

Brilliant Mining Corp.

Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006

Brilliant Mining Corp.

Notice of Non-review of Interim Financial Statements

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

Brilliant Mining Corp.
Consolidated Balance Sheets

As at	December 31, 2007 <i>(unaudited)</i>	September 30, 2007 <i>(audited)</i>
Assets		
Current		
Cash and cash equivalents (note 9)	\$ 9,577,136	\$ 8,966,872
Receivables	1,793,576	1,353,678
Forward contracts (note 9)	40,200	-
Other	610,279	466,826
	<u>12,021,191</u>	<u>10,787,376</u>
Restricted cash (note 9)	165,888	168,358
Mine property (note 4)	19,952,045	19,779,186
Mineral interests (note 5)	1,994,959	1,958,161
Property, plant, and equipment (note 6)	2,876,695	2,750,569
	<u>37,010,778</u>	<u>35,443,650</u>
Total assets	<u>\$ 37,010,778</u>	<u>\$ 35,443,650</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 4,210,456	\$ 3,539,085
Capital lease obligations (note 9)	453,036	452,168
Income taxes payable	696,495	708,706
Note payable (note 9)	216,750	551,375
	<u>5,576,737</u>	<u>5,251,334</u>
Asset retirement obligation	214,233	215,704
Capital lease obligations (note 9)	598,262	727,214
Convertible debenture (note 9)	4,535,996	4,452,891
Future income taxes	2,504,572	1,433,254
	<u>13,429,800</u>	<u>12,080,397</u>
Total liabilities	<u>13,429,800</u>	<u>12,080,397</u>
Shareholders' equity	<u>23,580,978</u>	<u>23,363,253</u>
Total liabilities and shareholders' equity	<u>\$ 37,010,778</u>	<u>\$ 35,443,650</u>

Approved by the Board

Director (signed by) "John Williamson"

Director (signed by) "Sean Mager"

Brilliant Mining Corp.
Consolidated Statements of Net Loss

(unaudited)

Three months ended December 31	2007	2006
Revenue		
Nickel sales	\$ 9,294,716	\$ 12,448,917
Interest	90,540	113,400
Other	3,313	32,241
	<u>9,388,569</u>	<u>12,594,558</u>
Expenses		
Amortization	1,106,217	2,490,461
Concentrator fees	439,507	407,595
General and administration	464,205	287,298
Interest on capital lease obligations	21,935	31,317
Interest and accretion on convertible debenture	182,831	184,840
Interest	199	61,016
Mining	2,192,253	1,728,169
Royalties	185,039	316,473
Smelting	3,253,149	4,357,121
Stock based compensation (note 7)	1,413,940	1,523,786
	<u>9,259,275</u>	<u>11,388,076</u>
	129,294	1,206,482
Other income (expenses)		
Foreign exchange	(175,642)	307,740
Loss on nickel contracts	-	(4,468,923)
Other	(22,287)	1,452
	<u>(68,635)</u>	<u>(2,953,249)</u>
Net loss before income tax	(68,635)	(2,953,249)
Current income taxes	-	(420,161)
Future income taxes	(1,052,352)	431,728
	<u>(1,052,352)</u>	<u>431,728</u>
Net loss for the period	<u>\$ (1,120,987)</u>	<u>\$ (2,941,682)</u>
Basic and diluted net loss per common share (note 7)	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>

Brilliant Mining Corp.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(In dollars, except # of common shares)

	# of common shares	Share capital	Contributed Surplus	Convertible debenture – equity portion	Deficit	Accumulated other comprehensive income	Total shareholders' equity
Three months ended December 31, 2007							
October 1, 2007	68,766,865	35,466,953	2,666,546	1,000,000	(16,195,831)	425,585	23,363,253
Net loss	-	-	-	-	(1,120,987)	-	(1,120,987)
Other comprehensive loss:							
Effect of exchange rate fluctuation on translation of net assets of self-sustaining foreign operations	-	-	-	-	-	(54,060)	(54,060)
Comprehensive loss	-	-	-	-	(1,120,987)	(54,060)	(1,175,047)
Stock options vested (note 7)	-	-	1,413,940	-	-	-	1,413,940
Exercise of warrants	5,000	3,550	-	-	-	-	3,550
Exercise of stock options	8,000	1,440	(400)	-	-	-	1,040
Equity portion of interest on convertible debenture	-	-	-	-	(24,933)	-	(24,933)
Share issuance costs	-	(825)	-	-	-	-	(825)
	13,000	4,165	1,413,540	-	(1,145,920)	(54,060)	217,725
	68,779,865	35,471,118	4,080,086	1,000,000	(17,341,751)	371,525	23,580,978

