

Brilliant Mining Corp

Consolidated Financial Statements

For the three and six months ended March 31, 2007 and 2006

Brilliant Mining Corp.

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the three and six months ended March 31, 2007 and 2006 have not been reviewed by the company's auditors.

Brilliant Mining Corp
Consolidated Statements of Loss and Deficit
(unaudited)

	Three months ended March 31, 2007	Three months ended March 31, 2006	Six months ended March 31, 2007	Six months ended March 31, 2006
	\$	\$	\$	\$
Revenue				
Gross nickel concentrate sales	15,355,557	-	27,804,474	-
Interest	109,079	9,130	222,479	10,961
Other	3,360	-	35,601	-
	15,467,996	9,130	28,062,554	10,961
Expenses				
Amortization	1,052,704	-	3,543,165	-
Concentrator fees	414,797	-	822,392	-
General and administrative	371,236	175,091	658,534	217,050
Interest on capital lease obligations	29,791	-	61,108	-
Interest on convertible debenture	183,744	-	368,584	-
Interest	92,988	-	154,004	-
Mining	2,015,796	-	3,743,965	-
Royalties	752,290	-	1,068,763	-
Smelter fees	5,374,764	-	9,731,885	-
Stock based compensation (note 11)	1,003,535	-	2,527,321	72,750
	(11,291,645)	(175,091)	(22,679,721)	(289,800)
	4,176,351	(165,960)	5,382,833	(278,839)
Other gains (losses)				
Gain on disposal of property plant and equipment	-	-	1,452	-
Loss on nickel contracts	(6,282,575)	-	(10,751,498)	-
Foreign exchange	62,374	-	370,114	-
	(6,220,201)	-	(10,379,932)	-
Net loss before income tax	(2,043,850)	(165,960)	(4,997,099)	(278,839)
Current income tax	(202,937)	-	(623,098)	-
Future income tax	336,056	-	767,784	-
Net loss	(1,910,731)	(165,960)	(4,852,413)	(278,839)
Deficit, beginning of period	(10,097,281)	(1,278,096)	(7,130,397)	(1,165,218)
Equity portion of interest on convertible debenture	(24,935)	-	(50,137)	-
Deficit, end of period	(12,032,947)	(1,444,057)	(12,032,947)	(1,444,057)
Basic and diluted net loss per common share (note 9)	(0.03)	(0.01)	(0.09)	(0.02)
Weighted average number of shares	57,587,126	17,961,224	52,902,389	15,448,982

Brilliant Mining Corp
Consolidated Statements of Comprehensive Loss
(unaudited)

	Three months ended March 31, 2007	Three months ended March 31, 2006	Six months ended March 31, 2007	Six months ended March 31, 2006
	\$	\$	\$	\$
Net loss for the period	(1,910,731)	(165,960)	(4,852,413)	(278,839)
Other comprehensive income				
Change due to reclassification of cumulative foreign currency translation balance	-	-	11,477	-
Unrealized gain on translating financial statements of self-sustaining foreign operations	86,419	-	676,686	-
Total comprehensive loss	(1,824,312)	(165,960)	(4,164,250)	(278,839)

