# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 40-F

**[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal period ended December 31, 2008** Commission File Number: 0-19476

# TASEKO MINES LIMITED

*(Exact name of Registrant as specified in its charter)*

| **British Columbia Canada** | **1040** | **Not Applicable** |
|---|---|---|
| *(Province or Other Jurisdiction of Incorporation or Organization)* | *(Primary Standard Industrial Classification Code)* | *(I.R.S. Employer Identification No.)* |

**Suite 300, 905 West Pender Street**
**Vancouver, British Columbia**
**Canada V6C 1L6**
**(778) 373-4534**
*(Address and telephone number of Registrant's principal executive offices)*

**Corporation Service Company**
**Suite 400, 2711 Centerville Road**
**Wilmington, Delaware 19808**
**(800) 927-9800**
*(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)*

Securities registered or to be registered pursuant to section 12(b) of the Act:

| Title Of Each Class | Name Of Each Exchange On Which Registered |
|---|---|
| Common Shares, no par value | NYSE Amex Equities |

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

[X] Annual Information Form [X] Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the Registrant's classes of capital or common stock as of the close of the period covered by the annual report: **153,187,116 Common Shares**

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes [ ] No [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

## INTRODUCTORY INFORMATION

In this annual report, references to the "Company" or "Taseko" mean Taseko Mines Limited and its subsidiaries, unless the context suggests otherwise.

Unless otherwise indicated, all amounts in this annual report are in Canadian dollars and all references to "$" mean Canadian dollars.

## PRINCIPAL DOCUMENTS

The following documents that are filed as exhibits to this annual report are incorporated by reference herein:

- the Company's Annual Information Form for the 15 months ended December 31, 2008;
- the Company's Audited Consolidated Financial Statements as at December 31, 2008 and September 30, 2007 and for the 15 months ended December 31, 2008 and years ended September 30, 2007 and 2006;
- the Company's Management Discussion and Analysis for the 15 months period ended December 31, 2008; and
- the Company's Supplementary note entitled – "Reconciliation with United States Generally Accepted Accounting Principles" as at December 31, 2008 and September 30, 2007 and for the 15 months ended December 31, 2008 and years ended September 30, 2007 and 2006.

## FORWARD-LOOKING STATEMENTS

This annual report includes or incorporates by reference certain statements that constitute "forward-looking statements" within the meaning of the United States *Private Securities Litigation Reform Act of 1995*. These statements appear in a number of places in this annual report and documents incorporated by reference herein and include statements regarding the Company's intent, belief or current expectations and those of the Company's management. These forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this annual report or in documents incorporated by reference in this annual report, words such as "believe," "anticipate," "estimate," "project," "intend," "expect," "may," "will," "plan," "should," "would," "contemplate," "possible," "attempts," "seeks" and similar expressions are intended to identify these forward-looking statements. These forward-looking statements are based on various factors and were derived utilizing numerous assumptions that could cause the Company's actual results to differ materially from those in the forward-looking statements. Accordingly, readers are cautioned not to put undue reliance on these forward-looking statements. Forward-looking statements include, among others, statements regarding:

- the Company's acquisition plans;
- the Company's expected financial performance in future periods;
- the Company's plan of operations, including its plans to carry out exploration and development activities;
- the Company's expectations regarding the results of operations at its Gibraltar mine and exploration and development potential of the Company's properties; and

- the Company's statement of reserves;
- factors relating to the Company's investment decisions.

Certain of the assumptions the Company has made include assumptions regarding, among other things:

- future commodity prices;
- the cost of carrying out exploration and development activities on certain of the Company's mineral properties;
- the Company's ability to obtain and keep the necessary expertise in order to carry out its operating, exploration and development activities within the planned time periods; and
- the Company's ability to obtain adequate financing on acceptable terms.

Some of the risks and uncertainties that could cause the Company's actual results to differ materially from those expressed in the Company's forward-looking statements include:

- the speculative nature of the mining business;
- the exploration and development stages of certain of the Company's mineral projects;
- the Company's ability to recover the financial statement carrying values of its mineral property interests if it ceases to continue on a going concern basis;
- loss of the services of any of the Company's executive officers;
- the volatility of gold, copper and molybdenum prices;
- changes in, or the introduction of, government regulations relating to mining, including laws and regulations relating to the protection of the environment;
- potential claims by third parties to the Company's mining properties;
- the Company's ability to obtain adequate insurance for its operations;
- the highly competitive nature of the Company's business;
- fluctuations in exchange rates;
- the historical volatility in the Company's share price;
- potential legal claims relating to the Company's projects;
- the Company's ability to obtain adequate financing for the further exploration and development of its mineral properties and the potential dilution to the Company's shareholders from any future equity financings;
- the potential dilution to the Company's shareholders from the exercise of outstanding options and warrants to purchase its shares.

Readers are referred to the section entitled "Risk Factors" in the Company's Annual Information Form. The Company assumes no obligation to update or to publicly announce the results of any change to any of the forward-looking statements contained or incorporated by reference herein to reflect actual results, future events or developments, changes in assumptions or changes in other factors affecting the forward-looking statements.

**CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING**
**ESTIMATES OF RESERVES AND MEASURED, INDICATED AND INFERRED RESOURCES**

The disclosure in this annual report, including the documents incorporated by reference herein, uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in or incorporated by reference in this annual report have been prepared in accordance with NI 43-101. These standards differ significantly from the requirements of the SEC, and reserve and resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies.

