



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED
MARCH 31, 2009

FAR WEST MINING LTD.

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations for Far West Mining Ltd. ("the Company") for the quarter ended March 31, 2009 has been prepared as of May 8, 2009 and includes financial and other information up to the date of this report. The MD&A should be read in conjunction with the MD&A of the Company for the year ended December 31, 2008 and the unaudited consolidated financial statements of the Company for the three months ended March 31, 2009 and the audited consolidated financial statements for the year ended December 31, 2008 which were prepared in accordance with generally accepted accounting principles in Canada. The accounting policies have been consistently followed in preparation of these financial statements except that the Company has adopted certain CICA standards for capital disclosures and financial instruments effective for the Company's quarter ended March 31, 2008 (see page 12). The Company's MD&A contains statements that constitute "forward-looking statements" and other cautionary notices (see page 14).

Description of Business

The Company is a mineral exploration company primarily engaged in the evaluation, acquisition and exploration of mineral properties in Chile and Australia. The Company is currently advancing the Santo Domingo Project in Chile.

The Company is a reporting issuer in Ontario, British Columbia and Alberta, and trades on the Toronto Stock Exchange under the symbol FWM.

Highlights

Santo Domingo Project, Chile

On April 28, 2009, the Company announced that it has received a NI 43-101 compliant mineral resource estimate from Scott Wilson Roscoe Postle Associates Inc. (Scott Wilson RPA) for the Santo Domingo copper-iron project located in Region III, approximately 800km north of Santiago.

The Santo Domingo Project (Santo Domingo Sur, Iris and Iris Norte deposits) now hosts an Indicated Resource of 383.4 Mt at an average copper equivalent grade of 0.57% at a cut-off grade of 0.25% copper equivalent. The Resource Estimate increases the tonnage of the Project by 90% compared to the Preliminary Assessment of May 2008 (Scoping Study).

Metallurgical test work on a composite sample of Santo Domingo material confirmed that a high quality copper concentrate grading 27% to 30% copper can be produced at recoveries between 87% and 89%. Processing of the flotation tailings for iron produced a high quality magnetic iron concentrate grading 67.5% iron with low levels of deleterious contaminants (such as SiO₂, S, P, etc.). The Company's metallurgical consultants have stated that the concentrate will make a highly desirable blast furnace pellet feed. Test work indicates that the amount of recoverable magnetic concentrate will be more than two and one half times the amount estimated in the Scoping Study.

The Company is very pleased with the results of the new resource estimate. The increased size of the resource and the high quality copper and iron concentrates that can be produced should significantly improve the economics of the project. The more than two and one half times increase in the recovery of the magnetic fraction in order to produce an iron concentrate is of particular significance. It allows, using a simple, well proven, low cost processing technique, the production of a substantially higher amount of magnetic iron concentrate than previously envisaged.

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The Company carried out a regional ground magnetic geophysical survey over recently acquired claims to the north and northeast of the Santo Domingo Project. The survey identified several magnetic anomalies under cover that are comparable to the anomaly at Santo Domingo. A second phase ground geophysical survey is currently being designed. Anomalies from the second phase survey will be considered for drill testing later in the year.

Georgetown Project, Queensland, Australia

The Company carried out a high-resolution ground gravity geophysical survey at the Robin Hood prospect to follow up encouraging drill results and high grade surface samples. Preliminary data indicates a number of high priority targets that will be prepared for drill testing later in the year.

Mineral Properties

Santo Domingo Project - Chile

The Company is exploring for iron-oxide hosted copper-gold ("IOCG") deposits in the Candelaria Copper Belt of northern Chile. The Santo Domingo Project is located in the northern half of the Candelaria Belt that stretches over a distance of 1,200 km from Santiago to the Mantos Blancos mine north of the city of Antofagasta. As of March 31, 2009, the Santo Domingo Project Area is comprised of 132 mineral concessions covering 35,623 hectares. The Company holds an additional 25 mineral concessions covering 7,500 hectares in the Candelaria Belt outside of the Santo Domingo Project area.

