

Brilliant Mining Corp

Consolidated Financial Statements

For the three and nine months ended June 30, 2007 and 2006

Brilliant Mining Corp.

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the three and nine months ended June 30, 2007 and 2006 have not been reviewed by the company's auditors.

Brilliant Mining Corp
Consolidated Balance Sheets

	June 30, 2007 (unaudited)	September 30, 2006 (audited)
ASSETS		
Current		
Cash (note 4)	\$ 15,774,132	\$ 13,003,187
Accounts receivable	2,960,010	2,869,243
Forward contracts (note 5)	-	20,413
Other	389,119	320,615
	19,123,261	16,213,458
Mine property (note 6)	17,771,721	18,782,365
Mineral interests (note 8)	1,407,830	1,386,220
Property, plant, and equipment (note 9)	2,131,319	2,231,463
TOTAL ASSETS	\$ 40,434,131	\$ 38,613,506
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 6,554,989	\$ 5,239,243
Bank loan (note 6)	-	2,870,400
Capital lease obligations	34,746	295,175
Income tax payable	290,761	668,378
Note payable (note 6)	338,588	520,000
	7,219,084	9,593,196
Asset retirement obligation	217,793	176,320
Capital lease obligations	1,286,684	1,217,666
Convertible debenture (note 3)	4,368,949	4,116,895
Future income taxes	3,049,168	3,300,001
Note payable (note 6)	-	312,000
TOTAL LIABILITIES	16,141,678	18,716,078
Shareholders' equity		
Share capital (note 10)	34,128,060	23,685,378
Contributed surplus (note 12)	4,416,534	2,330,970
Convertible debenture – equity portion	1,000,000	1,000,000
Other comprehensive income	506,084	-
Cumulative foreign currency translation balance	-	11,477
Deficit	(15,758,225)	(7,130,397)
TOTAL SHAREHOLDERS' EQUITY	24,292,453	19,897,428
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 40,434,131	\$ 38,613,506

Approved By The Board

Director (signed by) "John Williamson"

Director (signed by) "Sean Mager"

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

	Three months ended June 30, 2007	Three months ended June 30, 2006	Nine months ended June 30, 2007	Nine months ended June 30, 2006
	\$	\$	\$	\$
Revenue				
Gross nickel concentrate sales	14,712,861	3,233,030	42,517,335	3,233,030
Interest	113,151	54,966	335,630	65,927
Other	170	34,975	35,771	34,975
	14,826,182	3,322,971	42,888,736	3,333,932
Expenses				
Amortization	2,191,109	598,896	5,734,274	598,896
Concentrator fees	428,862	126,158	1,251,254	126,158
General and administrative	501,508	410,385	1,160,042	627,435
Interest on capital lease obligations	28,666	-	89,774	-
Interest on convertible debenture	183,744	-	552,328	-
Interest	36,324	54,980	190,328	54,980
Mining	1,549,433	465,553	5,293,398	465,553
Royalties	403,075	27,092	1,471,838	27,092
Smelter fees	5,283,588	1,115,617	15,015,473	1,115,617
Stock based compensation (note 11)	82,000	-	2,609,321	72,750
	10,688,309	2,798,681	33,368,030	3,088,481
	4,137,873	579,270	9,520,706	300,431
Other gains (losses)				
Gain on disposal of property plant and equipment	-	-	1,452	-
Loss on nickel contracts	(8,363,203)	(500,396)	(19,114,701)	(500,396)
Foreign exchange	(148,649)	(503,452)	221,465	(503,452)
Mineral property write-off	(80,567)	-	(80,567)	-
	(8,592,419)	(1,003,848)	(18,972,351)	(1,003,848)
Net loss before income tax	(4,454,546)	(479,558)	(9,451,645)	(758,397)
Income tax	1,057,485	-	434,387	-
Future income tax	(303,285)	-	464,499	-
Net loss	(3,700,346)	(479,558)	(8,552,759)	(758,397)
Deficit, beginning of period	(12,032,947)	(1,444,057)	(7,130,397)	(1,165,218)
Equity portion of interest on convertible debenture	(24,932)	(12,441)	(75,069)	(12,441)
Deficit, end of period	(15,758,225)	(1,936,056)	(15,758,225)	(1,936,056)
Basic and diluted net loss per common share (note 9)	(0.06)	(0.02)	(0.15)	(0.04)
Weighted average number of shares	63,686,956	25,801,908	58,540,092	17,058,451

