

FORM 51-901F
ANNUAL REPORT

Incorporated as part of: SCHEDULE A

ISSUER DETAILS:

Finlay Minerals Ltd.
Ste 912 - 510 West Hastings Street
Vancouver, BC V6B 1L8

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Contact Person:	James Tutton
Contact's Position:	Director
Contact Telephone Number:	(604) 684-3099
For the Year Ended:	December 31, 2002
Date of Report:	January 21, 2003

CERTIFICATE:

The schedule(s) required to complete this quarterly report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of the quarterly report will be provided to any shareholder who requests it. Please note this form is incorporated as part of both the required filing of Schedule A and Schedules B & C.

Signed: "Robert F. Brown"
Director Full Name: Robert F. Brown
Date Signed: January 21, 2003

Signed: "James Tutton"
Director Full Name: James Tutton
Date Signed: January 21, 2003

FINLAY MINERALS LTD.

FINANCIAL STATEMENTS

December 31, 2002

and

December 31, 2001

Finlay Minerals Ltd

2002 AGM PRESIDENTS LETTER

2002 closes with several significant milestones being met by Finlay Minerals Ltd. Most important has been the public listing of the company by IPO in August 2002. Second has been the continued advancement of exploration success, this year on the Pil North targets.

With the diligent effort of management and contractors alike an understanding of Pil North as an enormous, leached, porphyry copper-gold target is emerging. I am extremely excited by the initial two drill targets on the Pil North (East Zone and Milky Creek Zone) along with the Pil South and Atty Gossan drill targets.

With the continued advancement of the three-year gold bull market, partial re-allocation of assets on a global sense to tangibles (commodities), I am of the opinion that raising the monies necessary to drill the four targets, and further develop other targets, will be met. The management team of John Barakso, Jim Tutton and myself are working with the utmost effort to convert drill targets into copper-gold ore bodies.

Thank you for your support.

Sincerely,

"Robert F. Brown"

Robert F. Brown, P. Eng.

D E V I S S E R G R A Y
CHARTERED ACCOUNTANTS

401 - 905 West Pender Street
Vancouver, BC Canada
V6C 1L6

Tel: (604) 687-5447

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AUDITORS' REPORT

To the Shareholders of Finlay Minerals Ltd.

We have audited the balance sheets of Finlay Minerals Ltd. as at December 31, 2002 and 2001 and the statements of operations and deficit, cash flows and deferred property costs 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 December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

"De Visser Gray"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
January 21, 2003

FINLAY MINERALS LTD.Balance Sheets
As at December 31,

	2002	2001
	\$	\$
ASSETS		
Current		
Cash and short-term deposits	268,379	189,560
Amounts receivable	27,672	8,745
	<u>296,051</u>	<u>198,305</u>
Deferred Mineral property costs (note 3)	575,939	324,744
Reclamation deposit (note 3)	5,000	-
	<u>876,990</u>	<u>523,049</u>
	<u><u>876,990</u></u>	<u><u>523,049</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	27,165	10,863
Due to related party (note 5)	-	474
	<u>27,165</u>	<u>11,337</u>
	<u><u>27,165</u></u>	<u><u>11,337</u></u>
SHAREHOLDERS' EQUITY		
Share capital (note 4)	957,852	552,503
Deficit	(111,032)	(40,791)
	<u>846,820</u>	<u>511,712</u>
	<u>876,990</u>	<u>523,049</u>
	<u><u>876,990</u></u>	<u><u>523,049</u></u>

Approved by the Board of Directors:

"Robert F. Brown"

Director

"James Tutton"

Director

FINLAY MINERALS LTD.
Statements of Operations and Deficit
For the Years Ended December 31,

	2002	2001
	\$	\$
Interest	<u>1,451</u>	<u>1,621</u>
Expenses		
Consulting	650	7,768
General exploration	13,289	230
Interest and bank charges	428	2,105
Office and miscellaneous	2,770	1,144
Professional fees	39,869	5,562
Regulatory fees	9,881	-
Rent	1,800	-
Stock-option compensation	3,005	-
Travel and accommodation	-	1,986
	<u>71,692</u>	<u>18,795</u>
Net loss for the year	(70,241)	(17,174)
Deficit, beginning of year	<u>(40,791)</u>	<u>(23,617)</u>
Deficit, end of year	<u>(111,032)</u>	<u>(40,791)</u>
Loss per share (note 6)	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>
Weight average number of shares outstanding	<u>13,624,523</u>	<u>10,096,194</u>