The majority of land holdings cover a large portion of the Santo Domingo District, which is located about 100 km north of the mining town of Copiapó. During the period 2005 through 2008, the Company outlined the Santo Domingo Sur, Iris, Iris Norte, and Estrellita copper-gold-iron deposits.

The Company's 100% interest in the Santo Domingo Project properties was acquired from BHP Billiton and Empresa Nacional de Minería (ENAMI), a Chilean government corporation, and is subject to a 2% net smelter return (NSR) royalty.

In April 2008 AMEC Americas (Chile) S.A. ("AMEC") issued a Preliminary Assessment ("scoping study") on the Santo Domingo Sur and Iris copper-iron-gold deposits for the recovery of copper ("Cu"), gold ("Au") and iron ("Fe"). The scoping study report indicated positive project NPVs in a variety of metal price scenarios. It was based on a resource estimate by Scott Wilson RPA in October 2007 (see SEDAR filing system for the full technical report).

Resource Estimate

On April 28, 2009, the Company announced that Scott Wilson RPA estimated the mineral resource for the Santo Domingo Sur/Iris and Iris Norte deposits. The Estrellita deposit was not included in the resource estimate due to its high oxide copper content. The mineral resource estimate includes data from 52 additional drill holes completed since the September 2007 estimate, as well as results from recent metallurgical test work for copper, gold and iron. The cut-off for previous mineral resource estimates published by the Company was determined using only copper. Results from the Scoping Study highlighted the economic importance of the iron component to the project and recommended that future resource estimates should be estimated using iron as well as copper and gold.

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Scott Wilson RPA calculated copper equivalent grades using their long-term metal prices for mineral resource statements. Allowances for recovery, Treatment Charges/Refinement Charges (TC/RC), royalty charges and transport costs for each metal were also taken into account based on the scoping study estimates. Scott Wilson RPA determined that the most appropriate cut-off grade for reporting purposes is 0.25% copper equivalent.

Table 1 shows Indicated and Inferred Mineral Resources at various copper equivalent cut-off grades and provides the average grade of each metal at the respective cut-off grade.

Table 1 – Indicated and Inferred Mineral Resources at April 27, 2009

Cut-off (% CuEq)	Category	Tonnage (Mt)	CuEq (%)	Cu (%)	Fe (%)	Au (g/t)
0.30	Indicated	333.3	0.61	0.43	27.3	0.06
	Inferred	49.3	0.45	0.31	24.8	0.04
0.25	Indicated	383.4	0.57	0.39	27.0	0.05
	Inferred	68.6	0.40	0.26	24.6	0.04
0.20	Indicated	433.9	0.53	0.36	26.7	0.05
	Inferred	91.1	0.36	0.22	24.0	0.03

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are reported at a cut-off grade of 0.25% Cu Equivalent.
3. Copper Equivalent grades are calculated using average long-term prices of US\$2.25/lb Cu, US\$950/oz Au and US\$74/tonne Fe metal (\$50/tonne concentrate @ 67.5% Fe).
4. Cu and Fe Equivalence calculations are as stated in the text of this document.
5. Metallurgical recovery factors were applied as described in this document.

Metallurgy

In 2008 the Company compiled a new composite sample for metallurgical testing that consists of 23 intervals from 11 different drill holes covering over 1380m of drilling with a good spatial representation of the Santo Domingo Sur and Iris deposits both vertically and horizontally.

Lock cycle test work at SGS Lakefield, Ontario confirmed that a high quality copper concentrate can be produced that will range from 27% Cu @ 89% recovery, to 30% Cu @ 87% recovery. Gold recovery reporting to the copper concentrate is in the order of 65%. The primary grind level is 120 microns. Additional test work and variability testing will be conducted to optimize copper and gold recovery. Initial test work using saline water yielded very encouraging results that were not materially different from the flotation results using fresh water.

