



Consolidated Financial Statements
December 31, 2008 and 2007

CONSOLIDATED FINANCIAL STATEMENTS

Management's Responsibility for Financial Reporting

The consolidated financial statements of Far West Mining Ltd. have been prepared by, and are the responsibility of, management of the Company. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgements based on currently available information. Management has developed and maintains a system of internal accounting controls to ensure the reliability of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to submission to the Board of Directors for approval.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, who were appointed by the shareholders. The auditors' report outlines the scope of their examination and their opinion on the consolidated financial statements.

"Richard N. Zimmer"

Richard N. Zimmer
President and CEO

March 19, 2009

"Iain F. MacPhail"

Iain F. MacPhail
Chief Financial Officer

Auditors' Report

To the Shareholders of Far West Mining Ltd.:

We have audited the consolidated balance sheets of Far West Mining Ltd. as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, British Columbia
March 19, 2009

FAR WEST MINING LTD.

Consolidated Balance Sheets
As at December 31, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,555,376	\$ 7,978,157
Accounts receivable	269,044	112,728
Prepaid expenses	49,231	47,047
	8,873,651	8,137,932
Fixed Assets (note 3)	427,330	433,245
Mineral properties (note 4)	29,029,010	21,758,305
Total Assets	\$ 38,329,991	\$ 30,329,482
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 923,951	\$ 1,035,953
Current portion of leasehold inducement	13,620	13,620
	937,571	1,049,573
Leasehold Inducement	63,562	77,182
Future income tax liabilities (note 8)	512,784	-
	1,513,917	1,126,755
SHAREHOLDERS' EQUITY		
Share capital (note 5)	53,859,307	43,204,629
Contributed surplus (note 6)	13,717,855	11,972,558
Deficit	(30,761,088)	(25,974,460)
	36,816,074	29,202,727
Total Liabilities and Shareholders' Equity	\$ 38,329,991	\$ 30,329,482

Going Concern (Note 1)
Commitments (notes 4 and 9)
Subsequent events (note 14)

On Behalf of the Board:

"Richard N. Zimmer"
Richard N. Zimmer

"John R. Brodie, F.C.A."
John R. Brodie, F.C.A.

FAR WEST MINING LTD.

Consolidated Statements of Operations, Comprehensive Loss and Deficit
Years Ended December 31, 2008 and 2007

	2008	2007
Income		
Interest	\$ 187,589	\$ 373,708
Expenses		
Amortization	47,545	23,880
Audit and accounting	69,783	64,499
Consulting fees	-	29,382
Foreign exchange loss (gain)	34,869	(76,303)
Insurance	26,869	24,723
Legal (note 7)	168,695	124,943
Mineral properties written-off (note 4(b))	1,876,402	-
Office and miscellaneous	50,037	65,885
Rent	110,407	77,218
Salaries and benefits	652,753	838,835
Shareholder communications	108,380	104,176
Stock-based compensation (note 6(b))	1,647,520	2,290,145
Telephone	29,081	33,814
Transfer agent and filing fees	68,633	61,782
Travel	83,243	93,165
	4,974,217	3,756,144
Loss and Comprehensive Loss for the year	(4,786,628)	(3,382,436)
Deficit, beginning of year	(25,974,460)	(22,592,024)
Deficit, end of year	\$ (30,761,088)	\$ (25,974,460)
Basic and diluted loss per share	\$ (0.09)	\$ (0.07)
Weighted average number of shares issued and outstanding		
- basic and diluted (thousands)	54,355	51,797

FAR WEST MINING LTD.

Consolidated Statements of Cash Flows
Years Ended December 31, 2008 and 2007

	2008	2007
Cash flows from (used in) operating activities		
Loss and Comprehensive Loss for the year	\$ (4,786,628)	\$ (3,382,436)
Items not involving cash:		
Amortization (notes 2(d) and 2(e))	33,925	19,339
Stock-based compensation	1,647,520	2,290,145
Mineral properties written-off	1,876,402	
	(1,228,781)	(1,072,952)
Changes in non-cash working capital items:		
Increase in accounts receivable	(156,316)	(34,446)
Increase in prepaid expenses	(2,184)	(27,219)
Decrease in accounts payable and accrued liabilities	(352,728)	(79,886)
	(1,740,009)	(1,214,503)
Cash flows used in investing activities		
Mineral properties deferred exploration expenditures	(7,819,148)	(6,738,469)
Proceeds from leasehold inducements	-	95,342
Purchase of equipment	(85,172)	(430,187)
	(7,904,320)	(7,073,314)
Cash flows from financing activities		
Issue of shares and warrants, net of issue costs	10,221,548	3,196,195
Increase (decrease) in cash and cash equivalents	577,219	(5,091,622)
Cash and cash equivalents, beginning of year	7,978,157	13,069,779
Cash and cash equivalents, end of year	\$ 8,555,376	\$ 7,978,157

