

**Brilliant Mining Corp.**  
**Annual Management Discussion and Analysis**  
For the Years Ended September 30, 2005 and 2004

Containing information up to and including January 25, 2006

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Management's Discussion and Analysis supplements, but does not form part of, the audited annual financial statements of the Company and the notes thereto for the years ended September 30, 2005 and 2004. Consequently, the following discussion and analysis of the financial condition and results of operations for Brilliant Mining Corp. ("Brilliant", "BMC" or the "Company"), should be read in conjunction with the audited annual financial statements for the years ended September 30, 2005 and 2004, along with the related notes therein, which have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in the following Management's Discussion and Analysis (MD&A) and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

## **GENERAL**

Brilliant Mining Corp. (BMC: TSXV) was incorporated under the Alberta Business Corporations Act on October 1, 1998, and it commenced trading effective May 17, 2002, pursuant to an Initial Public Offering Prospectus dated January 2, 2002. The Company is a reporting issuer in the Provinces of Alberta and British Columbia and its principal business is the evaluation, acquisition and development of potential mining properties.

Brilliant Mining Corp. is a junior resource company dedicated to in-house generation and management of worldwide mineral exploration opportunities with superior conceptual and technical merit. In addition to project generation, Brilliant is pursuing acquisition opportunities worldwide to increase its property portfolio and maximize the odds of discovery, along with shareholder value.

## **RESULTS OF OPERATIONS**

During 2005, Brilliant identified and acted on opportunities for in-house generation and acquisition of Nickel-Copper (Ni-Cu) and Platinum Group Element (PGE) projects, resulting in 100% ownership and the initial exploration of four highly prospective early stage properties in western Labrador, Canada.

### ***Acquisitions in Western Labrador***

Western Labrador represents an under explored and largely over looked part of the "circum Superior" region, which includes the prolific Ni-Cu-PGE deposits at Sudbury, Ontario; Thompson, Manitoba; and

Raglan, Quebec. Western Labrador is host to at least three regionally significant mafic magmatic events with known Ni-Cu-Co-PGE mineralization: the Ossok Mountain Suite (ca. 1640 Ma age), the Shabogamo Suite (ca. 1420 Ma age) and the Michikamau Intrusion (ca. 1480 Ma age). Known mineralization styles from these suites are diverse and have similarities with both Voisey's Bay type deposits that are rich in Ni-Cu-Co and Lac Des Iles-type deposits that host Pd-Pt-Cu-Ni-Au.

Brilliant targeted the Churchill Falls area of western Labrador for acquisitions, based on anomalous mineralization and highly favourable regional geological criteria, combined with proximity to infrastructure such as road and rail access as well as hydro-electric generating facilities. Existing government geology and geochemistry data sets (till and lake sediment samples) were used to help prioritize targets from various suites of rocks.

The Company acquired a 100% interest in the Michikamau property from the Hunter Exploration Group in exchange for a cash payment of C\$27,960 (to cover an exploration deposit with the Government of Newfoundland and Labrador) and the issuance of 200,000 units (one common share plus one common share purchase warrant) of Brilliant. The mineral interest is subject to a 2% net smelter royalty and the agreement requires advanced royalty payments of C\$10,000 per annum, commencing October 1, 2006.

Brilliant then staked (and beneficially owns 100% of) two additional claim groups in the Ossok Mountain region 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 C\$11,400 and C\$12,800 respectively for refundable exploration deposits with the Government of Newfoundland and Labrador.

Currently, the Company holds the mineral rights to some 306.5 square kilometres of prospective geology on 8 mineral licenses comprising four (4) individual properties (Michikamau, Ossok West, Ossok East and Scoop). Collectively, these properties are referred to as the Labrador Ni Project.