The flotation tailings amount to 89% by weight of the run of mine ore. A bulk sample of the tailings was used by SGA in Germany to perform a number of iron recovery tests using low intensity magnetic separation (LIMS). After optimization, it was determined that the best product

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could be produced by applying a rougher and two cleaning stages with regrinding of the rougher concentrate. The following concentrate was achieved:

Table 2 Test Results for LIMS Concentrate

Weight (%)	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	S (%)	P (%)	Fe Recovery (%)
17.8	67.5	2.84	0.61	0.010	0.008	31.4

The concentrate was also analysed for base metals, chromium, vanadium and various other elements. Only chromium, potassium and sodium assayed slightly higher than their respective optimal desired value. SGA states “the concentrate is very well suited for pelletizing and downstream iron making via blast furnace process. There are no detrimental elements, neither for pelletizing and blast furnace, nor steel making. Highly advantageous for the recovered concentrates are the very low phosphorus content as well as low sulphur and non-ferrous metals content.”

The LIMS recovery of 17.8% by weight from the flotation tailings indicates that approximately 16% by weight (17.8% of 89%) of the run of mine will be recovered into a LIMS concentrate. The new estimated recovery of 16% into a LIMS concentrate is more than two and one half times the amount estimated in the Scoping Study for the magnetic recovery. The tails of the LIMS process contains the remaining hematite which displays a complex mineralogy containing iron bearing silicates such as chlorite and epidote that complicate any additional recovery process. The Company's focus will be to evaluate the capital and operating cost reductions from the use of the LIMS process for recovery of the magnetic fraction.

Regional Exploration – Chile (Copper – Iron – Gold)

In December 2008, the Company acquired 55 new exploration claims in the IOCG (iron-oxide-copper-gold) belt of Chile. The claims cover an area of approximately 16,000 hectares and are located to the north and northeast of the Santo Domingo property where the Company discovered the Santo Domingo Sur, Iris, Iris Norte and Estrellita deposits. The Company intends to add to its exploration properties in other areas to capitalize on the success of the Santo Domingo project.

In February 2009, the Company carried out a regional ground magnetic geophysical survey that was designed to identify large magnetic anomalies such as the one that hosts the Santo Domingo deposit. The survey covered the new exploration claims and identified a number of large anomalies that will be followed up by additional ground geophysics using different techniques and tighter line spacing. Targets from the second phase geophysical program will be considered for drill testing later in the year.

The Company identified a number of additional target areas of interest that will be acquired as soon as they become available or if reasonable terms can be reached with current owners.

Georgetown Project - Australia (Silver – Lead – Zinc)

The Company is exploring for Broken Hill Type (BHT) deposits in the Georgetown area of northern Queensland, Australia. The project area has the potential to host BHT deposits such as Broken Hill (280 Mt @ 10.0% Pb, 8.5% Zn, 150 g/t Ag) and Cannington (45 Mt @ 11.9% Pb, 4.8 % Zn, 520 g/t Ag).

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In September 2008, the Company completed the earn-in in the Georgetown project. Exploration partner BHP Billiton elected to convert its remaining ownership interest in the Georgetown Project into a royalty. As a result, the Company's ownership interest has been increased to 100% subject to a 2% Net Smelter Return royalty retained by BHP Billiton.

In March 2009, the Company carried out a high-resolution ground gravity geophysical survey at the Robin Hood prospect in follow up of encouraging drill results and high-grade surface samples. The survey covered an area of just under 2 sq km at a station spacing of 50m. Several very interesting anomalies were identified in the general vicinity of the mineralized horizon that is defined by high-grade surface showings and thick intercepts of low grade mineralization and strong alteration in drill holes from 2008. The location of the anomalies suggest that the drill holes were drilled to the north and east of the areas of highest density that are most likely to host massive mineralization. Additional drilling will be carried out to test the recently defined anomalies. The Company will also continue to follow up regional targets in the Georgetown project area.

Future Outlook and Strategy

CHILE

The Company continues to advance the Santo Domingo Project to the development stage and has commenced or is planning the following:

- Complete metallurgical studies (variability studies on copper and magnetic iron recovery) to determine processing options that maximize potential metal recoveries to refine the economics of the project.
- Continue planned water exploration program, acquisition of water rights and planning of pipeline to determine the most economic water source.
- Update the preliminary assessment for the Santo Domingo Project to incorporate the results of the metallurgical studies and resource reports focusing on the magnetic iron fraction.
- Identify other exploration and development stage properties within the Candelaria IOCG belt for potential acquisition.
- Evaluate and contact strategic partners or investors to accelerate the development of the Santo Domingo Project.

