



Consolidated Financial Statements
December 31, 2009 and 2008

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 judgments 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

Iain F. MacPhail

Iain F. MacPhail
Chief Financial Officer

March 29, 2010

AUDITORS' REPORT

To the Shareholders of Far West Mining Ltd.:

We have audited the consolidated balance sheets of Far West Mining Ltd. (the "Company") as at December 31, 2009 and 2008 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, 2009 and 2008 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 29, 2010

FAR WEST MINING LTD.

Consolidated Balance Sheets

As at December 31, 2009 and 2008

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,631,470	\$ 8,555,376
Accounts receivable	306,034	269,044
Prepaid expenses	72,258	49,231
	10,009,762	8,873,651
Fixed Assets (note 3)	391,236	427,330
Mineral properties (note 4)	33,669,381	29,029,010
	10,009,762	8,873,651
Total Assets	\$ 44,070,379	\$ 38,329,991
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 803,982	\$ 923,951
Current portion of leasehold inducement	13,620	13,620
	817,602	937,571
Leasehold inducement	49,942	63,562
Future income tax liabilities (note 8)	776,980	512,784
	1,644,524	1,513,917
SHAREHOLDERS' EQUITY		
Share capital (note 5)	61,275,397	53,859,307
Contributed surplus (note 6)	18,061,083	13,717,855
Deficit	(36,910,625)	(30,761,088)
	42,425,855	36,816,074
Total Liabilities and Shareholders' Equity	\$ 44,070,379	\$ 38,329,991

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

FAR WEST MINING LTD.Consolidated Statements of Operations, Comprehensive Loss and Deficit
Years Ended December 31, 2009 and 2008

	2009	2008
Income		
Interest	\$ 22,188	\$ 187,589
Expenses		
Amortization	42,857	47,545
Audit and accounting	54,204	69,783
Foreign exchange loss (gain)	(143,976)	34,869
General exploration	132,303	-
Insurance	31,482	26,869
Legal (note 7)	104,913	168,695
Mineral properties written-off (note 4)	3,590,088	1,876,402
Office and miscellaneous	55,315	50,037
Rent	117,882	110,407
Salaries and benefits	754,137	652,753
Shareholder communications	115,356	108,380
Stock-based compensation (note 6(b))	1,129,995	1,647,520
Telephone	22,282	29,081
Transfer agent and filing fees	48,866	68,633
Travel	116,021	83,243
	6,171,725	4,974,217
Loss and Comprehensive Loss for the year	(6,149,537)	(4,786,628)
Deficit, beginning of year	(30,761,088)	(25,974,460)
Deficit, end of year	\$ (36,910,625)	\$ (30,761,088)
Basic and diluted loss per share	\$ (0.11)	\$ (0.09)
Weighted average number of shares issued and outstanding		
- basic and diluted (thousands)	57,873	54,355

FAR WEST MINING LTD.Consolidated Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from (used in) operating activities		
Loss and Comprehensive Loss for the year	\$ (6,149,537)	\$ (4,786,628)
Items not involving cash:		
Amortization of fixed assets	42,857	47,545
Amortization of leasehold inducement	(13,620)	(13,620)
Stock-based compensation	1,129,995	1,647,520
Write-off of mineral properties	3,590,088	1,876,402
Changes in non-cash working capital items:		
Increase in accounts receivable	(36,990)	(156,316)
Increase in prepaid expenses	(23,027)	(2,184)
Increase (decrease) in accounts payable and accrued liabilities	49,455	(352,728)
	(1,410,779)	(1,740,009)
Cash flows used in investing activities		
Mineral properties deferred exploration expenditures	(7,894,247)	(7,819,148)
Purchase of equipment	(71,996)	(85,172)
	(7,966,243)	(7,904,320)
Cash flows from financing activities		
Issue of shares and warrants, net of issue costs	10,453,117	10,221,548
Increase in cash and cash equivalents	1,076,094	577,219
Cash and cash equivalents, beginning of year	8,555,376	7,978,157
Cash and cash equivalents, end of year	\$ 9,631,470	\$ 8,555,376
Cash and cash equivalents are comprised of:		
Cash	\$ 2,631,970	\$ 8,555,376
Short-term investments	6,999,500	-
	\$ 9,631,470	\$ 8,555,376

Supplementary cash flow information (note 10)

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

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 a mineral exploration company engaged in the evaluation, acquisition and exploration of mineral properties in Chile and Australia. The Company 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, 2009, the Company utilized cash for operating activities of \$1,410,779 (2008 - \$1,740,009) and \$7,966,243 (2008 - \$7,904,320), for mineral property expenditures and the purchase of equipment including property option payments of \$3,951,162 (2008 - \$1,994,118). The Company will require additional funding to maintain ongoing exploration and development programs and property commitments as well as for administration expenses.