Three months ended December 31, 2006

October 1, 2006	55,502,719	23,685,378	2,330,970	1,000,000	(7,130,397)	11,477	19,897,428
Net loss	-	-	-	-	(2,941,682)	-	(2,941,682)
Other comprehensive income:							
Effect of exchange rate fluctuation on translation of net assets of self-sustaining foreign operations	-	-	-	-	-	590,267	590,267
Comprehensive loss	-	-	-	-	(2,941,682)	590,267	(2,351,415)
Stock options vested (note 7)	-	-	1,523,786	-	-	-	1,523,786
Exercise of warrants	220,000	44,000	-	-	-	-	44,000
Exercise of agents' warrants	2,000	640	(240)	-	-	-	400
Exercise of stock options	45,000	7,650	(1,500)	-	-	-	6,150
Equity portion of interest on convertible debenture	-	-	-	-	(25,202)	-	(25,202)
Share issuance cost recovery	-	3,712	-	-	-	-	3,712
	267,000	56,002	1,522,046	-	(2,966,884)	590,267	(798,569)
	55,769,719	23,741,380	3,853,016	1,000,000	(10,097,281)	601,744	19,098,859

Brilliant Mining Corp.

Consolidated Statements of Cash Flows

(unaudited)

Three months ended December 31	2007	2006
Cash flows used in operating activities		
Net loss for the period	\$ (1,120,987)	\$ (2,941,681)
Adjustments for:		
Accretion expense	81,634	84,018
Amortization	1,106,217	2,490,461
Future income taxes	1,052,352	(431,728)
(Gain) loss on disposal of equipment	-	(1,452)
Stock based compensation	1,413,940	1,523,786
	<u>2,533,156</u>	<u>723,404</u>
Foreign currency translation	(44,835)	420,078
Changes in working capital:		
Receivables	(439,898)	1,492,544
Forward contracts	(40,200)	(264,354)
Accounts payable and accrued liabilities	671,371	(1,194,671)
Income taxes payable	-	439,287
Other current assets	(143,453)	19,427
	<u>2,536,141</u>	<u>1,215,637</u>
Cash flows used in investing activities		
Mineral interest exploration expenditures	(36,798)	(2,711)
Capitalized Lanfranchi mine expenditures	(1,057,515)	(295,373)
Proceeds on disposal of property, plant, and equipment	-	19,947
Purchases of property, plant, and equipment	(347,687)	(705,410)
	<u>(1,442,000)</u>	<u>(983,547)</u>
Cash flows from financing activities		
Interest on equity portion of convertible debenture	(24,933)	(25,203)
Repayment of bank loan	-	(826,830)
Repayment of capital lease obligations	(128,084)	(106,261)
Repayment of note payable	(334,625)	-
Net proceeds from issuance of share capital	3,765	54,262
	<u>(483,877)</u>	<u>(853,626)</u>
Net increase (decrease) in cash	610,264	(671,942)
Cash, beginning of period	<u>9,135,230</u>	<u>13,003,187</u>
Cash, end of period	<u>\$ 9,743,024</u>	<u>\$ 12,751,323</u>
Cash is composed of:		
Cash and cash equivalents	\$ 9,577,136	\$ 12,577,034
Restricted cash	<u>165,888</u>	<u>174,289</u>
	<u>\$ 9,743,024</u>	<u>\$ 12,751,323</u>

Brilliant Mining Corp.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006

(unaudited)

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, 2007, 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, 2007 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. Certain figures in the comparative financial statements have been reclassified to conform to presentation adopted in the current period.

