

FINLAY MINERALS LTD.

Condensed Interim Financial Statements
Third Quarter ended September 30, 2021

(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 September 30, 2021 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 Income (Loss)
FOR THE QUARTER ENDED SEPTEMBER 30, 2021
See accompanying notes to the condensed interim financial statements
All values expressed in Canadian dollars

	Three Months Ended September 30 2021 \$	Three Months Ended September 30 2020 \$	Nine Months Ended September 30 2021 \$	Nine Months Ended September 30 2020 \$
Operating Costs and Expenses				
Advertising and promotion	85,331	1,903	155,180	20,443
Bank charges and interest	587	158	858	337
Insurance	3,790	2,986	11,395	8,957
Legal and accounting	120,410	6,147	132,787	15,718
Office and administration	3,882	669	6,808	2,066
Rent	3,450	4,343	10,350	16,600
Salaries and benefits	9,417	2,050	18,237	6,119
Stock-option compensation (Note 8)	805,100	-	805,100	-
Telephone	87	211	158	754
Travel and accomodation	-	-	-	179
Trust and filing fees	19,180	1,585	32,619	11,886
	<u>1,051,234</u>	<u>20,052</u>	<u>1,173,492</u>	<u>83,059</u>
Loss before other items	(1,051,234)	(20,052)	(1,173,492)	(83,059)
Flow-through recovery (Note 11)	58,871	72,593	58,871	125,442
Part XII.6 tax recovery	3,958	-	-	-
Interest Income	583	4,016	1,136	5,871
Exchange (loss)	(260)	-	(260)	-
	<u>(988,082)</u>	<u>56,917</u>	<u>(1,113,745)</u>	<u>48,254</u>
Income (Loss) before income tax	(988,082)	56,917	(1,113,745)	48,254
Deferred income tax (expense) recovery	57,193	(51,099)	75,555	(75,518)
	<u>(930,889)</u>	<u>5,818</u>	<u>(1,038,190)</u>	<u>(27,264)</u>
Net income (loss) for the period	(930,889)	5,818	(1,038,190)	(27,264)
Other comprehensive income items that may not be reclassified subsequently to profit or loss:				
Net change in fair value of investment in NorthWest Copper Corp.	(12,065)	10,239	(16,287)	20,374
Realized gain on sale of shares in NorthWest Copper Corp.	-	974	5,063	974
	<u>(12,065)</u>	<u>11,213</u>	<u>(11,224)</u>	<u>21,348</u>
Net income (loss) and comprehensive income (loss) for the period	<u>(942,954)</u>	<u>17,031</u>	<u>(1,049,414)</u>	<u>(58,579)</u>
Weighted average number of common shares	<u>118,949,518</u>	<u>93,274,991</u>	<u>101,967,872</u>	<u>93,274,991</u>
Basic and diluted income (loss) per share	<u>(0.01)</u>	<u>0.00</u>	<u>(0.01)</u>	<u>(0.00)</u>

FINLAY MINERALS LTD.
Condensed Interim Statement of Cash Flow
FOR THE QUARTER ENDED SEPTEMBER 30, 2021

See accompanying notes to the interim financial statements

All values expressed in Canadian dollars

	Nine Months Ended September 30 2021 \$	Nine Months Ended September 30 2020 \$
CASH PROVIDED BY (USED FOR):		
Operating Activities		
Net loss for the period	(1,038,190)	(27,264)
Add (deduct) non-cash items		
Flow-through (recovery) expense	(58,871)	(125,442)
Deferred income tax recovery	(75,555)	75,518
Stock-option compensation	805,100	-
	<u>(367,516)</u>	<u>(77,188)</u>
Changes in non-cash working capital		
GST receivable	(9,470)	(9,285)
Part XII.6 tax receivable	(3,958)	-
Prepaid expenses	11,082	(45,189)
Accounts payable and accrued liabilities	5,182	(6,069)
Due to related parties	(157)	9,673
	<u>(364,837)</u>	<u>(128,058)</u>
Investing Activities		
Mineral property costs	(230,704)	(393,405)
Proceeds from sale of shares in NorthWest Copper Corp.	24,564	8,668
	<u>(206,140)</u>	<u>(384,737)</u>
Financing Activities		
Proceeds from shares issued	2,643,777	-
Proceeds from stock options exercised	107,500	-
Proceeds from warrants exercised	159,167	-
Share issue costs	(182,262)	-
	<u>2,728,182</u>	<u>-</u>
INCREASE (DECREASE) IN CASH POSITION	2,157,205	(512,795)
Cash position, beginning of the period	<u>226,086</u>	<u>1,059,035</u>
CASH POSITION, END OF PERIOD	<u>2,383,291</u>	<u>546,240</u>
<i>Cash position includes cash and short term investments.</i>		
Cash	1,070,150	144,933
Short-term deposits	13,027	12,921
Term deposit and high interest savings account	1,300,114	388,386
	<u>2,383,291</u>	<u>546,240</u>

