

FINLAY MINERALS LTD.

Condensed Interim Financial Statements
First Quarter ended March 31, 2020

(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, 2020 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, 2020

See accompanying notes to the condensed interim financial statements

All values expressed in Canadian dollars

	Three Months Ended March 31, 2020 \$	Three Months Ended March 31, 2019 \$
Operating Costs and Expenses		
Advertising and promotion	258	2,295
Bank charges and interest	68	1,519
Insurance	2,986	2,889
Legal and accounting	-	2,291
Office and administration	222	508
Rent	6,129	5,896
Salaries and benefits	2,019	1,987
Telephone	327	296
Travel and accomodation	-	1,322
Trust and filing fees	6,211	5,397
	<u>18,220</u>	<u>24,400</u>
Loss before other items	(18,220)	(24,400)
Flow-through recovery	26,245	-
Interest Income	687	137
	<u>8,712</u>	<u>(24,263)</u>
Income (Loss) before income tax	8,712	(24,263)
Deferred income tax (expense) recovery	(13,084)	6,536
	<u>(4,372)</u>	<u>(17,727)</u>
Net loss for the period	(4,372)	(17,727)
Other comprehensive income items that may not be reclassified subsequently to profit or loss:		
Net change in fair value of investment in Serengeti Resources Inc.	(4,054)	7,081
	<u>(8,426)</u>	<u>(10,646)</u>
Net loss and comprehensive loss for the period	(8,426)	(10,646)
Weighted average number of common shares	<u>93,274,991</u>	<u>77,024,991</u>
Basic and diluted loss per share	<u>0.00</u>	<u>0.00</u>

FINLAY MINERALS LTD.

Condensed Interim Statement of Cash Flow

FOR THE QUARTER ENDED MARCH 31, 2020

See accompanying notes to the interim financial statements

All values expressed in Canadian dollars

	Three Months Ended March 31, 2020 \$	Three Months Ended March 31, 2019 \$
CASH PROVIDED BY (USED FOR):		
Operating Activities		
Net loss for the period	(4,372)	(17,727)
Add (deduct) non-cash items		
Flow-through recovery	(26,245)	-
Deferred income tax recovery	13,084	(6,536)
	<u>(17,533)</u>	<u>(24,263)</u>
Changes in non-cash working capital		
GST receivable	(3,358)	4,692
Prepaid expenses	2,985	2,889
Accounts payable and accrued liabilities	(25,000)	(13,301)
Due to related parties	4,539	10,437
	<u>(38,367)</u>	<u>(19,546)</u>
Investing Activities		
Mineral property costs	(85,799)	(7,152)
Proceeds from option of exploration and evaluation assets	-	25,683
Proceeds from sale of shares in Serengeti Resources Inc.	-	12,761
	<u>(85,799)</u>	<u>31,292</u>
(DECREASE) INCREASE IN CASH POSITION	(124,166)	11,744
Cash position, beginning of the period	<u>1,059,035</u>	<u>236,135</u>
CASH POSITION, END OF PERIOD	<u>934,869</u>	<u>247,879</u>
<i>Cash position includes cash and short term investments.</i>		
Cash	(28,299)	192,223
Short-term deposits	262,800	12,258
Term deposit and high interest savings account	700,368	43,398
	<u>934,869</u>	<u>247,879</u>

FINLAY MINERALS LTD.

Interim Statement of Changes in Equity

FOR THE QUARTER ENDED MARCH 31, 2020

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, 2019	93,274,991	9,370,241	1,436,196	(1,836)	(3,209,719)	7,594,882
Other comprehensive loss for the period	-	-	-	(4,054)	-	(4,054)
Net loss for the period	-	-	-	-	(4,372)	(4,372)
March 31, 2020	93,274,991	9,370,241	1,436,196	(5,890)	(3,214,091)	7,586,456
December 31, 2018	77,024,991	8,573,148	1,421,452	23,860	(3,125,580)	6,892,880
Other comprehensive income for the period	-	-	-	7,081	-	7,081
Net loss for the period	-	-	-	-	(17,727)	(17,727)
March 31, 2019	77,024,991	8,573,148	1,421,452	30,941	(3,143,307)	6,882,234

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED MARCH 31, 2020

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, 2020 of \$8,426, 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, 2019, 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 MARCH 31, 2020

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 MARCH 31, 2020

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 MARCH 31, 2020

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 Serengeti Resources Inc. 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, 2020 as any new standards are not applicable to the Company's financial statements.

