ 24,580	\$ 15,990	\$ 8,590	\$ 4,568
Computer software	2,327	2,108	219	437
Crew house option	10,000	-	10,000	10,000
Field equipment	41,972	14,130	27,842	16,915
Field equipment – Airborne	274,019	34,252	239,767	-
Office equipment	13,964	8,068	5,896	10,660
Storage facility	75,000	-	75,000	-
Vehicle 40,125	6,019	34,106	10,357	-
	\$ 481,987	\$ 80,567	\$ 401,420	\$ 52,937

7. MINERAL PROPERTIES

	Acquisition Costs \$	Exploration Expenditures \$	Total 2008 \$	Total 2007 \$
Copper Hill Project				
Beginning of year	544,876	2,974,312	3,519,188	4,158,629
Incurred during the year	-	224,626	224,626	319,188
Impairment loss	-	-	-	(958,629)
Removed upon deconsolidation	(544,876)	(3,198,938)	(3,743,814)	-
End of year	-	-	-	3,519,188
Nor Property, Yukon				
Beginning of year	284,080	2,626,141	2,910,221	1,391,684
Incurred during the year	76,000	1,546,857	1,622,857	2,097,298
METC claim	-	-	-	(578,761)
End of year	360,080	4,172,998	4,533,078	2,910,221

	Acquisition Costs \$	Exploration Expenditures \$	Total 2008 \$	Total 2007 \$
Carswell Property, Saskatchewan				
Beginning of year	-	-	-	-
Incurred during the year	-	7,500	7,500	10,256
Option payments received	-	-	-	(43,000)
Gain on option payments received	-	-	-	32,744
End of year	-	7,500	7,500	-
Bear River Project, BC				
Beginning of year	7,889	15,096	22,985	10,721
Incurred during the year	2,500	6,530	9,030	12,264
End of year	10,389	21,626	32,015	22,985
U-Claims Project				
Beginning of year	80,000	43,341	123,341	-
Incurred during the year	-	20,575	20,575	127,455
METC claim	-	-	-	(4,114)
Impairment loss	(80,000)	(63,916)	(143,916)	-
End of year	-	-	-	123,341
White River Project, Yukon				
Beginning of year	43,000	18,149	61,149	-
Incurred during the year	-	6,303	6,303	61,945
METC claim	-	-	-	(796)
Impairment loss	(43,000)	(24,452)	(67,452)	-
End of year	-	-	-	61,149
Turn River Project, Yukon				
Beginning of year	368,087	-	368,087	-
Incurred during the year	13,712	169,122	182,834	368,087
Option payments received	(381,799)	(206,230)	(588,029)	-
Gain on option payments received	-	37,108	37,108	-
End of year	-	-	-	368,087
Wolf Property, Yukon				
Beginning of year	-	-	-	-
Incurred during the year	110,219	770,219	880,438	-
End of year	110,219	770,219	880,438	-
Lac d'Or, Quebec				
Beginning of year	-	-	-	-
Incurred during the year	8,314	4,352	12,666	-
End of year	8,314	4,352	12,666	-
Total	489,002	4,976,695	5,465,697	7,004,971

The following table represents exploration expenditures incurred during fiscal 2008:

	Copper Hill \$	Nor \$	Carswell \$	Bear River \$	U Claims \$	White River \$	Turn River \$	Wolf \$	Lac D'Or \$	Total \$
Accommodation and meals	22,537	68,944	-	-	-	-	-	49,329	-	140,810
Assays	13,726	13,881	-	-	-	-	-	2,006	-	29,613
Drafting	3,046	5,997	-	-	-	-	97	5,160	1,361	15,661
Drilling	85,556	383,370	-	-	-	-	-	332,969	-	801,895
Fuel	281	134,302	-	-	-	-	-	53,464	-	188,047

	Copper Hill	Nor	Carswell	Bear River	U Claims	White River	Turn River	Wolf	Lac D'Or	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Geologist	47,745	143,167	-	-	-	-	-	69,495	943	261,350
Geophysics	-	110,997	-	-	18,036	-	145,200	2,483	-	276,716
Helicopter	-	383,208	-	-	-	-	-	72,486	-	455,694
Licenses and permits	2,137	21,094	-	2,530	-	3,360	23,825	1,310	-	54,256
Line cutting	10,790	-	-	-	-	-	-	-	-	10,790
Miscellaneous	2,114	54,766	-	-	689	43	-	18,692	48	76,352
Mobilization/ Demobilization	-	-	-	-	-	-	-	118,925	-	118,925
Property supervision (Note 10(a))	3,000	27,000	7,500	4,000	1,850	2,900	-	10,250	2,000	58,500
Surveys	25,000	-	-	-	-	-	-	-	-	25,000
Transportation	2,381	45,699	-	-	-	-	-	15,738	-	63,818
Wages	6,313	154,432	-	-	-	-	-	17,912	-	178,657
	224,626	1,546,857	7,500	6,530	20,575	6,303	169,122	770,219	4,352	2,756,084

