

FINLAY MINERALS LTD.

Unaudited Interim Financial Statements

June 30, 2006

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

FINLAY MINERALS LTD.

Balance Sheets

As at

	June 30, 2006 (unaudited)	December 31, 2005
	\$	\$
A S S E T S		
Current		
Cash and short-term deposits	458,756	635,105
GST receivable	8,422	6,269
Prepaid expense	29,000	2,164
	<u>496,178</u>	<u>643,538</u>
Deferred mineral property costs	4,015,277	3,936,306
Reclamation deposit	30,000	30,000
	<u>4,541,455</u>	<u>4,609,844</u>
L I A B I L I T I E S		
Current		
Accounts payable and accrued liabilities	16,675	29,627
Due to related parties	4,576	22,090
	<u>21,251</u>	<u>51,717</u>
Future income taxes	1,093,658	1,029,507
	<u>1,114,909</u>	<u>1,081,224</u>
S H A R E H O L D E R S ' E Q U I T Y		
Share capital (note 3)	3,634,716	3,819,050
Contributed surplus	185,778	145,388
Deficit	(393,948)	(435,818)
	<u>3,426,546</u>	<u>3,528,620</u>
	<u>4,541,455</u>	<u>4,609,844</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,	
	2006	2005	2006	2004
	\$	\$	\$	\$
Expenses				
Advertising and promotion	723	300	1,203	300
Consulting	3,000	-	3,000	-
Bank charges and interest	163	144	573	213
Interest on flow-through	2,702	5,111	4,353	8,753
Office	274	3,153	1,139	7,519
Professional fees	9,792	20,639	11,402	23,386
Rent	-	-	-	5,400
Shareholders communication	4,000	-	4,000	6,785
Stock-option compensation	40,390	-	40,390	-
Travel and accommodation	1,565	-	2,286	963
Telephone	203	198	395	462
Trust and filing	5,019	8,395	12,207	12,398
Interest income	(2,394)	(3,106)	(2,635)	(6,708)
Loss before tax	(65,437)	(34,834)	(78,313)	(59,471)
Future income tax recovery	129,150	37,552	120,183	37,552
Net income/(loss) for the period	63,713	2,718	41,870	(21,919)
Deficit, beginning of period	(457,661)	(433,969)	(435,818)	(409,332)
Deficit, end of period	(393,948)	(431,251)	(393,948)	(431,251)
Earnings/(loss) per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.00)
Weighted average number of shares	27,677,503	24,077,503	27,677,503	24,077,503

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,	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash provided by (used for):				
Operations				
Net income/(loss) for the period	63,713	2,718	41,870	(21,919)
Items not affecting cash:				
Future income tax recovery	(129,150)	(37,552)	(120,183)	(37,552)
Stock-option compensation	40,390	-	40,390	-
	<u>(25,047)</u>	<u>(34,834)</u>	<u>(37,923)</u>	<u>(59,471)</u>
Changes in non-cash working capital components:				
Accounts payable and accrued liabilities	(1,170)	45,248	(12,952)	(2,072)
Amounts receivable	1,356	(7,003)	(2,153)	126,222
Due to related parties	4,576	-	(17,514)	-
Prepaid expense	(28,331)	(37,257)	(26,836)	(43,530)
	<u>(48,616)</u>	<u>(33,846)</u>	<u>(97,378)</u>	<u>21,149</u>
Investing Activity				
Mineral property costs	<u>(36,162)</u>	<u>(73,138)</u>	<u>(78,971)</u>	<u>(90,950)</u>
	<u>(36,162)</u>	<u>(73,138)</u>	<u>(78,971)</u>	<u>(90,950)</u>
Financing Activity				
Share subscriptions	<u>-</u>	<u>262,500</u>	<u>-</u>	<u>262,500</u>
	<u>-</u>	<u>262,500</u>	<u>-</u>	<u>262,500</u>
Net cash (used)/provided during the period	<u>(84,778)</u>	<u>155,516</u>	<u>(176,349)</u>	<u>192,699</u>
Cash, beginning of period	<u>543,534</u>	<u>955,398</u>	<u>635,105</u>	<u>918,215</u>
Cash, end of period	<u>458,756</u>	<u>1,110,914</u>	<u>458,756</u>	<u>1,110,914</u>