4) INVESTMENT IN SERENGETI RESOURCES INC.

At March 31, 2020, the Company owned 202,706 (2019 – 202,706) shares of Serengeti Resources Inc., the shares of which are traded on the TSX Venture Exchange.

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
	\$	\$
Marketable securities -- fair value	34,460	51,690
Marketable securities -- cost	63,870	63,870

See Note 5.

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED MARCH 31, 2020

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 37 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.

On March 27, 2020, the Chief Gold Commissioner of the Province of British Columbia issued an order pursuant to section 66 of the Mineral Tenure Act (the "Act") extending the time limit for registering a statement of exploration and development, registering payment instead of exploration and development, registering a revised expiry date, or registering a rental payment, until December 31, 2021 for the following mineral and placer mineral titles in the Mineral Titles Online Registry and in existence on March 27, 2020:

- All mineral claims and placer claims, where the claim is not terminated and where the expiry date of the claim is prior to December 31, 2021; and
- All mining leases and placer leases, where the lease is not terminated and where the annual rental date of the lease is

Under section 6.36 of the Act, all time extensions in effect with a current expiry date prior to December 31, 2021 have been extended to December 31, 2021. Certain of the Company's PIL mineral titles have expiry dates from August 2020 to February 2021 and are subject to this extension.

ATTY Claims

The Company has a 100% interest in 12 mineral tenures which are presently subject to an option agreement with Serengeti Resources Inc. See page 13 for further details relating to this agreement.

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements
FOR THE QUARTER ENDED MARCH 31, 2020

All values expressed in Canadian dollars

5) EXPLORATION AND EVALUATION EXPENDITURES (continued)

	December 31 2018	Net Additions	December 31 2019	Net Additions	March 31 2020
BRITISH COLUMBIA					
Silver Hope Claims					
Acquisition	166,873	-	166,873	-	166,873
Assay	176,942	5,233	182,175	1,841	184,016
Camp and travel	114,236	4,511	118,747	373	119,120
Drilling	1,274,952	-	1,274,952	-	1,274,952
Equipment rental	31,461	2,104	33,565	-	33,565
Field office	12,916	216	13,132	-	13,132
Geological and geophysical	920,169	41,310	961,479	50,173	1,011,652
Road construction	45,239	-	45,239	-	45,239
Tenure management	41,980	3,345	45,325	-	45,325
BCMETS refund	(19,495)	-	(19,495)	-	(19,495)
	<u>2,765,273</u>	<u>56,719</u>	<u>2,821,992</u>	<u>52,387</u>	<u>2,874,379</u>
PIL Claims					
Acquisition	28,536	-	28,536	-	28,536
Assay	240,575	5,391	245,966	1,064	247,030
Camp and travel	778,271	19,692	797,963	1,102	799,065
Drilling	1,466,687	-	1,466,687	-	1,466,687
Equipment rental	105,044	1,259	106,303	-	106,303
Field office	104,834	147	104,981	-	104,981
Geological and geophysical	1,335,683	27,321	1,363,004	27,967	1,390,971
Road construction	392,273	-	392,273	10,000	402,273
Tenure management	35,215	-	35,215	-	35,215
BCMETS refund	(53,288)	(10,730)	(64,018)	-	(64,018)
	<u>4,433,830</u>	<u>43,080</u>	<u>4,476,910</u>	<u>40,133</u>	<u>4,517,043</u>
ATTY Claims					
Acquisition	540	-	540	-	540
Assay	38,606	-	38,606	-	38,606
Camp and travel	331,714	-	331,714	-	331,714
Drilling	-	-	-	-	-
Equipment rental	27,158	-	27,158	-	27,158
Field office	12,674	-	12,674	-	12,674
Geological and geophysical	529,541	-	529,541	-	529,541
Road construction	-	-	-	-	-
Tenure management	20,135	-	20,135	-	20,135
BCMETS refund	-	-	-	-	-
Recovery	(50,000)	(75,000)	(125,000)	-	(125,000)
Royalty buyback payment	-	(10,000)	(10,000)	-	(10,000)
	<u>910,368</u>	<u>(85,000)</u>	<u>825,368</u>	<u>-</u>	<u>825,368</u>
Total exploration and evaluation expenditures	<u><u>8,109,471</u></u>	<u><u>14,799</u></u>	<u><u>8,124,270</u></u>	<u><u>92,520</u></u>	<u><u>8,216,790</u></u>