FINLAY MINERALS LTD.**Interim Statement of Changes in Equity****FOR THE QUARTER ENDED SEPTEMBER 30, 2021**

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
		\$	\$	\$	\$	\$
December 31, 2020	93,274,991	9,370,241	1,436,196	34,871	(3,257,263)	7,584,045
Shares issued	26,676,748	2,380,027	-	-	-	2,380,027
Stock options exercised	1,850,000	218,114	(110,614)	-	-	107,500
Warrants exercised	1,591,666	159,167	-	-	-	159,167
Share issue costs	-	(332,862)	150,600	-	-	(182,262)
Stock-option compensation	-	-	805,100	-	-	805,100
Other comprehensive loss for the period	-	-	-	(11,224)	-	(11,224)
Net loss for the period	-	-	-	-	(1,038,190)	(1,038,190)
September 30, 2021	123,393,405	11,794,687	2,281,282	23,647	(4,295,453)	9,804,163
December 31, 2019	93,274,991	9,370,241	1,436,196	(1,836)	(3,209,719)	7,594,882
Other comprehensive income for the period	-	-	-	10,135	-	10,135
Net loss for the period	-	-	-	-	(33,083)	(33,083)
September 30, 2020	93,274,991	9,370,241	1,436,196	8,299	(3,242,803)	7,571,934

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

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 nine months ended September 30, 2021 of \$1,049,414, 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, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

Basis of preparation

These financial statements have been prepared on the historical cost basis. The presentation and functional currency of the Company is the Canadian dollar.

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

All values expressed in Canadian dollars

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, deposits in banks and highly liquid investments having terms to maturity of 90 days or less when acquired.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

- the determination that the Company will continue as a going-concern for the next year; and
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluation assets may not be recoverable.

Exploration and evaluation expenditures

Once a license to explore an area has been secured, expenditures on mineral properties are capitalized to exploration and evaluation assets.

Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration and evaluation expenditures are not expected to be recovered they are charged to operations.

Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

Impairment of non-financial assets

At the end of each reporting year, and when relevant triggering events and circumstances occur, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and the value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year.

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

All values expressed in Canadian dollars

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Income taxes

The Company uses the statement of financial position method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Flow-through shares

The Company has issued common shares as flow-through shares, whereby the investor may claim the tax deductions arising from the related resource expenditures. When flow-through shares are issued, the sale of the tax deduction is valued (using the residual method) and deferred as a flow-through liability. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, the flow-through liability is reversed, and a deferred income tax liability is recognized.

Previously unrecognized deferred income tax assets may be used to reduce the deferred income tax liability amount recognized, and the Company will recognize a future income tax recovery to this extent.

Share-based payments

The Company's Stock Option Plan allows employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the share-based payment is measured using the Black-Scholes option pricing model. The fair value of the share-based payment is recognized as an expense or capitalized to exploration and evaluation assets with a corresponding increase in contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and a corresponding amount is transferred to share capital from contributed surplus.

Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. Where the effects of including all outstanding options and warrants would be anti-dilutive, no dilution is calculated and the diluted loss per share is presented as the same as basic loss per share.

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

All values expressed in Canadian dollars

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclamation deposits

The Company maintains cash deposits as required by regulatory bodies as assurance for the funding of reclamation costs. These funds are restricted to that purpose and are not available to the Company until the reclamation obligations have been fulfilled. Reclamation deposits are classified as non-current assets.

