



INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS  
ENDED JUNE 30, 2009  
(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF  
INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# FAR WEST MINING LTD.

## Consolidated Balance Sheets (Unaudited)

	June 30 2009	December 31 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,489,985	\$ 8,555,376
Accounts receivable	265,640	269,044
Prepaid expenses	47,748	49,231
	<u>2,803,373</u>	<u>8,873,651</u>
<b>Equipment</b>	447,401	427,330
<b>Mineral properties</b> (note 3)	34,228,400	29,029,010
	<u>37,479,174</u>	<u>38,329,991</u>
<b>Total Assets</b>	<b>\$ 37,479,174</b>	<b>\$ 38,329,991</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	\$ 370,508	\$ 923,951
Current portion of leasehold inducement	13,620	13,620
	<u>384,128</u>	<u>937,571</u>
Leasehold Inducement	56,752	63,562
Future income tax liabilities	642,461	512,784
	<u>1,083,341</u>	<u>1,513,917</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (notes 4 and 12)	53,981,533	53,859,307
<b>Contributed surplus</b> (note 5)	14,867,753	13,717,855
<b>Deficit</b>	(32,453,453)	(30,761,088)
	<u>36,395,833</u>	<u>36,816,074</u>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 37,479,175</b>	<b>\$ 38,329,991</b>

Commitments (notes 3 and 7)  
Subsequent Events (note 11)

### 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 June 30		Six Months Ended June 30	
	2009	2008	2009	2008
<b>Income</b>				
Interest	\$ 1,115	\$ 42,468	\$ 17,830	\$ 85,464
<b>Expenses</b>				
Accounting and audit	11,716	15,359	29,204	47,623
Amortization	6,071	2,312	21,071	14,983
Foreign exchange (gain) loss	22,869	12,927	(173,737)	9,070
Insurance	9,055	6,695	15,895	11,776
Legal (note 6)	12,839	64,903	42,839	146,666
Mineral property costs ( note 3(b) )	90,000	-	90,000	-
Office and miscellaneous	12,104	16,100	25,353	25,792
Rent	29,009	27,879	59,865	55,388
Salaries and benefits	175,709	144,038	368,630	306,942
Shareholder communications	46,563	35,050	83,179	58,398
Telephone	4,705	5,346	9,198	11,921
Stock based compensation (note 5(b) )	331,423	1,566,623	1,038,099	1,592,877
Transfer agent and filing fees	6,345	12,778	33,988	54,263
Travel	47,501	37,853	66,611	52,256
	805,908	1,947,863	1,710,195	2,387,955
<b>Loss and Comprehensive Loss</b>				
<b>for the period</b>	(804,793)	(1,905,395)	(1,692,365)	(2,302,491)
<b>Deficit, beginning of period</b>	(31,648,659)	(26,371,556)	(30,761,088)	(25,974,460)
<b>Deficit, end of period</b>	\$ (32,453,452)	\$ (28,276,951)	\$ (32,453,453)	\$ (28,276,951)
<b>Basic and diluted loss per share</b>	\$ (0.01)	\$ (0.04)	\$ (0.03)	\$ (0.04)
<b>Weighted average number of</b>				
<b>shares issued and outstanding</b>				
- basic and diluted (thousands)	56,906	53,060	56,897	52,871

