

Brilliant Mining Corp

Financial Statements

For the three months ended December 31, 2005 and 2004

Brilliant Mining Corp.

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the three months ended December 31, 2005 and 2004 have not been reviewed by the company's auditors.

Brilliant Mining Corp.
Balance Sheets

December 31, September 30,
2005 2005
(unaudited) (audited)

Assets

Current

Cash and cash equivalents	\$	137,802	\$	307,285
Accounts receivable		87,569		47,419

		225,371		354,704
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Mineral interests (note 2)

		487,604		452,092
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	\$	712,975	\$	806,796
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Liabilities and share capital and deficit

Current

Accounts payable and accrued liabilities	\$	50,945	\$	113,938
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Contingent Liability (note 3)

Share capital and deficit

Share capital (note 4)		1,698,881		1,689,581
Contributed surplus (note 6)		241,245		168,495
Deficit		(1,278,096)		(1,165,218)

		662,030		692,858
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	\$	712,975	\$	806,796
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Approved On Behalf Of The Board

Director *"John Williamson"*

Director *"Sean Mager"*

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

Three months ended December 31	2005	2004
Expenses		
Stock based compensation (note 5)	\$ 72,750	\$ -
Promotion and investor relations	22,218	-
Management fees	14,700	6,000
Rent	1,682	-
Professional fees	1,471	10,868
Corporate fees	1,421	3,679
Office and administration	310	(551)
Exploration expenditures	156	-
Loss from operations	(114,708)	(19,996)
Other income		
Interest	1,830	56
Net loss	(112,878)	(19,940)
Deficit, beginning of year	(1,165,218)	(491,741)
Deficit, end of period	\$ (1,278,096)	\$ (511,681)
Basic and diluted loss per share	\$ (0.008)	\$ (0.003)
Weighted average number of shares	13,583,945	6,654,997

Brilliant Mining Corp.
Statements of Cash Flows
(unaudited)

Three months ended December 31	2005	2004
Cash flows from operating activities		
Net loss	\$ (112,879)	\$ (19,940)
Adjustments for:		
Stock based compensation	72,750	-
	<u>(40,129)</u>	<u>(19,940)</u>
Change in non-cash working capital items		
Accounts receivable	(5,850)	(1,796)
Accounts payable and accrued liabilities	(97,141)	6,336
	<u>(143,120)</u>	<u>(15,400)</u>
Cash flows from investing activities		
Mineral interest acquisition and exploration costs paid	(35,662)	-
Cash flows from financing activities		
(Repayment of) advances from director	-	6,420
Issuance of share capital	9,300	-
	<u>9,300</u>	<u>(8,980)</u>
Increase (decrease) in cash	(169,482)	(8,980)
Cash, beginning of year	307,285	58,419
Cash, end of year	\$ 137,803	\$ 49,439
Other information		
Interest received	\$ 1,830	\$ 56

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

December 31, 2005

1. Nature of operations

The Company was incorporated under the Alberta Business Corporations Act on October 1, 1998 and has its shares listed for trading on the TSX Venture Exchange. The principal business of the Company is the evaluation, acquisition and development of mineral properties. The Company has not yet determined whether these properties contain precious mineral reserves that are economically recoverable and the Company is not presently carrying on active exploration efforts on certain mineral properties. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and ultimately upon future profitable production or proceeds from disposition of the mineral properties. The amounts shown in Note 2 represent costs to date for property acquisition and exploration expenditures and do not necessarily reflect present or future values.

The Company became a reporting issuer in January 2002 and the information presented for the three month period ended December 31, 2005 has been presented in accordance with Canadian generally accepted accounting principles for interim financial reporting. These interim financial statements follow the same accounting policies and methods of their application as, and should be read in conjunction with, the annual audited financial statements for the year ended September 30, 2004.

