



INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD

ENDED MARCH 31, 2009

(UNAUDITED)

# FAR WEST MINING LTD.

Consolidated Balance Sheets  
As at March 31, 2009 and December 31, 2008

	March 31 2009	December 31 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,014,956	\$ 8,555,376
Accounts receivable	294,686	269,044
Prepaid expenses	42,369	49,231
	4,352,011	8,873,651
<b>Fixed Assets</b> (note 3)	422,626	427,330
<b>Mineral properties</b> (note 4)	33,346,876	29,029,010
<b>Total Assets</b>	<b>\$ 38,121,513</b>	<b>\$ 38,329,991</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 723,381	\$ 923,951
Current portion of leasehold inducement	13,620	13,620
	737,001	937,571
Leasehold Inducement	60,157	63,562
Future income tax liabilities (note 8)	512,784	512,784
	1,309,943	1,513,917
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (note 5)	53,953,433	53,859,307
<b>Contributed surplus</b> (note 6)	14,506,796	13,717,855
<b>Deficit</b>	(31,648,659)	(30,761,088)
	36,811,570	36,816,074
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 38,121,513</b>	<b>\$ 38,329,991</b>

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 (Unaudited)

	Three Months Ended March 31 2009	Three Months Ended March 31 2008
<b>Income</b>		
Interest	\$ 16,715	\$ 42,996
<b>Expenses</b>		
Amortization	17,487	12,671
Audit and accounting	15,000	31,900
Foreign exchange loss (gain)	(196,606)	(3,857)
Insurance	6,840	5,081
Legal (note 6)	30,000	81,763
Office and miscellaneous	13,248	8,868
Rent	30,856	27,509
Salaries and benefits	192,921	162,904
Shareholder communications	36,616	23,348
Stock-based compensation ( note 5(b) )	706,676	26,254
Telephone	4,493	6,575
Transfer agent and filing fees	27,643	41,485
Travel	19,110	14,403
	904,285	438,904
<b>Loss and Comprehensive Loss for the year</b>	(887,571)	(395,908)
<b>Deficit, beginning of year</b>	(30,761,088)	(25,974,460)
<b>Deficit, end of year</b>	\$ (31,648,659)	\$ (26,370,368)
<b>Basic and diluted loss per share</b>	\$ (0.02)	\$ (0.01)
<b>Weighted average number of shares issued and outstanding</b>		
- basic and diluted (thousands)	56,857	52,679

## FAR WEST MINING LTD.

Consolidated Statements of Cash Flows  
Three Months Ended March 31, 2009 and 2008

	2009	2008
<b>Cash flows from (used in) operating activities</b>		
Loss and Comprehensive Loss for the year	\$ (887,571)	\$ (397,096)
Items not involving cash:		
Amortization ( notes 2(d) and 2(e) )	14,082	9,266
Stock-based compensation	706,676	26,254
	(166,813)	(361,576)
Changes in non-cash working capital items:		
Increase in accounts receivable	(25,642)	(21,605)
Increase in prepaid expenses	6,862	5,252
Decrease in accounts payable and accrued liabilities	63,424	101,882
	(122,170)	(276,047)
<b>Cash flows used in investing activities</b>		
Mineral properties deferred exploration expenditures	(4,446,576)	(2,593,300)
Purchase of equipment	(24,475)	(7,262)
	(4,471,050)	(2,600,562)
<b>Cash flows from financing activities</b>		
Issue of shares and warrants, net of issue costs	52,800	-
<b>Increase (decrease) in cash and cash equivalents</b>	(4,540,420)	(2,876,609)
<b>Cash and cash equivalents</b> , beginning of year	8,555,376	7,978,157
<b>Cash and cash equivalents</b> , end of year	\$ 4,014,956	\$ 5,101,548

Supplementary cash flow information (note 10)

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

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## 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 three months ended March 31, 2009, the Company utilized cash for operating activities of \$122,168 and \$4,471,052 (including a property option payment of \$3,279,764 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 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  
Three Months Ended March 31, 2009  
(Unaudited)

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## **2. Significant Accounting Policies**

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”) for interim reporting and include the accounts of the company and its wholly-owned subsidiaries, Minera Lejano Oeste, S.A., Far West Mining Pty Ltd, and Minera Far West Argentina S.A.