FINLAY MINERALS LTD.
 Statements of Cash Flows
 For the Years Ended December 31,

	2002	2001
	\$	\$
Cash provided by (used for):		
Operating Activities		
Net loss for the year	(70,241)	(17,174)
Item not affecting cash: stock-option compensation	3,005	-
	<u>(67,236)</u>	<u>(17,174)</u>
Changes in non-cash working capital components:		
Amounts receivable	(18,927)	(2,229)
Accounts payable and accrued liabilities	16,302	3,095
Due to related party	(474)	(18,978)
	<u>(70,335)</u>	<u>(35,286)</u>
Investing Activities*		
Mineral property costs	(251,195)	(105,908)
Reclamation deposit	(5,000)	-
	<u>(256,195)</u>	<u>(105,908)</u>
Financing Activity*		
Cash from shares issued (net of issue costs)	405,349	300,000
	<u>405,349</u>	<u>300,000</u>
Net cash provided during the year	78,819	158,806
Cash, beginning of year	<u>189,560</u>	<u>30,754</u>
Cash, end of year	<u><u>268,379</u></u>	<u><u>189,560</u></u>

*** Supplemental Disclosure of Non-Cash Investing and Financing Activity**

During the year ended December 31, 2001, the Company issued 2,000,000 post-subdivision common shares recorded for accounting purposes at \$1, pursuant to mineral property acquisition agreements (refer to note 5) and during the year ended December 31, 2002 the Company issued 50,000 shares at value of \$12,500 for corporate financial fee.

FINLAY MINERALS LTD.
Statement of Deferred Mineral Property Costs
For the Years Ended December 31,

	2000	Net Expenditures	2001	Net Expenditures	2002
	\$	\$	\$	\$	\$
BRITISH COLUMBIA					
Atty and Pil Claims					
Acquisition	15,576	5,109	20,685	11,608	32,293
Assay, IP and linecutting	22,727	34,661	57,388	91,103	148,491
Camp accommodations and travel	81,986	16,371	98,357	82,537	180,894
Equipment rentals	10,425	3,200	13,625	9,087	22,712
Geological and geophysical	88,121	43,141	131,262	49,248	180,510
	<u>218,835</u>	<u>102,482</u>	<u>321,317</u>	<u>243,583</u>	<u>564,900</u>
Gold I, II and Spruce Claims					
Acquisition	-	1	1	-	1
Assay, IP and linecutting	-	1,173	1,173	1,496	2,669
Camp accommodations and travel	-	1,146	1,146	3,716	4,862
Geological and geophysical	-	1,107	1,107	2,400	3,507
	<u>-</u>	<u>3,427</u>	<u>3,427</u>	<u>7,612</u>	<u>11,039</u>
Total Deferred Mineral Property Costs	<u>218,835</u>	<u>105,909</u>	<u>324,744</u>	<u>251,195</u>	<u>575,939</u>

FINLAY MINERALS LTD.
Notes to the Financial Statements
December 31, 2002 and 2001

1. **NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated on July 26, 1999 under the British Columbia Company Act and commenced trading on the TSX Venture Exchange on August 15, 2002. The Company's principal business activity is the acquisition and exploration of resource properties. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties and the ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. These activities are conducted primarily in British Columbia.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Mineral Properties and Deferred Costs

The cost of mineral properties and their related direct exploration costs are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful life of the properties following the commencement of production, or written-off if the properties are sold, allowed to lapse or abandoned.

Cost includes any cash consideration and the fair market value of shares issued on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews capitalized costs on its property interests on a periodic basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administrative costs are expensed as incurred.

Use of Estimates

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 the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. Actual results could differ from those estimates.

Financial Instruments and Financial Risk

The Company's financial instruments consist of current assets and current liabilities, the fair values of which approximate their carrying amounts due to the short-term nature of these instruments.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the lower of the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares and the date of share issuance. Flow-through shares are common shares which are issued under an agreement that, as provided for in the Canadian Income Tax Act, the Company transfers to the purchaser of the shares the benefits of the exploration expenditures that are financed by the proceeds of the share issue.

Stock-Based Compensation

The Company follows the intrinsic value method of accounting for stock options granted to directors and employees. Under this method, no compensation expense is recorded when stock options are granted to directors and employees if the exercise price of the stock options granted is at or above market value. Any consideration paid by directors and employees on the exercise of stock options is credited to share capital. The disclosure of the effects of accounting for stock-based compensation to directors and employees as a compensation expense, using the fair value method, is disclosed as pro-forma information.

The adoption of this accounting policy for stock-based compensation has been applied to all stock options granted subsequent to January 1, 2002.

Income Taxes

The Company accounts for future tax assets and liabilities in accordance with the liability method whereby future tax assets and liabilities are recognized for future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect on future tax assets and liabilities of a change in tax rates will be recognized in income in the period of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. The Company has applied such an allowance fully to all potential income tax assets.