Supplementary cash flow information (note 10)

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

1. Business Operations and Going Concern

Far West Mining Ltd. ("the Company") was incorporated on August 25, 1994 under the Business Corporations Act (Alberta). In May, 2006, the shareholders of the Company approved the continuance of the Corporation from being a corporation governed by the Business Corporations Act (Alberta) to a corporation governed by the Business Corporations Act (British Columbia).

The Company is in the process of exploring mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration costs and the Company's continued viability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or receiving proceeds from disposition of its mineral properties.

Title to mineral properties involves certain inherent risks. The Company has diligently investigated rights of ownership of all of the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

Going Concern

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. During the year ended December 31, 2008, the Company utilized cash for operating activities of \$1,740,009 and \$7,904,318 for mineral property expenditures and the purchase of equipment. The Company will require additional funding to maintain ongoing exploration programs and property commitments as well as for administration expenses.

The Company's ability to continue operations and exploration activities as a going concern is dependent upon its ability to obtain additional funding. While the Company has been successful in obtaining its required funding in the past, there is no assurance that sufficient funds will be available to the Company in the future. The Company has no assurance that such financing will be available or be available on favorable terms. Factors that could affect the availability of financing include the progress and results of the Santo Domingo project, investor perceptions and expectations and the condition of the financial and metals markets.

These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the company were unable to realize its

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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1. Business Operations and Going Concern (continued)

assets and settle its liabilities as a going concern in the normal course of operations, and such adjustments could be material. The going concern assumption would not be valid if additional funding from financings or sale of assets is not available

2. Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as issued by the Canadian Institute of Chartered Accountants ("CICA") and reflect the following significant accounting policies.

(a) Subsidiaries

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. The significant subsidiaries are Minera Lejano Oeste, S.A., Far West Mining Pty Ltd and Minera Far West Argentina S.A. All intercompany transactions and balances have been eliminated.

(b) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of commitments and contingencies at the date of the financial statements, and the reported amount of revenue and expenses during the period. Significant areas requiring the use of management estimates involve the carrying value of mineral properties, and the determination of values for warrants issued as part of the private placement and stock-based compensation arising from the granting of stock options and the future income tax asset valuation allowance. Actual results could differ from those estimates.

(c) Fixed Assets

Equipment

Equipment is recorded at historical cost. Amortization is charged to earnings in amounts sufficient to allocate the costs over their estimated useful lives ranging from 20% to 30% on a declining balance basis. One half-year of amortization is taken in the year of acquisition.

Leaseholds

Leasehold improvements are recorded at cost. Amortization is charged to earnings on a straight line basis over the five or seven years depending upon the term of the lease.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

2. Significant Accounting Policies (continued)

(d) Leasehold Inducements

Proceeds received from a lessor as an inducement to enter into a lease are initially recognized and recorded as a liability. The liability is amortized over the term of the lease. Amortization is applied to reduce rent expense.

(e) Cash and Cash Equivalents

Cash equivalents consist of funds in bank accounts.

(f) Stock-based Compensation and Share Purchase Warrants

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. The fair value of stock options and share purchase warrants is determined by the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility and the expected life of the options or warrants. Forfeitures are recorded based on actual occurrences. The fair value of options is accrued and charged to operations or capitalized, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period.

The fair value of warrants is recorded as reductions to proceeds from the related common share issuance, with an offsetting credit to contributed surplus. If the stock options or warrants are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(g) Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to purchase common shares at the prevailing market rate.

As the Company incurred losses for the 2008 and 2007 fiscal years, stock options and share purchase warrants, as disclosed in note 6, were not included in the computation of loss per share as their inclusion would be anti-dilutive.