Brilliant Mining Corp
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended March 31, 2007	Three months ended March 31, 2006	Six months ended March 31, 2007	Six months ended March 31, 2006
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss	(1,910,731)	(165,960)	(4,852,413)	(278,829)
Adjustments for:				
Accretion of convertible debenture	84,018	-	168,036	-
Amortization	1,052,704	-	3,543,165	-
Gain on disposal of assets	-	-	(1,452)	-
Stock based compensation	1,003,535	-	2,527,321	72,750
Future income taxes	(336,056)	-	(767,784)	-
	(106,530)	(165,960)	616,873	(206,089)
Change in non-cash working capital items:				
Accounts receivable	(2,945,050)	37,999	(1,452,506)	(2,751)
Forward contracts	90,862	-	(173,492)	-
Accounts payable and accrued liabilities	2,614,122	1,670	1,394,248	(61,323)
Income taxes payable	207,559	-	646,846	-
Other current assets	(69,027)	-	(49,660)	-
	(208,064)	(126,890)	982,309	(270,163)
Cash flows from investing activities				
Mineral interest exploration expenditures	(7,643)	(421,500)	(10,354)	(457,011)
Capitalized Lanfranchi mine expenditures	(834,133)	-	(1,129,506)	-
Proceeds on disposals of assets	-	-	19,947	-
Purchases of assets	(61,293)	-	(766,703)	-
	(903,069)	(421,500)	(1,886,616)	(457,011)
Cash flows from financing activities				
Repayment of bank loan	(2,396,505)	-	(3,223,335)	-
Payment of capital lease obligation	(113,178)	-	(219,439)	-
Payment of note payable	(233,576)	-	(233,576)	-
Interest on equity portion of convertible debenture	(50,137)	-	(50,137)	-
Net proceeds from issuance of share capital	1,219,121	2,586,079	1,273,383	2,595,379
	(1,574,275)	2,586,079	(2,453,104)	2,595,379
Effect of foreign currency translation on cash	56,365	-	476,504	-
Increase (decrease) in cash	(2,629,043)	2,037,688	(2,880,907)	1,868,205
Cash, beginning of period	12,751,323	137,802	13,003,187	307,285
Cash, end of period	10,122,280	2,175,490	10,122,280	2,175,490

Brilliant Mining Corp
Notes to the Consolidated Financial Statements
(unaudited)

March 31, 2007 and 2006

1. Nature of operations

Brilliant Mining Corp ("Brilliant") was incorporated under the Alberta Business Corporations Act on October 1, 1998 and has its shares listed for trading on the TSX Venture Exchange. In the year ended September 30, 2006, the Company acquired all of the issued and outstanding shares of a private Australian company, Donegal Resources Pty Ltd., along with its wholly owned subsidiaries Donegal Mining Pty Ltd. and Donegal Lanfranchi Pty Ltd. (collectively, "Donegal".) Donegal Lanfranchi Pty Ltd has a 25% interest in the unincorporated Lanfranchi Joint Venture consisting of a producing nickel mine property on an approximately 50 km² contiguous mineral tenement package ("Tramways tenements") in Western Australia. Brilliant and Donegal are referred to collectively in these consolidated financial statements as the "Company".

Prior to the acquisition of Donegal, the principal business of Brilliant was the evaluation, acquisition and development of mineral exploration properties. By acquiring Donegal the principal business of the Company has changed to the extraction and sale of ore containing nickel.

2. Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared by the Company following the same accounting policies and methods as those disclosed in the audited consolidated financial statements for the year ended September 30, 2006 unless otherwise stated. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") in Canada have been omitted. These interim consolidated financial statements should be read in conjunction with the September 30, 2006 audited consolidated financial statements and the notes thereto. In the opinion of management, all adjustments of a normal and recurring nature that are necessary for a fair presentation of the balance sheet, results of operations, and cash flows of those interim periods have been included.

Beginning with the three month period ended December 31, 2006, the Company has been required to adopt the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections: 1530 "Comprehensive Income"; 1651 "Foreign Currency Translation"; 3051 "Investments"; 3251 "Equity"; 3855 "Financial Instruments – Recognition and Measurement"; and 3861 "Financial Instruments – Disclosure and Presentation" which were issued on January 1, 2005.

Under these new standards, a new financial statement, the Consolidated Statement of Comprehensive Loss has been introduced which provides for certain gains and losses, including amounts arising from changes in fair value temporarily recorded outside of the income statement. In addition, all financial instruments are to be included in the Company's Consolidated Balance Sheet and measured, in most cases, at fair values.

Certain figures in the comparative financial statements have been reclassified to conform to the presentation adopted in the current period.