Brilliant's 100% interest in the *Michikamau* property (total of 116.5 square kilometres) covers the southern margin of the Michikamau Intrusion, which is thought to be highly favourable for hosting Voisey's Bay type Ni-Cu-Co-PGE mineralization. Previous minor exploration has identified Ni mineralization within the intrusion that texturally and mineralogically resembles brecciated Voisey's Bay ore. While competitors have focused on targets within the adjacent eastern margin of the intrusion, government mapping and geophysical data (gravity and magnetics) indicate Brilliant's claims may cover the interpreted "throat" of the intrusion, which is critical for concentrating Ni sulphides in this geologic setting.

Brilliant's 100% interests in the *Ossok West* and *Ossok East* properties (total of 120 square kilometres) are underlain by mafic to ultramafic rocks of the Ossok Mountain Suite. *Ossok West* was staked in order to cover an anomalous PGE showing less than 1 kilometre from the Trans-Labrador Highway where an assay of 1.25 g/t Pd, 319 ppb Pt and 128 ppb Au was obtained from a grab sample by previous prospectors. *Ossok East* was staked based on the presence of anomalous Ni and Cu from government lake sediment data. The Ossok Mountain Intrusive Suite has many attributes suggestive of high potential for the presence of PGE and related Ni-Cu mineralization, yet the region is virtually untested.

Brilliant's *Scoop* property (total of 43 square kilometres) covers ground directly up-ice of the highest Palladium (34.9 ppb) and Platinum (22.5 ppb) result from a lake sediment survey recently released by the government of Newfoundland and Labrador. This result represents one of the highest Pd-Pt values obtained in publicly available data sets in all of Labrador and is several times higher than published lake sediment anomalies at the prolific Pd-Pt-Ni-Cu-Au deposit of Lac Des Iles in northern Ontario (see

Economic Geology, vol. 99, p. 157-171). The *Scoop* claims are underlain by gabbroic rocks of the Shabogamo Suite. BHP-Billiton Ltd and their partner Gallery Resources Ltd have discovered Ni-Cu-PGE mineralization in similar rocks directly west of the *Scoop* claim block and have conducted drilling on their claims.

### ***Highlights of Exploration in Western Labrador***

During the year ended September 30, 2005, the Company conducted a C\$256,677 program of field work on the four properties comprising the Labrador Nickel Project with the goal of identifying Ni-Cu (+/- Co, PGE) deposits. Work included a helicopter supported prospecting program (Phase I – July, 2005) and a 1,216 line-kilometer airborne GEOTEM electromagnetic and magnetic survey (Phase II – August 2005). Assays confirmed PGE mineralization, while interpretation of the GEOTEM survey defined high priority EM targets. The results demonstrated that all four properties in western Labrador possess high technical merit and are prospective for the discovery of economic Ni-Cu (+/- Co, PGE) deposits.

The 2005 exploration program at the Ossok West property confirmed the presence of anomalous Platinum Group Elements (PGE's) in the northern portion of the claim block originally reported by Buchans River Ltd. in 2001 and the airborne geophysical survey over this area helped map-out the extent of the prospective parts of Ossok intrusive rocks. For 2006, the Company is considering conducting an Induced Polarization survey (I.P.) to cover this area in order to help delineate zones of disseminated sulphide mineralization for drill testing.

In addition, a second area in the southern portion of the Ossok West property was identified as being prospective for PGE mineralization where the margin of an Ossok intrusive body is roughly coincident with elevated bedrock conductance that is crosscut by a significant northwest trending structure that has anomalous Pd and Cu lake sediment values. For 2006, the Company is considering conducting a prospecting program in the Ossok West area as it was not examined during 2005.

The most encouraging results from the 2005 exploration program were achieved at the Michikamau property, which is considered highly prospective for hosting Ni-Cu (+/- Co, PGE) mineralization, similar to the world class Voisey's Bay deposit, which is located on the Labrador coast and contains 32 million tonnes of proven and probable reserves averaging 2.82% Ni, 1.54% Cu and 0.14% Co (Voisey's Bay Nickel Company, 2005). Strong GEOTEM anomalies were identified by the 2005 airborne survey at Michikamau that possess the intensity and character suggestive of sulphidic conductors.