Mineral Exploration Tax Credit ("METC")

The Company recognizes METC amounts when the Company's METC application is approved by the Canada Revenue Agency or when the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

The Company recognizes financial assets and liabilities on the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Financial assets

Cash and cash equivalents are classified as subsequently measured at amortized cost.

Investment in NorthWest Copper Corp. is irrevocably classified, at the Company's election, as subsequently measured at fair value through other comprehensive income. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance. Fair values are determined by reference to quoted market prices at the statement of financial position date.

Reclamation deposits are classified as subsequently measured at amortized cost.

Financial liabilities

Trade payables are non-interest bearing if paid when due and are recognized at face amount, except when fair value is materially different. Trade payables are subsequently measured at amortized cost.

Due to related parties is subsequently measured at amortized cost.

3) NEW ACCOUNTING STANDARDS AND RECENT PRONOUNCEMENTS

The Company has not adopted any new IFRS pronouncements as at January 1, 2021 as any new standards are not applicable to the Company's financial statements.

4) INVESTMENT IN NORTHWEST COPPER CORP.

At September 30, 2021, the Company owned 60,324 (2020 – 202,706) shares of NorthWest Copper Corp. (formerly Serengeti Resources Inc.) ("NWST"), the shares of which are traded on the TSX Venture Exchange.

	Nine Months Ended September 30	Year Ended December 31
	2021	2020
	\$	\$
Marketable securities -- fair value	30,765	66,553
Marketable securities -- cost	38,014	53,769

On March 5, 2021, Serengeti Resources Inc. and Sun Metals Corp. announced the completion of their merger along with a change of name to NorthWest Copper Corp. In conjunction with the merger and name change, NorthWest Copper also completed a consolidation of its issued and outstanding shares on a 2:1 basis. Hence, the Company's pre-merger/consolidation 120,648 Serengeti shares were consolidated and converted to 60,324 NorthWest Copper shares.

See Note 13.

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

All values expressed in Canadian dollars

5) EXPLORATION AND EVALUATION ASSETS

Omineca Mining Division

British Columbia

Silver Hope Claims

The Company has a 100% interest in 40 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.

PIL-Gold Claims

The Company has a 100% interest in 39 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.

ATTY Claims

As at September 30, 2021, the Company has a 100% interest in 12 mineral tenures which are all in good standing until 2030.

On March 1, 2018, the Company entered into an option agreement (the "OA") with NWST and Electrum Resource Corp. (the "RH") to grant NWST the exclusive right and option to acquire a 100% interest in and to the ATTY claims, among other things.

On June 24, 2020, NWST terminated the OA.

On March 1, 2018, in connection with entering into the OA, the Company and the RH entered into an amending agreement to amend the purchase agreement between the Company and the RH dated as of July 29, 1999 (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 SEPTEMBER 30, 2021
All values expressed in Canadian dollars
5) EXPLORATION AND EVALUATION ASSETS (continued)

