

FINLAY MINERALS LTD.

Unaudited Interim Financial Statements

September 30, 2009

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

FINLAY MINERALS LTD.

Balance Sheets

As at

	September 30, 2009 (unaudited)	December 31, 2008
	\$	\$
A S S E T S		
Current		
Cash and short-term deposits	117,184	79,288
Amounts receivable	999	2,993
Prepaid expense	-	-
	<u>118,183</u>	<u>82,281</u>
Reclamation deposits	57,200	57,200
Mineral property costs (schedule)	5,898,441	5,885,644
	<u>6,073,824</u>	<u>6,025,125</u>
L I A B I L I T I E S		
Current		
Accounts payable and accrued liabilities	2,174	20,307
Due to related parties	-	26,246
	<u>2,174</u>	<u>46,553</u>
Future income taxes	1,148,015	1,249,219
	<u>1,150,189</u>	<u>1,295,772</u>
S H A R E H O L D E R S ' E Q U I T Y		
Share capital (note 4)	4,895,035	4,703,884
Obligation to issue shares	-	70,000
Contributed surplus	465,750	445,740
Deficit	(437,150)	(490,271)
	<u>4,923,635</u>	<u>4,729,353</u>
	<u>6,073,824</u>	<u>6,025,125</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,	
	2008	2008	2009	2008
	\$	\$	\$	\$
Expenses				
Advertising and promotion	-	-	-	850
Bank charges and interest	63	501	269	3,699
Consulting	-	1,760	-	16,638
Insurance	-	-	-	2,191
Office and administration	528	450	1,111	3,632
Professional fees	7,127	2,263	8,028	15,817
Rent	2,840	2,425	7,792	7,003
Stock-option compensation	20,010	-	20,010	-
Travel and accommodation	-	-	-	10,695
Telephone	193	189	583	585
Trust and filing	3,867	3,548	11,781	14,595
Interest income	(100)	(474)	(1,491)	(5,766)
Loss before tax	(34,528)	(10,662)	(48,083)	(69,939)
Future income tax recovery (expense)	5,881	6,577	101,204	56,429
Net (loss) income for the period	(28,647)	(4,085)	53,121	(13,510)
Deficit, beginning of period	(408,503)	(787,067)	(490,271)	(777,642)
Deficit, end of period	(437,150)	(791,152)	(437,150)	(791,152)
Loss per share	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.00)
Weighted average number of shares	41,730,907	37,655,907	39,148,581	37,655,907

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,	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash provided by (used for):				
Operations				
Net (loss) income for the period	(28,647)	(4,085)	53,121	(13,510)
Items not affecting cash:				
Future income tax (recovery) expense	(5,881)	(6,577)	(101,204)	(56,429)
Stock-option compensation	20,010	-	20,010	-
	(14,518)	(10,662)	(28,073)	(69,939)
Changes in non-cash working capital components:				
Accounts payable and accrued liabilities	(12,776)	(3,962)	(18,226)	(5,047)
Amounts receivable	654	3,482	1,994	37,274
Due to related parties	-	1,760	(11,891)	28,453
Prepaid expense	-	-	-	4,164
	(26,640)	(9,382)	(56,196)	(5,095)
Investing Activities				
Mineral property costs	(7,816)	(42,752)	(27,059)	(52,367)
	(7,816)	(42,752)	(27,059)	(52,367)
Financing Activities*				
Cash from shares issued	-	-	133,750	-
Share issue costs	-	-	(12,599)	-
	-	-	121,151	-
Net cash (used) provided during the period	(34,456)	(52,134)	37,896	(57,462)
Cash, beginning of period	151,640	136,065	79,288	141,393
Cash, end of period	117,184	83,931	117,184	83,931

* *Supplemental Disclosure of Non-Cash Investing Activity*

During the period ended September 30, 2009, the Company incurred \$93 in exploration expenditures recorded in accounts payable.

During the period ended September 30, 2008, the Company recorded \$1,387 in exploration expenditures paid in accounts payable.