Change in accounting policies

On October 1, 2007, the Company adopted the following new Canadian Institute of Chartered Accountants (“CICA”) Handbook Sections:

a) Section 3862, “Financial Instruments – Disclosures”, describes the required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. This section and Section 3863, “Financial Instruments – Presentation” replaced Section 3861, “Financial Instruments – Disclosure and Presentation”.

b) Section 3863, “Financial Instruments – Presentation”, establishes standards for presentation of financial instruments and non-financial derivatives.

c) Section 1535, “Capital Disclosures”, establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure requirements of the entity’s objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.

The additional disclosures, required as a result of the adoption of these standards, have been included in note 9.

Future accounting changes

The CICA has amended Section 1400, “General Standards of Financial Statement Presentation”, which is effective for interim periods beginning on or after October 1, 2008, to include requirements to assess and disclose the Company’s ability to continue as a going concern. The adoption of this new section is not expected to have an impact on the consolidated financial statements.

Brilliant Mining Corp.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006

(unaudited)

3. Segmented information

The Company's operations are managed on a regional basis. The two regional operational segments are Canada and Australia. Property, plant and equipment is disclosed in note 6 in a manner consistent with the requirements for segmented information.

The following table allocates assets by segment:

	December 31, 2007	September 30, 2007
Canada	\$ 7,638,376	\$ 10,013,410
Australia	<u>29,372,402</u>	<u>25,430,240</u>
Total assets	<u>\$ 37,010,778</u>	<u>\$ 35,443,650</u>

The following tables allocate revenues and net loss by segment:

Three months ended December 31	2007	2006
Canada	\$ 61,681	\$ 87,165
Australia	<u>9,326,888</u>	<u>12,507,393</u>
Total revenues	<u>\$ 9,388,569</u>	<u>\$ 12,594,558</u>

Three months ended December 31	2007	2006
Canada	\$ (2,103,451)	\$ (1,795,367)
Australia	<u>982,464</u>	<u>(1,146,315)</u>
Net loss	<u>\$ (1,120,987)</u>	<u>\$ (2,941,682)</u>

4. Mine property – Lanfranchi Joint Venture

The Company has a 25% interest in the Lanfranchi Joint Venture ("Lanfranchi JV"), acquired in May 2006, 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. Revenues from nickel ore sales resulting from the mining activities of the Lanfranchi JV are recognized by the Company directly.

Lanfranchi mine

The primary asset of the Lanfranchi JV is the Lanfranchi Nickel Mine. The mine property, including acquisition costs and subsequent additions, is amortized on a units-of-production basis based on proven reserves. The following is a schedule of movement in the carrying value of the mine for the three months ended December 31, 2007 and 2006:

Brilliant Mining Corp.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006

(unaudited)

	2007	2006
Balance, September 30	\$ 19,779,186	\$ 18,782,365
Mine development	976,993	222,374
Pre-production	10,428	-
Exploration	238,280	589,490
Foreign exchange adjustment	(168,186)	636,890
Amortization	(884,656)	(2,389,245)
	<hr/>	<hr/>
Balance, December 31	\$ 19,952,045	\$ 17,841,574

5. Mineral interests

The Company has taken steps to verify title to resource properties in which it has an interest. However, these procedures do not guarantee the Company's title as property title may be subject to unregistered prior agreements and potential non-compliance with exploration expenditure and reporting requirements.

Additions (In dollars)	Ossok West	Ossok East	Michikamau	Scoop	Chesterfield	Total
Balance, September 30, 2006	117,181	80,568	1,013,725	63,689	111,057	1,386,220
Additions during the period:						
Geological consulting	1,000	-	10,431	-	-	11,431
Assaying	-	-	7,777	-	-	7,777
Fieldwork	-	-	(16,497)	-	-	(16,497)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, December 31, 2006	118,181	80,568	1,015,436	63,689	111,057	1,388,931
Claims and land use	-	-	29,650	-	-	29,650
Refundable deposits	-	-	(350)	-	-	(350)
Geological consulting	200	-	21,119	-	-	21,319
Assaying	-	-	957	-	-	957
Fieldwork	12,280	-	760,688	-	-	772,968
Write down	-	(80,568)	-	(63,689)	(111,057)	(255,314)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, September 30, 2007	130,661	-	1,827,500	-	-	1,958,161
Geological consulting	450	-	9,632	-	-	10,082
Assaying	-	-	7,966	-	-	7,966
Fieldwork	-	-	18,750	-	-	18,750
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance, December 31, 2007	131,111	-	1,863,848	-	-	1,994,959

