

**FINLAY MINERALS LTD.**

Condensed Interim Financial Statements  
First Quarter ended March 31, 2019

(Expressed in Canadian Dollars)  
(Unaudited)

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

These interim financial statements of the Company for the period ending March 31, 2019 have been prepared by management and have not been subject to review by the Company's auditors.



**FINLAY MINERALS LTD.**

**Condensed Interim Statement of Comprehensive Loss**

**FOR THE QUARTER ENDED MARCH 31, 2019**

*See accompanying notes to the condensed interim financial statements*

*All values expressed in Canadian dollars*

	Three Months Ended March 31, 2019 \$	Three Months Ended March 31, 2018 \$
<b>Operating Costs and Expenses</b>		
Advertising and promotion	2,295	3,154
Bank charges and interest	1,519	55
Insurance	2,889	2,888
Legal and accounting	2,291	11,304
Office and administration	508	2,033
Rent	5,896	5,715
Salaries and benefits	1,987	-
Telephone	296	304
Travel and accomodation	1,322	-
Trust and filing fees	5,397	8,024
	<u>24,400</u>	<u>33,477</u>
<b>Loss before other items</b>	(24,400)	(33,477)
Interest Income	137	169
	<u>(24,263)</u>	<u>(33,308)</u>
<b>Loss before income tax</b>	(24,263)	(33,308)
Deferred income tax recovery	6,536	10,130
	<u>(17,727)</u>	<u>(23,178)</u>
<b>Net loss for the period</b>	(17,727)	(23,178)
<b>Other comprehensive income items that may not be reclassified subsequently to profit or loss:</b>		
Net change in fair value of investment in Serengeti Resources Inc.	7,081	-
	<u>(10,646)</u>	<u>(23,178)</u>
Weighted average number of common shares	<u>77,024,991</u>	<u>74,167,848</u>
<b>Basic and diluted loss per share</b>	<u>0.00</u>	<u>0.00</u>

**FINLAY MINERALS LTD.**

**Condensed Interim Statement of Cash Flow**

**FOR THE QUARTER ENDED MARCH 31, 2019**

*See accompanying notes to the interim financial statements*

*All values expressed in Canadian dollars*

	Three Months Ended March 31, 2019 \$	Three Months Ended March 31, 2018 \$
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>Operating Activities</b>		
Net loss for the period	(17,727)	(23,178)
Add (deduct) non-cash items		
Deferred income tax recovery	(6,536)	(10,130)
	<u>(24,263)</u>	<u>(33,308)</u>
Changes in non-cash working capital		
GST receivable	4,692	7,172
Prepaid expenses	2,889	2,889
Accounts payable and accrued liabilities	2,104	(4,981)
Due to related parties	10,437	3,591
	<u>(4,141)</u>	<u>(24,637)</u>
<b>Investing Activities</b>		
Mineral property costs	(22,558)	(6,293)
Proceeds from option of exploration and evaluation assets	25,683	25,000
Proceeds from sale of shares in Serengeti Resources Inc.	12,761	-
	<u>15,886</u>	<u>18,707</u>
<b>Financing Activities</b>		
Share issue costs	-	(5,655)
<b>DECREASE IN CASH POSITION</b>	11,744	(11,585)
Cash position, beginning of the period	<u>236,135</u>	<u>304,168</u>
<b>CASH POSITION, END OF PERIOD</b>	<u><u>247,879</u></u>	<u><u>292,583</u></u>
<i>Cash position includes cash and short term investments.</i>		
Cash	192,223	280,325
Short-term deposits	12,258	12,258
GIC	43,398	-
	<u><u>247,879</u></u>	<u><u>292,583</u></u>

FINLAY MINERALS LTD.

Interim Statement of Changes in Equity

FOR THE QUARTER ENDED MARCH 31, 2019

See accompanying notes to the interim financial statements

All values expressed in Canadian dollars

	Number of Shares	Share Capital \$	Contributed Surplus \$	Investment Revaluation Reserve \$	Deficit \$	Total Equity \$
<b>December 31, 2018</b>	77,024,991	8,573,148	1,421,452	23,860	(3,125,580)	6,892,880
Other comprehensive income for the year	-	-	-	7,081	-	7,081
Net loss for the period	-	-	-	-	(17,727)	(17,727)
<b>March 31, 2019</b>	<b>77,024,991</b>	<b>8,573,148</b>	<b>1,421,452</b>	<b>30,941</b>	<b>(3,143,307)</b>	<b>6,882,234</b>
<b>December 31, 2017</b>	74,167,848	8,435,946	1,421,452	-	(2,962,149)	6,895,249
Share issue costs	-	(5,655)	-	-	-	(5,655)
Net loss for the period	-	-	-	-	(23,178)	(23,178)
<b>March 31, 2018</b>	<b>74,167,848</b>	<b>8,430,291</b>	<b>1,421,452</b>	<b>-</b>	<b>(2,985,327)</b>	<b>6,866,416</b>

# FINLAY MINERALS LTD.

## Notes to the Interim Financial Statements

FOR THE QUARTER ENDED MARCH 31, 2019

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*All values 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 a 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 with a comprehensive loss for the three months ended March 31, 2019 of \$10,646, 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, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

## FINLAY MINERALS LTD.

### Notes to the Interim Financial Statements

#### FOR THE QUARTER ENDED MARCH 31, 2019

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*All values expressed in Canadian dollars*

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

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, 2018.