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED MARCH 31, 2020

All values expressed in Canadian dollars

5) 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, 2020

All values expressed in Canadian dollars

5) EXPLORATION AND EVALUATION EXPENDITURES (continued)

Pursuant to the OA and the schedule of payments set forth therein, Serengeti was required, by April 9, 2019, being the first anniversary of exchange approval, to pay to the Company (i) \$25,000 in cash (the "First Cash Payment"); (ii) \$50,000 in cash and/or shares (the "First Share Payment") and (iii) if Serengeti wished to commence the royalty buyback contemplated in the OA, an additional \$10,000 in cash and/or shares (the "Royalty Buyback Payment"). Serengeti has made all three payments. In both instances where Serengeti had a choice to pay in cash or shares, it opted to pay the Company predominantly in shares. As a result, the Company received 142,207 shares of Serengeti (in respect of a portion of the First Share Payment) and 28,441 shares of Serengeti (in respect of a portion of the Royalty Buyback Payment), each on February 21, 2019. On March 27, 2019, the Company received from Serengeti (i) \$683 in cash representing the balance of the First Share Payment and the Royalty Buyback Payment and (ii) \$25,000 in cash representing the First Cash Payment. See Notes 4 and 14.

On March 13, 2020, the Company agreed to provide Serengeti with a three-month extension, from April 9, 2020 to July 8, 2020, for the Second Cash Payment (\$50,000), the Second Share Payment (\$75,000 in cash and/or shares) and the Second Royalty Buyback Payment (\$15,000 in cash and/or shares) required to be made pursuant to the OA. See Note 5.

6) RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
	\$	\$
Mineral property geological consulting	9,559	7,262

7) DUE TO RELATED PARTIES

At March 31, 2020, the Company owes \$5,387 (December 31, 2019 - nil) to a private company owned by a director and the Company's VP - Exploration for geological costs, and \$5,708 (December 31, 2019 - \$6,556) to an officer of the Company. 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 December 18, 2019, the Company issued a total of 16,250,000 units of which 6,250,000 were flow-through units at \$0.08 and 10,000,000 were non-flow-through units at \$0.05 for gross proceeds of \$1,000,000 in a private placement. Each flow-through unit consists of one common share and one-half of one share purchase warrant. Each non-flow-through unit consists of one common share and one full share purchase warrant. Each whole warrant is exercisable for the purchase of an additional common share at \$0.20 for four years. If at any time after four months and a day following closing of the private placement, the closing price of the Company's common shares trading on the TSX-V is \$0.30 or higher for 20 consecutive trading days, the Company may accelerate the expiry of the warrants upon written notice to the holders thereof, and all such holders shall have 30 days from the date of such notice being provided to exercise their warrants.

See Note 11.

In connection with the private placement, the Chairman of the Board of Directors purchased a total of 6,187,500 flow-through units and a private company controlled by the Chairman purchased a total of 10,000,000 units.

All securities issued under the private placement are subject to a four month hold period expiring on April 19, 2020.

FINLAY MINERALS LTD.