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

	Balance December 31, 2008	Net Expenditures	Balance September 30, 2009
	\$	\$	\$
BRITISH COLUMBIA			
Atty and Pil Claims			
Acquisition	73,220	-	73,220
Assay, IP and linecutting	528,514	-	528,514
Camp accommodations and travel	1,020,059	-	1,020,059
Drilling	1,466,687	-	1,466,687
Equipment rentals	129,613	870	130,483
Field Office expense	116,249	1,200	117,449
Geological and geophysical	1,450,054	-	1,450,054
Road construction	392,273	-	392,273
	<u>5,176,669</u>	<u>2,070</u>	<u>5,178,739</u>
Silver Hope Claims			
Acquisition	176,334	4,018	180,352
Assay, IP and linecutting	155,181	6,709	161,890
Camp accommodations and travel	18,120	-	18,120
Drilling	230,428	-	230,428
Equipment rental	3,233	-	3,233
Geological and geophysical	106,803	-	106,803
Road construction	18,876	-	18,876
	<u>708,975</u>	<u>10,727</u>	<u>719,702</u>
Total Deferred Mineral Property Costs	<u><u>5,885,644</u></u>	<u><u>12,797</u></u>	<u><u>5,898,441</u></u>

See notes to the financial statements

FINLAY MINERALS LTD.
Notes to the Financial Statements
September 30, 2009 and December 31, 2008

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, 2008. 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, 2009 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.

All accounting policies are the same as described in note 2 of the Company's audited financial statements for the year ended December 31, 2008, with the exception of the following accounting policies adopted by the Company on a prospective basis with no restatement of prior period financial statements.

(i) Capital Disclosures

The Company considers share capital, cash and equivalents and short term investments as capital and manages them by safeguarding them in order to utilize them to fund its operation and explore its mineral properties. The Company issues shares to maintain its capital structure and is not subject to any external capital requirements. The Company's policy is to maintain sufficient capital to conduct its operations and has not made any changes to this policy in the nine months ended September 30, 2009.

(ii) Financial Instruments - Disclosure (Section 3862) and Presentation (Section 3863)

The carrying amount of the Company's cash and short term deposits, amounts receivable and accounts payable approximates their fair values. The Company manages its capital as follows; credit, liquidity and counterparty risk is managed by investing only in Canadian bank financial instruments, or government securities which are capable of prompt liquidation.

The Company maintains all of its investments and conducts all of its business in Canada and so has no foreign exchange risk nor does it have any currency or other hedge related risks.

Interest rate risk is minimized by investing in short term securities with floating rates of interest. Commodity risk is not hedged as the Company has no production and any market risk is outside of the Company's control.

2. ACCOUNTING PRINCIPLES AND USE OF ESTIMATES (continued)

(iii) International Financial Reporting Standards (“IFRS”)

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS has not yet been determined.

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, 2008	37,655,907	4,703,884	445,740
Private placement	4,075,000	*191,151	-
Stock based compensation	-	-	20,010
Issued at September 30, 2009	<u>41,730,907</u>	<u>4,895,035</u>	<u>465,750</u>

*net of \$12,599 in share issue costs.

3. **SHARE CAPITAL** (continued)

b) Summary of stock options outstanding at September 30, 2009:

Expiry Date	Exercise Price	December 31, 2008	Granted	Expired	September 30, 2009
	\$				
May 20, 2009	0.375	200,000	-	(200,000)	-
May 18, 2011	0.22	200,000	-	-	200,000
May 29, 2012	0.20	1,125,000	-	-	1,125,000
June 29, 2014	0.10	-	1,150,000	-	1,150,000
		<u>1,525,000</u>	<u>1,150,000</u>	<u>(200,000)</u>	<u>2,475,000</u>
Weighted average exercise price		\$ 0.23	\$ 0.10	\$ (0.375)	\$ 0.16
Weighted average remaining life		<u>2.63</u>			<u>3.55</u>

c) Summary of warrants outstanding at September 30, 2009:

Number	Exercise Price	Expiry Date
	\$	
<u>4,075,000</u>	0.10	June 22, 2014

4. **RELATED PARTY TRANSACTIONS**

All these related party transactions were incurred 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 current year, the Company incurred \$Nil with these related parties (December 31, 2008 - \$Nil) for property exploration costs and \$Nil (December 31, 2008 - \$13,178) for consulting. The Company's solicitor is a director of the Company and charged \$19,677 (December 31, 2008 - \$9,517) in legal costs.