The following table represents exploration expenditures incurred during fiscal 2007:

	Copper Hill	Nor	Carswell	Bear River	U Claims	White River	Turn River	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Accommodation and meals	29,603	180,412	-	-	375	-	-	210,390
Assays	40,706	28,121	-	-	2,640	-	-	71,467
Drafting	2,804	1,061	1,250	-	248	255	-	5,618
Drilling	-	467,478	-	-	-	-	-	467,478
Fuel	400	219,815	-	-	2,985	695	-	223,895
Geochem surveys	32,661	-	-	-	-	-	-	32,661
Geologist	42,598	222,260	6	-	24,110	6,619	-	295,593
Geophysics	-	8,454	-	-	2,882	-	-	11,336
Helicopter	-	617,321	-	-	7,000	3,690	-	628,011
Licenses and permits	2,097	5,495	-	3,994	3,465	3,360	-	18,411
Line cutting	63,402	-	-	-	-	-	-	63,402
Miscellaneous	3,250	41,772	-	-	-	513	-	45,535
Property supervision (Note 10(a))	9,750	26,613	9,000	5,750	3,750	3,813	-	58,676
Surveys	69,435	-	-	-	-	-	-	69,435
Transportation	5,890	24,040	-	-	-	-	-	29,930
Wages	9,208	132,518	-	-	-	-	-	141,726
	311,804	1,975,360	10,256	9,744	47,455	18,945	-	2,373,564

(a) Copper Hill Project, Ontario

As a result of the Company's reduced ownership in Golden Harp, as described in more detail in Note 8, effective February 29, 2008, the Company no longer consolidates its investment in Golden Harp and accordingly, Golden Harp's investment in the Copper Hill property is no longer presented on a consolidated basis. The Copper Hill Project was transferred to Golden Harp in exchange for 10,000,000 shares in the subsidiary. The property was transferred at \$3,200,000 representing the fair value at the time of transfer, which resulted in an impairment loss of \$958,629.

b) Nor Property, Yukon Territory

The Nor Property consists of 448 mineral claims in the Dawson Mining District, Yukon Territory. A total of 396 claims were acquired through staking. The remaining 52 claims are held pursuant to an Option Agreement dated October 28, 2004, that gives the Company the right to earn a 100% interest. In order to exercise the option, the Company must pay a total of up to \$207,500 cash consideration and issue a total of 1,000,000 shares as follows:

Cash consideration:

- (i) \$7,500 paid within 5 days of agreement (paid);
- (ii) a further \$20,000 paid on June 1, 2005 (paid);
- (iii) a further \$30,000 paid on December 1, 2005 (paid);
- (iv) a further \$40,000 paid on December 1, 2006 (paid);
- (v) a further \$50,000 to be paid December 1, 2007 (paid); and
- (vi) a further \$60,000 to be paid December 1, 2008.

If at any time the shares of the Company trade, for 10 days, at \$1 or more, all further cash payments will be deemed to have been satisfied.

Share consideration:

- (i) 200,000 shares issued in December, 2004 (issued);
- (ii) a further 200,000 shares issued on December 1, 2005 (issued);
- (iii) a further 200,000 shares issued on December 1, 2006 (issued);
- (iv) a further 200,000 shares issued on December 1, 2007 (issued); and
- (v) a further 200,000 shares to be issued on December 1, 2008.

A total of 402 claims are subject to a 2% NSR royalty. The Company will have the right to purchase 50% of the NSR royalty retained by the Optionor for a purchase price of \$2,000,000 and the right of first refusal on the remaining 50%.

(c) Carswell Property, Saskatchewan

During October 2004, the Company staked 1 claim, consisting of 5,990 acres in the Athabasca Basin area of Saskatchewan.

Pursuant to an Option Agreement dated March 2, 2005, the Company granted an option to a third party to earn a 50% interest in the Carswell Property. To earn this interest the optionee paid \$25,000 cash, issued 200,000 of its shares and incurred \$100,000 in exploration expenditures.