See notes to the financial statements

FINLAY MINERALS LTD.
Statements of Deferred Mineral Property Costs
For the six month period ended June 30, 2006
(Unaudited)

	Balance December 31, 2005	Net Expenditures	Balance June 30, 2006
	\$	\$	\$
BRITISH COLUMBIA			
Atty and Pil Claims			
Acquisition	73,220	-	73,220
Assay, IP and linecutting	397,024	19,163	416,187
Camp accommodations and travel	806,831	3,639	810,470
Drilling	1,052,424	-	1,052,424
Equipment rentals	96,676	400	97,076
Field Office expense	112,629	3,700	116,329
Geological and geophysical	1,045,776	30,448	1,076,224
Road constriction	351,726	1,383	353,109
	<u>3,936,306</u>	<u>58,733</u>	<u>3,995,039</u>
Silver Hope property			
Acquisition	-	-	-
Assay, IP and linecutting	-	14,310	14,310
Geological and geophysical	-	5,928	5,928
	<u>-</u>	<u>20,238</u>	<u>20,238</u>
Total Mineral Property Costs	<u><u>3,936,306</u></u>	<u><u>78,971</u></u>	<u><u>4,015,277</u></u>

See notes to the financial statements

FINLAY MINERALS LTD.
Notes to the Financial Statements
June 30, 2006 and December 31, 2005

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 should be read in conjunction with the Company's annual audited financial statements dated December 31, 2005. All material adjustments which 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, 2006 are stated utilizing the same accounting policies as those reflected in the Company's most recent annual financial statements but 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 investors 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, 2005	27,677,503	3,819,050
Future income tax costs*	-	(184,334)
Issued at June 30, 2006	27,677,503	3,634,716

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

3. **SHARE CAPITAL** (continued)

b) Summary of stock options outstanding:

Expiry Date	Exercise Price	December 31, 2005	Granted	June 30, 2006
	\$			
May 15, 2007	0.20	-	300,000	300,000
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
May 18, 2011	0.225	-	200,000	200,000
		1,200,000	500,000	1,700,000
Weighted average exercise price		\$ 0.31	\$ 0.21	\$ 0.28
Weighted average remaining life		2.30		2.02

The Company recorded stock-based compensation expense for stock-options granted in the period ended June 30, 2005 of \$40,390, which amount was expensed and offset to contributed surplus.

The fair value of stock options granted during the period ended June 30, 2006 was estimated using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate - 3%; expected life of 1 - 5 years; expected stock price volatility of 117.62% and 118.42; and no expectation for the payment of dividends.

c) Summary of warrants outstanding at June 30, 2006:

Number of Warrants	Exercise Price	Expiry Date
	\$	
2,550,000	0.15	December 27, 2007

d) Contributed surplus

Balance at December 31, 2005	\$ 145,388
Non-cash stock-based compensation (note 4(b))	40,390
Contributed surplus transferred to share capital on options exercised	-
Balance at June 30, 2006	185,778

4. **RELATED PARTY TRANSACTIONS**

Related party transactions are in the normal course of operations and are measured at their fair value as determined by management. The amounts are unsecured, bear no interest and have no fixed terms for repayment.

During the six month period ended June 30, 2006, the Company paid two directors and their private companies \$nil (December 31, 2005 - \$332,366) for exploration, rental and administration and management services and are owed \$nil (December 31, 2004 - \$14,934).

During the six month period ended June 30, 2006, the Company paid \$9,252 (December 31, 2005 - \$19,021) in legal expenses to a director and is owed \$4,576 (December 31, 2004 - \$7,156).

5. **COMMITMENT**

At June 30, 2006, the Company is to incur approximately \$157,910 (December 31, 2005 - approximately \$237,000) in eligible exploration expenditures prior to December 31, 2006 in order to complete obligations entered into under flow-through share purchase agreements.

6. **SUBSEQUENT EVENTS**

The following events occurred subsequent to June 30, 2006:

- The Company initiated a flow-through private placement of up to 4,000,000 common shares at \$0.15 per share, subject to regulatory consent.
- The Company issued 2,000,000 common shares at \$0.08 per share for a mineral property agreement.