In addition, a sulphide-bearing troctolite boulder was identified over one of the airborne anomalies during 2005 that was found to contain 0.32% Cu. Although the grade of this boulder was low, it supports the proposition that magmatic sulphides are responsible for the GEOTEM anomalies. For 2006, the Company is considering a proposal for ground EM surveying followed by diamond drilling for the airborne conductors on the Michikamau property.

### ***Chesterfield Inlet Property, Nunavut***

In January 2005, Brilliant entered an option agreement with Falconbridge Limited to acquire a 100% interest in 15 prospecting permits near Chesterfield Inlet situated west of Baker Lake, Nunavut. To acquire this mineral interest the company must incur C\$1 million in exploration expenditures on the property by November 30, 2008, including the requirement to stake claims and maintain the related annual assessment work, as well as 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 for base metals and a right of first refusal to the vendor.

During 2005, Brilliant spent C\$83,742 in exploration of the Chesterfield permits under option. This included data compilation, a tightly spaced helicopter-borne DIGHEM geophysical survey and follow-up prospecting of the Bowell Island Ni occurrence, the Cone Hill gold occurrence and the Fox Uranium occurrence, along with the examination of several other geophysical anomalies identified by the spring geophysical survey.

Based on this work and pursuant to its option agreement, Brilliant staked 12 claims within the permit area at Chesterfield Inlet, Nunavut totaling 28,408.8 acres (11,497ha) to cover anomalous mineral occurrences, including the Bowell Island nickel occurrence, the Cone Hill gold occurrence and approximately 10 km of the 25 km exposed Baker Lake Group unconformity around the Fox uranium occurrence.

#### *Evaluation of Nickel Potential*

Bowell Island hosts one of several significant Nickel-Copper-PGE occurrences associated with the Chesterfield segment of the craton-scale Snowbird Tectonic Zone. This area is believed to be highly prospective for the discovery of Nickel-Copper-PGE deposits primarily due to the presence of 1900-1800 Ma aged rift-related, ultramafic to mafic differentiated intrusive complexes which are co-incident with a regional scale gravity anomaly. The prolific Raglan, Quebec and Thompson, Manitoba Nickel Districts are also hosted in similar-aged rift sequences.

The Bowell Island Nickel Occurrence is hosted in an equigranular gabbro dyke exposed for a strike length of approximately 55m. Sulphide mineralization consists of disseminated to semi-massive pyrrhotite, pentlandite and chalcopyrite. Previous sampling by Falconbridge Ltd yielded a best assay of 6.84% Ni, 0.22% Cu, 0.02 g/t Pt, 1.20 g/t Pd and 0.16 g/t Au. Additional rock sampling by Brilliant geologists this year confirmed the nickel-copper-platinum-palladium anomalies at Bowell Island. All samples collected were anomalous, with a high assay of 1.83% Ni, 0.99% Cu, 0.14 g/t Pt, 0.29 g/t Pd and 0.06 g/t Au.

The Bowell Island nickel occurrence was staked by Brilliant and plans for further evaluation of the nickel potential in the permit option area are being considered in cooperation with Falconbridge Limited.

#### *High Grade Gold and Anomalous Uranium*

Beyond its Nickel potential, the Chesterfield Inlet area is considered highly prospective for high-grade gold mineralization. The overall geologic setting at Chesterfield has many similarities to the Meliadine Gold District (>3 million ounces) located 150 kilometers southeast of the Chesterfield Property. Both properties have gold hosted in highly deformed and sulphide-rich banded iron formation located in close proximity to major first-order structural breaks.

In 2005, Brilliant conducted 333.2 line-km of airborne surveys, which identified a large area with coincident magnetic and electromagnetic anomalies along the south side of Chesterfield Inlet at the east end of Baker Lake in the vicinity of Cone Hill, where previous sampling had identified anomalous gold occurrences with high-grade values up to 15.9 g/t Au.

