

FINLAY MINERALS LTD.

Interim Financial Statements

September 30, 2006

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

FINLAY MINERALS LTD.

Balance Sheets

As at

	September 30, 2006 (unaudited)	December 31, 2005
	\$	\$
A S S E T S		
Current		
Cash and short-term deposits	476,988	635,105
GST receivable	32,721	6,269
Prepaid expense	53,450	2,164
	<u>563,159</u>	<u>643,538</u>
Deferred mineral property costs	4,694,115	3,936,306
Reclamation deposit	30,000	30,000
	<u>5,287,274</u>	<u>4,609,844</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	118,779	29,627
Due to related parties	-	22,090
	<u>118,779</u>	<u>51,717</u>
Future income taxes	1,144,436	1,029,507
	<u>1,263,215</u>	<u>1,081,224</u>
SHAREHOLDERS' EQUITY		
Share capital (note 3)	4,291,746	3,819,050
Contributed surplus	193,201	145,388
Deficit	(460,888)	(435,818)
	<u>4,024,059</u>	<u>3,528,620</u>
	<u>5,287,274</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 September 30,		For the Nine Months ended September 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
Expenses				
Administration	125	-	125	-
Advertising and promotion	1,127	-	2,330	300
Bank charges and interest	91	1,357	664	1,570
Consulting	-	2,100	3,000	2,100
Insurance	252	2,500	252	2,500
Interest on flow-through	451	-	4,804	8,753
Office	51	2,087	1,190	9,606
Professional fees	3,516	1,122	14,918	24,508
Rent	-	-	-	5,400
Shareholders communication	-	-	4,000	6,785
Stock-option compensation	7,423	-	47,813	-
Travel and accommodation	-	73	2,286	1,036
Telephone	196	195	591	657
Trust and filing	5,154	2,485	17,361	14,883
Interest income	(2,224)	(5,043)	(4,859)	(11,751)
Loss before tax	(16,162)	(6,876)	(94,475)	(66,347)
Future income tax (expense) recovery	(50,778)	140,448	69,405	178,000
Net (loss) income for the period	(66,940)	133,572	(25,070)	111,653
Deficit, beginning of period	(393,948)	(431,251)	(435,818)	(409,332)
Deficit, end of period	(460,888)	(297,679)	(460,888)	(297,679)
(Loss) earnings per share	\$ (0.00)	\$ 0.01	\$ (0.00)	\$ 0.00
Weighted average number of shares	30,294,496	25,081,851	27,677,503	24,415,965

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,	
	2006	2005	2005	2005
	\$	\$	\$	\$
Cash provided by (used for):				
Operations				
Net (loss) income for the period	(66,940)	133,572	(25,070)	111,653
Items not affecting cash:				
Future income tax expense (recovery)	50,778	(140,448)	(69,405)	(178,000)
Stock-option compensation	7,423	-	47,813	-
	(8,739)	(6,876)	(46,662)	(66,347)
Changes in non-cash working capital components:				
Accounts payable and accrued liabilities	102,104	86,186	89,152	84,114
GST receivable	(24,299)	(36,486)	(26,452)	89,736
Due to related parties	(4,576)	-	(22,090)	-
Prepaid expense	(24,450)	35,615	(51,286)	(7,915)
	40,040	78,439	(57,338)	99,588
Investing Activities				
Mineral property costs	(518,838)	(694,304)	(597,809)	(785,254)
	(518,838)	(694,304)	(597,809)	(785,254)
Financing Activities*				
Cash from shares issued	518,500	-	518,500	262,500
Share issue costs	(21,470)	-	(21,470)	-
	497,030	-	497,030	262,500
Net cash provided (used) during the period	18,232	(615,865)	(158,117)	(423,166)
Cash, beginning of period	458,756	1,110,914	635,105	918,215
Cash, end of period	476,988	495,049	476,988	495,049

* *Supplemental Disclosure of Non-cash Financing Activities*

During the nine months ended September 30, 2006, the Company issued 2,000,000 common shares at a value of \$160,000 for the purchase of a mineral property.

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

	Balance December 31, 2005	Net Expenditures	Balance September 30, 2006
	\$	\$	\$
BRITISH COLUMBIA			
Atty and Pil Claims			
Acquisition	73,220	-	73,220
Assay, IP and linecutting	397,024	32,184	429,208
Camp accommodations and travel	806,831	87,580	894,411
Drilling	1,052,424	167,317	1,219,741
Equipment rentals	96,676	9,867	106,543
Field Office expense	112,629	2,689	115,318
Geological and geophysical	1,045,776	188,600	1,234,376
Road constriction	351,726	39,027	390,753
	<u>3,936,306</u>	<u>527,264</u>	<u>4,463,570</u>
Silver Hope property			
Acquisition	-	166,540	166,540
Assay, IP and linecutting	-	14,310	14,310
Camp accommodations and travel	-	6,667	6,667
Geological and geophysical	-	43,028	43,028
	<u>-</u>	<u>230,545</u>	<u>230,545</u>
Total Mineral Property Costs	<u><u>3,936,306</u></u>	<u><u>757,809</u></u>	<u><u>4,694,115</u></u>

FINLAY MINERALS LTD.
Notes to the Financial Statements
September 30, 2006 and December 31, 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 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 nine month period ended September 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 inventors 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
Private Placement - flow-through	3,456,667	⁽¹⁾ 497,030
Mineral property acquisition	2,000,000	160,000
Future income tax costs*	-	(184,334)
Issued at September 30, 2006	33,134,170	4,291,746

(1) net of \$21,470 in share issue costs

*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	September 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		1.77

The Company recorded stock-based compensation expense for stock-options granted in the period ended September 30, 2006 of \$47,813, which amount was expensed and offset to contributed surplus.

The fair value of stock options granted during the period ended September 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 September 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))	47,813
Contributed surplus transferred to share capital on options exercised	-
Balance at September 30, 2006	193,201

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 nine month period ended September 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, 2005 - \$14,934).

During the nine month period ended September 30, 2006, the Company paid \$37,436 (December 31, 2005 - \$19,021) in legal expenses to a director and is owed \$Nil (December 31, 2005 - \$7,156).