AUSTRALIA

The Company plans to follow up the geophysical anomalies from the ground geophysical survey at the Robin Hood prospect. Additional work is planned at the Perryvale prospect where geochemical anomalies suggest the possible presence of mineralization. The Company continues to evaluate the Georgetown province for additional target areas and regional targets.

FINANCING

To advance the Santo Domingo project, the Company will require additional funding in 2009 through equity financing, or other alternative financing arrangements. The selection of one or more methods of financing will be determined based on the level of interest from other companies or investors and the impact to existing shareholders.

Liquidity and Capital Resources

At March 31, 2009, the Company had cash and cash equivalents of \$4,014,956 and working capital of \$3,615,009. The Company has no long-term debt obligations that impact liquidity or

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future cash flows. Long-term obligations consist solely of the non-current portion of a leasehold inducement in the amount of \$60,157 and future income tax liabilities of \$599,327. The Company is primarily dependent on the equity markets to raise funds for planned operations. Future cash requirements will depend primarily on the extent of future exploration and development activities.

The Company will require additional financing in 2009 to complete certain planned exploration and development activities and fund general and administrative costs.

The Company's ability to continue operations and exploration activities as a going concern is dependent upon its ability to obtain additional funding. Factors that may 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.

Consolidated Financial Results of Operations

The loss and comprehensive loss for the quarter was \$887,571 compared with \$395,908 for the first quarter of 2008.

Significant differences in general and administrative expenses for the three months ended March 31, 2009 compared with the three months ended March 31, 2008 include:

- Stock based compensation expense was \$706,676 compared with \$26,254. During the quarter, the Company granted 1,327,000 options. In 2008, no options were granted during the first quarter.
- Salaries and benefits increased to \$192,921 from \$162,904. The increase is primarily due to payment fees to directors, which quarterly payments commenced in the fourth quarter of 2008, and salary increases to employees.
- Foreign exchange gain was \$196,606 compared to a gain of \$3,857. The increased foreign exchange gain for the quarter arose from holding US dollar deposits in advance of the payment of the US dollar denominated mineral property option payment of US\$2,500,000.
- Legal expenses decreased to \$30,000 from \$81,763 as a result of the reduced use of legal services.

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Summary of Quarterly Results

(Expressed in thousands of Canadian dollars)

	Mar 31 2009 (i)	Dec 31 2008 (ii)	Sept 30 2008	Jun 30 2008 (iii)	Mar 31 2008	Dec 31 2007	Sep 30 2007	Jun 30 2007
Interest revenue:	17	51	52	42	43	67	106	76
Loss and Comprehensive Loss for the quarter before extraordinary items:	(887)	(2,040)	(442)	(1,905)	(397)	(375)	(482)	(519)
Per share - basic & diluted:	(0.02)	(0.03)	(0.01)	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)
Loss and Comprehensive Loss for the Quarter:	(887)	(2,042)	(442)	(1,905)	(397)	(375)	(482)	(519)
Per share - basic & diluted:	(0.02)	(0.03)	(0.01)	(0.04)	(0.01)	(0.01)	(0.01)	(0.01)
Total assets:	38,208	38,330	39,383	29,851	30,251	30,329	27,238	27,334

(i) Loss and comprehensive loss for the quarter included stock-based compensation of \$706,676.

(ii) Loss and comprehensive loss for the quarter included the write-off of exploration expenditures for the Farallón Negro Project, Argentina in the amount of \$1,876,402.

(iii) Loss and comprehensive loss for the quarter included stock-based compensation of \$1,566,623.

The Company had cash and cash equivalents at March 31, 2009 of \$4,014,956 compared with \$8,555,376 at December 31, 2008 and working capital of \$3,615,009 at March 31, 2009 compared with \$7,949,700 at December 31, 2008. The Company will require additional financing to fund operations planned for 2009.

Accounts payable and accrued liabilities at March 31, 2009 were \$723,382 compared with \$923,951 at December 31, 2008.

The Company received \$52,800 from the exercise of 40,000 share purchase options during the quarter.

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Financing Activities

The Company did not have any financing activity during the quarter other than the \$52,800 received from the exercise of stock options.