Site visits in late August and early September focused on the Cone Hill area and confirmed the presence of highly altered and mineralized (sulphidized) iron formation horizons that were traced for over 7km along strike. Of the 27 rock samples collected from outcropping iron formation in the Cone Hill area, five

returned assays in excess of 1g/t Au, with one sample returning an initial assay of 126.7 g/t Au, which was re-assayed and returned a value of 131.2 g/t Au (3.83 oz/ton).

In addition to gold prospects, the Chesterfield Inlet permits under option by Brilliant cover the erosion edge of rocks comprising the Proterozoic Baker Lake Group, which are considered highly prospective for uranium mineralization. The unconformity between the ca. 1850 Ma Baker Lake Group and underlying Archean rocks is exposed for over a 25 kilometer strike-length along the western part of the Chesterfield Property. This unconformity is host to several uranium showings along its overall >100 kilometer trace.

The FOX Occurrence on the Chesterfield Property is one such uranium showing that was discovered by Noranda Ltd in the early 1980's. No Uranium exploration has been reported in the region since then. Historic grab samples near the unconformity yielded up to 0.15% U<sub>3</sub>O<sub>8</sub>. Reconnaissance sampling by Brilliant geologists this season returned anomalous values up to 0.06% U<sub>3</sub>O<sub>8</sub>, confirming the Uranium potential of the region.

Claims staked at Chesterfield Inlet, Nunavut, as a result of its 2005 exploration program, include discoveries of high-grade gold mineralization in outcrop and anomalous uranium showings. The Company is considering further exploration work to evaluate gold and uranium potential in the Chesterfield Inlet area over the next two years.

### ***Disposal of Alberta Diamond Properties***

At inception, the Company was focussed on diamond exploration near Cold Lake, Alberta. However, exploration results were disappointing in 2002-03 and the Company appointed new management at its shareholders meeting in September 2003. Under new management, the mineral claims near Cold Lake were allowed to lapse in 2005 as it was determined that the project lacked technical and strategic merit relative to other opportunities. This resulted in a C\$555,812 write-off of mineral interests, most of which were acquisition and exploration costs from 2002 and prior periods.

### ***Changes in Management***

At the shareholders meeting in September 2003, John Williamson, P.Geol. and Sean Mager, B.Comm. were elected to the Board along with Tom Bryant, who was the only continuing Director. Mr. Williamson was appointed Chairman and Mr. Mager was appointed as the sole officer of the Company during the transition period as Brilliant settled its corporate affairs and sought new opportunities. In so doing, operating expenditures for General and Administrative costs remained low, with net operating losses for the year ended September 30, 2004, being virtually unchanged from 2003. This positioned the Company for a fresh start in 2005, when the new Management secured the Chesterfield Inlet option agreement with Falconbridge and the Michikamau acquisition agreement with Hunter Exploration Group.

On February 4, 2005 Rob Carpenter, Ph.D., P.Geo., was appointed to the Board of Directors. Mr. Carpenter is a practicing professional geologist certified by the Association of Professional Geoscientists of Ontario and has been involved with all aspects of precious and base metal exploration for over 16 years. His more than ten years of experience with BHP-Billiton Ltd, Placer Dome Inc., and WMC Resources Ltd. were primarily focused on early stage exploration projects throughout Canada, Australia and the United States. While with WMC Resources Ltd, he spent time on early stage nickel exploration projects in northern and eastern Canada, including conceptual targeting exercises for nickel-copper-PGE deposits. Mr. Carpenter completed his Ph.D. thesis in 2003 with the University of Western Ontario with a focus on the regional geological setting of the Meliadine Lake gold deposits in Nunavut. Mr. Carpenter

has played a critical role in the identification of strategic opportunities in western Labrador and in the planning, execution and promotion of related acquisitions, exploration and results in 2005.

