

FINLAY MINERALS LTD.

FINANCIAL STATEMENTS

June 30, 2005

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, 2005.

FINLAY MINERALS LTD.

Balance Sheets

As at

(Unaudited)

	June 30, 2005	December 31, 2004 <i>(audited)</i>
	\$	\$
A S S E T S		
Current		
Cash and short-term deposits	1,110,914	918,215
GST receivable	6,710	130,970
Interest and other amounts receivable	6,057	8,019
Prepaid expense	43,530	-
	<u>1,167,211</u>	<u>1,057,204</u>
Deferred mineral property costs	3,223,538	3,132,588
Reclamation deposit	30,000	30,000
	<u>4,420,749</u>	<u>4,219,792</u>
L I A B I L I T I E S		
Current		
Accounts payable and accrued liabilities	74,814	76,886
Future income tax liability (note 2)	140,448	-
	<u>215,262</u>	<u>76,886</u>
S H A R E H O L D E R S ' E Q U I T Y		
Share capital (note 3)	4,228,850	4,406,850
Share subscriptions	262,500	-
Contributed surplus	145,388	145,388
Deficit	(431,251)	(409,332)
	<u>4,205,487</u>	<u>4,142,906</u>
	<u>4,420,749</u>	<u>4,219,792</u>

See notes to the financial statements

FINLAY MINERALS LTD.
Statements of Operations and Deficit
(Unaudited)

	For the Three Months ended June 30,		For the Six Months ended June 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
Expenses				
Advertising and promotion	300	2,950	300	5,138
Consulting	-	-	-	1,940
Finder's fee	-	25,000	-	25,000
Insurance	-	300	-	900
Interest and bank charges	5,255	134	8,966	220
Office	3,153	1,960	7,519	3,625
Professional fees	20,639	7,433	23,386	9,780
Rent	-	-	5,400	-
Shareholders communication	-	-	6,785	2,500
Stock-option compensation	-	99,280	-	99,280
Travel and accommodation	-	3,767	963	6,195
Telephone	198	229	462	441
Trust and filing	8,395	7,594	12,398	13,244
Future income tax recovery (note 3)	(37,552)	-	(37,552)	-
Interest income	(3,106)	(13,996)	(6,708)	(14,698)
Net income/(loss) for the period	2,718	(134,651)	(21,919)	(153,565)
Deficit, beginning of period	(433,969)	(227,226)	(409,332)	(208,312)
Deficit, end of period	(431,251)	(361,877)	(431,251)	(361,877)
Earnings/(loss) per share	\$	\$	\$ (0.00)	\$ (0.01)
Weighted average number of shares	24,077,503	23,913,766	24,077,503	22,956,349

See notes to the financial statements

FINLAY MINERALS LTD.

Statements of Cash Flows

(Unaudited)

	For the Three Months ended June 30,		For the Six Months ended June 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash provided by (used for):				
Operations				
Net income/(loss) for the period	2,718	(134,651)	(21,919)	(153,565)
Items not affecting cash:				
Future income tax recovery	(37,552)	-	(37,552)	-
Finder's fee	-	25,000	-	25,000
Stock-option compensation	-	99,280	-	99,280
	<u>(34,834)</u>	<u>(10,371)</u>	<u>(59,471)</u>	<u>(29,285)</u>
Changes in non-cash working capital components:				
Accounts payable and accrued liabilities	45,248	140,971	(2,072)	9,979
Amounts receivable	(7,003)	14,975	126,222	11,821
Due to related parties	-	(1,133)	-	(23,949)
Prepaid expense	(37,257)	(231,288)	(43,530)	(246,188)
	<u>(33,846)</u>	<u>(86,846)</u>	<u>21,149</u>	<u>(277,622)</u>
Investing Activities				
Reclamation deposit	-	(10,000)	-	(10,000)
Mineral property costs	(73,138)	(327,650)	(90,950)	(354,256)
	<u>(73,138)</u>	<u>(337,650)</u>	<u>(90,950)</u>	<u>(364,256)</u>
Financing Activities*				
Share subscriptions	262,500	-	262,500	-
Cash from shares issued	-	1,000,000	-	1,000,000
Share issue costs	-	(107,421)	-	(107,421)
	<u>262,500</u>	<u>892,579</u>	<u>262,500</u>	<u>892,579</u>
Net cash provided during the period	<u>155,516</u>	<u>468,083</u>	<u>192,699</u>	<u>250,701</u>
Cash, beginning of period	<u>955,398</u>	<u>2,015,066</u>	<u>918,215</u>	<u>2,232,448</u>
Cash, end of period	<u><u>1,110,914</u></u>	<u><u>2,483,149</u></u>	<u><u>1,110,914</u></u>	<u><u>2,483,149</u></u>