The parties entered into a joint venture agreement subsequent to year-end. (Note 17).

(d) Bear River Property, British Columbia

The Company owns a 100% interest in 3 mineral claims plus a fraction representing 31 units plus a fraction, located in the Skeena Mining Division of British Columbia. One of these claims is subject to a 4% NSR Royalty.

(e) U Claims, Yukon

During the year, the Company terminated its Option Agreement dated August 1, 2006. Accordingly all related expenditures have been written off as at May 31, 2008.

(f) White River Copper, Yukon

During the year, the Company terminated its Option Agreement dated August 1, 2006. Accordingly all related expenditures have been written off as at May 31, 2008.

(g) Turn River, Yukon

The Turn River property is jointly owned by the Company and Logan Resources Ltd., related by common directors. The property was acquired in February 2007 through staking and consists of 3,377 claims, covering 70,590 hectares in the Cassiar Plateau, Yukon Territory which includes twelve distinct project areas. Of the total claims, 1,307 were staked in the current year and 150 expired.

Pursuant to an option agreement dated April 2, 2007, the Company granted an option to a non-related company to earn a 50% interest in the Turn River property. The Company issued 103,000 shares with a fair value of \$11,330 as finders fees to a related party for finding the optionee. The Company received \$588,029 in recovery of its costs from the optionee pursuant to earn a 50% interest in the Turn River Property.

On May 26, 2008, the option agreement was terminated.

h) Wolf, Yukon

During the year, the Company staked 300 mineral claims and acquired 10 claims through an option agreement dated September 10, 2007 located in the Watson Lake Mining District, Yukon Territory. Of the 310 claims held, 289 claims are subject to the terms of the option agreement which gives the Company the right to earn a 60% interest and are subject to a 2% NSR royalty. In order to exercise the option, the Company must issue 1,000,000 shares and incur \$3,000,000 in exploration expenses on the claims as follows:

Share consideration:

- (i) 200,000 shares issued by October 14, 2007 (issued);
- (ii) a further 200,000 shares to be issued on October 14, 2008;
- (iii) a further 300,000 shares to be issued on October 14, 2009; and
- (iv) a further 300,000 shares to be issued on October 14, 2010.

Exploration expenditures:

- (i) \$250,000 before October 14, 2008;
- (ii) \$750,000 in aggregate before October 14, 2009;
- (iii) \$1,750,000 in aggregate before October 14, 2010; and
- (iv) \$3,000,000 in aggregate before October 14, 2011.

For purpose of this option agreement certain acquisition expenses will be deemed to be exploration expenditures.

(i) Lac d'Or, Quebec

The Lac d'Or property was acquired by staking and consists of 72 mineral claims in James Bay, Quebec, covering 3,794 hectares, in Quebec.

8. INVESTMENT IN GOLDEN HARP

The Company recorded its investment in Golden Harp on a fully-consolidated basis until February 29, 2008. Thereafter, the Company no longer had a controlling interest in Golden Harp which was then accounted for under the equity method. As of May 31, 2008 and 2007, the Company owned 10,000,000 shares of Golden Harp. The Company's interest in Golden Harp declined from 65.32% to 40.53% during the year as a result of issuances of common shares by Golden Harp and from the exercise of stock options and warrants. The Company, through its shareholding in Golden Harp, exercises significant influence over that company. As a result, the investment in Golden Harp is accounted for using the equity method. The dilution gain represents the fair value of the company's share of the consideration paid by the new investors in Golden Harp in excess of the carrying value of the Company's investment in Golden Harp.

The following is a summary of the Golden Harp equity transactions completed during the year that resulted in changes in the Company's ownership interest in Golden Harp:

- (a) During the period prior to February 29, 2008, Golden Harp issued a total of 321,432 common shares pursuant to the exercise of 40,000 warrants at \$0.25 per share for proceeds of \$10,000 and 281,432 common shares pursuant to the exercise of options at \$0.35 per share for proceeds of \$98,500. These issuances resulted in the Company's ownership in Golden Harp decreasing from 65.32% to 63.98% and a reported gain on dilution of \$23,717.
- (b) Effective February 29, 2008, Golden Harp completed an initial public offering consisting of 2,557,000 flow-through units and 6,333,700 non-flow-through units at \$0.35 per unit for gross proceeds of \$3,111,745.