Investment activities

During the quarter, the Company incurred mineral property costs in the amount of \$4,404,409 including a final property payment of \$3,280,000 to ENAMI to complete the acquisition of the Iris Property and non-cash stock based compensation of \$123,592. These mineral property costs were incurred in the following geographic areas:

Project	Balance at Dec. 31, 2008 \$	Exploration costs incurred in the quarter \$	Balance at March 31, 2009 \$
Chile	25,726,362	4,348,963	30,075,325
Australia	3,302,448	55,446	3,357,894
Canada	200	-	200
TOTAL	29,029,010	4,404,409	33,433,419

Selected Annual Information

(thousands of Canadian dollars)	Years ended December 31		
	2008	2007	2006
	\$	\$	\$
Revenues			
➤ Interest income	188	374	377
Loss and Comprehensive Loss from Operations	(4,787)	(3,382)	(2,274)
➤ Per share - basic & diluted	(0.09)	(0.07)	(0.05)
Loss for the year	(4,787)	(3,382)	(2,274)
➤ Per share - basic & diluted	(0.09)	(0.07)	(0.05)
Total Assets	38,330	30,329	27,319
Long Term Liabilities	576	77	Nil
Cash Dividends per share	Nil	Nil	Nil

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Qualified Persons

The in-house qualified person responsible for the review of the technical content of this Management's Discussion and Analysis is Richard N. Zimmer, P. Eng., President, CEO and director of the Company.

Additional information is available on the Company's website at www.farwestmining.com and on the SEDAR website at www.sedar.com.

Risks and Uncertainties

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for the 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 from the proceeds from disposition of its mineral properties.

The Company believes that the recent decline in base metal prices and the current global economic crisis has reduced the number of potential sources of capital which reduction may have an impact on the Company's ability to raise additional capital. The duration of the current economic conditions cannot be predicted. The availability of financing on acceptable terms may make it difficult for companies to raise funds required to develop and build new mines within planned timelines. The Company will manage its liquidity risk by reviewing the risk characteristics of its mineral properties and other assets, by curtailing any non-essential expenses to conserve cash resources, and by considering the sale or joint venture of assets. Failure to obtain necessary financing may result in delays or indefinite suspension of exploration and development programs and possible loss of the Company's mineral property interests.

Mineral exploration involves a high degree of risk. The Company competes with other mining enterprises, some of which have greater financial resources, for the acquisition of mineral concessions. The Company is at risk to variations in precious metal prices, the interest of investors and the availability of contractors. These factors impact upon the Company's ability to finance its programs and to carry on operations.

Mineral development involves a high degree of risk as very few properties warrant the considerable expenditures required to initially substantiate their reserves and then to develop them into production. Consequently very few properties are ever developed into producing mines.

The Company's mineral property interests are located in Chile, Australia and Canada. As a result, the Company is subject to geographical and political risks including currency fluctuations, possible political and economic instability and logistical issues. The mineral exploration activities expose the Company to potential environmental liabilities relating to the reclamation of property in accordance with local laws and regulations.

There is no guarantee that title to the properties in which the Company has a recorded interest will not be challenged. The Company's mineral property interest may be subject to prior unregistered agreements or transfers and the title may be affected by undetected defects. As of the effective date, management is not aware of any impediment to its ownership to these properties.

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Additional Disclosures

Changes to the Board of Directors

On January 11, 2009, Mr. Daryl K. Seaman, a co-founder and former Chairman of the Company passed away.

At the Annual General Meeting held on April 29, 2009, the shareholders of the Company elected Mr. Donald R. Seaman as a director.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate such arrangements in the foreseeable future. There are no contingent liabilities.

Transactions with Related Parties

During the quarter, the Company incurred legal fees estimated at \$30,000 (March 31, 2008: \$81,308) for various legal services and share issuance costs 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 is \$67,774 (March 31, 2008: \$86,502). 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.