Balances (In dollars)	Ossok West	Michikamau	Total
Acquisition cost	-	38,155	38,155
Claims, land use, and refundable deposits	7,415	167,670	175,085
Exploration	123,696	1,658,023	1,781,719
	<hr/>	<hr/>	<hr/>
	131,111	1,863,848	1,994,959

Brilliant Mining Corp.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006

*(unaudited)***6. Property, plant, and equipment****As at December 31, 2007**

	Cost	Accumulated Amortization	Net
Canadian operations			
Computer equipment	\$ 23,270	\$ 9,831	\$ 13,439
Office furniture and equipment	8,016	2,228	5,788
	<u>31,286</u>	<u>12,059</u>	<u>19,227</u>
Australian operations			
Buildings	51,283	193	51,090
Office furniture and equipment	25,822	7,978	17,844
Plant and equipment	1,667,290	268,042	1,399,248
Plant and equipment under capital lease	2,354,456	965,170	1,389,286
	<u>4,098,851</u>	<u>1,241,383</u>	<u>2,857,468</u>
	<u>\$ 4,130,137</u>	<u>\$ 1,253,442</u>	<u>\$ 2,876,695</u>

As at September 30, 2007

	Cost	Accumulated Amortization	Net
Canadian operations			
Computer equipment	\$ 23,270	\$ 8,741	\$ 14,529
Office furniture and equipment	8,016	1,924	6,092
	<u>31,286</u>	<u>10,665</u>	<u>20,621</u>
Australian operations			
Buildings	52,182	169	52,013
Office furniture and equipment	26,275	8,941	17,334
Plant and equipment	1,554,069	372,720	1,181,349
Plant and equipment under capital lease	1,710,205	677,622	1,032,583
Capital projects under construction	446,669	-	446,669
	<u>3,789,400</u>	<u>1,059,452</u>	<u>2,729,948</u>
	<u>\$ 3,820,686</u>	<u>\$ 1,070,117</u>	<u>\$ 2,750,569</u>

Brilliant Mining Corp.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006

(unaudited)

7. Share capital

The Company's bylaws authorize an unlimited number of Class "A" common shares and an unlimited number of Class "B" preferred shares.

Per share calculations

The exercise of dilutive securities would be anti-dilutive for the three months ended December 31, 2007 and 2006 as the Company was in a net loss position. For the three months ended December 31, 2007, the basic weighted average number of shares was 68,772,887 (2006 – 55,593,806).

Warrants

A summary of share purchase warrant activity is as follows:

	Number of warrants (#)	Weighted average exercise price (\$)
Outstanding warrants, September 30, 2007	4,880,853	0.99
Exercised	<u>(5,000)</u>	0.71
Outstanding warrants, December 31, 2007	<u>4,875,853</u>	0.99

A summary of the warrants outstanding at December 31, 2007 is as follows:

Exercise price (\$)	Number of warrants (#)	Remaining contractual life (years)
0.71	830,000	0.1
1.00	320,484	0.4
1.05	3,725,369	0.4
<u>0.99</u>	<u>4,875,853</u>	<u>0.4</u>

Subsequent to December 31, 2007, 830,000 warrants with an exercise price of \$0.71 were exercised for gross proceeds of \$589,300.