## FAR WEST MINING LTD.

### Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
<b>Operating activities</b>				
Loss for the period	\$ (804,793)	\$ (1,905,395)	\$ (1,692,365)	\$ (2,302,491)
Items not involving cash:				
Amortization of fixed assets	6,071	2,312	21,071	14,983
Amortization of leasehold inducements	(3,405)	(3,405)	(6,810)	(6,810)
Stock based compensation	331,423	1,566,623	1,038,099	1,592,877
	(470,704)	(339,865)	(640,004)	(701,441)
Changes in non-cash working capital:				
Increase (decrease) in accounts receivable	29,046	(12,548)	3,404	(34,153)
Decrease (increase) in prepaid expenses	(5,379)	6,154	1,483	11,406
Decrease (increase) in accounts payable and accrued liabilities	(88,879)	(509,809)	(1,359)	(212,389)
	(535,915)	(856,068)	(636,476)	(936,577)
<b>Investing activities</b>				
Purchase of equipment	(43,402)	(65,567)	(67,877)	(72,829)
Mineral properties deferred exploration expenditures	(960,654)	(1,345,562)	(5,428,839)	(4,134,400)
	(1,004,056)	(1,411,129)	(5,496,715)	(4,207,229)
<b>Financing activities</b>				
Issuance of share capital, net of issuance costs	15,000	281,434	67,800	281,434
<b>Decrease in cash and cash equivalents</b>	(1,524,971)	(1,985,763)	(6,065,391)	(4,862,372)
<b>Cash and cash equivalents, beginning of period</b>	4,014,956	5,101,548	8,555,376	7,978,157
<b>Cash and cash equivalents, end of period</b>	\$ 2,489,985	\$ 3,115,785	\$ 2,489,985	\$ 3,115,785

Supplementary cash flow information (note 8)

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Six Months Ended June 30, 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 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 six months ended June 30, 2009, the Company utilized cash for operating activities of \$535,915 and \$5,496,715 (including a property option payment of \$3,204,512 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  
Six Months Ended June 30, 2009  
(Unaudited)

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## 2. Significant Accounting Policies

- (a) 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.

These three 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  
Six Months Ended June 30, 2009  
(Unaudited)

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## **2. Significant Accounting Policies (continued)**

- (b) Recent accounting pronouncements issued which may impact us in the future include CICA Handbook Section 1582, “Business Combinations” and Section 1601, “Non-Controlling Interests”. These CICA Handbook Sections replace Sections 1581 and 1600, respectively. The new standards revise guidance on the determination of the carrying amount of assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. These standards are effective January 1, 2011 prospectively, with early adoption permitted. We are currently assessing the impact of the new standards on our consolidated financial statements.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Six Months Ended June 30, 2009  
(Unaudited)

## 3. Mineral Properties

During the six months ended June 30, 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 accommodation	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	214,309	-	5,374	-	219,683
Assaying	113,745	-	15,616	-	129,361
Engineering	132,790	-	-	-	132,790
Environmental	30,447	-	-	-	30,447
Future income taxes	129,677	-	-	-	129,677
Geological and field costs	287,195	-	55,708	-	342,903
Geophysical and other surveys	95,808	-	22,477	-	118,285
Geological consulting	58,332	-	90,362	-	148,694
Metallurgy	135,365	-	-	-	135,365
Property option payments	3,204,512	-	-	-	3,204,512
Resource and other reports	88,506	-	-	-	88,506
Tenure	333,149	-	11,570	-	344,719
Transportation and rentals	41,600	-	15,154	-	56,754
Travel and accommodation	115,374	-	2,320	-	117,694
Total expenditures - 2009	4,980,809	-	218,581	-	5,199,390
Total as at June 30, 2009	\$ 30,707,171	\$ -	\$ 3,521,029	\$ 200	\$ 34,228,400

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Six Months Ended June 30, 2009  
(Unaudited)

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## 3. Mineral Properties (continued)

### (a) Candelaria 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 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 (U.S. \$2,125,000) have been made and the Company has completed the acquisition of the mineral concessions pursuant to three of the four agreements. To complete the acquisition of the mineral property under the remaining option agreement, 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 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 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 the final option payment of \$3,204,512 (US\$2,500,000) was made during first quarter of the year 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% Net Smelter Return royalty payable to ENAMI.

### (b) 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 BHP Billiton 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.