The Company's ability to continue operations and exploration and development 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 or 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 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.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

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) Principles of consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. The significant subsidiaries are Minera Lejano Oeste, S.A., and Far West Mining Pty Ltd. 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.

(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 and cash equivalents include cash and short-term, highly liquid investments with maturities of less than ninety days from the date of acquisition and are recorded at cost.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies (continued)

(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 options granted to employees has been estimated as of the date of the grant. The fair value of options granted to non-employees is initially measured on the performance commitment date and revalued to account for any additional cost throughout the contract 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 average market price during the period.

As the Company incurred losses for the 2009 and 2008 fiscal years, stock options and share purchase warrants, as disclosed in note 5, 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, and Australian subsidiaries are maintained in Canadian dollars, Chilean pesos, and Australian dollars, respectively. Intercompany accounts between the Company and its subsidiaries are maintained in United States dollars or Australian dollars and certain property option and other agreements for goods and services are denominated in United States dollars ("US\$"). The accounts of the subsidiaries, which are considered to be integrated foreign operations, are translated into the Company's functional currency of Canadian dollars using the temporal method as follows:

- revenue and expenses, except for amortization, at average exchange rates for each year;
- monetary items at the rates of exchange prevailing at balance sheets dates; and
- non-monetary items at the historical exchange rates.

Exchange gains and losses on translation are included in operations

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies (continued)

(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, 2009 and 2008, 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 and probable 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.

(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. Any excess cost recoveries are included in determination of earnings for each year.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies (continued)

(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.

In cases where the Company does not have a basis for preparing a projection of the estimated future cash flow from an asset, the Company considers significant adverse changes in the business climate in determining whether subsequent write-down of capitalized exploration costs is required.

The carrying value of mineral interests, on a property-by-property basis, is reviewed by management at least annually to determine if impairment indicators exist. If impairment is deemed to exist, the mineral property will be written down to its fair 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.

(n) Financial instruments – recognition and measurement

The Company records all financial instruments initially at fair-value and subsequently accounts for the financial instruments based on one of five classifications: held for trading, held-to-maturity, loans and receivables, other financial liabilities, or available-for-sale. The classification of a financial instrument depends on its characteristics and the purpose for which it was acquired.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies (continued)

(n) Financial instruments – recognition and measurement (continued)

(i) Held for trading

Held for trading financial instruments are financial assets or financial liabilities that are purchased with the intention of selling or repurchasing in the near term. Any financial instrument can be designated as held for trading as long as the fair value can be reliably measured. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations. All of the Company's cash and cash equivalents are designated as held for trading. The Company's cash and cash equivalents are all considered to be Level 1 of the fair value hierarchy.

(ii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company has the intent and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. Any gains or losses arising from the sale of a held-to-maturity investment are included in income. The Company has no assets designated as held-to-maturity.

(iii) Loans and receivables

Accounts receivable are accounted for at amortized cost using the effective interest rate method. Any gains or losses on the realization of loans and receivables are included in earnings.

(iv) Other financial liabilities

Accounts payable and accrued liabilities are accounted for at amortized cost using the effective interest method. Any gains or losses in the realization of other financial liabilities are included in earnings.

(v) Available-for-sale

Available-for-sale assets are those financial assets that are not classified as held for trading, held-to-maturity or loans and receivables. Available-for-sale instruments are recorded at fair value. Any gains or losses arising from the change in fair value are recorded in Other Comprehensive Income and upon the sale of the instrument or other-than-temporary impairment, the cumulative gain or loss is included in earnings. The Company has not designated any financial instruments as available-for-sale assets.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies (continued)

(n) Financial instruments – recognition and measurement (continued)

(v) Available-for-sale (continued)

Fair values are based on quoted market prices available from active markets or are otherwise determined using a variety of valuation techniques and models. The carrying value of the Company's financial assets included in cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair value because of the short period to receipt or payment of cash.