(h) Foreign Currency Translation

The accounts of the Company and its Chilean, Australian and Argentinean subsidiaries are maintained in Canadian dollars, Chilean pesos, Australian dollars and Argentinean pesos, respectively. Intercompany accounts between the Company and its subsidiaries are maintained in U.S. dollars or Australian dollars and certain property option and other agreements for goods and services are denominated in U.S. dollars. The accounts of the subsidiaries, which are

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

2. Significant Accounting Policies (continued)

(h) Foreign Currency Translation (continued)

considered to be integrated foreign operations, are translated into the Company's functional currency of Canadian dollars using the temporal method.

Monetary assets and liabilities are translated into Canadian dollars at the year end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenues and expenses are translated at average rates for the year and exchange gains and losses on translation are included in operations.

(i) Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur and/or in which a reasonable estimate of such costs can be made. Liabilities include those liabilities related to environmental protection and rehabilitation due to environmental law or contracts. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset.

Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and/or revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at December 31, 2008 and 2007, management of the Company does not believe the Company has any significant asset retirement obligations.

(j) Mineral Interests

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the properties are put into commercial production, sold, impaired or abandoned. Under this method, all amounts shown as mineral properties represent costs incurred to date less amounts amortized and/or written off and do not necessarily represent present or future values.

If the properties are put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the properties are sold or abandoned, the expenditures will be charged to operations. The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Certain of the Company's exploration activities are conducted jointly with others and, accordingly, the accounts reflect only the Company's proportionate interest in such activities.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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2. Significant Accounting Policies (continued)

(k) Property Option Agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as mineral property costs or recoveries when the payments are made or received.

(l) Long-Lived Assets Impairment

Long-lived assets are reviewed whenever events or changes in circumstances indicate that carrying value of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value.

The carrying values of mineral interests, on a property-by-property basis, is reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

(m) Income Taxes

Income taxes are accounted for using the liability method pursuant to the CICA Handbook Section 3465, *Income Taxes*. Future income taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future income taxes for a change in tax rates is recognized in operations in the period that includes the date of enactment or substantive enactment. In addition, the Handbook requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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2. Significant Accounting Policies (continued)

(n) Adoption of new accounting standards

Effective January 1, 2008 the Company adopted the following CICA accounting standards:

(i) Section 1400 – General Standards of Financial Statement Presentation

This Section was amended to include a requirement that management make an assessment of an entity's ability to continue as a going concern when preparing financial statements. Adoption of this standard did not have any material effect on the financial statements.

(ii) Section 1535 – Capital Disclosures

This Section establishes standards for disclosing quantitative and qualitative information about the Company's capital and how it is managed, thereby enabling users to evaluate the Company's objectives, policies and processes for managing capital.

(iii) Section 3862 and 3863 – Financial Instruments – Disclosures and Presentations

Effective May 1, 2008, the Company adopted CICA Handbook Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation". These Sections require the Company to provide disclosure to enable users to evaluate the significance of financial instruments on the Company's financial position and performance, the nature and extent of risks arising from financial instruments the Company is exposed to during the reporting period and as at the balance sheet date, and how the Company is managing those risks. Disclosures required by this standard are included in Note 13.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

2. Significant Accounting Policies (continued)

(o) New Accounting Pronouncements

The CICA has issued new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning on or after January 1, 2009. The Company will adopt the requirements on the date specified in each respective section and is considering the impact this will have on the consolidated financial statements.

(i) Section 3064 – Goodwill and Intangible Assets

This new standard replaces the former CICA 3062 – Goodwill and other intangible assets and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA

(ii) Section 1582 – Business combinations, Section 1601 – consolidated financial statements and Section 1602 – non-controlling interests

These sections replace the former CICA 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

(iii) Convergence with International Financial Reporting Standards

The CICA plans to transition Canadian GAAP for public companies to International Financial Reporting Standards (“IFRS”). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company’s consolidated financial statements is not yet determined.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

3. Fixed Assets

December 31, 2008			
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 126,528	\$ 44,299	\$ 82,229
Computer equipment	210,216	100,643	109,573
Leaseholds	291,600	56,072	235,528
	<u>\$ 628,344</u>	<u>\$ 201,014</u>	<u>\$ 427,330</u>