2. Mineral interests

	Ossok West	Ossok East	Michikamau	Scoop	Chesterfield	Medley River	Prospective properties	Total
Balance, September 30, 2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 555,034	\$ -	\$ 555,034
Additions during the year:								
Acquisition	-	-	23,000	-	-	-	-	23,000
Claims and land use	3,940	2,560	-	1,700	12,291	-	-	20,491
Refundable deposits	19,700	12,800	27,960	8,500	-	-	-	68,960
Airborne surveys	54,409	55,468	33,163	40,422	34,080	-	-	217,542
Geological consulting	4,098	3,798	5,798	3,131	17,219	778	-	34,822
Fieldwork	13,903	13,903	13,903	13,903	32,443	-	-	88,055
Impairment and abandonment	-	-	-	-	-	(555,812)	-	(555,812)
Balance, September 30, 2005	96,050	88,529	103,824	67,656	96,033	-	-	452,092
Additions during the period, Dec 31:								
Acquisition	-	-	-	-	451	-	2,000	2,451
Claims and land use	3,475	25	95	25	8,166	-	-	11,786
Refundable deposits	(19,700)	(12,800)	35,650	(8,500)	-	-	-	(5,350)
Airborne surveys	-	-	-	-	-	-	-	-
Geological consulting	3,511	2,810	5,111	2,810	6,858	-	-	21,100
Fieldwork	874	874	1,470	874	1,432	-	-	5,524
Impairment and abandonment	-	-	-	-	-	-	-	-
Balance, December 31, 2005	\$ 84,210	\$ 79,438	\$ 146,150	\$ 62,865	\$ 112,940	\$ -	\$ 2,000	\$ 487,603

December 31, 2005

2. Mineral interests, continued

Medley River Property

Pursuant to an agreement dated March 19, 1999 and an amending agreement dated August 30, 2000 with a former director and a company controlled by a former director, the company entered into an option agreement to acquire a 100% working interest, subject to certain royalty interests, in a mineral resource property in the Cold Lake, Alberta area. During the year ended September 30, 2005, mineral claims were allowed to lapse and the property was written off as Management determined that the project lacked merit relative to other opportunities.

Ossok West and Ossok East Property

On February 22 and March 2, 2005, the Company staked and beneficially owns 100% of two claim groups in the Ossok Mountain region of western Labrador, named Ossok West and Ossok East, which are Platinum Group Elements – Nickel – Copper (PGE-Ni-Cu) properties totaling over 120 square kilometers. In conjunction with the staking, the Company paid \$19,700 and \$12,800 respectively as a potentially refundable exploration deposits with the Government of Newfoundland and Labrador. The deposits were refunded during the quarter ended December 31, 2005 pursuant to the filing of assessment claims, except for \$3,450 in deposits for the Ossok West property which were forfeited.

Michikamau Property

On February 3, 2005 the Company signed a letter of agreement with Hunter Exploration Group to acquire a 100% interest in the Michikamau Project property in Labrador. Consideration for this acquisition consists of:

- a) cash payment of \$27,960 representing a potentially refundable deposit with the Newfoundland government; and
- b) issuance of 200,000 units (one common share plus one common share warrant of the Company exercisable within two years at an exercise price of \$0.25) at a deemed price of \$0.115 per unit, which was equal to the approximate market value at that time.

The mineral interest is subject to a 2% net smelter royalty and the agreement requires advanced royalty payments of \$10,000 per annum, commencing October 1, 2006. During the quarter ended December 31, 2005, the company received deposit refunds of \$23,300 from Hunter and paid \$56,600 in deposits for a year 2 extension on 2 licenses.

Chesterfield Property

On January 13, 2005 the Company signed an agreement with Falconbridge Limited to acquire a 100% interest in 15 prospecting permits in the Chesterfield Property in Nunavut. To acquire this mineral interest the Company must incur \$1 million in exploration expenditures on the property by November 30, 2008, including the requirement to stake and then maintain annual assessment work on certain specified claims as well as certain specified survey and drilling programs.

The mineral interest is subject to a 1% net smelter royalty on gold deposits, a 2.5% net smelter royalty on base metal deposits and 1% gross overriding royalty on diamond deposits to the vendor as well as certain earn-in rights and a right of first refusal to the vendor.

Scoop Property

In June 2005, the Company staked a claim in the Scoop Property in Newfoundland-Labrador which is a Ni-Cu-Co-PGE property. In conjunction with this staking, the Company paid a non-refundable recording fee to the Newfoundland Government of \$1,700, and a potentially

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

December 31, 2005

2. Mineral interests, continued

refundable deposit with the Newfoundland Government of \$8,500. The full deposit refund was received during the quarter ended December 31, 2005 pursuant to the filing of assessment claims.

3. Contingent Liability

As at December 31, 2005 the Company was being sued by a supplier for the amount of \$10,753 in lost equipment. Management is currently defending the action and the outcome is undeterminable at this time, and accordingly, no provision has been made in the Company's accounts.

