

**FINLAY MINERALS LTD.**

Condensed Interim Financial Statements

First Quarter ended March 31, 2016

Unaudited

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements of the Company for the period ending March 31, 2016 have been prepared by management and have not been subject to review by the Company's auditors.

## FINLAY MINERALS LTD.

Condensed Balance Sheets

(Unaudited - Expressed in Canadian Dollars)

	March 31, 2016	December 31, 2015
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	43,907	56,691
Amounts receivable	668	1,204
Prepaid expenses	2,042	3,043
	46,617	60,938
<b>Reclamation deposits</b>	57,200	57,200
<b>Mineral properties (note 3)</b>	7,855,295	7,852,235
	7,959,112	7,970,373
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	11,876	8,728
Due to related parties (note 5)	-	-
	11,876	8,728
<b>Non-current liability</b>		
Deferred income taxes	1,521,915	1,525,662
	1,533,791	1,534,390
<b>Equity</b>		
Share capital (note 6)	7,870,718	7,870,718
Contributed surplus	1,115,290	1,115,290
Deficit	(2,560,687)	(2,550,025)
	6,425,321	6,435,983
	7,959,112	7,970,373

*See accompanying notes to the condensed interim financial statements*

Approved by the Board of Directors and authorized for issue on May 27, 2016.

**"Robert F. Brown"**

Robert Brown, Director

**"John Barakso"**

John Barakso, Chairman of the Board & Director

**FINLAY MINERALS LTD.**

Condensed Interim Statements of Comprehensive (Loss) Income  
(Unaudited - Expressed in Canadian Dollars)

	<b>Three Months Ended March 31, 2016</b>	<b>Three Months Ended March 31, 2015</b>
	\$	\$
<b>Operating costs and expenses</b>		
Advertising and promotion	450	858
Bank charges and interest	149	10
Insurance	1,001	983
Legal and accounting	500	2,500
Office and administration	1,540	3,107
Rent	2,932	2,932
Shareholder relations	-	40
Telephone	231	234
Travel and accommodation	40	745
Trust and filing fees	7,753	5,595
<b>Loss before other item</b>	<b>(14,596)</b>	<b>(17,004)</b>
Interest income	187	-
<b>Loss before tax</b>		<b>(17,004)</b>
Future income tax recovery	3,747	4,421
<b>Net loss and comprehensive loss for the period</b>	<b>(10,662)</b>	<b>(12,583)</b>
Weighted average number of common shares outstanding	62,924,372	62,924,372
Basic and diluted loss per share	(0.00)	(0.00)

*See accompanying notes to the condensed interim financial statements*

**FINLAY MINERALS LTD.**Condensed Statements of Cash Flows  
(Unaudited - Expressed in Canadian dollars)

	<b>Three Months Ended March 31, 2016</b>	<b>Three Months Ended March 31, 2015</b>
	\$	\$
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net loss for the period	(10,662)	(12,583)
Item not involving the use of cash		
Future income tax recovery	(3,747)	(4,421)
	(14,409)	(17,004)
Changes in non-cash operating capital:		
Amounts receivable	536	6,816
Prepaid expenses	1,001	982
Accounts payable and accrued liabilities	3,148	(6,491)
Due to related parties	-	(7,514)
	(9,724)	(23,211)
<b>Investing activity</b>		
Mineral property costs	(3,060)	4,065
	(3,060)	4,065
<b>Financing activity</b>		
Cash from shares issued	-	-
Share issue costs	-	-
	-	-
(Decrease) increase in cash and cash equivalents	(12,784)	(19,145)
Cash and cash equivalents, beginning of the period	56,691	145,227
Cash and cash equivalents, end of the period	43,907	126,082
<i>Cash and cash equivalents consist of:</i>		
Cash	31,649	114,067
Short-term deposits	12,258	12,015
	43,907	126,082

*See accompanying notes to condensed interim financial statements***Supplementary disclosure:**

During the three month period ended March 31, 2016, the company received \$187 (2015 - \$Nil) in interest and accrued \$2,100 (2015 - \$Nil) in exploration expenditures in accounts payable and accrued liabilities and due to related parties.