December 31, 2007			
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 72,403	\$ 25,697	\$ 46,706
Computer equipment	187,431	66,776	120,655
Leaseholds	283,334	17,450	265,884
	<u>\$ 543,168</u>	<u>\$ 109,923</u>	<u>\$ 433,245</u>

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

4. Mineral Properties

During the years ended December 31, 2008 and 2007, the Company incurred the following mineral property acquisition and development costs:

	Chile	Argentina	Australia	Canada	Total
Total as at December 31, 2006	\$ 12,379,818	\$ 704,575	\$ 998,570	\$ 200	\$ 14,083,163
Administration	563,510	49,496	6,970	-	619,976
Assaying	351,840	-	14,132	-	365,972
Drilling	1,365,379	-	404,378	-	1,769,757
Engineering	395,255	-	-	-	395,255
Environmental	38,260	-	2,707	-	40,967
Geological and field costs	745,077	42,304	452,612	-	1,239,993
Geophysical and other surveys	223,988	-	83,766	-	307,754
Geological consulting	223,156	-	-	-	223,156
Property Option payments	419,449	-	-	-	419,449
Road building	591,813	-	-	-	591,813
Resource and other reports	696,446	-	-	-	696,446
Tenure	474,863	-	71,291	-	546,154
Transportation and rentals	117,061	-	8,220	-	125,281
Travel and accomodation	288,649	-	44,520	-	333,169
Total expenditures - 2007	6,494,746	91,800	1,088,596	-	7,675,142
Total as at December 31, 2007	18,874,564	796,375	2,087,166	200	21,758,305
Administration	548,015	165,979	645	-	714,639
Assaying	277,928	-	30,992	-	308,920
Drilling	1,001,331	-	489,753	-	1,491,084
Engineering	360,548	-	-	-	360,548
Environmental	1,368	-	-	-	1,368
Future income taxes	512,784	-	-	-	512,784
Geological and field costs	543,939	84,394	323,580	-	951,913
Geophysical and other surveys	25,226	622,019	39,769	-	687,014
Geological consulting	189,117	-	200,734	-	389,851
Property option payments	1,994,118	-	-	-	1,994,118
Resource and other reports	358,653	-	-	-	358,653
Road building	158,328	-	-	-	158,328
Tenure	506,917	101,241	55,973	-	664,131
Termination of property option	-	175,000	-	-	175,000
Transportation and rentals	97,581	-	-	-	97,581
Travel and accomodation	275,945	-	73,836	-	349,781
Cost recoveries	-	(68,606)	-	-	(68,606)
Total expenditures - 2008	6,851,798	1,080,027	1,215,282	-	9,147,107
Write-off of mineral properties	-	(1,876,402)	-	-	(1,876,402)
Total as at December 31, 2008	\$ 25,726,362	\$ -	\$ 3,302,448	\$ 200	\$ 29,029,010

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

4. Mineral Properties (continued)

(a) **Santo Domingo Project, Chile** (formerly Candelaria Project) (note 14(a))

In 2002 and 2003, the Company entered into option agreements with BHP Chile Inc. to explore for iron-oxide hosted copper-gold deposits in the Candelaria Copper Belt of northern Chile. In 2005, the Company acquired a 100% interest in the properties or mineral concessions subject to a 2% Net Smelter Return royalty payable to BHP Chile Inc.

During 2005, the Company entered into option agreements to acquire four mineral properties. Under the terms of the agreements, the Company was granted the right to acquire the properties by making option payments totalling U.S. \$2,900,000 over a five year period. Option payments totalling \$2,419,000 (U.S. \$2,125,000) have been made and the Company has completed the acquisition of three of the four properties. To complete the acquisition of the remaining property, the Company is required to make a payment of US\$775,000 no later than April 12, 2010.

During 2006, the Company entered into an agreement with Empresa Nacional de Minería ("ENAMI"), a Chilean government corporation, to acquire a 100% interest in the Iris property. Under the terms of the agreement, the Company is entitled to acquire the property by incurring US\$1,300,000 in exploration expenditures over a three year period and making option payments over a period of five years totalling US\$4,000,000. ENAMI will retain a 2% Net Smelter Return royalty. The exploration expenditures were incurred in 2008 and prior years and option payments totalling \$1,538,000 (US\$1,500,000) have been made. Subsequent to December 31, 2008, the Company paid the final option payment of \$3,280,000 (US\$2,500,000) to complete the acquisition of this property.

