

**FINLAY MINERALS LTD.**

Unaudited Interim Financial Statements

June 30, 2007

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

**FINLAY MINERALS LTD.**

## Balance Sheets

As at

	June 30, 2007 (unaudited)	December 31, 2006
	\$	\$
<b>A S S E T S</b>		
<b>Current</b>		
Cash and short-term deposits	1,118,937	324,445
GST receivable	27,372	41,416
Prepaid expense	3,104	6,373
Due from related parties	-	1,412
	<u>1,149,413</u>	<u>373,646</u>
Deferred mineral property costs	5,150,749	4,818,284
Reclamation deposit	30,000	30,000
	<u>6,330,162</u>	<u>5,221,930</u>
<b>L I A B I L I T I E S</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	319,574	80,584
Future income taxes	1,308,151	1,302,565
	<u>1,627,725</u>	<u>1,383,149</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)	4,880,528	4,122,597
Contributed surplus	247,401	199,934
Deficit	(425,492)	(483,750)
	<u>4,702,437</u>	<u>3,838,781</u>
	<u>6,330,162</u>	<u>5,221,930</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,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Expenses</b>				
Advertising and promotion	1,500	723	7,835	1,203
Consulting	7,850	3,000	9,189	3,000
Bank charges and interest	497	2,865	1,091	4,926
Insurance	552	-	1,963	-
Office	616	274	2,159	1,139
Professional fees	3,750	9,792	6,207	11,402
Shareholders communication	4,000	4,000	4,000	4,000
Stock-option compensation	41,565	40,390	47,467	40,390
Travel and accommodation	12,062	1,565	29,178	2,286
Telephone	206	203	415	395
Trust and filing	2,322	5,019	7,719	12,207
Interest income	(1,557)	(2,394)	(4,155)	(2,635)
Loss before tax	(73,363)	(65,437)	(113,068)	(78,313)
Future income tax recovery	171,326	129,150	171,326	120,183
Net income for the period	97,963	63,713	58,258	41,870
Deficit, beginning of period	(523,455)	(457,661)	(483,750)	(435,818)
Deficit, end of period	(425,492)	(393,948)	(425,492)	(393,948)
<b>Earnings per share</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted average number of shares</b>	<b>37,009,945</b>	<b>27,677,503</b>	<b>35,082,764</b>	<b>24,077,503</b>

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,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Cash provided by (used for):</b>				
<b>Operations</b>				
Net income for the period	97,963	63,713	58,258	41,870
Items not affecting cash:				
Future income tax recovery	(171,326)	(129,150)	(171,326)	(120,183)
Stock-option compensation	41,565	40,390	47,467	40,390
	<u>(31,798)</u>	<u>(25,047)</u>	<u>(65,601)</u>	<u>(37,923)</u>
Changes in non-cash working capital components:				
Accounts payable and accrued liabilities	19,460	(1,170)	11,078	(12,952)
Amounts receivable	(22,334)	1,356	14,044	(2,153)
Due to related parties	-	4,576	1,412	(17,514)
Prepaid expense	6,686	(28,331)	3,269	(26,836)
	<u>(27,986)</u>	<u>(48,616)</u>	<u>(35,798)</u>	<u>(97,378)</u>
<b>Investing Activity</b>				
Mineral property costs	<u>(28,894)</u>	<u>(36,162)</u>	<u>(104,553)</u>	<u>(78,971)</u>
	<u>(28,894)</u>	<u>(36,162)</u>	<u>(104,553)</u>	<u>(78,971)</u>
<b>Financing Activity</b>				
Shares issued	1,000,000	-	1,000,000	-
Share issue costs	(65,157)	-	(65,157)	-
	<u>934,843</u>	<u>-</u>	<u>934,843</u>	<u>-</u>
<b>Net cash provided/(used) during the period</b>	<u>877,963</u>	<u>(84,778)</u>	<u>794,492</u>	<u>(176,349)</u>
<b>Cash, beginning of period</b>	<u>240,974</u>	<u>543,534</u>	<u>324,445</u>	<u>635,105</u>
<b>Cash, end of period</b>	<u><u>1,118,937</u></u>	<u><u>458,756</u></u>	<u><u>1,118,937</u></u>	<u><u>458,756</u></u>

