

Brilliant Mining Corp.

Financial Statements

Years ended September 30, 2005 and 2004

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An independent member firm



November 17, 2005
Edmonton, Alberta

Auditors' Report

To the shareholders of Brilliant Mining Corp.:

We have audited the balance sheets of Brilliant Mining Corp. as at September 30, 2005 and 2004 and the statements of loss and deficit and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2005 and 2004 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Kingston Ross Pask LLP

Kingston Ross Pask LLP

Chartered Accountants

Brilliant Mining Corp.
Balance Sheets

As at September 30	2005	2004
Assets		
Current		
Cash (note 3)	\$ 307,285	\$ 58,419
GST receivable	47,419	4,236
	354,704	62,655
Mineral interests (note 4)	452,092	555,034
	\$ 806,796	\$ 617,689
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	\$ 113,938	\$ 17,427
Advances from directors	-	21,944
	113,938	39,371
Contingent Liability (note 5)		
Shareholders' Equity		
Share capital (note 6)	1,689,581	964,048
Contributed surplus (note 8)	168,495	106,011
Deficit	(1,165,218)	(491,741)
	692,858	578,318
	\$ 806,796	\$ 617,689

Approved On Behalf Of The Board
 Director (signed) "Sean Mager"
 Director (signed) "Robert Carpenter"

Brilliant Mining Corp.
Statements of Loss and Deficit

Years ended September 30	2005	2004
Expenses		
Amortization	\$ -	\$ 286
Corporate fees	14,609	8,900
Management fees	29,000	18,000
Office and administration	2,111	3,850
Professional fees	33,902	16,570
Promotion and investor relations	16,358	-
Rent	4,368	15,440
Stock based compensation (note 7)	22,500	33,250
Loss from operations	(122,848)	(96,296)
Other income (expenses)		
Interest	5,183	2,108
Mineral interests written off	(555,812)	-
	(550,629)	2,108
Net loss	(673,477)	(94,188)
Deficit, beginning of year	(491,741)	(397,553)
Deficit, end of year	\$ (1,165,218)	\$ (491,741)
Basic and diluted loss per share	\$ (0.069)	\$ (0.014)
Weighted average number of shares	9,747,827	6,654,997

Brilliant Mining Corp.
Statements of Cash Flows

Years ended September 30, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Net loss	\$ (673,477)	\$ (94,188)
Adjustments for:		
Amortization	-	286
Stock based compensation	22,500	33,250
Mineral interests written off	555,812	-
	(95,165)	(60,652)
Change in non-cash working capital items		
GST receivable	(43,183)	(62)
Accounts payable and accrued liabilities	(6,009)	2,097
Prepaid expenses	-	(4,155)
	(114,357)	(62,772)
Cash flows from investing activities		
Mineral interest acquisition and exploration costs paid	(327,350)	(6,223)
Cash flows from financing activities		
(Repayment of) advances from director	(21,944)	22,027
Issuance of share capital	742,517	-
	720,573	22,027
Increase (decrease) in cash	248,866	(46,968)
Cash, beginning of year	58,419	105,387
Cash, end of year	\$ 307,285	\$ 58,419
Other information		
Interest received	\$ 5,183	\$ 2,108

September 30, 2005 and 2004

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 base mineral reserves that are economically recoverable. 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 4 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 year ended September 30, 2005, has been presented in accordance with Canadian generally accepted accounting principles for financial reporting.

2. Significant accounting policies

Significant accounting policies observed in the preparation of the financial statements are summarized below. These policies are in accordance with Canadian generally accepted accounting principles.