On November 9, 2005, John E. Robins, P.Geo. replaced Tom Bryant on the Board of Directors. Mr. Robins is a registered professional geologist based in Vancouver, BC Canada. A graduate of Geological Sciences from the University of British Columbia, he has over 20 years of experience as an independent exploration geologist and entrepreneur. Mr. Robins is a principle of Hunter Exploration Group, a private exploration and venture capital group and a director and founder of several successful public exploration companies. He is also a Director of the NWT and Nunavut Chamber of Mines, a Fellow of the Geological Association of Canada, and a member of the Association of Professional Engineers and Geoscientists of British Columbia. Mr. Robins has been an effective promoter of Brilliant and its projects and was instrumental in securing financing for Brilliant's 2005 and 2006 exploration programs.

Subsequent to year end, with the success of its 2005 exploration program, and prospects for continued growth in 2006 through existing and new opportunities, Brilliant identified the need to increase its management capacity. Effective January 13, 2006 Mike Sieb, B.Sc., MBA was recruited as President of the Corporation, while Director John Robins has been appointed as Chairman and the former Chairman, John Williamson has become CEO. The former President and CEO, Sean Mager continues as CFO and a Director of the Corporation.

Mr. Sieb has served as a director and senior officer in a number of mineral exploration companies, including as Exploration Manager for Northern Empire Minerals (currently Stornoway Diamond Corp.) from 2001 to 2003, where he was an integral member of the team that discovered the Melville Peninsula (Aviat) and the Rankin Inlet kimberlites. A self-employed geological consultant, Mike Sieb graduated from Concordia University in 1989 with a B.Sc. (specialization in geology) and from the University of British Columbia in 1994 with an MBA. He brings strong technical and management skills to Brilliant, with broad experience in Canadian mineral exploration and the advancement of mineral projects.

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## FINANCIAL RESULTS

Selected unaudited financial data for quarterly operations of the Company published during the last two fiscal years ended September 30, 2005 and 2004 are as follows:

3 months ended	Sep 2005 (Q4) C\$	Jun 2005 (Q3) C\$	Mar 2005 (Q2) C\$	Dec 2004 (Q1) C\$	Sep 2004 (Q4) C\$	Jun 2004 (Q3) C\$	Mar 2004 (Q2) C\$	Dec 2003 (Q1) C\$
Current assets	354,704	634,490	196,794	55,471	58,419	81,583	84,253	97,163
Mineral interests	452,092	164,472	646,412	555,034	555,034	551,963	551,963	549,870
Capital assets	-	-	-	-	-	114,343	114,439	114,534
Director Advances	-	-	-	-	21,944	202,545	195,705	187,149
Other curr. liabilities	113,938	80,518	63,988	52,127	17,427	28,218	24,629	19,406
Share capital	1,689,581	1,682,917	1,211,107	964,048	964,048	964,048	964,048	964,048
Net loss	(25,586)	(579,232)	(48,719)	(19,940)	(44,818)	(13,196)	(24,691)	(11,483)
Write-down	-	555,812	-	-	-	-	-	-
Basic loss per share	(0.002)	(0.058)	(0.006)	(0.003)	(0.007)	(0.002)	(.0004)	(0.002)
Weighted Avg shares	13,579,597	9,965,217	8,779,441	6,654,997	6,654,997	6,654,997	6,654,997	6,654,997

Selected audited financial data for annual operations of the Company published for the last six fiscal years are as follows:

Year ended	Sept 30, 2005 C\$	Sept 30, 2004 C\$	Sept 30, 2003 C\$	Sept 30, 2002 C\$	Sept 30, 2001 C\$	Sept 30, 2000 C\$
Current assets	354,704	58,419	111,658	407,598	58,636	13,143
Mineral interests	452,092	555,034	548,811	529,829	435,811	315,193
Capital assets	0	0	114,629	115,173	115,342	115,213
Advances from former Director	0	0	187,021	400,021	410,593	384,312
Advances from current Director	0	21,944	0	0	0	0
Other current liabilities	113,938	17,427	21,582	17,238	37,189	24,987
Share capital	1,689,581	964,048	964,048	964,048	433,115	258,000
Net loss	(673,477)	(94,188)	(68,846)	(57,599)	(47,358)	(84,894)
Basic loss per share	(0.069)	(0.014)	(0.010)	(0.010)	(0.010)	(0.034)
Weighted Avg shares	9,747,827	6,654,997	6,654,997	5,570,613	n/a	n/a