(o) Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources ("other comprehensive income"). The components of other comprehensive income may include unrealized gains and losses on financial assets classified as available-for-sale, exchange gains and losses arising from the translation of financial statements of a self-sustaining foreign operation and the effective portion of the changes in fair value of cash flow hedging instruments. The Company does not currently have any transactions that give rise to other comprehensive income; the Company's loss for the year and comprehensive loss are the same amount.

(p) Adoption of new accounting standards

Effective January 1, 2009 the Company adopted the following CICA accounting standards:

(i) Section 3064 – Goodwill and Intangible Assets

CICA Handbook Section 3064 replaces Section 3062 and establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA restricted the application of Emerging Issues Committee ("EIC") abstract 27, Revenues and Expenditures in the Pre-operating Period ("EIC 27"). The adoption of Section 3064 and EIC 27 did not impact the Company's consolidated financial statements.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies (continued)

(p) Adoption of new accounting standards (continued)

(ii) Section 3855 – Financial Instruments – recognition and measurement

The amendments to Section 3855 Financial Instruments – recognition and measurement permit or require in certain circumstances entities to reclassify certain investments in debt instruments and amended the guidance regarding impairment measurement for held-to-maturity debt instruments and require reversals of impairment of losses for available-for-sale debt instruments when conditions have changed. These amendments apply only to investments in debt instruments and do not apply to investments in equity instruments or to debt instruments that have been designated at origination as held for trading. The adoption of the amendments to Section 3855 did not impact the Company's consolidated financial statements.

(iii) Section 3862 – Financial Instruments – disclosures

During 2009, Section 3862 Financial Instruments – disclosures, was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. 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 that are not based on observable market data.

The adoption of the amended section required enhanced disclosures in the Company's financial statements. The Company has concluded that the fair value of the financial instruments affected by this amended standard is cash and cash equivalents (note 2(n)(i)).

(iv) EIC 173 – Credit risk

In January 2009, the EIC issued a new abstract, EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC 173 is applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of EIC 173 did not impact the Company's consolidated financial statements.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

2. Significant Accounting Policies (continued)

(p) Adoption of new accounting standards (continued)

(v) EIC 174 – Mining exploration costs

In March 2009, the EIC issued a new abstract, EIC 174 Mining Exploration Costs, which provides guidance on accounting for capitalization and impairment of exploration costs. The adoption of this abstract did not have a significant impact on the Company's consolidated financial statements.

(q) New accounting pronouncements

(i) Business combinations and consolidated financial statements

In January 2009, the CICA issued Sections 1582 Business Combinations, 1601 Consolidated Financial Statements, and 1602 Non-controlling Interests. CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements will be replaced by Sections 1582 and 1601, respectively.

Section 1582 establishes standards for the accounting for business combinations that are equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS") 3. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements, including accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to business combination. Section 1602 is equivalent to the corresponding provisions of IFRS's International Accounting Standard ("IAS") 27.

Concurrent with the introduction of these standards, CICA issued amendments to Sections 1625 Comprehensive Revaluation of Assets and Liabilities and 3855 Equity, which are affected by the new standards.

Section 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. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. As at December 31, 2009, the Company did not adopt these sections. The Company is currently evaluating the impact of the adoption of these sections.

FAR WEST MINING LTD.

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

(q) New accounting pronouncements

(ii) Convergence with IFRS

The CICA Accounting Standards Board (“AcSB”) has confirmed that the use of IFRS will be required for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011 for publicly accountable profit-oriented enterprises. Companies will be required to provide comparative IFRS information for 2010. The Company is assessing the potential impacts of this changeover and has developed a plan for the conversion, but the Company has not at this time made any determination on the impact on its financial statements.

3. Fixed Assets

December 31, 2009

	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 174,256	\$ 68,980	\$ 105,276
Computer equipment	214,088	138,097	75,991
Leaseholds	311,993	102,024	209,969
	<u>\$ 700,337</u>	<u>\$ 309,101</u>	<u>\$ 391,236</u>

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>

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

4. Mineral Properties

During the years ended December 31, 2009 and 2008, the Company incurred the following mineral property acquisition and development costs:

