

FINLAY MINERALS LTD.

FINANCIAL STATEMENTS

June 30, 2004

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited financial statements for the period ended June 30, 2004.

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
Fax: (604) 687-6737

NOTICE TO READER

We have compiled the balance sheet and statement of mineral property costs of Finlay Minerals Ltd. as at June 30, 2004 and the statements of operations and deficit and cash flows for the six-month period ended June 30, 2004 from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

"De Visser Gray"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
August 23, 2004

FINLAY MINERALS LTD.
 Balance Sheets
 As at
(unaudited - see Notice to Reader)

	June 30, 2004	December 31, 2003 <i>(audited)</i>
	\$	\$
ASSETS		
Current		
Cash and short-term deposits	2,483,149	2,232,448
Amounts receivable	28,651	40,472
Prepaid expense	247,288	1,100
	<u>2,759,088</u>	<u>2,274,020</u>
Mineral property costs	1,569,045	1,214,789
Reclamation deposit	15,000	5,000
	<u>4,343,133</u>	<u>3,493,809</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	165,630	155,651
Due to related parties (note 4)	-	23,949
	<u>165,630</u>	<u>179,600</u>
SHAREHOLDERS' EQUITY		
Share capital (note 3)	4,393,992	3,476,413
Contributed surplus (note 3(b))	145,388	46,108
Deficit	(361,877)	(208,312)
	<u>4,177,503</u>	<u>3,314,209</u>
	<u>4,343,133</u>	<u>3,493,809</u>

See notes to the financial statements

FINLAY MINERALS LTD.
Statements of Operations and Deficit
(unaudited - see Notice to Reader)

	For the Three Months ended June 30,		For the Six Months ended June 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
Expenses				
Advertising and promotion	2,950	-	5,138	-
Consulting	-	-	1,940	-
Finder's fee	25,000	-	25,000	-
Insurance	300	-	900	-
Interest and bank charges	134	57	220	7,323
Office	1,960	272	3,625	1,881
Professional fees	7,433	469	9,780	9,469
Rent	-	1,800	-	1,800
Shareholders communication	-	-	2,500	-
Stock-option compensation	99,280	-	99,280	-
Travel and accommodation	3,767	-	6,195	-
Telephone	229	-	441	-
Trust and filing	7,594	(1,048)	13,244	7,165
Interest income	(13,996)	(97)	(14,698)	(340)
Net loss for the period	(134,651)	(1,453)	(153,565)	(27,298)
Deficit, beginning of period	(227,226)	(133,872)	(208,312)	(108,027)
Deficit, end of period	<u>(361,877)</u>	<u>(135,325)</u>	<u>(361,877)</u>	<u>(135,325)</u>
Weighted average number of shares	<u>23,913,766</u>	<u>14,880,002</u>	<u>22,956,349</u>	<u>14,880,002</u>
Loss per share	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>

See notes to the financial statements

FINLAY MINERALS LTD.
Statements of Cash Flows
(unaudited - see Notice to Reader)

	For the Three Months ended June 30,		For the Six Months ended June 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash provided by (used for):				
Operations				
Net loss for the period	(134,651)	(1,453)	(153,565)	(27,298)
Items not affecting cash:				
Finder's fee	25,000	-	25,000	-
Stock-option compensation	99,280	-	99,280	-
	(10,371)	(1,453)	(29,285)	(27,298)
Changes in non-cash working capital components:				
Accounts payable and accrued liabilities	140,971	(13,242)	9,979	(21,065)
Prepaid expense	(231,288)	131	(246,188)	-
Due to related parties	(1,133)	(10,588)	(23,949)	1,777
Amounts receivable	14,975	23,880	11,821	25,091
	(86,846)	(1,272)	(277,622)	(21,495)
Investing Activities				
Reclamation deposit	(10,000)	-	(10,000)	-
Mineral property costs	(327,650)	-	(354,256)	(27,936)
	(337,650)	-	(364,256)	(27,936)
Financing Activities*				
Cash from shares issued	1,000,000	-	1,000,000	-
Share issue costs	(107,421)	-	(107,421)	-
	892,579	-	892,579	-
Net cash provided (used) during the period	468,083	(1,272)	250,701	(49,431)
Cash, beginning of period	2,015,066	220,220	2,232,448	268,379
Cash, end of period	2,483,149	218,948	2,483,149	218,948

*** Supplemental Disclosure of Non-cash Financing Activities**

During the six months ended June 30, 2004, the Company issued 50,000 common shares at a value of \$25,000 for finders fee.