Brilliant Mining Corp
Notes to the Consolidated Financial Statements
(unaudited)

March 31, 2007 and 2006

3. Business combination

On May 25, 2006, the Company closed the acquisition of all of the issued and outstanding shares of Donegal Resources Pty Ltd., a private Australian corporation. Total consideration for the acquisition was \$19,359,603. Details of the consideration given and assets acquired are detailed below:

Assets acquired:	
Cash	\$ 1,528,078
Accounts receivable	2,005,661
Forward contracts	341,204
Other current assets	211,468
Property, plant & equipment	2,474,851
Lanfranchi mine	<u>21,156,612</u>
	27,717,874
Less: liabilities assumed:	
Accounts payable and accrued liabilities	(2,216,147)
Asset retirement obligation	(172,982)
Bank loan	(3,462,086)
Current tax liability	(52,902)
Obligations under capital leases	(1,625,154)
Note payable	<u>(829,000)</u>
	\$ 19,359,603
Purchase consideration:	
Cash	
To vendors	\$ 5,000,000
Break fee	150,000
Due diligence and acquisition costs	<u>1,072,103</u>
	6,222,103
Securities given as consideration	
10,500,000 shares at \$0.65 per share	6,825,000
5,250,000 warrants at a fair value of \$0.25 per warrant	<u>1,312,500</u>
	8,137,500
Convertible debenture	5,000,000
Total consideration	\$ 19,359,603

The share component has been determined based on the nine day average closing market value of Brilliant's common shares on the TSX Venture Exchange, centered on the date of announcement of the acquisition agreement, February 6, 2006 (exclusive of trading blackout period), being \$0.65 per share.

The 5,250,000 warrants issued as partial consideration for Donegal entitle the holder to acquire one common share of Brilliant at a price of \$1.00 on or before May 25, 2007, or \$1.25 on or before May 25, 2009, subsequent to which the warrants will expire if not exercised. The warrants have an estimated fair value of \$1,312,500, or \$0.25 per warrant.

The \$5,000,000 unsecured convertible debenture issued to the vendors of Donegal on May 25, 2006, bears interest at 10% per annum, payable quarterly, and matures on May 24, 2009. The principal amount outstanding is convertible at the option of the holder, in whole or in part, and from time to time, into common shares of the Company at a conversion price of \$1.00 on or before May 24, 2008 and \$1.10 on or before May 24, 2009. The Company has the option to prepay the Debenture, in whole or in part, upon thirty days'

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March 31, 2007 and 2006

3. Business combination, continued

notice during which time the holder can elect to exercise its right of conversion. The convertible debenture has been presented on the consolidated balance sheet in its separate accreted liability (\$4,284,931) and equity (\$1,000,000) components based on the ratio of estimated fair value of each component. Interest incurred on the equity component of the convertible debenture is accounted for as a reduction of retained earnings or deficit. Interest on the liability portion and the accretion of the liability component to its face value at maturity is classified as interest expense.

Included in due diligence and acquisition costs, stamp duty of approximately \$885,250 is payable to the Government of Western Australia. This amount represents the Company's estimate of the stamp duty payable, and the exact amount has not yet been determined.

The accounting effective date of the acquisition is May 31, 2006. The material components of Donegal's operating revenues and expenses are brought to account on the last day of each month due to joint venture reporting and ore tolling and sales contracts. No adjustments have been made in the Company's accounts to reflect the activities between the legal acquisition date of May 25, 2006, and the accounting acquisition date.

The functional currency of Donegal is the Australian dollar. The assignment of the purchase consideration to the assets and liabilities acquired is based on the consolidated financial statements of Donegal Resources Pty Ltd. as at May 31, 2006, translated into the Company's reporting currency of Canadian dollars using the current rate method. Translation was based on the Bank of Canada's quoted marginal exchange rate at May 31, 2006 of CA\$0.8290: AU\$1.

4. Cash

Cash consists of cash on hand and cash on demand deposit with accredited financial institutions in Canada and Australia. The Company has provided \$25,000 of cash as security to the Company's financial institution for corporate credit card liabilities. In addition, cash includes a restricted amount of AU\$162,500 (\$151,824) held by one of the Company's financial institutions as a guarantee against a performance bond, held in the name of the original vendor of the Lanfranchi Nickel Mine, in order to guarantee future reclamation activities at the Lanfranchi site.