	Chile	Argentina	Australia	Canada	Total
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
Administration	492,257	-	13,028	-	505,285
Assaying	220,566	-	23,248	-	243,814
Drilling	299,239	-	116,987	-	416,226
Engineering	179,427	-	-	-	179,427
Environmental	46,104	-	-	-	46,104
Future income taxes	264,196	-	-	-	264,196
Geological and field costs	615,888	-	140,672	-	756,560
Geological consulting	87,207	-	148,667	-	235,874
Geophysical and other surveys	119,130	-	28,934	-	148,064
Property option payments	3,951,162	-	-	-	3,951,162
Resource and other reports	389,364	-	-	-	389,364
Road building	48,263	-	-	-	48,263
Tenure	667,029	-	5,781	-	672,810
Termination of property option	-	-	17,176	-	17,176
Transportation and rentals	85,347	-	-	-	85,347
Travel and accomodation	223,317	-	47,470	-	270,787
Total expenditures - 2009	7,688,496	-	541,963	-	8,230,459
Write-off of mineral properties	(2,107,650)	-	(1,482,438)	-	(3,590,088)
Total as at December 31, 2009	\$ 31,307,208	\$ -	\$ 2,361,973	\$ 200	\$ 33,669,381

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

4. Mineral Properties (continued)

(a) Santo Domingo project, Chile

The Company entered into option agreements with BHP Chile Inc. ("BHP Chile") in 2002 and 2003 to explore for iron-oxide hosted copper-gold deposits in the Candelaria Copper Belt of northern Chile. In 2005, the Company completed the commitments under these agreements and now owns 100% of the respective mineral properties subject to a 2% net smelter return ("NSR") royalty payable to BHP Chile.

In 2005, the Company entered into four additional agreements with various other parties to acquire mineral properties. The terms of the agreements provided the Company with the right to acquire the mineral properties by making option payments totalling US\$2,900,000 over a five year period. Option payments totalling \$2,419,000 (US\$2,125,000) had been made as at December 31, 2008 and the Company had completed the acquisition of the mineral concessions pursuant to three of the four agreements. In December, 2009, the Company made the final option payment of \$787,465 (US\$ 736,250) to complete the acquisition of the fourth mineral concession. The Company has now completed the commitments under all four agreements and owns 100% of the properties. .

In 2006, the Company entered into an option agreement with Empresa Nacional de Minería ("ENAMI"), a Chilean government corporation, to acquire the Iris property. The terms of the agreement provided the Company with the right 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 three years totalling US\$4,000,000. The exploration expenditures were incurred in 2008 and prior years and option payments totalling \$1,538,000 (US\$1,500,000) had been made as at December 31, 2008. In the first quarter of 2009, the final option payment of \$3,163,697 (US\$2,500,000) was made to complete the acquisition. The Company has completed the commitments under this agreement and now owns 100% of the Iris property subject to a 2% NSR royalty payable to ENAMI.

In 2009, the Company has written-off mineral property expenditures of \$2,107,650 (2008 – \$nil) incurred with respect to properties outside of the Santo Domingo project area that have been abandoned or which the Company plans to abandon.

(b) Georgetown project, Australia

In 2004, The Company and BHPB entered into an option and joint venture agreement which entitled the Company to earn a 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, subject to BHPB retaining certain back-in rights.

In September 2008, the Company completed this exploration expenditure commitment and BHPB elected to convert its remaining 30% ownership interest in the Georgetown project into a royalty which resulted in the cancellation of the back-in rights. The Company's ownership interest is now 100%, subject to a 2% NSR royalty payable to BHPB.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

4. Mineral Properties (continued)

(b) Georgetown project, Australia (continued)

During the year ended December 31, 2009, the Company has written-off mineral property expenditures of \$1,482,438 (2008 - \$nil) incurred with respect to properties within the Georgetown project area that have been abandoned or which the Company plans to abandon.

(c) Farallon Negro project, Argentina

In 2004, the Company entered into an option and joint venture agreement with BHP Billiton ("BHPB") under which the Company was entitled to earn a 50% interest in the Farallon Negro property. The terms of the agreement included a reimbursement to BHPB for part of the costs of an airborne geophysical survey and incurring exploration expenditures.

In December 2008, after evaluation of the results of ground geophysical surveys, the Company provided BHPB with notice of termination of the property option agreement. The Company wrote-off exploration expenditures incurred in the amount 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 in the year ended December 31, 2008.