Brilliant Mining Corp.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006

*(unaudited)*Stock options

A summary of stock option activity is as follows:

	Number of options (#)	Weighted average exercise price (\$)
Outstanding options, September 30, 2007	5,642,000	0.72
Granted	1,675,000	1.61
Cancelled	(25,000)	2.50
Exercised	(8,000)	0.13
Outstanding options, December 31, 2007	<u>7,284,000</u>	1.02

A summary of options issued is as follows:

	Number of options issued (#)	Weighted average exercise price (\$)	Weighted average fair value (\$)
Three months ended December 31, 2007			
Exercise price above market price at grant date	900,000	1.70	1.06
Exercise price below market price at grant date	<u>775,000</u>	1.50	1.15
	<u>1,675,000</u>	1.61	1.10

A summary of the options outstanding at December 31, 2007 is as follows:

Exercise price (\$)	Number of options outstanding (#)	Number of options exercisable (#)	Remaining contractual life (years)
0.13	544,000	544,000	1.2
0.115	160,000	160,000	2.1
0.16	410,000	410,000	2.9
0.33	500,000	500,000	3.0
0.55	270,000	270,000	3.5
0.80	2,950,000	2,950,000	3.8
1.50	750,000	-	4.2
2.50	25,000	25,000	4.3
1.50	775,000	-	4.8
1.70	900,000	900,000	4.9
<u>1.02</u>	<u>7,284,000</u>	<u>5,759,000</u>	<u>4.0</u>

During the period ended December 31, 2007, the Company recognized stock based compensation related to stock options issued and vesting in the period totaling \$1,413,940 (2006 - \$1,523,786); an aggregate of 1,675,000 options were issued in the period, of which 900,000 vested immediately and 775,000 vest on October 5, 2012. The weighted average fair value of options issued in the period of \$1.10 was estimated using the Black Scholes option pricing model using the

Brilliant Mining Corp.

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For the three months ended December 31, 2007 and 2006

(unaudited)

following weighted average assumptions: risk-free interest rate 4.23%; expected volatility 80%; expected life of 5 years; and expected annual dividends of 0%

During the period ended December 31, 2006, the Company recorded stock based compensation of \$1,523, relating to 2,950,000 (2005 – 485,000) options granted and 71,428 previously granted options vesting. The expense has been recorded in the statement of loss and as an increase to contributed surplus. The weighted average fair value of options issued in the period of \$0.51 was estimated using the Black Scholes option pricing model using the following weighted average assumptions: risk-free interest rate 4.04%; expected volatility 80%; expected life of 5 years and expected annual dividends of 0%

8. Related party transactions

During the period ended December 31, 2007, the Company incurred consulting expenses of \$30,000 (2006 - \$63,792) related to management services provided by directors or companies controlled by directors. During the period ended December 31, 2006, the Company also paid and capitalized \$7,125 to a company controlled by an officer and director for geological consulting services. All amounts were fully paid at December 31, 2007 and 2006.

The Company was charged interest of \$125,000 (2006 - \$125,000) on a convertible debenture payable to companies associated with directors of the Company. Of this amount, \$99,726 (2006 - \$99,726) was included as a component of convertible debenture interest expense, and \$24,932 (2006 - \$25,202) was accounted for as a reduction of shareholders' equity. At December 31, 2007, \$31,330 (2006 - \$52,821) of interest was payable to these companies in addition to the principal amount of \$5,000,000 (2006 - \$5,000,000).

Included in accounts payable and accrued liabilities at December 31, 2007, is \$31,425 (September 30, 2007 – nil) payable to a company with common directors and officers for the reimbursement of shared office expenses and management services. The full amount was paid subsequent to December 31, 2007.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties based on standard commercial terms.

9. Financial instruments

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 (2006 - \$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 \$140,888 (September 30, 2007 – \$143,358) 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. These items, totaling \$165,888 (September 30, 2007 – 168,358), have been classified as a non-current asset due to the restrictions above.

The Company earns variable rates of interest on deposits. A portion of the Company's cash is in the custody of the Lanfranchi Joint Venture, operated by a third party, but under joint control.