The Shares issued in the initial public offering resulted in the Company's ownership in Golden Harp decreasing from 63.98% to 40.78%. Effective February 29, 2008 the Company no longer has a controlling interest in Golden Harp and accordingly the Company's investment in Golden Harp, over which the Company continues to exercise significant influence, is accounted for using the equity method. The change in accounting for the Company's investment in Golden Harp and the corresponding public offering resulted in a reported gain on dilution of \$270,867.

- (c) During the period from March 1, 2008 to May 31, 2008, Golden Harp issued a total of 150,000 common shares pursuant to the exercise of 50,000 warrants at \$0.25 per share for proceeds of \$12,500 and 100,000 common shares with a fair value of \$25,000 in connection with a property option payment. These issuances resulted in the Company's ownership in Golden Harp decreasing from 40.78% to 40.53% and a reported gain on dilution of \$389.

Details of the investment in Golden Harp are as follows:

Balance, May 31, 2006	\$	3,200,000
Share of net loss		(93,029)
Dilution loss		(749,584)
Balance, May 31, 2007	\$	2,357,388
Share of net loss		(271,813)
Dilution gain		294,973
Balance, May 31, 2008	\$	2,380,548

Based upon year-end TSX.V closing market prices of \$0.29 per share, this investment had a quoted market value of \$2,900,000 at May 31, 2008.

- (d) During the period prior to February 29, 2008, Golden Harp's net loss of \$310,155 (2007: \$76,070) resulted in non-controlling interest of \$109,640 (2007: \$26,380) representing the portion owned by outside interests of approximately 35%.

9. SHARE CAPITAL

The authorized share capital of the Company consists of unlimited common shares without par value.

	Number of shares	Amount \$
Issued as at May 31, 2006	56,850,334	14,439,872
Issued during fiscal 2007 for:		
Cash		
Flow-through private placements	6,754,083	1,789,832
Stock options exercised	550,000	122,500
Agent options exercised	670,726	134,516
Warrants exercised	568,078	142,063
Mineral property option payments	500,000	139,000
Finders' fees	143,420	38,006
Agent warrants	-	(41,197)
Fair value of stock options exercised transferred from contributed surplus	-	157,367
Flow-through shares renunciation	-	(610,460)
Share issuance costs	-	(108,818)
Issued as at May 31, 2007	66,036,641	16,202,681
Issued during fiscal 2008 for:		
Finders' fees	103,000	11,330
Mineral property option payments	400,000	58,000
Issued as at May 31, 2008	66,539,641	16,272,011

For the year ended May 31, 2008:

Pursuant to the mineral property option agreements, the Company issued 503,000 shares at fair values ranging from \$0.11 to \$0.16 per share for a total fair value of \$69,330. Included in the total is 103,000 shares valued at \$11,330 issued as finders fees for securing the optionee of the Turn River property.

For the year ended May 31, 2007:

- (a) On December 22, 2006, the Company completed a non-brokered private placement consisting of 6,754,083 flow-through units at \$0.265 per unit for proceeds of \$1,789,832. Each unit consists of one flow-through share and one-quarter of a non-flow-through share purchase warrant with one whole share purchase warrant exercisable at a price of \$0.365 per share expiring on December 22, 2007.

In connection with the private placement, the Company paid \$60,612 in finders' fees, which consisted of 35,855 warrants, 143,420 non-flow-through finder's units with the same terms and conditions as the financing, 641,558 finder's warrants, and paid \$10,200 in other share issuance costs. The fair value of the finder's warrants under the Black-Scholes model was \$39,016, recorded as a share issuance cost. Each finder's warrant entitles the holder to purchase one non-flow-through common share for \$0.365 per share for up to one year. The fair value of the share portion of the finder's units are \$38,006 recorded as finders' fees and \$2,181, represents share issuance cost, for the warrant portion calculated under the Black-Scholes model.

- (b) In the current year, 1,220,726 options were exercised at prices ranging from \$0.20 to \$0.25 per share for proceeds of \$257,016. The fair value, when granted, of \$157,367 was transferred to share capital from contributed surplus to reflect the exercise of these options.
- (c) In the current year, 568,078 warrants were exercised at prices ranging from \$0.25 to \$0.30 per share for proceeds of \$142,063.
- (d) The Company issued 500,000 common shares pursuant to mineral property acquisition option agreements at a fair value ranging from \$0.25 to \$0.33 per share for a total fair value of \$139,000.