## FINANCIAL CONDITION, LIQUIDITY and CAPITAL RESOURCES

As Brilliant is in the development phase and its properties are in the early stages of exploration, none of the Company's properties are in production. Mineral exploration expenditures are capitalized and losses are incurred as a result of administrative expenses relating to the operation of the Company's business. Consequently, the Company's net income is not a meaningful indicator of its performance or potential.

The key performance driver for the Company is the acquisition and development of prospective mineral properties. By acquiring and exploring projects of superior technical merit, the Company increases its chances of finding and developing an economic deposit.

At this time, the Company is not anticipating profit from operations. Until such time as the Company is able to realize profits from the production and marketing of commodities from its mineral interests, the Company will report an annual deficit and will rely on its ability to obtain equity and/or debt financing for long-term growth.

Additional financing is required for new exploration and promotional initiatives. Due to the inherent nature of the junior mineral exploration industry, the Company will have a continuous need to secure additional funds through the issuance of equity or debt in order to support its corporate and exploration activities, as well as its share of obligations relating to mineral properties.

#### *Subsequent to year end*

On January 5, 2006, Brilliant announced its intention to complete a brokered private placement on a best efforts basis of up to 2,900,000 flow-through units (the "FT Units") at a price of \$0.35 per FT Unit and 3,500,000 non-flow-through units (the "Units") at a price of \$0.30 per Unit for total gross proceeds of up to C\$2,065,000. These funds will be used to complete up to C\$1,015,000 in exploration on Brilliant's projects in western Labrador, or other Canadian projects, before December 2007, with the remainder to provide working capital for corporate overhead, marketing and development initiatives.

During November 2005, Brilliant filed 12 mineral claims that were staked in Nunavut pursuant to its option agreement with Falconbridge Limited. These claims will require approximately C\$50,000 in exploration over the next two years.

#### *Fourth Quarter and Year ended September 30, 2005*

During the fourth quarter, Brilliant conducted a field program of approximately C\$300,000 on its properties in western Labrador and Nunavut, resulting in working capital at yearend of C\$240,766. With this work, Brilliant satisfied its 2005 obligation to spend the proceeds of its flow-through financing on eligible Canadian Exploration Expenditures. Brilliant expects to receive refunds of C\$49,600 in exploration deposits from Government of Labrador and Newfoundland with approximately C\$20,000 being carried over for work to be completed in 2006.

Overall Losses from Operations remained low at C\$122,848 on the year which is comparable with the prior year's C\$96,296. The increase is due to a significant shift in the composition of corporate expenses toward proactive management and development versus basic corporate maintenance and overhead, with aggregate costs of professional and management fees, promotion and investor relations essentially doubling over the prior year. This trend was evident in the Losses from Operations in all quarters this year and is expected to continue or increase in 2006.

#### *Third Quarter ended June 30, 2005*

The Company raised gross proceeds of \$600,000 through a brokered private placement, half of which were flow-through funds to be spent on eligible Canadian exploration and half were intended for general corporate purposes and working capital. The resulting working capital position at June 30, 2005, was C\$553,972, of which C\$300,000 was earmarked for exploration in western Labrador and Nunavut.

The Company wrote-off C\$555,812 in capitalized acquisition and exploration costs related to Alberta diamond exploration from prior periods. Costs of C\$73,872 were capitalized as mineral interests for acquisition and geological consulting related to new properties in western Labrador and the evaluation of Brilliant's option to acquire mineral interests at Chesterfield Inlet in Nunavut.

