

**FINLAY MINERALS LTD.**

**FINANCIAL STATEMENTS**

September 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 September 30, 2004.

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

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**NOTICE TO READER**

We have compiled the balance sheet and statement of mineral property costs of Finlay Minerals Ltd. as at September 30, 2004 and the statements of operations and deficit and cash flows for the nine-month period ended September 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.

"DeVisser Gray"

**CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
November 20, 2004

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

	September 30, 2004	December 31, 2003 <i>(audited)</i>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and short-term deposits	1,375,249	2,232,448
Amounts receivable	120,997	40,472
Prepaid expense	10,200	1,100
	<u>1,506,446</u>	<u>2,274,020</u>
Mineral property costs	2,961,796	1,214,789
Reclamation deposit	15,000	5,000
	<u>4,483,242</u>	<u>3,493,809</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	292,567	155,651
Due to related parties (note 4)	-	23,949
	<u>292,567</u>	<u>179,600</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 3)	4,406,850	3,476,413
Contributed surplus (note 3(b))	145,388	46,108
Deficit	(361,563)	(208,312)
	<u>4,190,675</u>	<u>3,314,209</u>
	<u>4,483,242</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 September 30,		For the nine months ended September 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Expenses</b>				
Advertising and promotion	522	-	5,660	-
Consulting	-	-	1,940	-
Finder's fee	-	-	25,000	-
General exploration	-	360	-	360
Insurance	1,416	-	2,316	-
Interest and bank charges	89	82	309	7,405
Office	530	1,146	4,155	3,027
Professional fees	960	7,938	10,740	17,407
Rent	-	2,100	-	3,900
Shareholders communication	-	-	2,500	-
Stock-option compensation	-	-	99,280	-
Travel and accommodation	2,801	-	8,996	-
Telephone	220	-	661	-
Trust and filing	1,034	7,842	14,278	15,007
Interest income	(7,886)	(755)	(22,584)	(1,095)
Net gain (loss) for the period	314	(18,713)	(153,251)	(46,011)
Deficit, beginning of period	(361,877)	(135,325)	(208,312)	(108,027)
Deficit, end of period	(361,563)	(154,038)	(361,563)	(154,038)
<b>Weighted average number of shares</b>	24,052,372	14,880,002	23,319,160	14,880,002
<b>Gain / Loss per share</b>	\$ 0.00	\$ (0.00)	\$ (0.01)	\$ (0.00)

See notes to the financial statements

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Cash provided by (used for):</b>				
<b>Operations</b>				
Net gain (loss) for the period	314	(18,713)	(153,251)	(46,011)
Items not affecting cash:				
Finder's fee	-	-	25,000	-
Stock-option compensation	-	-	99,280	-
	-	(18,713)	(28,971)	(46,011)
Changes in non-cash working capital components:				
Accounts payable and accrued liabilities	126,937	93,850	136,916	72,785
Amounts receivable	(92,346)	(1,100)	(80,525)	(1,100)
Due to related parties	-	-	(23,949)	-
Prepaid expense	237,088	(24,869)	(9,100)	332
	271,993	49,168	(5,629)	26,006
<b>Investing Activities</b>				
Reclamation deposit	-	-	(10,000)	-
Mineral property costs	(1,392,751)	(449,137)	(1,747,007)	(475,406)
	(1,392,751)	(449,137)	(1,757,007)	(475,406)
<b>Financing Activities*</b>				
Cash from shares issued	12,858	567,500	1,012,857	567,500
Share issue costs	-	-	(107,420)	-
	12,858	567,500	905,437	567,500
<b>Net cash provided (used) during the period</b>	(1,107,900)	167,531	(857,199)	118,100
<b>Cash, beginning of period</b>	2,483,149	218,948	2,232,448	268,379
<b>Cash, end of period</b>	1,375,249	386,479	1,375,249	386,479

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

During the nine months ended September 30, 2004, the Company issued 50,000 common shares at a value of \$25,000 for finder's fee.

**FINLAY MINERALS LTD.**  
Statement of Mineral Property Costs  
For the nine-month Period Ended September 30, 2004  
*(unaudited - see Notice to Reader)*

	Balance December 31, 2003 \$	Net Expenditures \$	Balance September 30, 2004 \$	Balance September 30, 2003 \$
<b>BRITISH COLUMBIA</b>				
<b>Atty and Pil Claims</b>				
Acquisition	68,115	4,505	72,620	56,029
Assay, IP and linecutting	203,433	100,536	303,969	190,131
Camp accommodations and travel	368,265	320,082	688,347	310,236
Drilling	104,545	650,361	754,906	103,671
Equipment rentals	36,840	18,308	55,148	24,917
Field Office expense	20,925	31,178	52,103	4,137
Geological and geophysical	375,905	296,112	672,017	255,462
Road costs	-	323,335	323,335	-
	1,178,028	1,744,417	2,922,445	944,583
<b>Gold I, II and Spruce Claims</b>				
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
	36,761	2,590	39,351	13,584
General exploration	-	-	-	23,178
Total Mineral Property Costs	1,214,789	1,747,007	2,961,796	981,345

See notes to the financial statements

**FINLAY MINERALS LTD.**  
Notes to the Financial Statements  
September 30, 2004

**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**

These interim financial statements follow the same accounting policies and methods of application as those followed in the annual audited financial statements for the year ended December 31, 2003 and accordingly, should be read in conjunction with those annual financial statements.

These financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and payment of liabilities in the normal course of the Company's operations.

**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
Exercise of warrants	0.45	28,572	12,858
Issued at September 30, 2004		24,077,503	4,406,850

- (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 September 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 - September 30, 2004	0.31	1,200,000	3.6

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 - \$43,108) for the nine month period ended September 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 September 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
Issued	0.60	1,000,000	
Exercised	0.45	(28,572)	
Expired	0.45	(1,722,857)	
Balance - September 30, 2004	0.50	4,073,300	0.3

4. **RELATED PARTY TRANSACTIONS**

During the nine months ended September 30, 2004, the Company paid three directors and their private companies an aggregate of \$31,968 (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 September 30, 2004, the Company owes two directors and their private companies an aggregate of \$Nil (December 31, 2003 - \$6,020).

During the nine-month period ended September 30, 2004, the Company incurred an aggregate of \$45,083 (December 31, 2003 - \$36,492) in legal expenses to a director and is owed \$Nil (December 31, 2003 - \$17,929).

5. **COMMITMENTS**

At September 30, 2004, the Company is committed on a best efforts basis to incur approximately \$90,747 (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.