\* *Supplemental Disclosure of Non-Cash Investing Activity*

*During the period ended June 30, 2007, the Company issued 173,913 common shares at \$0.23 per share for a finder's fee and recorded \$227,912 in exploration expenditures recorded in accounts payable.*

**FINLAY MINERALS LTD.**  
**Statements of Deferred Mineral Property Costs**  
*(Unaudited)*

	Balance December 31, 2006	Net Expenditures	Balance June 30, 2007
	\$	\$	\$
<b>BRITISH COLUMBIA</b>			
<b>Atty and Pil Claims</b>			
Acquisition	73,220	-	73,220
Assay, IP and linecutting	445,484	219	445,703
Camp accommodations and travel	912,131	6,972	919,103
Drilling	1,219,741	-	1,219,741
Equipment rentals	108,966	1,000	109,966
Field Office expense	115,318	-	115,318
Geological and geophysical	1,276,146	19,069	1,295,215
Road constriction	392,273	-	392,273
	<u>4,543,279</u>	<u>27,260</u>	<u>4,570,539</u>
<b>Silver Hope Claims</b>			
Acquisition	166,540	5,588	172,128
Assay, IP and linecutting	58,769	6,900	65,669
Camp accommodations and travel	6,667	6,805	13,472
Drilling	-	230,302	230,302
Equipment rentals	-	1,000	1,000
Geological and geophysical	43,029	35,735	78,764
Road constriction	-	18,875	18,875
	<u>275,005</u>	<u>305,205</u>	<u>580,210</u>
<b>Total Deferred Mineral Property Costs</b>	<u><u>4,818,284</u></u>	<u><u>332,465</u></u>	<u><u>5,150,749</u></u>

See notes to the financial statements

**FINLAY MINERALS LTD.**  
Notes to the Financial Statements  
June 30, 2007

**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 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, 2006. 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 three month period ended June 30, 2007 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 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	Total Value	Contributed Surplus
		\$	\$
Issued at December 31, 2006	33,134,170	4,122,597	199,934
Private placement	4,347,824	894,843 <sup>(1)</sup>	-
Finder's fee	173,913	40,000	-
Future income tax costs*	-	(176,912)	47,467
Issued at June 30, 2007	<u>37,655,907</u>	<u>4,880,528</u>	<u>247,401</u>

(1) net of share issue costs of \$105,157.

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

3. **SHARE CAPITAL** (continued)

b) Summary of stock options outstanding at June 30, 2007:

Expiry Date	Exercise Price	December 31, 2006	Expired	June 30, 2007
	\$			
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
		1,700,000	(300,000)	1,400,000
Weighted average exercise price		\$ 0.28	\$ 0.20	\$ 0.30
Weighted average remaining life		1.74		1.27

c) Summary of warrants outstanding at June 30, 2007:

Number of Warrants	Exercise Price	Expiry Date
	\$	
2,550,000	0.15	December 27, 2007
4,347,824	0.35	April 10, 2008
6,897,824		

d) Summary of agent's options outstanding at June 30, 2007:

Number of Agent's Options	Exercise Price	Expiry Date
	\$	
347,826	0.20	April 10, 2009

### 3. **SHARE CAPITAL** (continued)

#### e) Stock-based compensation:

The Company recorded stock-based compensation expense for 2007 of \$47,467 (December 31, 2006 - \$54,546), which amount was expensed and offset to contributed surplus.

The fair values of stock-based compensation are estimated using the Black-Scholes Option Pricing Model based on the following assumptions: a risk-free interest rate of 3.0% (December 31, 2006 - 3.0%); an expected life of 2 years (December 31, 2006 - 1 to 2 years); an expected volatility of 115.40% (December 31, 2006 - 117.62% and 118.42%); 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 and the expected life of the option. 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 and warrant issuances.

### 4. **RELATED PARTY TRANSACTIONS**

All these related party transactions were 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, 2007, the Company paid two directors and their private companies an aggregate of \$31,193 (December 31, 2006 - \$301,218) for exploration and administration and management services and are owed \$Nil (December 31, 2006 were owed - \$1,142).

During the six month period ended June 30, 2007, the Company paid an aggregate of \$25,064 (December 31, 2006 - \$22,088) in legal expenses to a director and is owed \$7,976 (December 31, 2006 - \$nil), which is included in accounts payable.