Commitments and Contractual Obligations

In March, 2007, the Company committed to lease office premises for a period of seven years commencing September 1, 2007. The obligations under this operating lease are due as follows:

2009	\$ 130,000
2010	133,000
2011	138,000
2012	138,000
Thereafter	<u>230,000</u>
	<u>\$ 769,000</u>

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

The most significant accounting estimates for the Company relate to the potential impairment of its mineral property assets, accounting for stock-based compensation, the value attributable to warrants, and recognition of future income tax assets and liabilities. The Company's accounting policies are set out in full in note 2 of the annual financial statements.

Mineral Property Costs

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 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.

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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.

In the event that reserves are determined, the carrying values of each mineral property interests will be reviewed by management each quarter 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 realizing 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.

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.

Stock-based Compensation and Value Attributable to Warrants

The fair value of stock options and value attributable to warrants are determined by the Black-Scholes option pricing model, which requires the input of highly subjective assumptions, including the expected price volatility of the Company's common shares and the expected life of the options. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the year.

Future Income Taxes

The Company recognizes future income tax assets when it is more likely than not that the future income tax assets will be realized. This assumption is based upon management's determination of future circumstances and events. As at December 31, 2008, a valuation allowance of \$4,172,653 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. At March 31, 2009, the Company has recorded a future income tax liability of \$599,327 which is the amount by which estimated future income tax liabilities exceed estimated future income tax assets net of the valuation allowance.

Changes in Accounting Policies

Effective January 1, 2008 the Company adopted the following Canadian Institute of Chartered Accountants ("CICA") accounting standards:

Section 1400 – Going Concern establishes a new requirement for management to make an assessment of an entity's ability to continue as a going concern when preparing financial statements.

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Section 1535 – Capital Disclosures 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.

Section 3031 – Inventories prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Section 3862 and 3863 – Financial Instruments – Disclosures and Presentations require additional disclosure of the significance of financial instruments to the Company's financial position and performance as well as quantitative and qualitative information that enable users to evaluate the nature and extent of risks arising from those financial instruments.

International Financial Reporting Standards

In February 2008, the CICA confirmed that International Financial Reporting Standards ("IFRS") will be mandatory in Canada for all publicly accountable entities for fiscal periods beginning on or after January 1, 2011. The Company is analyzing the impact of IFRS on its consolidated financial statements and anticipates that there will be changes in accounting policies that may materially affect the Company's accounting policies. To date, management has adopted a process to develop a project plan which identifies the key steps and assignment of responsibilities for each of those steps to ensure a successful transition. These key steps include outlining potential conversion issues unique to our industry, addressing staff training requirements to ensure sufficient IFRS knowledge, and identifying potential external advisors needed to assist management.

Shareholder Rights Plan

The Company adopted a Shareholder Rights Plan ("the Plan") on March 25, 2004 that was approved by the shareholders at the 2004 Annual General Meeting. The terms and conditions of the Plan provided for the expiry of the Plan, unless reconfirmed by the shareholders of the Company at the 2008 annual meeting of the shareholders. Reconfirmation of the Plan was approved by the shareholders of the Company at the annual meeting held on April 29, 2008.

Stock Option Plan

The Board of Directors adopted a new stock option plan in compliance with the rules of the Toronto Stock Exchange under which the Company may grant stock options up to 10% of the issued capital of the Company on a rolling basis. The plan was approved by the shareholders of the Company at the annual meeting held on May 9, 2007.

On January 22, 2009, the Company granted 1,327,000 stock options to directors, officers, employees and a consultant exercisable at an exercise price of \$1.38. Of the total options granted during the year, 1,285,000 are exercisable for a period of ten years with one-half of the options vesting immediately and one-half on July 22, 2009. 42,000 options are exercisable for a period of three years and vest over a period of twelve months commencing January 22, 2009.

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Outstanding Share Data

At May 8, 2009, the Company had the following shares, special warrants, and share purchase warrants and options outstanding:

1. 56,897,055 common shares (including 3,175,000 special warrants with the holder of each special warrant entitled to acquire one common share for no additional consideration)
2. 4,947,800 common share purchase options with a weighted average exercise price of \$2.42 expiring at various dates between July 9, 2009 and January 22, 2019.
3. 404,100 transferable share purchase warrants, each warrant entitling the holder to purchase one common share at a price of \$5.25 per share until June 21, 2010.
4. 40,410 non-transferable agents' warrants, each warrant entitling the holder to purchase one common share at a price of \$5.25 per share until June 21, 2010.
5. 1,603,573 transferable share purchase warrants, each warrant entitling the holder to purchase one common share at a price of \$4.25 per share until August 14, 2009.
6. 158,750 non-transferable agents' warrants, each warrant entitling the holder to purchase one common share at a price of \$4.25 per share until August 14, 2009.