A portion of the Company's cash is in the custody of the Lanfranchi Joint Venture, operated by an unrelated third party, but under joint control.

5. Forward contracts and nickel contracts

The Company has acquired a series of forward contracts to exchange United States dollars ("US Dollars") for Australian dollars at fixed rates until June 2007. The total amount of US Dollars payable under the contracts as at March 31, 2007 is US\$1,521,425, and the total amount of Australian dollars receivable under the contracts is AU\$2,015,317. The forward contracts have been recognized at acquisition date at their mark-to-market value as of that date and are subsequently adjusted to market value at reporting dates. Gains and losses on the market adjustments to these contracts are reflected in net income in the period in which the change in value occurs. The asset and liability components of the forward contracts are shown net as they are settled simultaneously with the same counterparty.

The Company has also acquired a series of monthly nickel ore sales contracts, each at a fixed tonnage of nickel concentrate and a fixed US Dollar sales price. These derivatives are not recognized in the consolidated balance sheet. The aggregate quantity of nickel to be sold under the remaining contracts (up to August, 2007) is 329 tonnes at prices ranging from US\$12,100 to US\$12,600 per tonne.

All of the forward contracts and commodity contracts were entered into by Donegal as a condition of acquiring bank debt financing for its purchase of the 25% interest in the Lanfranchi Nickel Mine (note 6).

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March 31, 2007 and 2006

6. Mine property – Lanfranchi Joint Venture

The Company has acquired a 25% interest in the Lanfranchi Joint Venture (“Lanfranchi JV”) that includes the producing Lanfranchi Nickel Mine and a sublease over the Lanfranchi and associated Tramways tenements, consisting of 37 mineral leases over 50 km² located in the Kambalda Nickel District in the state of Western Australia, Australia. Revenue from nickel ore sales resulting from the mining activities of the Lanfranchi JV are recognized by the Company directly.

The primary asset of the Lanfranchi JV is the Lanfranchi Nickel Mine. The Company has assigned a value at the acquisition date of \$21,156,612 (note 3) to its 25% interest in the Lanfranchi Mine. The mine property, including acquisition costs and subsequent additions, is amortized on a units-of-production basis based on reserves. The following is a schedule of the balance of the Lanfranchi Mine as recognized on the consolidated balance sheet (reflecting foreign currency exchange rates at September 30, 2006 and March 31, 2007):

Acquisition (May 31, 2006)	\$	21,181,096
Capitalized pre-production costs		42,139
Capitalized mine development costs		<u>504,518</u>
		21,727,753
Period amortization		<u>(2,945,388)</u>
Balance, September 30, 2006		18,782,365
Capitalized pre-production costs		898,159
Capitalized mine development costs		274,394
Other capitalized costs		246,746
Effect of foreign currency translation		<u>751,486</u>
		20,953,150
Period amortization		<u>(3,123,537)</u>
Balance, March 31, 2006		<u>17,829,613</u>

Through acquiring Donegal, the Company has assumed an outstanding non-interest bearing note payable on the original purchase of the Lanfranchi Mine and Tramways tenements of AU\$1,000,000 (\$832,000), representing 25% of the total outstanding consideration to be paid, which is to be paid to the original vendor from which Donegal and its joint venture partner purchased the assets. The schedules of the remaining payments of this note payable are as follows:

	AU\$	CA\$
Payment due July, 2007	375,000	350,363
Payment due December, 2007	<u>375,000</u>	<u>350,362</u>
Note Payable	<u>750,000</u>	<u>700,725</u>

In addition to the above, the original purchase agreement between Donegal and the original vendors of the Lanfranchi assets also requires a contingent payment to the original vendors of AU\$250,000 (\$208,000) within 60 days of delivering a cumulative 500,000 dry metric tonnes of nickel ore (the “Threshold Production”) from the Lanfranchi Nickel Mine. In the event that management determines that the Threshold

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6. Mine property – Lanfranchi Joint Venture, continued

Production will be attained, the Company will account for the additional consideration as an increase to the acquisition cost of the Lanfranchi Nickel Mine and a resultant liability.