	December 31 2019	Net Additions	December 31 2020	Net Additions	September 30 2021
BRITISH COLUMBIA					
Silver Hope Claims					
Acquisition	166,873	-	166,873	-	166,873
Assay	182,175	31,843	214,018	31,898	245,916
Camp and travel	118,747	48,269	167,016	68,086	235,102
Drilling	1,274,952	138,434	1,413,386	2,292	1,415,678
Equipment rental	33,565	1,570	35,135	12,942	48,077
Field office	13,132	2,000	15,132	590	15,722
Geological	369,331	139,385	508,716	144,464	653,180
Geophysical	592,148	78,183	670,331	146,201	816,532
Road construction	45,239	-	45,239	-	45,239
Tenure management	45,325	4,701	50,026	1,591	51,617
BCMETS refund	(19,495)	-	(19,495)	-	(19,495)
	<u>2,821,992</u>	<u>444,385</u>	<u>3,266,377</u>	<u>408,064</u>	<u>3,674,441</u>
PIL Claims					
Acquisition	28,536	-	28,536	-	28,536
Assay	245,966	16,952	262,918	-	262,918
Camp and travel	797,963	90,127	888,090	1,134	889,224
Drilling	1,466,687	-	1,466,687	-	1,466,687
Equipment rental	106,303	4,304	110,607	-	110,607
Field office	104,981	100	105,081	-	105,081
Geological	835,988	162,255	998,243	11,529	1,009,772
Geophysical	527,016	344	527,360	-	527,360
Road construction	392,273	10,000	402,273	-	402,273
Tenure management	35,215	-	35,215	-	35,215
BCMETS refund	(64,018)	(30,170)	(94,188)	-	(94,188)
	<u>4,476,910</u>	<u>253,912</u>	<u>4,730,822</u>	<u>12,663</u>	<u>4,743,485</u>
ATTY Claims					
Acquisition	540	-	540	-	540
Assay	38,606	220	38,826	1,263	40,089
Camp and travel	331,714	-	331,714	10,541	342,255
Equipment rental	27,158	-	27,158	1,200	28,358
Field office	12,674	-	12,674	-	12,674
Geological	40,343	-	40,343	24,168	64,511
Geophysical	489,198	-	489,198	-	489,198
Tenure management	20,135	-	20,135	-	20,135
Recovery	(125,000)	-	(125,000)	-	(125,000)
Royalty buyback payment	(10,000)	-	(10,000)	-	(10,000)
	<u>825,368</u>	<u>220</u>	<u>825,588</u>	<u>37,172</u>	<u>862,760</u>
Total exploration and evaluation expenditures	<u><u>8,124,270</u></u>	<u><u>698,517</u></u>	<u><u>8,822,787</u></u>	<u><u>457,899</u></u>	<u><u>9,280,686</u></u>

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

All values expressed in Canadian dollars

6) RELATED PARTY TRANSACTIONS

	Nine Months Ended September 30 2021 \$	Nine Months Ended September 30 2020 \$
Key management personnel compensation:		
Mineral property geological consulting	218,981	13,309
Wages and benefits, and other compensation	18,747	7,648
Stock-option compensation	805,100	-

7) DUE TO RELATED PARTIES

At September 30, 2021, the Company owes \$23,929 (December 31, 2020 - \$1,000) and \$536 (December 31, 2020 - nil) to two officers of the Company. At September 30, 2021 the Company owes \$50,595 to a company related to an officer of the Company (December 31, 2020 - \$3,489). The amounts are unsecured, do not bear interest and have no fixed terms of repayment.

8) 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

On May 25, 2021 the Company issued 200,000 common shares pursuant to a stock option exercise by a Company director. On June 24, 2021, the Company issued 650,000 common shares pursuant to a stock option exercise by three Company directors; all the stock options were exercised at \$0.05. The Company reclassified \$40,358 from Contributed surplus to Share capital in connection with the exercise of these options.

On July 12, 2021, the Company completed a non-brokered private placement financing for total proceeds of \$2,643,777. The Private Placement consisted of the issuance of: (i) a total of 17,653,081 non-flow through units (the "NFT Units") for gross proceeds of \$1,588,777, at price of \$0.09 per NFT Unit, with each NFT Unit comprising one common share of the Company and one common share purchase warrant (each, a "Unit Warrant"); and (ii) a total of 8,791,667 flow through units (each, a "FT Unit"), at a price of \$0.12 per FT Unit for gross proceeds of \$1,055,000, with each FT Unit comprising one common share of the Company which qualifies as a "flow-through share" within the meaning of the *Income Tax Act* (Canada) and one Unit Warrant. Each Unit Warrant entitles the holder thereof to acquire one additional common share of the Company (each, a "Warrant Share") at an exercise price of \$0.135 per Warrant Share for a period of twenty-four months from the issuance of each such Unit Warrant.