Mineral Interests

Direct costs relating to the acquisition, exploration and development of mineral properties are capitalized on an area of interest and mineral basis. Such costs are capitalized until the respective properties are determined to be capable of sustained commercial production, or there has been an impairment in value. Upon commencement of commercial production, these costs on a property-by-property basis will be amortized on the unit-of-production method, based on the economic reserves of the property. The carrying values of properties are subject to periodic review by management. When a property is determined to be non-commercial, non-productive, or its carrying value is not considered to be fully recoverable based on the net present value of future expected cash flows, or its value is otherwise impaired, those costs in excess of estimated future recoveries are charged to operations. The carrying values represent costs incurred to date less amounts written off or written down, and do not necessarily represent present or future values.

Asset Retirement Obligations

The Company recognizes the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, with a corresponding increase in the carrying amount of the long-lived asset. The liability accretes until the Company expects to settle the retirement obligation. These asset retirement costs are depleted using the unit of production method and actual costs to retire the asset will be deducted from the liability as incurred. At this time the Company does not foresee the necessity to make any material expenditures in this area and the Company is not committed to any significant reclamation or other asset retirement obligations until such time as production commences.

September 30, 2005 and 2004

2. **Significant accounting policies, continued**

Future Income Taxes

The liability method is used for determining income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated tax recoverable or payable that would arise if assets and liabilities were recovered or settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the year in which temporary differences are expected to be recovered or settled. Changes to these balances, including changes due to changes in income tax rates, are recognized in income in the period in which they occur. The amount of the future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Earnings (Loss) Per Common Share

Basic earnings or loss per common share information, as applicable, is calculated on the basis of the weighted average number of common shares outstanding during the year and calculates earnings per share using the treasury stock method. This method recognizes the use of proceeds that could be obtained upon exercise of options and warrants in computing diluted earnings per share. It assumes that any proceeds would be used to purchase common shares at the average market price during the period.

Financial Instruments

The Company's financial instruments consist of cash, GST receivable, accounts payable, and advances from director. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be significant.

Significant estimates and assumptions include the expected future recoverability of mineral interests as well as the risk-free rate and volatility amounts used in the calculation of stock-based compensation.

Stock-Based Compensation

Stock options granted to consultants and directors after January 1, 2003 are accounted for using the fair value method. Under the fair value method, compensation expense related to these programs is recorded in the statement of loss and deficit with a corresponding increase to contributed surplus. The fair value of options granted are determined at the date of grant and expensed over the vesting period.

Brilliant Mining Corp.
Notes to the Financial Statements

September 30, 2005 and 2004

2. **Significant accounting policies, continued**

Options granted to consultants and directors prior to January 1, 2003 are accounted for using the intrinsic value method whereby the excess of the stock price on the date of grant over the exercise price of the option is recorded as compensation expense.

The fair value of warrants issued to agents is recorded as share issue cost with a corresponding increase to contributed surplus.

Consideration paid on the exercise of stock options and warrants is credited to share capital. Upon the exercise of stock options and warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company does not incorporate an estimated forfeiture rate for stock options and agents' warrants that will not vest, but accounts for forfeitures as they occur.

3. **Cash**

The Company has provided \$25,000 of cash as security to the Company's bank for corporate MasterCard liabilities.

4. **Mineral interests**

	Medley River	Ossok West	Ossok East	Michikamau	Scoop	Chesterfield	Total
Balance, September 30, 2004	\$ 555,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 555,034
Additions during the period:							
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	778	4,098	3,798	5,798	3,131	17,219	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

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.

September 30, 2005 and 2004

4. Mineral interests, continued

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 PGE-Ni-Cu properties totaling over 120 square kilometers. In conjunction with the staking, the Company paid \$11,400 and \$12,800 respectively as a potentially refundable exploration deposits with the Government of Newfoundland and Labrador.

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.

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.

Chesterfield Property

On January 7, 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 refundable deposit with the Newfoundland Government of \$8,500.

5. Contingent Liability

As at September 30, 2003 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 indeterminate at this time, and accordingly, no provision has been made in the Company's accounts.