Notes to the Interim Financial Statements

FOR THE QUARTER ENDED MARCH 31, 2020

All values expressed in Canadian dollars

8) SHARE CAPITAL (continued)

	Three Months Ended March 31, 2020		Year Ended December 31, 2019	
	Number of Shares	\$	Number of Shares	\$
Opening balance	93,274,991	9,573,148	77,024,991	8,573,148
Issued for:				
Private placements	-	-	16,250,000	1,000,000
Ending Balance	<u>93,274,991</u>	<u>9,573,148</u>	<u>93,274,991</u>	<u>9,573,148</u>

b) Share purchase options

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

	Three Months Ended March 31, 2020		Year Ended December 31, 2019	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of the period	3,750,000	0.07	3,650,000	0.07
Expired	-	-	(300,000)	0.05
Issued	-	-	400,000	0.05
Balance, end of the period	<u>3,750,000</u>	<u>0.07</u>	<u>3,750,000</u>	<u>0.07</u>
Exercisable, end of the period	<u>3,750,000</u>	<u>0.07</u>	<u>3,750,000</u>	<u>0.07</u>
Weighted average years to expiry		<u>2.23</u>		<u>2.48</u>

FINLAY MINERALS LTD.

**Notes to the Interim Financial Statements
FOR THE QUARTER ENDED MARCH 31, 2020**

All values expressed in Canadian dollars

8) SHARE CAPITAL (continued)

c) Share purchase warrants

The continuity of share purchase warrants is as follows:

	Three Months Ended March 31, 2020		Year Ended December 31, 2019	
	Number of Warrants	Weighted Average Exercise Price \$	Number of Warrants	Weighted Average Exercise Price \$
Balance, beginning of the period	16,278,595	0.19	3,153,595	0.10
Issued	-	-	13,125,000	0.20
Balance, end of the period	<u>16,278,595</u>	<u>0.19</u>	<u>16,278,595</u>	<u>0.19</u>
Weighted average years to expiry		<u>3.28</u>		<u>3.53</u>

1. On June 20, 2019 the Company extended 1,666,666 warrants with an original term of 24 months to 48 months; the new expiry date of these warrants is now August 2, 2021.
2. On April 13, 2020, 71,429 of the Company's warrants expired unexercised, lowering the Company's outstanding warrant total to 16,207,166.

d) Share-based compensation

The weighted average fair value of stock options granted during the year ended December 31, 2019 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year Ended December 31, 2019
Expected dividend yield	N/A
Risk-free interest rate	1.519
Expected stock price volatility	160.38%
Expected life of options	5 years
Weighted average fair value per stock option	\$0.037

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. 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.

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 MARCH 31, 2020

All values expressed in Canadian dollars

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.

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 \$934,869 at March 31, 2020 (2019 - \$247,879). 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 March 31, 2020.

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.

FINLAY MINERALS LTD.

**Notes to the Interim Financial Statements
FOR THE QUARTER ENDED MARCH 31, 2020**

All values expressed in Canadian dollars

10) FINANCIAL INSTRUMENT RISKS *continued*

The fair value classification of the company's financial instruments as at March 31, 2020 and December 31, 2019 is as follows:

		Three Months Ended March 31, 2020	Year Ended December 31, 2019
	Fair value level	Fair value through other comprehensive income \$	Fair value through other comprehensive income \$
<i>Financial assets:</i>			
Investment in Serengeti Resources Inc.	1	34,460	38,514

During the quarter ended March 31, 2020 and year ended December 31, 2019, 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 December 18, 2019, the Company issued 6,250,000 units on a flow-through basis at \$0.08 per unit for gross proceeds of \$500,000 and recognized a liability for flow-through shares of \$187,500. As at March 31, 2020, the Company has spent \$69,986 of the flow-through funds and must incur an additional \$430,014 in qualifying flow-through expenditures prior to December 31, 2020 pursuant to its renunciation to investors in the December, 2019 flow-through financing.

See Note 8.

12) SUPPLEMENTARY CASH FLOW INFORMATION

	Three Months Ended March 31, 2020 \$	Three Months Ended March 31, 2019 \$
Investment in Serengeti Resources Inc.	-	59,317
Exploration and evaluation assets (recovery)	-	(59,317)
Exploration and evaluation assets included in accounts payable and accrued liabilities	6,721	15,406

See Notes 4 and 5.