10. STOCK OPTIONS

(a) Stock option plan and stock options issued

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Share Option Plan (the "Plan"). Options issued pursuant to the Plan must have an exercise price greater than or equal to the "Discounted Market Price" of the Company's stock on the grant date. The maximum discount allowed varies with share price, with a maximum of 25% and a minimum price of \$0.10. Options have a maximum expiry period of up to ten years from the grant date. The number of options that may be issued under the Plan is limited to no more than 10% of the Company's issued and outstanding shares on the grant date.

Pursuant to the stock option plan, options granted in respect of investor relations activities are subject to vesting in stages over one year from the grant date with a maximum of one-quarter of the options vesting in any three month period. Vesting restrictions may also be applied to other options grants, at the discretion of the directors.

The following table summarizes the continuity of the Company's stock options.

	Number of shares	Weighted Average Exercise Price \$
Outstanding, May 31, 2006	4,125,000	0.41
Granted	950,000	0.38
Exercised	(550,000)	0.22
Cancelled/expired	(275,000)	0.23
Outstanding, May 31, 2007	4,250,000	0.44
Granted	3,350,000	0.15
Cancelled/expired	(3,750,000)	0.45
Outstanding, May 31, 2008	3,850,000	0.18

At May 31, 2008, the following share purchase options were outstanding:

Number of Options	Exercise Price \$	Expiry Date
500,000	0.38	March 23, 2009
1,600,000	0.16	September 11, 2009
1,500,000	0.15	March 3, 2010
250,000	0.15	May 1, 2010
3,850,000		

Additional information regarding options outstanding as at May 31, 2008 is as follows:

Exercise Price \$	Options outstanding			Options exercisable	
	Outstanding #	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price \$	Exercise Exercisable \$	Weighted Average Exercise Price \$
0.15-0.16	3,350,000	1.54	0.15	3,112,500	0.16
0.38	500,000	0.81	0.38	500,000	0.38
	3,850,000	1.45	0.18	3,612,500	0.1

The weighted average grant date fair value of options granted during the year was \$0.04 (2007 – \$0.13) per option.

The fair value for stock options granted was estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2008	2007
Risk free interest rate	3.45%	4.07%
Expected life (in years)	2	2
Expected volatility	81%	85%
Dividend yield	–	–

(b) Stock-based compensation

Total stock-based compensation expense recognized for stock options granted during the year was \$147,919 (2007 – \$226,466). Stock-based compensation of \$9,312 (2007 - \$66,005) was capitalized to mineral properties for options granted and \$138,607 (2007 - \$160,461) was charged to operations for options granted to directors, officers and consultants of the Company.

(c) Agent options

During the year 87,593 agent options outstanding at May 31, 2007 expired.

11. SHARE PURCHASE WARRANTS

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of shares	Weighted average exercise price \$
Balance, May 31, 2006	16,701,601	0.48
Issued with private placements	1,688,521	0.37
Issued upon the exercise of agent options	670,726	0.79
Agent warrants	677,413	0.37
Exercised	(568,078)	0.25
Expired	(9,194,420)	0.64
Balance, May 31, 2007	9,975,763	0.34
Expired	(9,975,763)	0.34
Balance, May 31, 2008	-	-

During the year ended May 31, 2007, the Company recognized a share issuance cost for the fair value of agents' warrants issued as finder's fees in connection with private placements. The amount calculated was recorded as a share issuance cost with a corresponding credit to contributed surplus. The Company uses the Black Scholes option pricing model to estimate fair values of warrants using the following weighted average assumptions:

	2008	2007
Risk-free interest rate	-	3.95%
Expected life of warrants (in years)	-	1.0 year
Expected volatility	-	84.97%
Dividend yield	-	-

The weighted average fair value of the agent warrants issued during the year was \$Nil (2007 - \$0.06).

12. CONTRIBUTED SURPLUS

The following table summarizes the continuity of the Company's contributed surplus:

	Amount \$
Balance, May 31, 2006	536,365
Fair value of stock options granted	144,938
Fair value of stock options granted by Golden Harp	81,528
Fair value of agent warrants	41,197
Fair value of stock options exercised transferred to share capital	(157,367)
Balance, May 31, 2007	646,661
Fair value of stock options granted	147,919
Balance, May 31, 2008	794,580

13. RELATED PARTY TRANSACTIONS

(a) Transactions during the period:

	Year Ended May 31,	
	2008	2007
	\$	\$
Management fees paid to directors and a company controlled by a director	159,000	96,000
Property supervision fees paid to a company controlled by a director	60,000	63,426
Finders fee paid to a relative of the President charged to mineral interests (Note 7(g))	11,330	-
Rent reimbursement received from a company with common officers and directors (included in office and miscellaneous)	(22,318)	(43,098)
Mineral property acquisition and exploration costs paid to a relative of the President	80,184	24,000
Legal fees paid to a company owned by a director of Golden Harp.	51,029	136,442
Included in loss from equity investment are payments made to directors, officers and a company controlled by a director	22,712	-
	361,937	276,770

The Company incurred certain charges from a company controlled by the President. These charges have been recorded as exploration expenses and general and administration expenses as follows:

Amounts capitalized as mineral properties	332,233	417,280
Amounts charged to general and administration expenses	34,957	98,105
	367,190	515,385

These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to non-related entities.