4. Share capital

a) Authorized

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

b) Common shares issued

	<u>Number</u>		<u>Amount</u>
Balance September 30, 2005	13,579,597	\$	1,689,581
Issued upon exercise of warrants	50,000		10,000
Share issue costs	-		(700)
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Balance December 31, 2005	13,629,597	\$	1,698,881

Private Placements

On January 18, 2005 the Company closed a non-brokered private placement of 2,500,000 units at a price of \$0.10 per unit, for aggregate proceeds of \$250,000. Each unit consists of one common share and one share purchase warrant, which entitles the holder to acquire one additional common share at a price of \$0.20 per share within two years of issuance.

On June 17, 2005, the company closed a brokered private placement of 4,000,000 units at a price of \$0.15 per unit, for aggregate proceeds of \$600,000. Of the units sold, 2,000,000 units consisted of one common share and one share purchase warrant. The remaining 2,000,000 units (flow-through units) consisted of one common share issued as a "flow-through share" and one-half of a share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share for a period of two years from closing at an exercise price of \$0.25 per common share. The company paid underwriters' commissions of \$16,290 in cash, an aggregate of 224,600 units at a deemed price of \$0.15 per unit, warrants to purchase 333,200 shares at a price of \$0.20 per share expiring in two years from closing, and a corporate finance fee of \$20,000, in addition to the agent's reasonable costs and expenses.

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

December 31, 2005

4. Share capital, continued

c) Warrants

	Number		Weighted average exercise price
Outstanding warrants, September 30, 2005	6,257,800	\$	0.23
Exercise of warrants	50,000		0.20
Outstanding warrants, December 31, 2005	6,207,800	\$	0.23

Exercise Prices	Number outstanding	Weighted average remaining contractual life in years
\$ 0.20	2,450,000	1.00
0.25	200,000	1.10
0.20	333,200	1.50
0.25	3,224,600	1.50
\$ 0.23	6,207,800	1.29

5. Stock-Based Compensation

Pursuant to a new Stock Option Agreement for directors, officers, employees and consultants dated March 24, 2004, the Corporation may reserve a maximum of 10% of the issued and outstanding listed common shares; the exercise price to be determined on the date of issuance of the option. These options may be exercised within five years from the date of grant or one year following the date the optionee ceases to be a director or officer of the Corporation by reason of death or 30 days for any reason other than death.

	Number		Weighted average exercise price
Outstanding options, September 30, 2005	915,000	\$	0.13
Granted	485,000		0.16
Cancelled	(45,000)		0.13
Outstanding options, December 31, 2005	1,355,000	\$	0.14

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

December 31, 2005

5. Stock-Based Compensation, continued

Exercise Prices	Number outstanding	Weighted average remaining contractual life in years
\$ 0.13	620,000	3.20
0.12	250,000	4.10
0.16	485,000	4.90
\$ 0.14	1,355,000	3.97

During the period, the Company recorded stock-based compensation of \$72,750 (2005 - nil) relating to the 485,000 (2005 - nil) options granted. 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 and certain assumptions as at the grant date. The previously recorded fair value of options are not subsequently adjusted for changes in the market price or volatility of the company's shares, remaining life of the options, changes in the dividend rate or the risk-free interest rate. The assumptions used are as follows:

	December 31, 2005	September 30, 2005
Risk free interest rate	3.87%	3.38%
Expected hold period prior to exercise (years)	5	5
Expected volatility	142%	130%
Dividend yield per share	0%	0%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility.

6. Contributed surplus

	December 31, 2005	September 30, 2005
Opening Balance	\$ 168,495	\$ 106,011
Fair value of agents' warrants issued	-	39,984
Fair value of stock-based compensation	72,750	22,500
Closing Balance	\$ 241,245	\$ 168,495

December 31, 2005

7. Income taxes

As at the last fiscal year ended September 30, 2005, the company had non-capital income tax losses carried forward for tax purposes aggregating \$643,000 which are available for the reduction of future years' taxable income. The losses expire as follows:

2006	\$ 100,000
2007	83,000
2008	47,000
2009	92,000
2010	102,000
2011	62,000
2012	157,000
	<hr/>
	\$ 643,000

No income tax expense or recovery is recorded in these financial statements as the benefit of income tax losses has not been recognized. No future tax asset has been recorded for the tax loss carry-forwards; a valuation allowance has been made, reflecting management's assumption that the tax assets, more likely than not, will not be realized.