During the year ended December 31, 2009, the Company recorded an additional estimate for future closing costs of \$132,303, which is included in general exploration expenses.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
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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 and special warrants	Amount
Balance, December 31, 2007	52,679,109	\$ 43,204,629
Exercise of stock options (i)	971,200	1,635,181
Private placement, net of issue costs (ii)	3,206,746	9,019,497
Balance, December 31, 2008	56,857,055	53,859,307
Exercise of stock options (iii)	449,500	1,009,629
Private placement, net of issue costs (iv)	4,901,961	6,406,461
Balance, December 31, 2009	62,208,516	\$ 61,275,397

- (i) 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.
- (ii) Issue of 3,206,746 units on August 14, 2008 at a price of \$3.15 for each unit for gross proceeds of \$10,101,250. The units are comprised of:
- 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
 - 31,746 units consisting of one common share and one-half of one transferable common share purchase warrant.

Each full common share purchase warrant entitled the holder to purchase one common share at a price of \$4.25 until August 14, 2009. These warrants expired unexercised during the period. 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.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

5. Share Capital (continued)

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

- (iii) Exercise of 449,500 stock options at exercise prices of \$1.00 and \$1.38 per share for gross proceeds of \$573,920 and the reallocation from contributed surplus of \$435,708.
- (iv) Issue of 4,901,961 units on October 30, 2009 at a price of \$2.04 for each unit for gross proceeds of \$10,000,000. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each share purchase warrant entitles the holder to purchase one common share at a price of \$2.75 until October 30, 2011.

The value allocated to the warrants is based on a pro-rata allocation of the unit value between one common share, and one 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 1.40%, dividend yield of 0%, volatility of 96.49% and an average expected life from date of grant of two years.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

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.

Values assigned to common share purchase warrants:

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/>	<hr/>
Balance, December 31, 2008	2,277,776
Value assigned to 4,901,961 common share purchase warrants	3,472,735
<hr/>	<hr/>
Balance, December 31, 2009	5,750,511

Values assigned to stock options:

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/>	<hr/>
Balance, December 31, 2008	11,440,079
Reallocation of stock-based compensation on exercise of stock options	(435,708)
Stock-based compensation	1,306,201
<hr/>	<hr/>
Balance, December 31, 2009	12,310,572

Value assigned to share purchase warrants and
stock options - December 31, 2009

\$ 18,061,083

(a) Warrants

On August 14, 2008, the Company issued the 1,762,323 common share purchase warrants exercisable at \$4.25 per share on or before August 14, 2009. These warrants expired unexercised.

At December 31, 2009, the Company had 4,901,961 outstanding warrants exercisable at \$2.75 per share until October 30, 2011 and 444,510 outstanding warrants exercisable at \$5.25 per share until June 21, 2010.

(b) Stock options (note 14)

The Company has a "rolling" stock option plan for its employees, directors, officers and self-employed 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").

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

6. Contributed Surplus (continued)

(b) Stock options (continued)

During the year ended December 31, 2009, the Company recorded stock-based compensation expense of \$1,129,995 (2008 – \$1,647,520) and mineral property costs of \$176,206 (2008 – \$530,907) with respect to 1,382,000 (2008 – 978,000) stock options that were granted and vested during the fiscal year. In 2008 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.

In 2009, options to purchase 449,500 (2008 – 971,200) shares were exercised and options to purchase 1,267,300 (2008 – 877,800) shares expired unexercised.

A summary of stock option information as at December 31, 2009 and 2008 and the changes for the years then ended is as follows:

	Options	Weighted Average Exercise Price
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
Granted	1,382,000	1.41
Exercised	(449,500)	(1.28)
Expired / Cancelled	(1,267,300)	(1.83)
Options outstanding at December 31, 2009	3,687,000	\$ 2.76
Options exercisable at December 31, 2009	3,687,000	\$ 2.76

The fair value of each option granted in 2009 to employees has been estimated as of the date of the grant, and to non-employees as of the performance commitment date and on subsequent dates, as necessary, using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rates ranging from 1.11% to 1.69% (2008 – 2.76% to 4.64%), dividend yield of 0% (2008 – 0%), volatility ranging from 83.18% to 93.37% (2008 – 41.83% to 85.50%), and expected lives from date of grant of an average of five years (2008 – 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 single measure of the fair value of the Company's stock options.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

6. Contributed Surplus (continued)

(b) Stock options (continued)

A summary of stock options outstanding and exercisable at December 31, 2009 is as follows:

Range of exercise prices	Options outstanding and exercisable		
	Number of stock options	Weighted average remaining contractual life (year)	Weighted average exercise price
\$0.90 - \$2.10	1,407,000	8.57	\$ 1.39
\$3.00 - \$3.55	1,270,000	7.52	3.45
\$3.75 - \$4.10	1,010,000	6.91	3.78
	3,687,000	7.75	\$ 2.76

7. Related Party Transactions

During the year ended December 31, 2009, the Company incurred \$196,839 (2008 – \$275,341) 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, 2009, no amount was outstanding as payable to the law firm (December 31, 2008 - \$36,174).