In connection with the closing of the Private Placement, the Company paid cash share issue costs of \$182,262. These were (i) cash finder's fees of \$161,295 in aggregate to Ascenta Finance Corp. ("Ascenta") and PI Financial Ltd.; (ii) other cash share issue costs of \$20,967; (iii) issued an aggregate of 1,511,323 finder's compensation options (the "Compensation Options") and (iv) issued 232,000 finder's units (the "Finder's Units") in aggregate to CIBC Wood Gundy and Raymond James Ltd. Each Compensation Option entitles the holder to purchase one Unit at a price of \$0.09 or \$0.12, as applicable, for a period of twenty-four months expiring on July 9, 2023. All of the Units issuable on exercise of each Compensation Option and the Finder's Units have the same terms as the Units issued to the subscribers of the Private Placement. The Compensation Options were ascribed a fair value of \$150,600 using the Black-Scholes option pricing model.

On July 13, 2021 pursuant to the Company's Stock Option Plan, 700,000 stock options were exercised at an exercise price of \$0.05 by two directors and 700,000 common shares of the Company were issued in regards to the aforementioned stock option exercise. The Company reclassified \$33,236 from contributed surplus to share capital in connection with the exercise of these options.

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

All values expressed in Canadian dollars

8) SHARE CAPITAL (continued)

On August 3, 2021, the Company issued 1,591,666 common shares pursuant to the exercise of 1,591,666 warrants at an exercise price of \$0.10.

On September 23, 2021, the Company issued 300,000 common shares pursuant to a stock option exercise by a former director at an exercise price of \$0.10. The Company reclassified \$37,020 from contributed surplus to share capital in connection with the exercise of these options.

	Nine Months Ended September 30 2021		Year Ended December 31 2020	
	Number of Shares	\$	Number of Shares	\$
Opening balance	93,274,991	9,370,241	93,274,991	9,370,241
Issued for:				
Private placements	26,676,748	2,380,027	-	-
Options exercised	1,850,000	218,114	-	-
Warrants exercised	1,591,666	159,167	-	-
Share issue costs	-	(332,862)	-	-
Ending Balance	<u>123,393,405</u>	<u>11,794,687</u>	<u>93,274,991</u>	<u>9,370,241</u>

b) Share purchase options

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

	Nine Months Ended September 30 2021		Year Ended December 31 2020	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of the period	3,750,000	0.07	3,750,000	0.07
Issued	4,850,000	0.14	-	-
Expired	(650,000)	0.08	-	-
Exercised	(1,850,000)	0.06	-	-
Balance, end of the period	<u>6,100,000</u>	<u>0.13</u>	<u>3,750,000</u>	<u>0.07</u>
Exercisable, end of the period	<u>1,250,000</u>	<u>0.08</u>	<u>3,750,000</u>	<u>0.07</u>
Weighted average years to expiry		<u>4.25</u>		<u>1.48</u>

FINLAY MINERALS LTD.**Notes to the Interim Financial Statements****FOR THE QUARTER ENDED SEPTEMBER 30, 2021***All values expressed in Canadian dollars***8) SHARE CAPITAL (continued)**

c) Share purchase warrants

The continuity of share purchase warrants is as follows:

	Nine Months Ended September 30 2021		Year Ended December 31 2020	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of the period	16,207,166	0.19	16,278,595	0.10
Issued	26,676,748	0.135	-	-
Exercised	(1,591,666)	0.10	-	-
Expired	(75,000)	0.10	(71,429)	0.05
Balance, end of the period	<u>41,217,248</u>	<u>0.16</u>	<u>16,207,166</u>	<u>0.19</u>
Weighted average years to expiry		<u>1.87</u>		<u>2.55</u>

d) Compensation Options

The continuity of the Compensation Options is as follows:

	Nine Months Ended September 30 2021		Year Ended December 31 2020	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of the period	-	-	-	-
Issued	<u>1,511,323</u>	<u>0.10</u>	-	-
Balance, end of the period	<u>1,511,323</u>	<u>0.10</u>	-	-
Weighted average years to expiry		<u>1.77</u>		-

e) Contributed surplus

Contributed surplus records the fair value of share-based payments, agent options and agent warrants until such time that the options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

FINLAY MINERALS LTD.
Notes to the Interim Financial Statements
FOR THE QUARTER ENDED SEPTEMBER 30, 2021

All values expressed in Canadian dollars

8) SHARE CAPITAL (continued)

The fair value of the stock options granted during the period was estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

	2021
	\$
Dividends	nil
Volatility	152.67%
Risk-free interest rate	0.81%
Expected life	5 years
Expected rate of forfeiture	0%

The fair value of the Compensation Options granted during the period was estimated as at the date of issuance using the Black-Scholes option-pricing model applying the following assumptions:

	2021
	\$
Dividends	nil
Volatility	157.40%
Risk-free interest rate	0.48%
Expected life	2 years
Expected rate of forfeiture	0%

9) 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 except to maintain sufficient cash and deposit balances to meet exploration commitments.