Brilliant Mining Corp
Consolidated Statements of Comprehensive Loss
(unaudited)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Nine months ended June 30, 2007	Nine months ended June, 2006
	\$	\$	\$	\$
Net loss for the period	(3,700,346)	(479,558)	(8,552,759)	(758,397)
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	(182,079)	-	494,607	-
Total comprehensive loss	(3,882,425)	(479,558)	(8,046,675)	(758,397)

Brilliant Mining Corp
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Nine months ended June 30, 2007	Nine months ended June 30, 2006
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss	(3,700,346)	(479,558)	(8,552,759)	(758,397)
Adjustments for:				
Accretion of convertible debenture	84,018	-	252,054	-
Amortization	2,191,109	598,896	5,734,274	598,896
Gain on disposal of assets	-	-	(1,452)	-
Stock based compensation	82,000	-	2,609,321	72,750
Future income taxes	303,285	-	(464,499)	-
	(1,039,934)	119,338	(423,061)	(86,851)
Change in non-cash working capital items:				
Accounts receivable	1,593,201	(888,672)	140,695	(891,423)
Forward contracts	195,645	465,868	22,153	465,868
Accounts payable and accrued liabilities	(428,684)	642,052	965,564	580,729
Income taxes payable	(1,081,420)	-	(434,574)	-
Other current assets	5,069	(73,236)	(44,591)	(73,236)
	(756,123)	265,350	226,186	(4,813)
Cash flows from investing activities				
Acquisition of Donegal Resources Pty Ltd.	-	(4,986,853)	-	(5,336,853)
Cash acquired of Donegal Resources Pty Ltd.	-	1,525,495	-	1,525,495
Mineral interest exploration expenditures	(11,256)	(5,117)	(21,610)	(112,128)
Capitalized Lanfranchi mine expenditures	(2,076,971)	(64,849)	(3,206,477)	(64,849)
Proceeds on disposals of assets	-	155,885	19,947	155,885
Purchases of assets	66,212	(18,259)	(700,491)	(18,259)
	(2,022,015)	(3,393,698)	(3,908,631)	(3,850,709)
Cash flows from financing activities				
Repayment of bank loan	108,330	(104,459)	(3,115,005)	(104,459)
Payment of capital lease obligation	(100,891)	-	(320,330)	-
Payment of note payable	(330,737)	-	(564,313)	-
Interest on equity portion of convertible debenture	(24,932)	-	(75,069)	-
Net proceeds from issuance of share capital	8,899,292	9,565,558	10,172,675	12,160,937
	8,551,062	9,461,099	6,097,958	12,056,478
Effect of foreign currency translation on cash	(121,072)	-	355,432	-
Increase (decrease) in cash	5,651,852	6,332,751	2,770,945	8,200,956
Cash, beginning of period	10,122,280	2,175,490	13,003,187	307,285
Cash, end of period	15,774,132	8,508,241	15,774,132	8,508,241

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

June 30, 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)

June 30, 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:

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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>
	<hr/> \$ 19,359,603 <hr/>
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>
	<u>8,137,500</u>
Convertible debenture	5,000,000
	<hr/> \$ 19,359,603 <hr/>

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'

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

June 30, 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 (\$146,721) 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 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 is 125 tonnes at prices ranging from US\$12,100 to US\$12,226 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).

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

June 30, 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 June 30, 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		2,433,773
Capitalized mine development costs		384,532
Other capitalized costs		605,196
Effect of foreign currency translation		<u>325,682</u>
		22,531,548
Period amortization		<u>(4,764,394)</u>
Balance, June 30, 2006		<u>17,767,154</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 December, 2007	<u>375,000</u>	<u>338,588</u>
Note Payable	<u>375,000</u>	<u>338,588</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 (\$225,725) 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

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

June 30, 2007 and 2006

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.

As at and for the nine months ended June 30, 2007	Revenue	Net loss	Total assets
Canada	\$ 249,292	\$ (3,528,290)	\$ 12,592,460
Australia	42,639,444	(5,024,469)	27,841,671
Total	\$ 42,888,736	\$ (8,552,759)	\$ 40,434,131