**FINLAY MINERALS LTD.**

## Statements of Changes in Equity

(Unaudited - Expressed in Canadian dollars)

	<b>Number of shares</b>	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Deficit</b>	<b>Total Equity</b>
		\$	\$	\$	\$
<b>December 31, 2015</b>	62,924,372	7,870,718	1,115,290	(2,550,025)	6,435,983
Net loss for the period	-	-	-	(10,662)	(10,662)
<b>March 31, 2016</b>	62,924,372	7,870,718	1,115,290	(2,560,687)	6,425,321
<b>December 31, 2014</b>	62,924,372	7,870,718	1,115,290	(2,466,726)	6,519,282
Net loss for the period	-	-	-	(12,583)	(12,583)
<b>March 31, 2015</b>	62,924,372	7,870,718	1,115,290	(2,479,309)	6,506,699

*See accompanying notes to condensed interim financial statements*

# **FINLAY MINERALS LTD.**

Notes to the Financial Statements

Three months ended March 31, 2016

(Unaudited - Expressed in Canadian dollars)

## **1) NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated under the Business Corporations Act (British Columbia) and its principal business activity is the acquisition and exploration of resource properties. The properties of the Company are without a known economically feasible ore body. The exploration programs undertaken and proposed constitute an exploratory search. There is no assurance that the Company will be successful in its search. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site. It is not possible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

Although the Company has taken steps to verify title to resource properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

These financial statements have been prepared on the going-concern basis, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Several adverse conditions cast substantial doubt on the validity of this assumption. The Company has incurred operating losses since inception and a loss for the three months ended March 31, 2016 of \$10,662 (2015 - \$12,583), has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its mineral property projects.

The application of the going-concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going-concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing from those reflected in the financial statements.

Management plans to continue to pursue equity or debt financing to support operations. Management believes this plan will be sufficient to meet the Company's liabilities and commitments as they become payable over the next twelve months. There can be no assurance that management's plan will be successful. Failure to maintain the support of creditors and obtain additional external equity financing will cause the Company to curtail operations and the Company's ability to continue as a going-concern will be impaired. The outcome of these matters cannot be predicted at this time.

## **2) SIGNIFICANT ACCOUNTING POLICIES**

### **a) Statement of Compliance**

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Accordingly, these Financial Statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes. These financial statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied by the Company in these financial statements are the same as those applied by the Company in its most recent annual financial statements for the year ended December 31, 2015.

# FINLAY MINERALS LTD.

Notes to the Financial Statements

Three months ended March 31, 2016

(Unaudited - Expressed in Canadian dollars)

## 2) SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### b) Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the financial statements.

- Impairment

The Company considers both external and internal sources of information in assessing whether there are any indicators that mineral interests are impaired. External sources of information include changes in the market, and the economic and legal environment in which the Company operates. Internal sources of information include the manner in which mineral interests are being used or are expected to be used. Management has assessed impairment indicators on the Company's mineral interests and has concluded that no impairment indicators existed as of March 31, 2016.

### c) Significant accounting policies

These interim financial statements have been prepared using the same accounting policies and methods of computation as the annual financial statements of the Company for the year ended December 31, 2015. The disclosure contained in these interim financial statements does not include all the requirements in IAS 1 Presentation of Financial Statements ("IAS 1"). Accordingly these interim financial statements should be read in conjunction with the Company's financial statements for the year ended December 31, 2015.

There are no other IFRS or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Company.

## 3) EXPLORATION AND EVALUATION EXPENDITURES

### **Omineca Mining Division British Columbia**

#### **Silver Hope Claims**

The Company has a 100% interest in 29 mineral tenures, eight of which are subject to a 1½% Net Smelter Returns royalty ("NSR"), and were acquired during 2006 by the issue of two million common shares. One half of the NSR (3/4%) is purchasable prior to a production decision for one million dollars.

#### **Atty and Pil Claims**

The Company has a 100% interest in 52 mineral claims (formerly 376 mineral claim units) of which 23 mineral claims were acquired from a private company controlled by a director of the Company, in consideration for the issuance to that private company of nine million common shares (post subdivision) and a 3% NSR. The Company is also obligated to issue a further two million shares to this private company when the property is put into commercial production and may also, prior to that date, purchase a 1½ % NSR (½ of the 3% NSR) for two million dollars.

# FINLAY MINERALS LTD.

Notes to the Financial Statements

Three months ended March 31, 2016

(Unaudited - Expressed in Canadian dollars)