See Note 11.

10) FINANCIAL INSTRUMENT RISKS

The Company's financial instruments are exposed to the following risks:

Credit Risk

The Company's primary exposure to credit risk is the risk of illiquidity of cash and cash equivalents, amounting to \$2,383,291 at September 30, 2021 (December 31, 2020 - \$226,086). As the Company's policy is to limit cash holdings to instruments issued by major Canadian banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company's liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities and related party balance obligations. The Company maintained sufficient cash and cash equivalent balances to meet these needs at September 30, 2021.

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

All values expressed in Canadian dollars

10) FINANCIAL INSTRUMENT RISKS *continued*

Interest Rate Risk

The Company has cash balances and only fixed interest-bearing guaranteed investment certificates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs are not based on observable market data.

The fair value classification of the company's financial instruments as at September 30, 2021 and December 31, 2020 is as follows:

	Nine Months Ended September 30 2021	Year Ended December 31 2020
Fair value level	Fair value through other comprehensive income \$	Fair value through other comprehensive income \$
<i>Financial assets:</i>		
Investment in NorthWest Copper Corp.	1 30,765	66,553

During the period ended September 30, 2021 and year ended December 31, 2020, there were no transfers between level 1, level 2, and level 3 classified assets and liabilities.

11) LIABILITY AND INCOME TAX EFFECT ON FLOW-THROUGH SHARES

Funds raised through the issuance of flow-through shares are expected to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

On July 9, 2021, the Company issued 8,791,667 units on a flow-through basis at \$0.12 per unit for gross proceeds of \$1,055,000 and recognized a liability for flow-through shares of \$263,750. As at September 30, 2021, the Company had spent \$235,483 of the flow-through funds and must incur an addition \$819,517 in qualifying flow-through expenditures prior to December 31, 2022 pursuant to its renunciation to investors in the July 2021 flow-through financing.

During the period ended September 30, 2021, the Company recognized a flow-through recovery of \$58,871. As at September 30, 2021, the liability for flow-through shares was \$204,879.

FINLAY MINERALS LTD.**Notes to the Interim Financial Statements****FOR THE QUARTER ENDED SEPTEMBER 30, 2021**

All values expressed in Canadian dollars

12) SUPPLEMENTARY CASH FLOW INFORMATION

	Nine Months Ended September 30 2021 \$	Nine Months Ended September 30 2020 \$
Exploration and evaluation assets included in accounts payable and accrued liabilities and due to related parties	231,312	19,295

See Note 5.

13) SUBSEQUENT EVENTS

On November 18, 2021, the Company completed a flow-through ("FT") private placement financing for total proceeds of \$328,040. The private placement consisted of the issuance of a total of 2,523,383 FT Units, at a price of \$0.13 per FT Unit, with each FT Unit comprising one common share of the Company which qualifies as a "flow-through share" within the meaning of the *Income Tax Act* (Canada) and one common share purchase warrant (each, a "Unit Warrant"). Each Unit Warrant entitles the holder thereof to acquire one additional common share of the Company (each, a "Warrant Share") at an exercise price of \$0.20 per Warrant Share for a period of two years from the closing of the private placement.

In connection with the private placement, Dr. John A. Barakso, a director of the Company, purchased a total of 1,153,846 FT Units.

All securities issued under the private placement are subject to a four-month hold period expiring on March 19, 2022. In connection with the private placement, the Company paid cash finder's fees of \$842 to Canaccord Genuity Corp.

On October 28, 2021, the Company sold 30,000 of its NWST shares for gross proceeds of \$28,930; on November 8, 2021, the Company sold the remaining 30,324 NWST shares for gross proceeds of \$27,898.