7. Segmented information

The Company operates in two geographic areas. The following table discloses information by geographic segment.

	Revenue	Net loss	Total assets
Canada	\$ 27,901,216	\$ (2,926,043)	\$ 7,136,099
Australia	161,338	(1,977,868)	31,192,242
Total	\$ (28,062,554)	\$ (4,903,911)	\$ 38,328,341

In the year ended September 30, 2005, the Company only operated in one geographical segment; Canada.

8. Mineral interests

	Ossok West \$	Ossok East \$	Michikamau \$	Scoop \$	Chesterfield \$	Prospective Properties \$	Total \$
Balance, September 30, 2005	96,050	88,529	103,824	67,656	96,033	-	452,092
Acquisition	-	-	-	-	1,207	57,274	58,481
Claims and land use	3,475	25	410	25	8,166	-	12,101
Refundable deposits	(19,700)	(12,800)	35,650	(8,500)	-	-	(5,350)
Airborne surveys	(2,384)	(1,816)	13,265	(1,540)	-	-	7,525
Geological consulting	4,900	3,800	10,017	3,713	6,858	-	29,288
Fieldwork	874	874	1,470	878	870	-	4,966
Balance, March 31, 2006	83,215	78,612	164,636	62,232	113,134	57,274	559,103
Acquisition	-	-	15,155	-	-	(57,274)	(42,119)
Claims and land use	(3,475)	(25)	(410)	(25)	-	-	(3,935)
Refundable deposits	3,475	25	74,760	25	-	-	78,285
Airborne surveys	-	-	58,625	-	-	-	58,625
Geological consulting	6,585	1,385	146,312	890	-	-	155,172
Assaying	1,000	1,000	10,570	1,000	1,268	-	14,838
Fieldwork	26,381	(429)	544,077	(433)	(3,345)	-	566,251
Balance, September 30, 2006	117,181	80,568	1,013,725	63,689	111,057	-	1,386,220
Claims and land use	-	-	1,400	-	-	-	1,400
Geological consulting	1,000	-	16,684	-	-	-	17,684
Assaying	-	-	7,776	-	-	-	7,776
Fieldwork	-	-	(16,506)	-	-	-	(16,506)
Balance, March 31, 2007	118,181	80,568	1,023,079	63,689	111,057	-	1,396,574

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(unaudited)

March 31, 2007 and 2006

9. **Property, plant and equipment**

	Period ended March 31, 2007		
	Cost	Accumulated amortization	Net
Canadian operations			
Computer equipment	\$ 23,270	\$ 5,629	\$ 17,641
Office furniture and equipment	8,016	1,162	6,854
	31,286	6,791	24,495
Australian Operations			
Buildings	55,264	117	55,147
Capital projects in progress	153,903	-	153,903
Office furniture and equipment	27,827	6,412	21,415
Plant and equipment	999,269	227,577	771,693
Plant and equipment under capital lease	1,874,308	335,229	1,539,079
	3,110,571	569,335	2,541,237
	\$ 3,141,857	\$ 576,126	\$ 2,565,732
	Year ended September 30, 2006		
	Cost	Accumulated amortization	Net
Canadian operations			
Computer equipment	\$ 23,270	\$ 2,516	\$ 20,754
Office furniture and equipment	8,016	401	7,615
	31,286	2,917	28,369
Australian Operations			
Buildings	49,213	132	49,081
Motor vehicles	19,457	1,946	17,511
Office furniture and equipment	22,665	6,992	15,673
Plant and equipment	675,570	40,407	635,163
Plant and equipment under capital lease	1,619,297	133,631	1,485,666
	2,386,202	183,108	2,203,094
	\$ 2,417,488	\$ 186,025	\$ 2,231,463