During the six month period ended June 30, 2009, the Company recorded an additional estimate for future closing costs of \$90,000.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Six Months Ended June 30, 2009  
(Unaudited)

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## 3. Mineral Properties (continued)

### (c) 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 BHP Billiton 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% Net Smelter Return royalty payable to BHP Billiton.

## 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)	55,000	122,226
Balance, June 30, 2009	56,897,055	\$ 53,981,533

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# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Six Months Ended June 30, 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 55,000 stock options at an exercise prices of \$1.00 and \$1.32 per share for gross proceeds of \$67,800 and the reallocation from contributed surplus of \$54,426.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Six Months Ended June 30, 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, June 30, 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	(54,426)
Stock-based compensation	1,204,324
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Balance, June 30, 2009	\$ 12,589,977
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<b>Value assigned to Stock Options and Share Purchase Warrants</b>	<b>\$ 14,867,753</b>

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# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Six Months Ended June 30, 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 six months ended June 30, 2009, the Company recorded stock-based compensation expense of \$1,038,099 and mineral property costs of \$166,225 with respect to 1,382,000 stock options that were granted and vested during the period. Additional stock-based compensation in the amount of \$70,705 will be recorded in future periods.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Six Months Ended June 30, 2009  
(Unaudited)

## 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	1,382,000	1.41
Exercised	(55,000)	(1.23)
Expired / Cancelled	(386,000)	(2.54)
Options outstanding at June 30, 2009	4,962,800	\$ 2.42
Options exercisable at June 30, 2009	4,923,800	\$ 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 rates ranging from 1.11% to 1.69%, dividend yield of 0%, volatility ranging from 83.18% to 93.37%, and expected lives from date of grant of an average of ten years.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Six Months Ended June 30, 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 June 30, 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 - \$2.00	2,574,800	2,553,300	5.30	5.32	\$ 1.35	\$ 1.35
\$3.00 - \$3.55	1,378,000	1,360,000	8.10	8.18	3.42	3.42
\$3.75 - \$4.10	1,010,000	1,010,000	7.41	7.41	3.78	3.78
	4,962,800	4,923,300	6.50	6.53	\$ 2.42	\$ 2.42

## 6. Related Party Transactions

During the six months ended June 30, 2009, the Company incurred \$49,972 (June 30, 2008 - \$81,308) for legal expenses, including legal costs related to mineral property agreements, to a law firm in which a director of the Company is a partner. At June 30, 2009, the estimated amount payable to the law firm was \$5,000 (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  
Six Months Ended June 30, 2009  
(Unaudited)

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## 8. Supplementary Cash Flow Information

During the six months ended June 30, 2009:

- a) accounts payable related to mineral property costs decreased by \$552,085 (June 30, 2008: decreased by \$292,166)
- b) mineral properties costs included \$166,227 (June 30, 2008: \$410,501) of capitalized stock based compensation, \$26,734 (June 30, 2008: \$11,692) of amortization of fixed assets and \$129,677 (June 30, 2008: \$Nil) for future income tax liabilities related to mineral property costs.
- c) The Company did not pay any income taxes or interest in the six months ended June 30, 2009 and 2008.

## 9. 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.

## 10. 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 June 30, 2009 or US dollar commitments during the following quarter.

At June 30, 2009, the Company does not have any substantial currency risk to current assets and liabilities denominated in foreign currencies.

# FAR WEST MINING LTD.

Notes to the Consolidated Financial Statements  
Six Months Ended June 30, 2009  
(Unaudited)

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## 10. Management of financial risk (continued)

### (b) Credit risk

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

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

### (c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company does not have any cash flow from operations and manages its liquidity risk by issuance of common shares. Accounts payable and accrued liabilities are due within the current operating period and will be funded from cash and cash equivalents held at June 30, 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.

## 11. Subsequent Events

Subsequent to June 30, 2009, the Company issued 251,000 common shares pursuant to the exercise of share purchase options for total proceeds of \$331,320 up to August 13, 2009. Share purchase options to acquire 773,300 common shares expired unexercised.