(b) **Farallon Negro Project, Argentina**

In 2004, the Company and BHP Billiton entered into an property option agreement entitling the Company to earn up to a 50% interest in the Farallon Negro Property by reimbursing BHPB for part of the costs of an airborne geophysical survey and incurring additional exploration expenditures of US\$ 1,200,000 after access rights to the mineral property interests had been secured.

In 2007, BHP Billiton advised the Company of the mineral property interests that had been secured and agreement with property owners for access rights. In 2008, the Company agreed with BHP Billiton to extend the time for incurring the exploration expenditures to April, 2010, to reduce the amount payable for the airborne survey by \$113,000 and to increase the exploration expenditures required to earn up to a 50% interest in the property from US\$ 1,200,000 to \$1,313,000.

In December, 2008, after evaluation of the results of ground geophysical surveys, the Company provided BHP Billiton with notice of termination of the property option agreement and wrote-off exploration expenditures incurred in the amount

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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4. Mineral Properties (continued)

(b) Farallon Negro Project, Argentina (continued)

of \$1,876,402 including an estimate of the liability for future closing costs arising from the termination of the property option agreement in the amount of \$175,000.

(c) Georgetown Project, Australia

In 2004, The Company and BHP Billiton entered into a property option agreement entitling the Company to earn up to 70% interest in the Georgetown Property by incurring exploration expenditures of US\$ 2,000,000, including the costs of an airborne survey, on or before October 31, 2008.

In September, 2008, the Company completed this exploration expenditure commitment and BHP Billiton elected to convert its remaining ownership interest in the Georgetown Project into a royalty. As a result, the Company's ownership interest is increased to 100%, subject to BHP Billiton retaining a 2% Net Smelter Return royalty.

5. Share Capital

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

(b) Issued common shares and special warrants

	Number of Common Shares	Amount
Balance, December 31, 2006	51,642,009	\$ 40,235,701
Exercise of stock options (i)	228,900	401,047
Private placement, net of issue costs (ii)	808,200	2,567,881
Balance, December 31, 2007	52,679,109	\$ 43,204,629
Exercise of stock options (iii)	971,200	1,635,181
Private placement, net of issue costs (iv)	3,206,746	9,019,497
Balance, December 31, 2008	56,857,055	\$ 53,859,307

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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5. Share Capital (continued)

(b) Issued common shares and special warrants (continued)

(i) Exercise of stock options at exercise prices ranging from \$0.35 to \$1.32 per share for gross proceeds of \$192,715 and the reallocation from contributed surplus of \$208,332.

(ii) Issue of 808,200 units at a price of \$4.00 for each unit for gross proceeds of \$3,232,800. Each unit consists of one common share and one-half share transferable purchase warrant with each full warrant exercisable for one common share at a price of \$5.25 until June 21, 2010. Of the net proceeds, \$2,567,881 was allocated to shares and \$389,066 to warrants.

The value allocated to the warrants is based on a pro-rata allocation of the unit value between one common share and one-half share purchase warrant on the date of issue. The fair value of the warrants has been estimated using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 3.9%, dividend yield of 0%, volatility of 61.36% and an average expected life from date of grant of two and one-half years

(iii) Exercise of 971,200 stock options at exercise prices ranging from \$0.35 to \$1.32 per share for gross proceeds of \$915,034 and the reallocation from contributed surplus of \$720,147.

(iv) Issue of 3,206,746 units at a price of \$3.15 for each unit for gross proceeds of \$10,101,250. The units are comprised of:

a) 3,175,000 units consisting of a special warrant exercisable to acquire a common share for no additional consideration and one-half of one transferable common share purchase warrant, and

b) 31,746 units consisting of one common share and one-half of one transferable common share purchase warrant.

Each full common share purchase warrant entitles the holder to purchase one common share at a price of \$4.25 until August 14, 2009. After deduction of \$794,736 for share issue costs from the gross proceeds, \$9,019,497 was allocated to shares and \$287,017 was allocated to warrants.

The value allocated to the warrants is based on a pro-rata allocation of the unit value between one special warrant, or common share, and one-half share purchase warrant on the date of issue. The fair value of the warrants has been estimated using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 2.68%, dividend yield of 0%, volatility of 39.48% and an average expected life from date of grant of one year.