8. Related party transactions

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

- a) Paid or accrued management fees to a company controlled by a director and officer of the Company in the amount of \$14,000; (December 31, 2004 - \$8,000).
- b) Paid or accrued geological consulting fees to a director and officer of the Company in the amount of \$13,000; (December 31, 2004 -nil) which have been capitalized as mineral interest costs.

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.

9. Subsequent events

\$2,065,000 Brokered Private Placement

On January 5, 2006, the Company announced a private placement offering ("Offering") of up to 2,900,000 flow-through units (the "FT Units") at a price of \$0.35 per FT Unit and 3,400,000 non-flow-through units (the "Units") at a price of \$0.30 per Unit for total gross proceeds of up to \$2,065,000.

Each FT Unit shall consist of one flow-through share and one non-transferable common share purchase warrant (a "CS Warrant"). Each whole CS Warrant shall be exercisable into one additional common share of the Company ("Common Share") for two (2) years from closing at an exercise price of \$0.45 per Common Share. Each Unit shall consist of one Common Share and one non-transferable Warrant ("Warrant"). Each Warrant shall be exercisable into one additional Common Share for two (2) years from closing at a price of \$0.40 per Common Share.

December 31, 2005

9. Subsequent events, continued

The expiry date of the CS Warrants and Warrants may be accelerated, at the sole option of the Company, to 30 days following the date on which the Company gives such notice that the Company's common shares have closed at a price greater than \$1.00 for 10 consecutive trading days.

Costs of the Offering include a commission equal to 8% of the gross proceeds of the Offering, in cash or, in whole or in part, in Units, together with non-transferable compensation options to acquire Common Shares equal to 8% of the number of FT Units and Units sold at an exercise price of \$0.40 per Common Share within two years of the Closing Date. In addition, the Corporation has agreed to pay the agent a corporate finance fee of \$20,000 cash plus 50,000 Units and to pay the agent's reasonable costs and expenses related to the Offering.

Agreement to acquire a 25% interest in Australian nickel mine

On February 6, 2006, the Company announced that it has entered into a letter agreement ("Agreement") with two arm's length parties (the "Vendors") to acquire all of the issued and outstanding shares of a private Australian company, Donegal Resources Pty. Ltd. ("Donegal") that indirectly holds a 25% interest in the Lanfranchi Joint Venture ("Lanfranchi JV") which 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 Western Australia.

The Agreement is subject to a number of conditions, including the non-exercise of a right of first refusal ("ROFR") by Sally Malay Mining Limited as the holder of a 75% interest in the Lanfranchi Project, regulatory approvals and third party consents, satisfactory completion of due diligence by the Company, completion of an NI 43-101 technical report, the Company completing an equity financing for proceeds of not less than CDN\$5 million (the "Financing"), and the execution of a definitive formal agreement.

Pursuant to the Agreement, the Company was required to pay a CDN\$150,000 break fee to the Vendors and to pay a deposit of CDN\$200,000 on February 10, 2006. The break fee and deposit are refundable in the event the ROFR is exercised.

In order to finance the break fee, deposit, and due diligence costs, Brilliant raised \$506,000 by completing a private placement to insiders of the Company of 1,100,000 units ("IP Units") at a price of \$0.46 per IP Unit. Each IP Unit will consist of one common share of the Company ("Common Share") and one non-transferable share purchase warrant ("IP Warrant") entitling the holder to acquire one additional Common Share within two years of issuance at a price of \$0.71 per Common Share. The placement closed on February 15, 2006.

The consideration to be paid by Brilliant to the Vendors consists of:

- (1) CDN\$4.8 million cash;
- (2) the issuance of 10,500,000 units, each unit consisting of one Common Share and one-half of a share purchase warrant, the number of units and the exercise price of the warrants are dependent on the pricing of the Financing; and

December 31, 2005

9. Subsequent events, continued

- (3) a CDN\$5 million unsecured convertible debenture ("Debenture") issued to the Vendors, that matures in three years, with 10% annual interest payable in quarterly installments. The Debenture is convertible at the option of the Vendors into Common Shares at a conversion price equal to the lesser of \$1.00 and a 30% premium to the issuance price of the Common Shares pursuant to the Financing in the first two years and in the third year at a conversion price that is a 10% premium above the previous conversion price. Brilliant is entitled to prepay the Debenture at any time on 30 days notice to the Vendors.

The Company has also agreed to assume all of the liabilities outstanding in the private Australian company, including debt and hedging facilities, shareholders' loans and joint venture obligations.