Forward contracts

During the period ended December 31, 2007, the company entered into a series of four consecutive monthly forward foreign exchange contracts to exchange USD 1,000,000 per month for Australian Dollars at a fixed forward rate over a period of four months. The first of these contracts was settled in December 2007, with the remaining contracts being settled monthly to March 2008. The three contracts remaining as at December 31, 2007 have a weighted average fixed rate of 0.8874 Australian Dollars per US Dollar. These contracts are financial instruments classified by the Company as held-for-trading assets. As such, unrealized gains and losses due to the change in fair value of the contracts are recognized as a component of net income in the period of change. The forward contracts were entered into as a hedge of

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(unaudited)

a portion of the Company's receipts from sales of its share of ore from the Lanfranchi Mine, which are denominated in US Dollars, against foreign currency fluctuations.

At December 31, 2006, the Company was party to a series of forward foreign exchange contracts to exchange US Dollars for Australian dollars at fixed rates through June 2007. The total amount of US Dollars payable under the contracts as at December 31, 2006 was USD 4,070,650, and the total amount of Australian dollars receivable under the contracts was AUD 5,386,536. The forward contracts were recognized at acquisition date at their fair value and were subsequently adjusted for changes in fair value. Gains and losses on the market adjustments to these contracts were reflected in net income in the period in which the change in value occurred.

The asset and liability components of the forward contracts are shown net as they are settled simultaneously with the same counterparty.

Capital lease obligations

The Company, through its interest in the Lanfranchi JV, is party to its proportionate share of capital lease obligations relating to mining equipment employed at the Lanfranchi Nickel Mine. The obligations are secured against the equipment under capital lease and are classified as other financial liabilities.

Convertible debenture

In May of 2006, the Company issued a \$5,000,000 unsecured convertible debenture to the vendors of Donegal, bearing interest at 10% per annum, payable quarterly, and maturing on May 25, 2009. The convertible debenture has been classified by the Company as an other financial liability and is measured at amortized cost using the effective interest rate method. The carrying value of the convertible debenture approximates its fair value. 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 per share on or before May 25, 2008 and \$1.10 per share on or before May 25, 2009. The Company has the option to prepay the Debenture, in whole or in part, upon thirty days' 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 liability (\$4,535,996, September 30, 2007 - \$4,452,891) and equity (\$1,000,000, September 30, 2007 - \$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.

Note payable

The Company holds an outstanding non-interest bearing note payable on the original purchase of the Lanfranchi Mine and Tramways tenements of AUD 250,000 (\$216,750), classified as an other financial liability, payable to the original vendor from which Donegal and its joint venture partner purchased the assets. The note payable is due within ninety days of the Lanfranchi Nickel Mine having extracted and delivered a cumulative 500,000 metric tonnes of ore ("Threshold Production"). Management estimates that the Threshold Production will be reached in the second quarter of 2008.

Risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

Brilliant Mining Corp.

Notes to the Consolidated Financial Statements

For the three months ended December 31, 2007 and 2006

(unaudited)

Capital risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain title to and explore its mineral properties and meet joint venture cash calls to fund production and development at the Lanfranchi Nickel Mine. The capital structure of the Company consists of cash, a convertible debenture, and share capital.

Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed to or owing by the Company. Management's assessment of the Company's exposure to credit risk is low despite a substantial amount of the Company's accounts receivable and deposits are concentrated with the Government of Canada and the Commonwealth of Australia for the reimbursement of goods and services tax input tax credits.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the Company's revenues are derived from the sale of nickel ore which sale price is determined in the open market. Additionally, a portion of the Company's assets, liabilities and equity is denominated in foreign currencies; therefore the Company is subject to currency risk.

Market sensitivity

For the three months ended December 31, 2007, a hypothetical increase of 10% in the average price of nickel would have increased the period's net income before income taxes by approximately \$600,000. A 10% decrease in the average price of nickel in the period would have increased the net loss before income tax by an equal amount.

Foreign currency sensitivity

The Company is mainly exposed to fluctuations in the Australian dollar. The impact on net income due to a hypothetical 10% strengthening of the Australian dollar against the Canadian dollar would be an additional loss of \$178,109. Comparatively, a 10% weakening of the Australian dollar against the Canadian dollar would have an equal and opposite impact.

10. Comparative figures

These consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current period.