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Notes to the Consolidated Financial Statements
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6. Contributed Surplus

The value assigned to outstanding stock options and share purchase warrants is included in contributed surplus and has been estimated as of the date of the grant of the option or issue of the warrant using the Black-Scholes option pricing model.

Value assigned to Common Share Purchase Warrants	
Balance, December 31, 2006	\$ 1,555,161
Value assigned to 404,100 common share purchase warrants issued	389,066
Value assigned to 40,410 agent's compensation units issued	46,532
<hr/>	
Balance, December 31, 2007	\$ 1,990,759
Value assigned to 1,603,373 common share purchase warrants issued	259,266
Value assigned to 158,750 finders compensation warrants issued	27,751
<hr/>	
Balance, December 31, 2008	\$ 2,277,776
<hr/>	
Value assigned to Stock Options	
Balance, December 31, 2006	\$ 7,124,928
Reallocation of stock-based compensation on exercise of stock options	(208,332)
Stock-based compensation	3,065,203
<hr/>	
Balance, December 31, 2007	\$ 9,981,799
Reallocation of stock-based compensation on exercise of stock options	(720,147)
Stock-based compensation	2,178,427
<hr/>	
Balance, December 31, 2008	\$ 11,440,079
<hr/>	
Value assigned to Stock Options and Share Purchase Warrants	\$ 13,717,855

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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6. Contributed Surplus (continued)

(a) Warrants

During the year ended December 31, 2007, the Company issued the following share purchase warrants as part of the private placement of 808,200 units:

- (i) 404,100 transferable warrants, valued at \$389,066, exercisable at a price of \$5.25 per common share on or before June 21, 2010.
- (ii) 40,410 non-transferable agents' warrants, valued at \$46,532, exercisable at a price of \$5.25 per share on or before June 21, 2010.

At December 31, 2007, the Company had 1,468,500 outstanding warrants exercisable at \$5.00, 267,000 outstanding warrants exercisable at \$3.75 and 444,510 outstanding warrants exercisable at \$5.25. Subsequent to December 31, 2007, the warrants exercisable at \$5.00 per share and \$3.75 per share expired unexercised.

During the year ended December 31, 2008, the Company issued the following common share purchase warrants as part of the private placement of 3,206,746 units:

- (iii) 1,603,573 transferable warrants, valued at \$259,266, exercisable at a price of \$4.25 per common share on or before August 14, 2009.
- (iv) 158,750 non-transferable finders compensation warrants, valued at \$27,751, exercisable at a price of \$4.25 per share on or before August 14, 2009.

At December 31, 2008, the Company had 444,510 outstanding warrants exercisable at \$5.25 and 1,762,123 outstanding warrants exercisable at \$4.25 per share.

(b) Stock Options

The Company has a "rolling" stock option plan for its employees, directors, officers and consultants. The terms of the plan provide for options to be granted equal in number up to 10% of the issued and outstanding common shares of the Company at the time of grant of the stock option. The exercise price of each option shall not be less than the minimum price permitted by the policies of the TSX Exchange ("Exchange").

During the year ended December 31, 2008, the Company recorded stock-based compensation expense of \$1,647,520 and mineral property costs of \$530,907 with respect to 978,000 stock options granted to directors, officers, employees and consultants. The Company also recorded a reduction to stock-based compensation expense in the amount of \$23,905 with respect to 25,000 unvested options that were cancelled during the year.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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6. Contributed Surplus (continued)

(b) Stock Options (continued)

During the year ended December 31, 2007, the Company recorded stock-based compensation expense of \$2,290,145 and mineral property costs of \$775,058 with respect to 1,135,000 stock options granted to directors, officers, employees and consultants and for amendments to certain stock options.

A Summary of stock option information as at December 31, 2008 and as at December 31, 2007 and the changes for the years then ended is as follows:

	Options	Weighted Average Exercise Price
Options outstanding and exercisable at December 31, 2006	3,986,700	\$ 1.52
Granted	1,135,000	3.65
Exercised	(228,900)	(0.84)
Options outstanding at December 31, 2007	4,892,800	\$ 2.05
Granted	978,000	3.51
Exercised	(971,200)	(0.94)
Expired / Cancelled	(877,800)	(1.50)
Options outstanding at December 31, 2008	4,021,800	\$ 2.76
Options exercisable at December 31, 2008	3,849,800	\$ 2.74

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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6. Contributed Surplus (continued)

(b) Stock Options (continued)

The fair value of each option granted in the year ended December 31, 2008 has been estimated as of the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rates ranging from 2.76% to 4.64%, dividend yield of 0%, volatility ranging from 41.83% to 85.50% and expected lives from date of grant of an average of approximately five years.

