

**FINLAY MINERALS LTD.**

Interim Financial Statements

September 30, 2005

These financial statements have not been reviewed by the Company's auditors.

**FINLAY MINERALS LTD.**

## Balance Sheets

	September 30, 2005 <i>(Unaudited)</i>	December 31, 2004
	\$	\$
<b>A S S E T S</b>		
<b>Current</b>		
Cash and short-term deposits	495,049	918,215
GST receivable	49,253	130,970
Interest and other amounts receivable	-	8,019
Prepaid expense	7,915	-
	<u>552,217</u>	<u>1,057,204</u>
Deferred mineral property costs	3,917,842	3,132,588
Reclamation deposit	30,000	30,000
	<u>4,500,059</u>	<u>4,219,792</u>
<b>L I A B I L I T I E S</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>161,000</u>	<u>76,886</u>
<b>S H A R E H O L D E R S ' E Q U I T Y</b>		
Share capital (note 3)	4,491,350	4,406,850
Contributed surplus	145,388	145,388
Deficit	(297,679)	(409,332)
	<u>4,339,059</u>	<u>4,142,906</u>
	<u>4,500,059</u>	<u>4,219,792</u>

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

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Expenses</b>				
Advertising and promotion	-	522	300	5,660
Consulting	2,100	-	2,100	1,940
Finder's fee	-	-	-	25,000
Insurance	2,500	1,416	2,500	2,316
Interest and bank charges	1,357	89	10,323	309
Office	2,087	530	9,606	4,155
Professional fees	1,122	960	24,508	10,740
Rent	-	-	5,400	-
Shareholders communication	-	-	6,785	2,500
Stock-option compensation	-	-	-	99,280
Travel and accommodation	73	2,801	1,036	8,996
Telephone	195	220	657	661
Trust and filing	2,485	1,034	14,883	14,278
Future income tax recovery (note 3)	(140,448)	-	(178,000)	-
Interest income	(5,043)	(7,886)	(11,751)	(22,584)
Net income (loss) for the period	133,572	314	111,653	(153,251)
Deficit, beginning of period	(431,251)	(361,877)	(409,332)	(208,312)
Deficit, end of period	(297,679)	(361,563)	(297,679)	(361,563)
<b>Earnings/(loss) per share</b>	\$	\$ 0.00	\$ 0.00	\$ (0.01)
<b>Weighted average number of shares</b>	25,081,851	24,052,372	24,415,965	23,319,160

See notes to the financial statements

**FINLAY MINERALS LTD.**

## Statements of Cash Flows

*(Unaudited)*

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>Cash provided by (used for):</b>				
<b>Operations</b>				
Net income/(loss) for the period	133,572	314	111,653	(153,251)
Items not affecting cash:				
Future income tax recovery	(140,448)	-	(178,000)	-
Finder's fee	-	-	-	25,000
Stock-option compensation	-	-	-	99,280
	<u>(6,876)</u>	<u>314</u>	<u>(66,347)</u>	<u>(28,971)</u>
Changes in non-cash working capital components:				
Accounts payable and accrued liabilities	86,186	126,937	84,114	136,916
Amounts receivable	(36,486)	(92,346)	89,736	(80,525)
Due to related parties	-	-	-	(23,949)
Prepaid expense	35,615	237,088	(7,915)	(9,100)
	<u>78,439</u>	<u>271,993</u>	<u>99,588</u>	<u>(5,629)</u>
<b>Investing Activities</b>				
Reclamation deposit	-	-	-	(10,000)
Mineral property costs	(694,304)	(1,392,751)	(785,254)	(1,747,007)
	<u>(694,304)</u>	<u>(1,392,751)</u>	<u>(785,254)</u>	<u>(1,757,007)</u>
<b>Financing Activities*</b>				
Cash from shares issued	-	12,858	262,500	1,012,857
Share issue costs	-	-	-	(107,420)
	<u>-</u>	<u>12,858</u>	<u>262,500</u>	<u>905,437</u>
<b>Net cash used during the period</b>	<u>(615,865)</u>	<u>(1,107,900)</u>	<u>(423,166)</u>	<u>(857,199)</u>
<b>Cash, beginning of period</b>	<u>1,110,914</u>	<u>2,483,149</u>	<u>918,215</u>	<u>2,232,448</u>
<b>Cash, end of period</b>	<u><u>495,049</u></u>	<u><u>1,375,249</u></u>	<u><u>495,049</u></u>	<u><u>1,375,249</u></u>

\* *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 as a finder's fee.

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

	Balance December 31, 2004 \$	Net Expenditures \$	Balance September 30, 2005 \$
<b>BRITISH COLUMBIA</b>			
<b>Atty and Pil Claims</b>			
Acquisition	72,620	600	73,220
Assay, IP and linecutting	357,483	32,423	389,906
Camp accommodations and travel	710,557	96,274	806,831
Drilling	766,407	281,017	1,047,424
Equipment rentals	59,395	37,055	96,450
Field Office expense	54,838	57,591	112,429
Geological and geophysical	775,065	228,123	1,003,188
Road constriction	319,200	28,993	348,193
	<u>3,115,565</u>	<u>762,076</u>	<u>3,877,641</u>
<b>Gold I, II and Spruce Claims</b>			
Acquisition	1,854	-	1,854
Assay, IP and linecutting	4,636	-	4,636
Camp accommodations and travel	4,908	23,178	28,086
Field office expense	530	-	530
Geological and geophysical	5,095	-	5,095
	<u>17,023</u>	<u>23,178</u>	<u>40,201</u>
<b>Total Mineral Property Costs</b>	<u><u>3,132,588</u></u>	<u><u>785,254</u></u>	<u><u>3,917,842</u></u>

See notes to the financial statements

**FINLAY MINERALS LTD.**  
Notes to the Financial Statements  
September 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 nine month period ended September 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
Private placement - flow-throu	1,050,000	262,500
Future income tax costs*	-	(178,000)
Issued at June 30, 2005	25,127,503	4,491,350
	=====	=====

\* 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:

Expiry Date	Exercise Price	December 31, 2004	Granted	September 30, 2004
	\$			
August 15, 2007	0.25	475,000	-	475,000
July 24, 2008	0.35	525,000	-	525,000
May 20, 2009	0.375	200,000	-	200,000
		1,200,000	-	1,200,000
Weighted average exercise price		\$ 0.31	\$ -	\$ 0.31
Weighted average remaining life		3.30	-	2.58

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

4. **RELATED PARTY TRANSACTIONS**

During the nine month period ended September 30, 2005, the Company paid two directors and their private companies an aggregate of \$22,573 (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 nine month period ended September 30, 2005, the Company paid an aggregate of \$13,223 (year ended December 31, 2004 - \$19,621) in legal expenses to a director.