The accounting policies followed by the Company are set out in Note 2 to the audited consolidated financial statements for the year ended December 31, 2008 and have been consistently followed in the preparation of these consolidated financial statements except, effective January 1, 2008, the Company has adopted three new CICA accounting standards which were issued by the CICA on December 1, 2006. Accordingly, these financial statements should be read in conjunction with the Company’s 2008 audited consolidated financial statements. These interim consolidated financial statements include all adjustments that are, in the opinion of management, necessary for fair presentation.

The three new accounting standards are:

(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.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
 Three Months Ended March 31, 2009  
 (Unaudited)

## 3. Mineral Properties

During the three months ended March 31, 2009 and the year ended December 31, 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
Road building	358,653	-	-	-	358,653
Resource and other reports	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	90,631	-	2,790	-	93,421
Assaying	44,441	-	162	-	44,603
Engineering	89,303	-	-	-	89,303
Environmental	15,615	-	-	-	15,615
Future income taxes	86,543	-	-	-	86,543
Geological and field costs	144,535	-	-	-	144,535
Geophysical and other surveys	83,447	-	-	-	83,447
Geological consulting	37,138	-	49,615	-	86,753
Metallurgy	56,508	-	-	-	56,508
Property option payments	3,279,764	-	-	-	3,279,764
Resource and other reports	94,312	-	-	-	94,312
Tenure	241,431	-	2,879	-	244,310
Transportation and rentals	21,073	-	-	-	21,073
Travel and accomodation	64,222	-	-	-	64,222
Total expenditures - 2009	4,348,963	-	55,446	-	4,404,409
Total as at March 31, 2009	\$ 30,075,325	-	\$ 3,357,894	\$ 200	\$ 33,433,419

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

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## 3. Mineral Properties (continued)

### (a) Candelaria Project, Chile

The Company entered into agreements with BHP Chile Inc (“BHP Chile”) in 2002 and 2003 to explore for iron-oxide hosted copper-gold deposits in eight Project Areas in the Candelaria Copper Belt of northern Chile. The Project Areas are situated along 300 kilometres of the northern half of the Candelaria Belt. The Company’s ownership interest is 100% and is subject to a 2% Net Smelter Return royalty payable to BHP Chile, in respect of all former BHP properties in the Candelaria Project Area.

In 2005, the Company entered into four option agreements to acquire mineral property concessions in the Candelaria Project Area. The terms of the agreements grant the Company the right to acquire the properties by making option payments totalling US\$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.

In 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 in Project Area 4. The terms of the agreement provide 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 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 the final option payment of \$3,279,764 (US\$2,500,000) was made during the quarter to complete the acquisition of this property.

### (b) Farallon Negro Project, Argentina

In 2004, the Company and BHPB entered into an option and joint venture agreement under which the Company may earn a 50% interest in the Farallon Negro Property by reimbursing 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 BHP Billiton with notice of termination of the property option agreement and 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.

### (c) Georgetown Project, Australia

In 2004, The Company and BHPB entered into an option and joint venture agreement under which the Company may 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.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

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## 3. Mineral Properties (continued)

### (c) Georgetown Project, Australia (continued)

In September, 2008, the Company completed this exploration expenditure commitment and BHP Billiton elected to convert its remaining 30% ownership interest in the Georgetown Project into a royalty. The Company's ownership interest is now 100%, subject to BHP Billiton retaining a 2% Net Smelter Return royalty.

## 4. 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

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	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)	40,000	94,126
Balance, March 31, 2009	56,897,055	\$ 53,953,433

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# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

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## 4. Share Capital

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

- (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 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.

- (iii) Exercise of 40,000 stock options at an exercise price of \$1.32 per share for gross proceeds of \$52,800 and the reallocation from contributed surplus of \$41,326.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

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## 5. 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.