Option-pricing requires the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

A summary of stock options outstanding and exercisable at December 31, 2008 is as follows:

Range of Exercise Prices	Outstanding Stock Options	Exercisable Stock Options	Weighted Average Remaining Contractual Life on Outstanding Options (yr)	Weighted Average Remaining Contractual Life on Exercisable Options (yr)	Weighted Average Price on Outstanding Options	Weighted Average Price on Exercisable Options
\$0.90 - \$1.32	1,433,800	1,433,800	0.64	0.64	\$ 1.29	\$ 1.29
\$3.25 - \$3.52	1,428,000	1,256,000	7.84	8.11	3.41	3.01
\$3.68 - \$4.10	1,160,000	1,160,000	7.74	7.74	3.79	3.79
	4,021,800	3,849,800	5.24	5.21	\$ 2.76	\$2.74

7. Related Party Transactions

During the year ended December 31, 2008, the Company incurred \$ 275,341 (2007 - \$200,944) for various legal services and share issuance costs to a law firm in which a director of the Company is a partner. At December 31, 2008, the estimated amount payable to the law firm was \$ 36,174 (2007 - \$Nil).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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Notes to the Consolidated Financial Statements
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8. Income Taxes

Income tax expense differs from the amount that would result from applying Canadian federal and provincial income tax rates to earnings before taxes. These differences result from the following items:

	2008	2007
Loss and Comprehensive Loss before income taxes	\$ (4,786,628)	\$ (3,382,436)
Income tax recovery at statutory rates	(31.0%)	(34.1%)
Income tax recovery based on the above rates	\$ (1,483,855)	\$ (1,154,087)
Increase (decrease) due to:		
Non-deductible expenses	501,700	785,337
Effect of lower tax rebates in foreign jurisdictions	(13,675)	-
Foreign exchange	(66,213)	-
Losses for which a tax benefit has been recognized in the year	47,905	-
Losses and temporary differences for which no future tax asset has been recognized	1,014,138	368,750
Income tax recovery	\$ -	\$ -

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

8. Income Taxes (continued)

Significant components of the Company's future income tax assets and liabilities, after applying substantively enacted corporate income tax rates, are as follows:

	2008	2007
Future income tax assets		
Non-capital losses	\$ 3,095,304	\$ 2,400,410
Equipment	38,692	6,485
Mineral property costs	1,967,457	2,439,317
Other	300,657	203,604
	5,402,110	5,049,816
Less: Valuation allowance	(4,172,653)	(4,434,435)
Net future income tax assets	1,229,457	615,381
Future income tax liabilities		
Equipment	19,603	11,305
Mineral property costs	1,722,638	604,076
	\$ 1,742,241	\$ 615,381
Future income tax liability	\$ (512,784)	\$ -

A full valuation allowance has been recorded against the net potential future income tax assets associated with the Canadian and Chilean loss carry-forwards and certain other deductible temporary differences as their utilization is not considered more likely than not at this time.

The Company has accumulated non-capital losses for income tax purposes of approximately \$11,905,728 that may be available for tax purposes. The Chilean and Australian losses carry-forward indefinitely. The loss carry-forwards in respect of Canadian operations, unless utilized, will expire in the following years:

2009	379,712
2010	842,249
2014	918,618
2015	752,941
2026	1,355,077
2027	1,371,968
2028	1,555,769
No Expiry	4,729,394
	\$ 11,905,728

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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9. Commitments

During 2007, the Company entered into a lease agreement for office premises commencing September 1, 2007 and expiring August 31, 2014. The annual lease commitments are \$122,000 for the first three years and \$131,000 for the remaining four years of the lease.