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	-	1,207
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)	41,503	(1,540)	-	-	35,763
Geological consulting	7,389	4,689	29,729	4,603	6,858	7,484	60,752
Fieldwork	1,440	1,440	2,037	1,445	1,293	-	7,655
Balance, June 30, 2006	86,270	80,067	213,153	63,689	113,557	7,484	564,220
Acquisition	-	-	15,155	-	-	-	15,155
Claims and land use	(3,475)	(25)	(410)	(25)	-	-	(3,935)
Refundable deposits	3,475	25	74,760	25	-	-	78,285
Airborne surveys	-	-	30,387	-	-	-	30,387
Geological consulting	4,096	496	126,600	-	-	-	131,192
Assaying	1,000	1,000	10,570	1,000	1,268	-	14,838
Fieldwork	25,815	(995)	543,510	(1,000)	(3,768)	-	563,562
Other adjustments	-	-	-	-	-	(7,484)	(7,484)
Balance, September 30, 2006	117,181	80,568	1,013,725	63,689	111,057	-	1,386,220
Claims and land use	-	-	29,651	-	-	-	29,651
Refundable deposits	-	-	(350)	-	-	-	(350)
Geological consulting	1,200	-	31,550	-	-	-	32,750
Assaying	-	-	8,734	-	-	-	8,734
Fieldwork	30	-	31,363	-	-	-	31,393
Write-down	-	(80,568)	-	-	-	-	(80,568)
Balance, June 30, 2007	118,411	-	1,114,673	63,689	111,057	-	1,407,830

The Company has determined that the Company's Ossok East property lacked merit relative to other opportunities. The Company has allowed the mineral license related to the Ossok East property to lapse and has written down the carrying value of the Ossok East property in the amount of \$80,568.

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

June 30, 2007 and 2006

9. **Property, plant and equipment**

	Period ended June 30, 2007		
	Cost	Accumulated amortization	Net
Canadian operations			
Computer equipment	\$ 23,270	\$ 7,185	\$ 16,085
Office furniture and equipment	8,016	1,543	6,473
	<u>31,286</u>	<u>8,728</u>	<u>22,558</u>
Australian Operations			
Buildings	53,407	133	53,274
Office furniture and equipment	26,892	7,476	19,416
Plant and equipment	758,397	237,386	521,011
Plant and equipment under capital lease	2,316,038	800,978	1,515,060
	<u>3,154,734</u>	<u>1,045,973</u>	<u>2,108,761</u>
	<u>\$ 3,186,020</u>	<u>\$ 1,054,701</u>	<u>\$ 2,131,319</u>
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
	<u>31,286</u>	<u>2,917</u>	<u>28,369</u>
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
	<u>2,386,202</u>	<u>183,108</u>	<u>2,203,094</u>
	<u>\$ 2,417,488</u>	<u>\$ 186,025</u>	<u>\$ 2,231,463</u>

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	485,000	209,000
Issued upon exercise of warrants	12,625,859	9,964,932
Adjustments to contributed surplus		523,756
Share issue costs		(1,256)
Future income taxes		(253,750)
Balance, June 30, 2007	68,613,578	\$ 34,128,060

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

June 30, 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	(12,625,859)	(0.79)
Outstanding warrants, June 30, 2007	4,966,140	1.01

Exercise prices	Number outstanding	Weighted average remaining contractual life in years
\$ 0.71	835,000	0.6
1.05	3,725,369	0.9
1.00	405,771	0.9
\$ 1.01	4,966,140	0.8

d) **Earnings and loss per share**

The exercise of options and warrants would be anti-dilutive for the periods ended June 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	3,775,000	0.97
Stock options exercised	(518,000)	0.48
Outstanding options, June 30, 2007	5,702,000	0.72
Options exercisable, June 30, 2007	5,559,141	\$ 0.72

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

June 30, 2007 and 2006

11. Stock-based compensation, continued

Exercise prices	Number outstanding	Weighted average remaining contractual life in years
\$ 0.13	560,000	1.7
0.115	220,000	2.6
0.16	410,000	3.4
0.33	500,000	3.5
0.55	270,000	4.0
0.80	2,950,000	4.3
1.50	750,000	4.7
<u>\$ 0.72</u>	<u>5,702,000</u>	<u>3.9</u>

During the period ended June 30, 2007, the Company recorded stock-based compensation of \$2,609,321 (2006 – 72,750) relating to the 3,775,000 (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	2,609,321
Adjustment for options exercised	(159,800)
Adjustment for agents' warrants exercised	(331,707)
Balance, June 30, 2007	<u>\$ 4,416,534</u>

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 \$159,708; (2006 - \$94,764) and was fully paid at June 30, 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 - \$38,201) and was fully paid at June 30, 2007 and 2006.
- c) Accrued interest on the convertible debenture in the amount of \$50,645 (2006 – \$50,685) and the principal amount of the convertible debenture of \$5,000,000 (2006 – nil) were payable to companies associated with directors of the Company at June 30, 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.