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.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

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:

	2009	2008
Loss and comprehensive loss before income taxes	\$ (6,149,537)	\$ (4,786,628)
Income tax recovery at statutory rates	30.0%	31.0%
Income tax recovery based on the above tax rates	(1,844,861)	(1,483,855)
Increase (decrease) due to:		
Non-deductible expenses	712,016	501,700
Effect of lower tax rates in foreign jurisdictions	25,067	(13,675)
Foreign exchange	296,972	(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	810,806	1,014,138
Income tax recovery	\$ -	\$ -

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

	2009	2008
Future income tax assets		
Non-capital losses	\$ 3,570,014	\$ 3,095,304
Equipment	47,918	38,692
Mineral property costs	1,891,787	1,967,457
Other	315,607	300,657
	5,825,326	5,402,110
Less valuation allowance	(4,785,556)	(4,172,653)
Net future income tax assets	1,039,770	1,229,457
Future income tax liabilities		
Equipment	33,123	19,603
Mineral property costs	1,783,627	1,722,638
	1,816,750	1,742,241
Future income tax liability	\$ (776,980)	\$ (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.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

8. Income Taxes (continued)

The Company has accumulated non-capital losses for income tax purposes of approximately \$14,229,230 that may be available for tax purposes. The Chilean and Australian losses of \$5,812,077 carry forward indefinitely. The loss carry-forwards in respect of Canadian operations, unless utilized, will expire in the following years:

2010	\$	842,249
2014		918,618
2015		752,941
2026		1,355,077
2027		1,371,968
2028		1,555,769
2029		1,620,531
		<hr/>
		\$ 8,417,153
		<hr/> <hr/>

9. Commitments

During 2007, the Company entered into a lease agreement for office premises commencing September 1, 2007 and expiring August 31, 2014. The remaining annual lease commitments are \$133,000 for 2010, \$141,000 for years 2011 through 2013 and \$93,000 for 2014.

10. Supplementary Cash Flow Information

During the years ended December 31, 2009 and 2008, the Company had non-cash investing and financing activities as follows:

	2009	2008
Mineral property costs from grant of stock options	\$ 176,206	\$ 530,907
(Decrease) increase in accounts payable related mineral property costs incurred	(169,424)	240,728
Finder and agent compensation warrants and units issued in connection with the private placement offerings	-	27,751

The Company did not pay any income taxes or interest in 2009 or 2008.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

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.

(b) Geographic Information

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

	2009	2008
Argentina	\$ 94,928	\$ 201,975
Australia	2,628,021	3,488,708
Canada	9,710,461	8,421,295
Chile	31,636,969	26,218,013
	<u>\$ 44,070,379</u>	<u>\$ 38,329,991</u>

The Company's losses for the fiscal years 2009 and 2008 were primarily 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 for the benefit of its stakeholders. The Company is not subject to any externally imposed capital requirements.

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

12. Management of Capital Risk (continued)

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 ninety 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.

13. Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity 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, 2009 or US dollar commitments during the following quarter.

At December 31, 2009, 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 chartered 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, 2009 (note 1).

FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements
December 31, 2009 and 2008

13. Financial Instruments (continued)

(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.

14. Subsequent Events

Subsequent to December 31, 2009, the Company:

- (a) The Company issued 187,000 common shares pursuant to the exercise of share purchase options for total proceeds of \$305,960 up to March 26, 2009.
- (b) The Company granted stock options to directors, officers and employees to acquire 1,535,000 common shares at an exercise price of \$5.30 exercisable for a period of ten years with one-half of the options vesting immediately and the remaining half vesting on September 22, 2010. In addition the Company granted stock options to a consultant to acquire 200,000 common shares at \$5.30 exercisable for a period of three years with one-half of the options vesting immediately and the remaining half vesting on September 22, 2010.