## 3) EXPLORATION AND EVALUATION EXPENDITURES (continued)

	December 31, 2014	Net Additions	December 31, 2015	Net Additions	March 31, 2016
	\$	\$	\$	\$	\$
<b>BRITISH COLUMBIA</b>					
<b>Silver Hope Claims</b>					
Acquisition	166,873	-	166,873	-	166,873
Assay, IP and linecutting	172,927	3,143	176,070	-	176,070
Camp and travel	109,856	580	110,436	-	110,436
Drilling	1,274,952	-	1,274,952	-	1,274,952
Equipment rental	31,387	-	31,387	-	31,387
Field office	10,630	-	10,630	-	10,630
Geological and geophysical	800,779	2,835	803,614	-	803,614
Road construction	45,239	-	45,239	-	45,239
Tenure management	35,470	167	35,637	-	35,637
BCMETC refund	(15,875)	(3,620)	(19,495)	-	(19,495)
	2,632,238	3,150	2,635,343	-	2,635,343
<b>Atty and Pil Claims</b>					
Acquisition	29,076	-	29,076	-	29,076
Assay, IP and linecutting	254,492	3,630	258,122	-	258,122
Camp and travel	1,024,714	12,170	1,036,884	960	1,037,844
Drilling	1,466,687	-	1,466,687	-	1,466,687
Equipment rental	130,483	-	130,483	-	130,483
Field office	117,449	-	117,449	-	117,449
Geological and geophysical	1,725,996	5,670	1,731,666	2,100	1,733,766
Road construction	392,273	-	392,273	-	392,273
Tenure management	53,674	1,010	54,684	-	54,684
BCMETC refund	(432)	-	(432)	-	(432)
	5,194,412	22,480	5,216,892	3,060	5,219,952
<b>Total exploration and evaluation expenditures</b>	<b>7,826,650</b>	<b>25,585</b>	<b>7,852,235</b>	<b>3,060</b>	<b>7,855,295</b>

## 4) RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	3 Months Ended March 31, 2016	Year Ended December 31, 2015
	\$	\$
Share-based compensation	-	-
Total management compensation	-	-

All transactions with related parties have occurred in the normal course of operations and management represents that they have occurred on a basis consistent with those involving unrelated parties.

## 5) DUE TO RELATED PARTIES

At March 31, 2016, the Company owes private companies owned by a director and the Company's president \$Nil (December 31, 2015 - \$802). The amounts are unsecured, do not bear interest and have no fixed terms of repayment.

## FINLAY MINERALS LTD.

Notes to the Financial Statements

Three months ended March 31, 2016

(Unaudited - Expressed in Canadian dollars)

### 6) SHARE CAPITAL

- a) The authorized share capital of the Company consists of: an unlimited number of common shares.  
100,000,000 Class A preference shares  
100,000,000 Class B preference shares

	3 Months Ended March 31, 2016		Year Ended December 31, 2015	
	Number of Shares	\$	Number of Shares	\$
Opening balance	62,924,372	7,870,718	62,924,372	7,870,718
Issued for:				
Private placements	-	-	-	-
Ending balance	62,924,372	7,870,718	62,924,372	7,870,718

- b) Share purchase options

The following is a summary of the changes in the Company's outstanding stock options:

	3 Months Ended March 31, 2016		Year Ended December 31, 2015	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of the year	3,450,000	0.17	3,450,000	0.17
Granted	-	-	-	-
Expired	-	-	-	0.10
Balance, end of the year	3,450,000	0.17	3,450,000	0.17
Exercisable, end of the year	3,450,000	0.17	3,450,000	0.17
Weighted average years to expiry		0.76		1.01

- c) Share purchase warrants

The continuity of share purchase warrants is as follows:

	3 Months Ended March 31, 2016		Year Ended December 31, 2015	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of the year	4,958,333	0.10	9,215,833	0.18
Issued	-	-	-	-
Expired	-	-	(4,257,500)	(0.12)
Balance, end of the year	4,958,333	0.10	4,958,333	0.10
Weighted average years to expiry		0.74		0.99

## **FINLAY MINERALS LTD.**

Notes to the Financial Statements

Three months ended March 31, 2016

(Unaudited - Expressed in Canadian dollars)

The Company has no Agents' Warrants or Agents' Options outstanding.

### **7) CAPITAL MANAGEMENT**

The Company's objectives for the management of capital are to safeguard the Company's ability to continue as a going concern, including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash and cash equivalents to be its manageable capital. The Company's policy is to maintain sufficient cash and deposit balances to cover operating and exploration costs over a reasonable future period. The Company accesses capital markets as necessary and may also acquire additional funds where advantageous circumstances arise.

The Company currently has no externally-imposed capital requirements.

### **8) EVENTS AFTER THE REPORTING PERIOD**

Subsequent to March 31, 2016 the Company completed a private placement financing, issuing a total of 5,857,143 units at \$0.035 per unit for proceeds of \$205,000. Each unit consists of one common share and one half share purchase warrant. Each warrant is exercisable until April 12, 2018 at an exercise price of \$0.05 per share. The units will have a four month holding period expiring August 12, 2016.