Brilliant Mining Corp.
Notes to the Financial Statements

September 30, 2005 and 2004

6. **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, 2003 and 2004	6,654,997	\$	964,048
Issued on private placement (January 18, 2005)	2,500,000		250,000
Issued on private placement (June 17, 2005)	4,224,600		633,690
Issued for mineral properties (note 4)	200,000		23,000
Share issue costs	-		(181,157)
	13,579,597	\$	1,689,581

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.

c) **Warrants**

	Number		Weighted average exercise price
Outstanding warrants, September 30, 2003 and 2004	-		-
Granted on private placement (January 18, 2005)	2,500,000	\$	0.20
Issued on for mineral properties (note 4)	200,000		0.25
Granted on private placement (June 17, 2005)	3,224,600		0.25
Granted to agents for private placement (June 17, 2005)	333,200		0.20
	6,257,800	\$	0.23

Brilliant Mining Corp.
Notes to the Financial Statements

September 30, 2005 and 2004

6. Share capital, continued

Exercise Prices	Number outstanding	Weighted average remaining contractual life in years
\$ 0.20	2,500,000	1.30
0.25	200,000	1.30
0.25	3,224,600	1.70
0.20	333,200	1.70
\$ 0.23	6,257,800	1.50

7. 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, 2004	665,000	0.13
Granted	250,000	0.12
Outstanding options, September 30, 2005	915,000	\$ 0.13

Exercise prices	Number outstanding	Weighted average remaining contractual life in years
\$ 0.13	665,000	3.50
0.115	250,000	4.40
\$ 0.13	915,000	3.75

During the period, the Company recorded stock-based compensation of \$22,500 (2004 - \$33,250) relating to the 250,000 (2004 - 665,000) options granted. The expense has been recorded in the statement of loss and 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:

Brilliant Mining Corp.
Notes to the Financial Statements

September 30, 2005 and 2004

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

	March 24, 2004	June 17, 2005
Risk free interest rate	2.80%	3.38%
Expected hold period prior to exercise (years)	4.5	5
Expected volatility	50%	110%
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.

8. **Contributed surplus**

	2005	2004
Opening balance	\$ 106,011	\$ -
Gain on forgiveness of debt with related party	-	72,761
Fair value of agents' warrants issued	39,984	-
Fair value of stock-based compensation	22,500	33,250
Balance, September 30	\$ 168,495	\$ 106,011

Brilliant Mining Corp.
Notes to the Financial Statements

September 30, 2005 and 2004

9. **Income taxes**

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate to earnings before income taxes as follows:

	2005	2004
Statutory tax rate	35.12%	34%
Expected tax recovery	\$ (236,525)	\$ (32,024)
Increase (decrease) resulting from:		
Share issue costs deducted	(22,134)	(11,829)
Stock-based compensation not deducted	7,902	11,305
Gain on forgiveness of debt	-	12,369
Mineral interest write-down for accounting	195,201	-
Change in tax rate	(6,567)	-
Other	392	(833)
Benefit of income tax losses not recognized	61,731	21,012
Income tax expense	\$ -	\$ -

The components of future income tax balances are as follows:

	2005	2004
<u>Future tax assets</u>		
Tax basis of mineral interests in excess of carrying values	\$ 207,492	\$ 11,900
Other eligible capital property	245	-
Undeducted share issue costs	50,135	21,965
Non-capital loss carryforwards	225,822	165,153
Income tax expense	483,694	199,018
Valuation allowance	(483,694)	(199,018)
	\$ -	\$ -

As at the fiscal year ended September 30, 2005, the Company had non-capital income tax losses carried forward for tax purposes aggregating to \$636,000, 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
	\$ 643,000

September 30, 2005 and 2004

9. Income taxes, continued

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.

10. 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 \$24,000; (2004 - \$18,000).
- b) Paid geological consulting fees to a director of the Company in the amount of \$22,000 (2004 - nil).
- c) Paid rent to a shareholder and former director of the Company in the amount of nil; (2004 - \$15,440). The underlying lease agreement was terminated during the previous fiscal year.

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.