10. **Share capital**

a) **Authorized**

Unlimited number of Class A Common shares
Unlimited number of Class B Preferred shares

b) **Common shares issued**

	Number	Amount
Balance September 30, 2006	55,502,719	23,685,378
Issued upon exercise of options	270,000	90,750
Issued upon exercise of warrants	2,888,930	1,182,971
Adjustments to contributed surplus		263,394
Share issue costs		(338)
Future income taxes		(253,750)
Balance, March 31, 2007	58,661,649	\$ 24,968,405

Brilliant Mining Corp
Notes to the Consolidated Financial Statements
(unaudited)

March 31, 2007 and 2006

10. **Share capital, continued**

c) **Warrants**

	Number	Weighted average exercise price
Outstanding warrants, September 30, 2006	17,591,999	0.85
Warrants exercised	2,888,930	0.41
Outstanding warrants, March 31, 2007	14,703,069	0.93

Exercise prices	Number outstanding	Weighted average remaining contractual life in years
\$ 0.20	35,000	0.2
0.25	1,393,500	0.2
0.71	885,000	0.9
1.05	6,378,493	1.1
1.00	761,076	1.1
1.00	5,250,000	2.1
\$ 0.93	14,703,069	1.4

Subsequent to March 31, 2007 the Company issued 8,101,753 common shares on the exercise of warrants for proceeds of \$7,712,734.

d) **Earnings and loss per share**

The exercise of options and warrants would be anti-dilutive for the periods ended March 31, 2007 and 2006 as the Company was in a loss position.

11. **Stock-based compensation**

	Number	Weighted average exercise price
Outstanding options, September 30, 2006	2,445,000	0.28
Stock options granted	3,725,000	0.95
Stock options exercised	(270,000)	0.34
Outstanding options, March 31, 2007	5,900,000	0.70
Options exercisable, March 31, 2007	5,757,141	\$ 0.70

Subsequent to December 31, 2006, the Company issued 140,000 common shares on the exercise of options for proceeds of \$77,000.

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11. **Stock-based compensation, continued**

Exercise prices	Number outstanding	Weighted average remaining contractual life in years
\$ 0.13	560,000	2.0
0.115	220,000	2.9
0.16	410,000	3.6
0.33	500,000	3.8
0.55	485,000	4.3
0.80	2,950,000	4.5
1.50	775,000	5.0
\$ 0.70	5,900,000	4.1

During the period ended March 31, 2007, the Company recorded stock-based compensation of \$2,537,321 (2006 – 72,750) relating to the 3,725,000 (2006 – 485,000) options granted and 142,856 (2006 – nil) previously granted options vesting. The expense has been recorded in the statement of loss and as an increase to contributed surplus. The compensation expense was determined based on the fair value of the options using the Black-Scholes model and certain assumptions as at the grant date.

12. **Contributed surplus**

Balance, September 30, 2006	\$ 2,330,970
Fair value of stock-based compensation	2,527,322
Adjustment for options exercised	(67,350)
Adjustment for agents' warrants exercised	(196,044)
	\$ 4,594,897
Balance, March 31, 2007	\$ 4,594,897

13. **Related party transactions**

During the period, the Company entered into the following related party transactions:

- a) Paid or accrued management fees to directors and officers of the Company or to companies controlled by directors and officers in the amount of \$115,709; (2006 - \$32,950) and was fully paid at March 31, 2007 and 2006.
- b) Paid or accrued geological consulting fees to directors and officers of the Company or to companies controlled by directors and officers in the amount of \$7,125; (2006 - \$20,313) and was fully paid at March 31, 2007 and 2006.
- c) Accrued interest on the convertible debenture in the amount of \$50,987 (2006 – nil) and the principal amount of the convertible debenture of \$5,000,000 (2006 – nil) was payable to directors of the Company at March 31, 2007.

The above-noted transactions were incurred in the normal course of operations and have been recorded at the exchange amounts agreed to between the parties.