Cautionary Language

The Company's MD&A contains statements that constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or developments in our industry, to differ materially from the anticipated results, performance or achievements expressed or implied by such forward-looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects," "plans," "anticipates," "believes," "intends," "estimates," "projects," "potential" and similar expressions, or that events or conditions "will," "would," "may," "could" or "should" occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Forward-looking statements in this document include statements regarding the Company's expectations regarding drilling and exploration activities on properties in which the Company has an interest; the Company's statements regarding estimates of resources on properties in which the Company has an interest; the Company's expectations regarding the amount and adequacy of its cash reserves in future periods, and the Company's expectations regarding the amount of expenses in future periods. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of their respective dates.

Important factors that could cause actual results to differ materially from the Company's expectations include among others, risks related to fluctuations in mineral prices; uncertainties related to raising sufficient financing to fund planned work in a timely manner and on acceptable terms; changes in planned work resulting from weather, logistical, technical or other factors; the possibility that results of work will not fulfill expectations and realize the perceived potential of the Company's properties; uncertainties involved in the estimation of resources; the possibility that required permits may not be obtained in a timely manner or at all; the possibility that capital and operating costs may be higher than currently estimated and may preclude commercial development or render operations uneconomic; the possibility that the estimated recovery rates

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may not be achieved; risk of accidents, equipment breakdowns and labour disputes or other unanticipated difficulties or interruptions; the possibility of cost overruns or unanticipated expenses in the work program; the risk of environmental contamination or damage resulting from the Company's operations; and other risks and uncertainties discussed under the heading "Risk Factors" and elsewhere in the Company's documents filed from time to time with the Toronto Stock Exchange and Canadian securities regulators. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.

This MD&A uses the terms "inferred resources", "indicated resources", "measured resources", and "mineral resources". The Company advises readers that although these terms are recognized and required by Canadian securities regulations (under National Instrument 43-101 "Standards of Disclosure for Mineral Projects"), the US Securities and Exchange Commission does not recognize these terms. Readers are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. In addition, "inferred resources" have a great amount of uncertainty as to their existence, and economic and legal feasibility. It cannot be assumed that any part of an Indicated or Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for a Preliminary Assessment as defined under National Instrument 43-101. Readers are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.

Corporate Disclosure Practices and Policies

The Company maintains a system of internal controls to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. The Board of Directors has the responsibility to understand the principal risks of the business of the Company and to confirm that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Company. Committees of the Board presently consist of an Audit Committee and a Compensation Committee. The Audit Committee consists of three unrelated outside directors. The role of the Audit Committee is to review the Company's financial statements and the financial disclosure that is publicly disseminated, to review the systems of internal controls, and to monitor the performance and the independence of the Company's external auditors. The Compensation Committee consists of three unrelated outside directors. The role of the Compensation Committee is to develop and approve the corporate goals and objectives relevant to the compensation of the Chief Executive officer, to recommend levels of executive compensation, and to administer the Company's stock option plan.

Management of the Company has designed and established disclosure controls and procedures to ensure that information disclosed in this MD&A and the interim financial statements for the three months ended March 31, 2009 was properly recorded, processed, summarized and reported. The Company's Chief Executive Officer and Chief Financial Officer have evaluated and are satisfied with the effectiveness of these disclosure controls and procedures to the end of the period covered by this report.

The Chief Executive Officer and Chief Financial Officer acknowledge responsibility for the design of internal control over financial reporting, and confirm that there were no changes in these controls that occurred during the most recent interim period which materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Approval

The Audit Committee, on behalf of the Board of Directors, has approved the disclosure contained in this interim MD&A.

A copy of this management discussion and analysis and previously published financial statements, management discussions and analysis as well as other information is available on the SEDAR website at www.sedar.com, and on the Company's website at www.farwestmining.com.