3. **MINERAL PROPERTIES**

Toodoggone Region Omineca Mining Division British Columbia

Atty and Pil Claims

The Company had acquired a 100% interest in 366 mineral claim units from a private company controlled by a director of the Company, in consideration for the issuance to that private company of 6,000,000 shares (post subdivision) and a 3% NSR royalty. The Company is also obligated to issue a further 2,000,000 shares to this private company if the property is put into commercial production, and may also, prior to that date, purchase a 1½% NSR (½ of the 3% NSR) for \$2,000,000.

3. **MINERAL PROPERTIES** (continued)

Toodoggone Region
Omineca Mining Division
British Columbia (continued)

Gold I, II and Spruce Claims

The Company had acquired a 100% interest in three mineral claim units from a private company controlled by a director of the Company, in consideration for the issuance to that Company of 2,000,000 shares (post subdivision) and a 3% NSR royalty. The Company is also obligated to issue a further 2,000,000 shares if the property is put into commercial production, and may also, prior to that date, purchase a 1½% NSR (½ of the 3% NSR) for \$2,000,000.

4. **SHARE CAPITAL**

- a) Authorized share capital consist of: 200,000,000 common shares without par value.
100,000,000 Class A preference shares
100,000,000 Class B preference shares

Issued

	Price Per Share \$	Number of shares	Proceeds \$
Issued at December 31, 2000		4,720,001	252,502
Private placements - flow-through shares	0.50	220,000	110,000
- flow-through shares	0.40	475,000	190,000
Issued for mineral properties		⁽¹⁾ 1,000,000	1
Issued at December 31, 2001		<u>6,415,001</u>	<u>552,503</u>
Stock split (2:1)		6,415,001	-
		⁽²⁾ 12,830,002	<u>552,503</u>
Initial public offering	0.25	2,000,000	⁽³⁾ 392,849
Corporate finance fee	0.25	50,000	12,500
Issued at December 31, 2002		<u>14,880,002</u>	<u>565,000</u>

⁽¹⁾ Issued to related party for mineral property - see note 5.

⁽²⁾ 9,971,001 shares post-consolidation are held in escrow and are to be released in stages over three years commencing August 15, 2005.

⁽³⁾ Net of share issue costs of \$107,151.

- b) Stock options

Stock options to purchase common shares have been granted to directors of the Company at exercise prices determined by their market value on the date of their grant. At December 31, 2002, the Company had stock options outstanding for 475,000 common shares.

	Options	Weighted- Average Exercise Price \$	Expiry Date
Options outstanding at December 31, 2001	-	-	-
Granted and outstanding at December 31, 2002	475,000	0.25	08/15/07

4. **SHARE CAPITAL** (continued)

b) Stock options (continued)

If the Company had accounted for the stock options granted to directors and employees using the fair value method, the pro-forma effect on net loss and loss per share for the period ended December 31, 2002 would be as follows:

Net loss for the year

As reported	\$	70,241
Compensation expense		54,090
Pro-forma net loss for the year	\$	<u>124,331</u>

Loss per share

As reported and pro-forma	\$	<u></u>
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The fair value of options included in the pro-forma information above have been estimated using the Black-Scholes Option Pricing Model based on the following assumptions: a risk free interest of 4.5%; an expected life of 5 years; an expected volatility of 40%; and no expectation for the payment of dividends.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

- c) At December 31, 2002, the Company had 400,000 agent's warrants outstanding, exercisable at \$0.35 per warrant prior to August 13, 2003.

5. **RELATED PARTY TRANSACTIONS**

Directors and officers of the Company are paid consulting fees at the rate of \$300-\$600 per day. These fees were paid in the normal course of operations and are measured at the exchange amount, which is that amount of consideration established and agreed to by the related parties. During the 2002 year, the Company paid these related parties an aggregate of \$25,489 (2001 - \$ 1,975) for property exploration costs and \$3,763 (2001 - \$9,838) for rental, consulting and administration and management services. The Company's solicitor became a director of the Company during the year and was paid \$17,500 for services rendered prior to becoming a related party. At December 31, 2001, the Company owed these related parties \$474 for these services.

During the 2001 year, the Company had acquired the Gold I, II and Spruce mineral properties from a private company controlled by a director of the Company by the issuance to that Company of 2,000,000 post-subdivision common shares. The issuance of these shares had been recorded at \$1.00 for accounting purposes since there had been no substantive change in ownership of the mineral claims by their sale to the Company.

6. **LOSS PER SHARE**

Loss per share has been calculated using the weighted-average number of common shares outstanding during the year. Fully-diluted loss per share is not presented as it is anti-dilutive to the loss per share calculations.

7. **INCOME TAXES**

The Company has non-capital losses of approximately \$86,000, expiring between 2008 and 2009, that are available to reduce taxable income in future years and has resource and other tax pools aggregating approximately \$322,000 at December 31, 2002 (2001 - \$76,000). The potential benefit resulting from the future application of these amounts has not been reflected in the financial statements as it is not likely that they will be utilized.