##### b) Critical accounting estimates and judgements

- 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, 2019.

##### 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, 2018. 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, 2018.

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 35 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-Gold Claims

The Company has a 100% interest in 51 mineral tenures (formerly 376 mineral claim units) of which 23 mineral claims were acquired from a private company controlled by a director of the Company with 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 Interim Financial Statements

FOR THE QUARTER ENDED MARCH 31, 2019

All values expressed in Canadian dollars

3) EXPLORATION AND EVALUATION EXPENDITURES (continued)

	December 31 2017	Net Additions	December 31 2018	Net Additions	March 31 2019
<b>BRITISH COLUMBIA</b>					
<b>Silver Hope Claims</b>					
Acquisition	166,873	-	166,873	-	166,873
Assay	176,681	261	176,942	-	176,942
Camp and travel	112,015	2,221	114,236	-	114,236
Drilling	1,274,952	-	1,274,952	-	1,274,952
Equipment rental	31,461	-	31,461	-	31,461
Field office	12,916	-	12,916	-	12,916
Geological and geophysical	806,134	114,035	920,169	17,843	938,012
Road construction	45,239	-	45,239	-	45,239
Tenure management	38,195	3,785	41,980	2,053	44,033
BCMETC refund	(19,495)	-	(19,495)	-	(19,495)
	<u>2,644,971</u>	<u>120,302</u>	<u>2,765,273</u>	<u>19,896</u>	<u>2,785,169</u>
<b>Atty and Pil Claims</b>					
Acquisition	29,076	-	29,076	-	29,076
Assay	267,165	12,016	279,181	54	279,235
Camp and travel	1,084,283	25,702	1,109,985	1,008	1,110,993
Drilling	1,466,687	-	1,466,687	-	1,466,687
Equipment rental	131,427	776	132,203	-	132,203
Field office	117,507	-	117,507	-	117,507
Geological and geophysical	1,843,443	21,781	1,865,224	1,600	1,866,824
Road construction	392,273	-	392,273	-	392,273
Tenure management	55,350	-	55,350	-	55,350
BCMETC refund	(20,525)	(32,763)	(53,288)	-	(53,288)
Recovery	-	(50,000)	(50,000)	(75,000)	(125,000)
Royalty buyback payment	-	-	-	(10,000)	(10,000)
	<u>5,366,686</u>	<u>(22,488)</u>	<u>5,344,198</u>	<u>(82,338)</u>	<u>5,261,860</u>
<b>Total exploration and evaluation expenditures</b>	<u>8,011,657</u>	<u>97,814</u>	<u>8,109,471</u>	<u>(62,442)</u>	<u>8,047,029</u>

## FINLAY MINERALS LTD.

### Notes to the Interim Financial Statements

FOR THE QUARTER ENDED MARCH 31, 2019

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All values expressed in Canadian dollars

#### 3) EXPLORATION AND EVALUATION EXPENDITURES *(continued)*

On March 1, 2018, the Company entered into an option agreement (the "OA") with Serengeti Resources Inc. ("Serengeti") and Electrum Resource Corp. (the "RH") to (i) grant Serengeti the exclusive right and option to acquire a 100% interest in and to the ATTY claims and (ii) to provide for the amendment of certain terms of the purchase agreement entered into between the Company and the RH dated as of July 29, 1999 (the "PA"). On execution of the OA, Serengeti paid \$25,000 to the Company. To exercise the option, Serengeti must, within 8 years of exchange approval and in accordance with the specific schedules:

- Pay \$975,000 by issuing shares, paying cash or a combination thereof, with the first \$25,000 being paid on exchange approval;
- Pay \$600,000 in cash; and
- Incur at least \$12 million in expenditures, with the first \$300,000 incurred on or before the first anniversary of exchange approval.

Pursuant to the OA, Serengeti was also granted the additional option whereby, upon its exercise, the PA will be amended by: (i) reducing the NSR payable from 3% to 1.5%, (ii) terminating the buydown right relating to the NSR and (iii) terminating certain provisions providing for additional consideration and area of mutual interest rights. In order to exercise the additional option, Serengeti must, within 8 years of exchange approval and in accordance with the specified payment schedule, pay \$250,000 to each of the Company and RH by issuing shares, paying cash or a combination thereof. During the period ended March 31, 2019, \$10,000 was received. The Company recognized the \$10,000 as a royalty buyback payment and the consideration received has been recorded as a recovery of mineral property costs. Accordingly, no gain or loss was recognized on the transaction. Following the exercise of the option and the additional option, if Serengeti makes an ATTY Project Production Decision (as defined in the OA), it must make a payment, in cash or shares at its option, to the RH equal to the lesser of the market value of 500,000 of its shares and \$1 million.