FINLAY MINERALS LTD.
Statement of Mineral Property Costs
For the Six-Month Period Ended June 30, 2004
(unaudited - see Notice to Reader)

	Balance December 31, 2003 \$	Net Expenditures \$	Balance June30, 2004 \$	Balance June 30, 2003 \$
BRITISH COLUMBIA				
Atty and Pil Claims				
Acquisition	68,115	4,505	72,620	43,053
Assay, IP and linecutting	203,433	23,459	226,892	153,868
Camp accommodations and travel	368,265	4,168	372,433	180,987
Drilling	104,545	66,114	170,659	-
Equipment rentals	36,840	-	36,840	22,712
Field Office expense	20,925	9,548	30,473	4,136
Geological and geophysical	375,905	7,980	383,885	183,868
Road costs	-	235,892	235,892	-
	<u>1,178,028</u>	<u>351,666</u>	<u>1,529,694</u>	<u>588,624</u>
Gold I, II and Spruce Claims				
Acquisition	401	1,453	1,854	401
Assay, IP and linecutting	2,945	1,137	4,082	2,945
Camp accommodations and travel	28,086	-	28,086	4,909
Field office expense	530	-	530	530
Geological and geophysical	4,799	-	4,799	4,799
	<u>36,761</u>	<u>2,590</u>	<u>39,351</u>	<u>13,584</u>
Total Mineral Property Costs	<u><u>1,214,789</u></u>	<u><u>354,256</u></u>	<u><u>1,569,045</u></u>	<u><u>602,208</u></u>

See notes to the financial statements

FINLAY MINERALS LTD.

Notes to the Financial Statements
June 30, 2004 and December 31, 2003

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company's major activity is the acquisition and exploration of mineral properties. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves. The Company does not generate cash flows from operations and has therefore relied principally upon the issuance of equity securities to finance its exploration activities. The Company intends to continue relying upon the issuance of equity securities to finance its operations and exploration activities to the extent that such instruments are issuable under terms acceptable to the Company. Accordingly, the Company's interim financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates.

2. ACCOUNTING PRINCIPLES AND USE OF ESTIMATES

The accompanying unaudited interim financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim financial statements should be read in conjunction with the Company's annual audited financial statements dated December 31, 2003. All material adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods have been reflected. The results for the six month period ended June 30, 2004 are stated utilizing the same accounting policies, and the methods of application of those policies are consistent with, those reflected in the Company's most recent annual financial statements, but these interim figures are not necessarily indicative of the results to be expected for the full year.

3. 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, 2002		14,880,002	957,852
Private placement (flow-through shares)	0.35	1,751,429	(1)603,838
Private placement	0.34	750,000	(2)228,700
Private placement (flow-through shares)	0.40	4,617,500	(3)1,686,023
Issued at December 31, 2003		21,998,931	3,476,413
Private placement (1/2 flow-through shares)	0.50	2,000,000	(4)892,579
Finder's fee	0.50	50,000	25,000
Issued at June 30, 2004		24,048,931	4,393,992

- (1) Net of share issue costs of \$9,162
(2) Net of share issue costs of \$26,300
(3) Net of share issue costs of \$160,977
(4) Net of share issue costs of \$107,421

3. **SHARE CAPITAL** (continued)

b) Summary of stock options outstanding at June 30, 2004:

	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)
	\$		
Balance - December 31, 2003	0.30	1,000,000	4.1
Granted	0.375	200,000	
Balance - June 30, 2004	0.31	1,200,000	3.8

The Company accounts for stock options granted to directors and employees using the fair value method and has estimated a compensation benefit of \$99,280 (December 31, 2003 - \$43,103) for the six month period ended June 30, 2004, using the Black-Scholes Option Pricing Model based on the following assumptions: a risk free interest rate 5% (December 31, 2003 - 5%); expected life of 5 years; an expected volatility of 232% (December 31, 2003 - 27%); 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) Summary of warrants outstanding at June 30, 2004:

	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)
	\$		
Balance - December 31, 2003	0.48	4,824,729	0.9
Granted	0.60	1,000,000	
Balance - June 30, 2004	0.50	5,824,729	0.4

4. **RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2004, the Company paid two directors and their private companies an aggregate of \$9,366 (December 31, 2003 - \$53,524) for exploration, rental and administration and management services. These fees were paid in the normal course of operations and are measured at their fair value as determined by management. At June 30, 2004, the Company owes two directors and their private companies an aggregate of \$Nil (December 31, 2003 - \$6,020).

During the six-month period ended June 30, 2004, the Company incurred an aggregate of \$19,594 (December 31, 2003 - \$36,492) in legal expenses to a director and is owed \$Nil (December 31, 2003 - \$17,929).

5. **COMMITMENTS**

At June 30, 2004, the Company is committed on a best efforts basis to incur approximately \$1,510,949 (December 31, 2003 - approximately \$1,859,000) in eligible exploration expenditures prior to December 31, 2004 in order to complete obligations entered into under flow-through share purchase agreements.