*Second Quarter ended March 31, 2005*

On January 18, 2005, the company closed a non-brokered placement of 2,500,000 units at a price of C\$0.10 per unit, for aggregate proceeds of C\$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 C\$0.20 per share within two years of issuance. The proceeds will cover minimum exploration commitments and general corporate overhead during the next 12 months.

In conjunction with the Michikamau property acquisition, the Company agreed to pay C\$27,960 for a potentially refundable exploration deposit with the Government of Newfoundland and Labrador. In addition, The Company staked the Ossok West and Ossok East properties, which required payment of potentially refundable exploration deposits of C\$11,400 and C\$12,800 respectively to the Government of Newfoundland and Labrador. A further C\$39,218 of acquisition and geological consulting costs were capitalized as mineral interests.

*First Quarter ended December 31, 2004*

During the first quarter, there was no exploration activity and no change in Mineral Interests. The nominal Loss from Operations (C\$19,996) was virtually unchanged from the same period in the prior year (C\$11,611), with the difference being primarily attributable to an aggregate accrual for legal and regulatory filing fees related to implementing the corporate strategy. Working capital, excluding advances from directors, decreased to C\$31,708 from C\$45,228 at year end on costs of basic corporate overhead.

*Prior Year*

Excluding advances from directors, working capital as at the year ended September 30, 2004, was C\$45,228 (2003 – C\$90,076). During the twelve month period under new management ending September 30, 2004:

- Net losses from operations of C\$96,296 (2003 - C\$71,046) were incurred and working capital increased by C\$120,299.
- The primary source of improvement in working capital was settlement of a C\$187,104 debt owed to a shareholder and former director of the Company in exchange for non-strategic property and equipment carried at a net book value of C\$114,343 which resulted in a gain on forgiveness of debt in the amount of C\$72,761 that was recorded on the Balance Sheet as Contributed Surplus.
- Third party suppliers were paid C\$35,543 and a related party (former director) received C\$15,440 (2003 – C\$26,946) in lease payments prior to cancellation of the lease, while new directors advanced C\$21,944 to the company in the form of unpaid management fees and miscellaneous disbursements.
- Nominal costs of C\$6,223 were capitalized as deferred exploration.
- 450,000 incentive stock options outstanding to former directors and 50,000 agents options outstanding as a corporate finance fee expired without being exercised at their price of C\$0.40.
- 665,000 new incentive stock options were granted to directors, officers and key employees at an exercise price of C\$0.13, resulting in a deemed expense of C\$33,250 calculated using the Black-Scholes Option Pricing Model resulting in a weighted average fair value of C\$0.05 per option.
- If the deemed value of the stock options granted is removed from Operating Losses for comparison between years, then operating losses in 2004 are reduced to C\$63,046, which are C\$8,000 less than operating losses for the year prior.

## **RISK FACTORS**

The success of the Company's business is subject to a number of factors, including but not limited to those risks normally encountered in the mining industry, such as market or commodity price changes, economic downturn, exploration uncertainty, operating hazards, increasing environmental regulation, competition with companies having greater resources, and lack of operating cash flow.

The Company expects to obtain financing in the future primarily through further equity and/or debt financing, as well as through joint venturing and/or optioning out the Company's properties to qualified mineral exploration companies. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operation and eventually to forfeit or sell its interest in its resource properties.

The Company will employ many strategies to minimize overhead and reduce financial risk in exploration, such as:

- Advancing its own properties and/or participating in the advancement of third party properties through joint venture and/or option agreements with third parties;
- Coordinating field work with other regional companies to reduce mobilization costs and take advantage of existing infrastructure;
- Closely monitoring industry developments and revisiting existing data to identify overlooked and/or new opportunities;
- Outsourcing corporate and field support capacity, rather than employing fulltime staff, as appropriate.