The OA received exchange approval on April 9, 2018.

On March 1, 2018, the Company and the RH entered into an amending agreement to amend the PA so that (i) certain clauses only apply to the ATTY claims and not the Pil claims; and (ii) to provide for a separate royalty agreement between the Company and the RH relating to the Pil claims. The PA was amended as follows:

- As additional consideration for the original purchase, the Company will issue 500,000 shares of the Company to the RH immediately following an ATTY Project Production Decision (as defined in the OA); and
- Prior to an ATTY Project Production Decision (as defined in the OA), the Company may, at its sole discretion, purchase one half (1.5%) of the NSR from RH by paying \$1 million.

On March 1, 2018, the Company and the RH entered into a royalty agreement (the "RA") in respect of the Pil claims. The RA incorporates the mineral claims acquired under the Purchase Agreement with the RH dated as of October 1, 2001, as well as the rights and interest pertaining to the Pil claims, into the RA, and terminates the 2001 Purchase Agreement. As additional consideration for the purchase of the Pil claims, the Company:

- Will issue 1 million shares of the Company to RH immediately following a Pil Project Production Decision (as defined in the RA);
- Will pay an NSR of 3% to the RH; and
- May, at its sole discretion, and prior to a Pil Project Production Decision, purchase one half (1.5%) of the NSR from RH by paying \$2 million.

# FINLAY MINERALS LTD.

## Notes to the Interim Financial Statements

FOR THE QUARTER ENDED MARCH 31, 2019

All values expressed in Canadian dollars

### 3) EXPLORATION AND EVALUATION EXPENDITURES *(continued)*

#### Significant Accounting Policies

When entering into a long-term royalty arrangement linked to production at specific project, judgement is required in assessing the appropriate accounting treatment for the transaction. The Company considers the specific terms of each arrangement to determine whether the Company has disposed of an interest in the reserves and resources of the respective operation. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation.

### 4) RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	Three Months Ended March 31, 2019	Year Ended December 31, 2018
	\$	\$
Share based compensation	-	-
Mineral property geological consulting	7,262	22,250

### 5) DUE TO RELATED PARTIES

At March 31, 2019, the Company owes \$7,624 (December 31, 2018 - \$2,824) to a private company owned by a director and the Company's VP - Exploration for geological costs, \$117 (December 31, 2018 - \$486) to the Company's President and CEO for administrative expenses, and \$5,005 (December 31, 2018 - nil) to an employee of the Company related through a shareholder of the Company. The amounts are unsecured, do not bear interest and have no fixed terms of repayment.

### 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

	Three Months Ended March 31, 2019		Year Ended December 31, 2018	
	Number of Shares	\$	Number of Shares	\$
Opening balance	77,024,991	8,573,148	74,167,848	8,435,946
Issued for:				
Share issue costs	-	-	-	(5,655)
Warrants exercised	-	-	2,857,143	142,857
Ending Balance	<u>77,024,991</u>	<u>8,573,148</u>	<u>77,024,991</u>	<u>8,573,148</u>

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED MARCH 31, 2019

All values expressed in Canadian dollars

6) SHARE CAPITAL (continued)

b) Share purchase options

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

	Three Months Ended March 31, 2019		Year Ended December 31, 2018	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of the period	3,650,000	0.07	3,650,000	0.07
Expired	-	-	-	-
Issued	-	-	-	-
Balance, end of the period	<u>3,650,000</u>	<u>0.07</u>	<u>3,650,000</u>	<u>0.07</u>
Exercisable, end of the period	<u>3,650,000</u>	<u>0.07</u>	<u>3,650,000</u>	<u>0.07</u>
Weighted average years to expiry		<u>2.93</u>		<u>3.43</u>

c) Share purchase warrants

The continuity of share purchase warrants is as follows:

	Three Months Ended March 31, 2019		Year Ended December 31, 2018	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of the period	3,153,595	0.10	7,969,071	0.10
Issued	-	-	-	-
Expired	-	-	(1,958,333)	-
Exercised	-	-	(2,857,143)	-
Balance, end of the period	<u>3,153,595</u>	<u>0.10</u>	<u>3,153,595</u>	<u>0.10</u>
Weighted average years to expiry		<u>1.07</u>		<u>1.32</u>

**FINLAY MINERALS LTD.**

**Notes to the Interim Financial Statements**

**FOR THE QUARTER ENDED MARCH 31, 2019**

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*All values expressed in Canadian dollars*

**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.