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<b>Value assigned to Common Share Purchase Warrants</b>	
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
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Balance, March 31, 2009 and December 31, 2008	\$ 2,277,776
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<b>Value assigned to Stock Options</b>	
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
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Balance, December 31, 2008	\$ 11,440,079
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Reallocation of stock-based compensation expense on exercise of stock options	(41,326)
Stock-based compensation	830,267
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Balance, March 31, 2009	\$ 12,229,020
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<b>Value assigned to Stock Options and Share Purchase Warrants</b>	<b>\$ 14,506,796</b>

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# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

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## 5. Contributed Surplus (continued)

### (a) Warrants

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:

- (i) 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.
- (ii) 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 March 31, 2009 and December 31, 2008, the Company had 444,510 outstanding warrants exercisable at \$5.25 per share until June 21, 2010 and 1,762,123 outstanding warrants exercisable at \$4.25 per share until August 14, 2009.

### (b) Stock Options

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”).

During the three months ended March 31, 2009, the Company recorded stock-based compensation expense of \$706,676 and mineral property costs of \$123,591 with respect to 1,327,000 stock options that were granted and vested during the period. Additional stock-based compensation in the amount of \$362,700 will be recorded in future periods.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

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## 5. Contributed Surplus (continued)

### (b) Stock Options (continued)

A Summary of stock option information as at March 31, 2009 and December 31, 2008 and the changes for three month period and the year 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	1,327,000	1.38
Exercised	(40,000)	(1.32)
Expired / Cancelled	(386,000)	(2.54)
Options outstanding at March 31, 2009	4,922,800	\$ 2.42
Options exercisable at March 31, 2009	4,846,300	\$ 2.42

The fair value of each option granted in 2009 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 rate of 1.59%, dividend yield of 0%, volatility of 86.58% and expected lives from date of grant of an average of five years.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

## 5. Contributed Surplus (continued)

### (b) Stock Options (continued)

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 estimates of the fair value of the stock options.

A summary of stock options outstanding and exercisable at March 31, 2009 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 - \$1.38	2,534,800	2,503,300	5.41	5.44	\$ 1.33	\$1.33
\$3.00 - \$3.55	1,378,000	1,333,000	8.06	8.24	3.42	3.43
\$3.75 - \$4.10	1,010,000	1,010,000	7.90	7.90	3.78	3.78
	4,922,800	4,846,300	6.66	6.72	\$ 2.42	\$2.42

## 6. Related Party Transactions

During the three months ended March 31, 2009, the Company incurred an estimated amount of \$30,000 (March 31, 2008 - \$81,308) for legal expenses, including legal costs related to mineral property acquisitions, to a law firm in which a director of the Company is a partner. At March 31, 2009, the estimated amount payable to the law firm was \$67,774 (December 31, 2008 - \$86,502), which has been included in accounts payable.

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.

## 7. 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 \$130,000 for 2009, \$133,000 for 2010, and \$138,000 for the remaining years of the lease.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

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## 8. Supplementary Cash Flow Information

During the three months ended March 31, 2009:

- a) accounts payable related to mineral property costs decreased by \$263,994 (March 31, 2008: increased by \$143,436) and future income tax liabilities related to mineral property costs increased by \$86,543 (March 31, 2008: \$Nil)
- b) mineral properties costs included \$123,591 (March 31, 2008: \$50,159) of capitalized stock based compensation and \$11,692 of amortization of fixed assets.
- c) The Company did not pay any income taxes or interest in the three months ended March 31, 2009 and 2008.

## 9. 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 certain expenses and other items are not allocated to the individual operating segments when determining profit or loss, but are attributed to the corporate head office.

### (b) Geographic Information

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

	March 31 2009	December 31 2008
Argentina	\$ 81,455	\$ 201,975
Australia	3,289,784	3,488,708
Canada	4,086,413	8,421,295
Chile	30,750,403	26,218,013
	<u>\$ 38,208,056</u>	<u>\$ 38,329,991</u>

The Company's losses for the three months ended March 31, 2009 and March 31, 2008 were incurred in Canada.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

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## 10. 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.

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.

## 11. Management of financial risk

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 March 31, 2009 or US dollar commitments during the following quarter.

At March 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 banks.

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

# **FAR WEST MINING LTD.**

Notes to the Consolidated Financial Statements  
Three Months Ended March 31, 2009  
(Unaudited)

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## **11. Management of financial risk (continued)**

### **(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 March 31, 2009.

### **(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.