## **RELATED PARTY TRANSACTIONS**

During the year, the company entered into the following related party transactions, which were incurred in the normal course of operations and have been recorded at the exchange amounts agreed to between the parties:

- a) Paid or accrued management fees to a company controlled by a director and officer of the Company in the amount of C\$24,000; (2004 - \$18,000). Included in accounts payable is nil; (2004 - nil).
- b) Paid or accrued geological consulting fees to a director and officer of the Company in the amount of \$22,000; (2004 -nil) which have been capitalized as mineral interest costs. Included in accounts payable is nil; (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.
- d) As of September 30, 2005, C\$54,933 was included in accounts payable to a company with a common director. This amount consisted entirely of reimbursable expenses incurred on the Company's behalf. The amount was paid in full subsequent to yearend upon resolving a supplier dispute.

### *Prior Period*

During the year ended September 30, 2004, the company settled a \$187,104 debt owed to a shareholder and former director of the Company by exchanging property and equipment carried at a net book value of \$114,343 which resulted in a gain on forgiveness of debt in the amount of \$72,761. The net book value of the property and equipment approximated or exceeded its fair value at the date of the settlement. This

non-monetary transaction was not in the normal course of business and was recorded at the carrying value amount. Accordingly, the gain on forgiveness was recorded on the Balance Sheet as Contributed Surplus.

## INVESTOR RELATIONS

With respect to public relations, the Company provides information from its corporate offices to investors and brokers directly.

## PROPOSED TRANSACTIONS

The Company is in discussions with Falconbridge Limited regarding future exploration plans for the Chesterfield Inlet permit area under option. In addition, the Company continues to seek opportunities for project acquisition and generation. However, there are no proposed transactions that should be disclosed at the present time.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Brilliant's general and administrative expenses and resource property costs is provided in the Company's Statement of Loss and Deficit and Schedule of Mineral Interests contained in its audited Financial Statements for September 30, 2005 that are available on Brilliant's website ([brilliantmining.com](http://brilliantmining.com)) or on its SEDAR Page Site accessed through ([sedar.com](http://sedar.com)).

## OUTSTANDING SHARE DATA

Brilliant's authorized share capital is unlimited Class A Common and unlimited Class B Preferred shares. As at January 24, 2006, the following common shares, options and share purchase warrants were outstanding:

Shares issued	<b>14,069,597</b>
Fully diluted	<b>21,192,397</b>
Escrow	None
Options outstanding	620,000 @ \$0.13 to Mar 24, 2009 250,000 @ \$0.115 to Feb 4, 2010 485,000 @ \$0.16 to Nov 9, 2010
<i>Total Options Outstanding</i>	<i>1,355,000 @ \$0.138 (avg.) = \$186,950</i>
Warrants outstanding	2,010,000 @ \$0.20 to Jan 18, 2007 200,000 @ \$0.25 to Feb 3, 2007 3,224,600 @ \$0.25 to Jun 16, 2007
<i>Total Warrants Outstanding</i>	<i>5,434,600 @ \$0.232 (avg.) = \$1,258,150</i>
Agent Warrants outstanding	333,200 @ \$0.20 to Jun 16, 2007

## **APPROVAL**

The Audit Committee of the Company has approval the disclosure contained in this interim MD&A. A copy of this interim MD&A will be provided to anyone who requests it.

## **ADDITIONAL INFORMATION**

Additional information, including directors' and officers' remuneration, principal holders of the Company's securities, options to purchase the Company's securities and interests of insiders in material transactions are contained in the Company's most recent Management Information Circular, which was prepared and distributed for the Annual General and Special Meeting of Shareholders to be held on April 7, 2005. Copies of the Management Information Circular, the audited yearend and unaudited interim financial statements and any other documents incorporated into this report by reference are available on [sedar.com](http://sedar.com) or upon request made to principal office of the Company at 220, 9797 – 45 Avenue, Edmonton Alberta T6E 5V8. The Company may require payment of a reasonable charge if a person or company that is not a security holder of the Company makes the request for information.