10. Supplementary Cash Flow Information

During the years ended December 31, 2008 and 2007, the Company non-cash investing and financing activities as follows:

	2008	2007
Mineral property costs from grant of stock options	\$ 530,907	\$ 775,058
Increase in accounts payable related mineral property costs incurred	\$ 240,728	\$ 120,688
Finder and agent compensation warrants and units issued in connection with the private placement offerings	\$ 27,751	\$ 46,532

The Company did not pay any income taxes or interest in 2008 or 2007.

11. Segmented Information

(a) Industry information

Operating segments are defined as components of an enterprise about which separate financial information is available, that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the resource sector. The Company's mining operations are centralized whereby management of the Company is responsible for business results and the everyday decision making. The Company's operations therefore are segmented on a geographic basis.

The Company's resource properties are located in Australia, Canada and Chile.

The segments' accounting policies are the same as those described in the summary of significant accounting policies except that expenses and other items are not allocated to the individual operating segments when determining profit or loss, but are rather attributed to the corporate head office.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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11. Segmented Information (continued)

(b) Geographic Information

The Company's assets are located in the following geographic locations:

	2008		2007	
Argentina	\$	201,975	\$	829,687
Australia		3,488,708		2,175,267
Canada		8,421,295		8,108,039
Chile		26,218,013		19,216,489
	\$	38,329,991	\$	30,329,482

The Company's losses for the fiscal years 2008 and 2007 were incurred in Canada.

12. Management of Capital Risk

The Company's capital structure is comprised of the components of shareholders' equity. The Company does not have any operating cash flow and has not issued any long-term debt. The Company's objectives for the management of capital are to ensure the Company's ability to continue as a going concern and to continue with the acquisition, exploration and development of mineral properties at an acceptable level of risk.

The Company's financial assets, used for its capital requirements, are primarily cash and cash equivalents. The Company's investment policy is to invest solely in financial instruments of, or guaranteed by, Canadian banks with maturities of 90 days or less from the date of acquisition. The Company's capital requirements are based on quarterly and annual expenditure budgets that are revised and updated, as required, depending on the ability to finance and general industry conditions. The budgets are approved by the Board of Directors.

The Company is not subject to externally imposed capital restrictions.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

13. Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

(a) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Australia, Canada and Chile and a portion of its expenses are incurred in foreign currencies including US dollars. A significant change in the currency exchange rates between the Canadian dollar relative to other currencies will have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations other than maintaining cash balances in US dollars to discharge US dollar liabilities at December 31, 2008 or US dollar commitments during the following quarter.

At December 31, 2008, the Company does not have any substantial currency risk to current assets and liabilities denominated in foreign currencies.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash equivalents are comprised of financial instruments issued by Canadian banks.

The Company's accounts receivable consist primarily of goods and services taxes receivable from the Governments of Australia and Canada.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company does not have any cash flow from operations and manages its liquidity risk by issuance of common shares. Accounts payable and accrued liabilities are due within the current operating period and will be funded from cash and cash equivalents held at December 31, 2008.

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the company will realize a loss as a result of a decline in the fair market value of the short-term investments included in cash and cash equivalents is limited because these investments are generally held to maturity.

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Notes to the Consolidated Financial Statements
December 31, 2008 and 2007

13. Financial Instruments (continued)

(e) Fair values

The Company classifies its financial assets as either held for trading or loans and receivables. Financial liabilities are classified as either held for trading or other financial liabilities. Cash and cash equivalents are designated as held for trading and recorded at fair value with unrealized gains and losses recorded in operating income or loss. Accounts receivable are designated as loans and receivables and recorded at amortized cost. Accounts payable are designated as other financial liabilities and recorded at amortized cost. The Company's carrying values of accounts receivable and accounts payable approximate fair values due to their short terms to maturity.

14. Subsequent Event

Subsequent to December 31, 2008, the Company:

- (a) paid the final option payment of \$3,280,000 (US\$2,500,000) to EMAMI to complete the acquisition of the Iris mineral property which is included within the Santo Domingo project, Chile.
- (b) The Company granted stock options to directors, officers and employees to acquire 1,285,000 common shares at an exercise price of \$1.38 exercisable for a period of ten years with one-half of the options vesting immediately and the remaining half vesting on July 22, 2009. In addition the Company granted stock options to a consultant to acquire 42,000 common shares at \$1.38 exercisable for a period of three years with 3,500 options vesting monthly commencing January 22, 2009.