(b) Balances:

	Year Ended May 31,	
	2008	2007
	\$	\$
Due from related parties:		
Amounts due from a company, controlled by a director for charges relating to:		
Mineral expenditures and general and administration costs	–	97,755
Purchase of equipment, non-interest bearing, unsecured and due on demand.	–	297,427
Due from the related party	–	395,182
Amount due from directors	9,065	6,000
Amount due from a company controlled by the President of the Company	–	26,023
Amount due from a company with common officers and directors for reimbursement of shared office costs and other expenditures.	7,566	9,106
Amount due from an equity investment company for reimbursement of shared expenditures.	6,072	–
Due from related parties	22,703	436,311

All of the above amounts due to the Company, are unsecured, non-interest bearing and due on demand.

A newly formed joint venture, owned 50% by the Company and 50% by Logan Resources Ltd. was formed for use of geophysical equipment by the Company and Logan Resources Ltd. On their exploration projects. This new joint venture charges for the use of the equipment at market rates.

14. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2008	2007
	%	%
	\$	\$
Canadian statutory income tax rate	35.06%	33.45%
Income tax recoverable at statutory rate	344,787	901,100
Effect on income taxes due to:		
Mineral property impairment	–	(320,661)
Share issuance costs	–	43,716
Prescribed resource loss	–	(15,478)
Taxable capital gains	–	(3,098)
Stock-based compensation	(51,860)	(53,674)
Dilution loss	–	(250,736)
Net non-deductible expenses	(7,700)	(29,871)
Investment tax credit	156,109	–
Investment in Golden Harp	151,770	–
Expiry of non capital loss	(22,741)	–
Loss of tax pools due to deconsolidation	(9,741)	–
Change in enacted rates	66,281	–
Previously unrecognized tax losses	–	501,614
Valuation allowance	(290,905)	–
Income tax recoverable	336,000	772,912

The tax effects of temporary differences that give rise to significant portions of the future tax liability are as follows:

	2008	2007
	\$	\$
Non-capital losses carried forward	700,269	627,000
Resource pools	(784,211)	(1,152,000)
Property and equipment	18,586	13,000
Investment tax credit	176,427	56,000
Share issuance costs	63,554	120,000
Investment in Golden Harp	116,280	-
Total future income tax asset (liability)	290,905	(336,000)
Valuation allowance	(290,905)	-
Net future income tax asset (liability)	-	(336,000)

The Company has approximately \$2,467,000 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2009	113,000
2010	315,000
2014	289,000
2015	281,000
2027	608,000
2028	861,000
	2,467,000

At May 31, 2008, the Company had cumulative Canadian Exploration Expenses of \$2,397,252 which are deductible at a rate of 100% each year against future years' resource property income and have no expiry date.

At May 31, 2008, the Company had cumulative Canadian Development Expenses of \$305,194 which are deductible at a rate of 30% each year against future years' resource property income and have no expiry date.

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

15. SEGMENT INFORMATION

The Company's operations are limited to a single industry segment being the acquisition, exploration and development of mineral properties. The mineral properties are located in the Canadian provinces of British Columbia, Ontario, Saskatchewan and the Yukon Territory.

16. COMMITMENTS

- The Company is committed to a consulting contract as of March 1, 2008. The contract requires payments of \$3,000 per month for twelve months and can be terminated on one months notice.
- The Company is committed to aggregate premises lease payments of \$123,791, consisting of \$39,092 for the fiscal years 2009 through 2011 and \$6,515 for 2012.

17. SUBSEQUENT EVENT

On July 24, 2008 the Company entered into a joint venture agreement with a third party regarding the Carswell property. The third party has earned a 50% interest in the property and has agreed to acquire an additional 30% interest upon completion of a bankable feasibility study. The Company is relieved of all obligations of the property until the bankable feasibility study is completed at which time the Company will become obligated to fund and pay a proportionate share of any further expenditures on the property.

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