* *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 as a finder's fee.

FINLAY MINERALS LTD.
Statements of Deferred Mineral Property Costs
For the six month period ended June 30, 2005
(Unaudited)

	Balance December 31, 2004 \$	Net Expenditures \$	Balance June 30, 2005 \$
BRITISH COLUMBIA			
Atty and Pil Claims			
Acquisition	72,620	600	73,220
Assay, IP and linecutting	357,483	1,993	359,476
Camp accommodations and travel	710,557	6,142	716,699
Drilling	766,407	8,354	774,761
Equipment rentals	59,395	2,309	61,704
Field Office expense	54,838	17,655	72,493
Geological and geophysical	775,065	45,567	820,632
Road construction	319,200	8,330	327,530
	<u>3,115,565</u>	<u>90,950</u>	<u>3,206,515</u>
Gold I, II and Spruce Claims			
Acquisition	1,854	-	1,854
Assay, IP and linecutting	4,656	-	4,656
Camp accommodations and travel	4,908	-	4,908
Field office expense	530	-	530
Geological and geophysical	5,075	-	5,075
	<u>17,023</u>	<u>-</u>	<u>17,023</u>
Total Mineral Property Costs	<u><u>3,132,588</u></u>	<u><u>90,950</u></u>	<u><u>3,223,538</u></u>

FINLAY MINERALS LTD.
Notes to the Financial Statements
June 30, 2005
(*unaudited*)

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. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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, 2004. 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, 2005 are stated utilizing the same accounting policies as 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.

Flow-through financing

The Company may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from the expenditure of the proceeds. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), and share capital is reduced. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

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:

	Number of shares	Amount
		\$
Issued at December 31, 2004	24,077,503	4,406,850
Future income tax costs*	-	(178,000)
Issued at June 30, 2005	24,077,503	4,228,850

* Associated with flow-through renunciations occurring during the current interim period.

3. **SHARE CAPITAL** (continued)

b) Summary of stock options outstanding at June 30, 2005:

Number of Options	Exercise Price	Expiry Date
	\$	
475,000	0.25	August 15, 2007
525,000	0.35	July 24, 2008
200,000	0.375	May 20, 2009
<u>1,200,000</u>		
Weighted average exercise price:		\$ 0.31
Weighted average remaining life:		2.83 years

There was no option activity for the 6 month period ended June 30, 2005.

c) Summary of warrants outstanding at June 30, 2005: Nil.

4. **RELATED PARTY TRANSACTIONS**

During the six month period ended June 30, 2005, the Company paid two directors and their private companies an aggregate of \$11,517 (year ended December 31, 2004 - \$34,213) for exploration, rental and administration and management services. These fees were paid in the normal course of operations and are measured at fair value as determined by management.

During the six month period ended June 30, 2005, the Company paid an aggregate of \$11,681 (year ended December 31, 2004 - \$19,621) in legal expenses to a director.

5. **COMMITMENT**

At June 30, 2005, the Company is obligated to incur approximately \$361,173 (December 31, 2004 - approximately \$500,000) in eligible exploration expenditures prior to December 31, 2005 under flow-through share purchase agreements.

6. **SUBSEQUENT EVENT**

In addition to items described elsewhere in the notes, the following occurred subsequent to June 30, 2005:

- C The Company completed a flow-through placement and issued 1,050,000 common shares at a price of \$0.25 per share to raise gross proceeds of \$262,500.