This annual report includes mineral reserve estimates that have been calculated in accordance with NI 43-101, as required by Canadian securities regulatory authorities. For United States reporting purposes, SEC Industry Guide 7 (under the United States Securities Exchange Act of 1934 (the "Exchange Act")), as interpreted by Staff of the SEC, applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in the SEC Industry Guide 7. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards. Accordingly, mineral reserve estimates contained in this annual report may not qualify as "reserves" under SEC standards.

In addition, this annual report uses the terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" to comply with the reporting standards in Canada. We advise United States investors that while those terms are recognized and required by Canadian regulations, the SEC does not recognize them. United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves. These terms have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility.

Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies.

It cannot be assumed that all or any part of "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" will ever be upgraded to a higher category. Investors are cautioned not to assume that any part of the reported "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" in this annual report is economically or legally mineable.

In addition, disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

For the above reasons, information contained in this annual report and the documents incorporated by reference herein containing descriptions of our mineral deposits may not be comparable to similar

information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

**NOTE TO UNITED STATES READERS REGARDING DIFFERENCES BETWEEN UNITED STATES AND CANADIAN REPORTING PRACTICES**

The Company is permitted to prepare this annual report in accordance with Canadian disclosure requirements, which are different from those of the United States. The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") which principles differ in certain respects from those applicable in the United States ("US GAAP") and from practices prescribed by the SEC. Therefore, the Company's financial statements incorporated by reference in this annual report may not be comparable to financial statements prepared in accordance with U.S. GAAP. You should refer to the discussion of the principal differences between our financial results determined under Canadian GAAP and under U.S. GAAP that is contained in the Company's Supplementary Note "*Reconciliation with United States Generally Accepted Accounting Principles* " that is incorporated by reference herein and which supplements the Company's financial statements set forth in this Form 40-F. This section and the Supplementary Note should be read in conjunction with the consolidated financial statements of the Company as at December 31, 2008 and September 30, 2007 and for the 15 months ended December 31, 2008 and years ended September 30, 2007 and 2006, as set forth in this Form 40-F.

**DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (" **Exchange Act**") to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and includes, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures, as defined in Rule 13a-15(e), were effective

While our Chief Executive Officer and our Chief Financial Officer believe that our disclosure controls and procedures provide a reasonable level of assurance of effectiveness, they do not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

The management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal control system was designed to provide

reasonable assurance to the Company's management and the board of directors regarding the preparation and fair presentation of published financial statements. Internal control over financial reporting is defined in Rule 13a-15(f ) and 15d-15(f ) of the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of internal control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management has concluded that the Company's internal control over financial reporting, as defined in Rule 13a-15(f), was effective as of December 31, 2008.

No changes in internal controls over financial reporting occurred during the most recent fiscal period that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Company is required to provide an auditor's attestation report on internal control over financial reporting for the fiscal year ended December 31, 2008. In this report, the Company's independent registered auditor, KPMG LLP, must state its opinion as to the effectiveness of the Company's internal control over financial reporting for the fiscal year ended December 31, 2008. KPMG LLP has audited the Company's financial statements included in this Annual Report on Form 40-F and has issued an attestation report on the Company's internal control over financial reporting. The Auditor's Attestation Report is included as part of Exhibit 99.6.

## AUDIT COMMITTEE

The Company's Board of Directors has established a separately-designated Audit Committee of the board in accordance with Section 3(a)(58)(A) of the Exchange Act for the purpose of overseeing the Company's accounting and financial reporting processes and the audits of the Company's annual financial statements. As at the date of this annual report, the Audit Committee was comprised of Bill Armstrong, David Elliott, and Wayne Kirk.

## AUDIT COMMITTEE FINANCIAL EXPERT

The Company's Board of Directors has determined that David Elliott, a member of the Audit Committee of the board, is an audit committee financial expert (as that term is defined in Item 407 of Regulation S-K under the Exchange Act) and is an independent director under applicable laws and regulations and the requirements of the NYSE Amex Equities Exchange.

## PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth information regarding amounts billed by the Company's independent auditors for each of the Company's last two fiscal periods:

| | 15 months ended December 31 2008 | Year Ended September 30 2007 |
|---|---|---|
| Audit Fees | $ 526,500 | $ 399,102 |
| Audit Related Fees | – | 5,550 |
| Tax Fees | – | – |
| All Other Fees | – | – |
| Total | $ 526,500 | $ 404,652 |

**Audit Fees**

Audit fees are the aggregate fees billed by the Company's independent auditor for the audit of the Company's annual consolidated financial statements, reviews of interim consolidated financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

**Audit-Related Fees**

Audit-related fees are fees charged by the Company's independent auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees." This category comprises fees billed for employee benefit audits, due diligence assistance, consultations on proposed transactions, internal control reviews and audit and attestation services not required under applicable law, rules and regulations.

**Tax Fees**

Tax fees are fees for professional services rendered by the Company's independent auditors for tax compliance and tax advice on actual or contemplated transactions.

**All Other Fees**

All other fees relate to services other than the audit fees, audit-related fees and tax fees described above.

**Audit Committee Pre-Approval Policies**

The Company's management requests approval from the Audit Committee of the Company's board for non-audit services from the Company's independent auditors. The Audit Committee pre-approves all audit and all such services with set maximum dollar limits. In considering these requests, the Audit Committee assesses, among other things, whether the non-audit services requested would be considered prohibited services as contemplated by the SEC, and whether the non-audit services requested and related fees could impair the independence of the Company's auditors.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

## CONTRACTUAL OBLIGATIONS

The following are the contractual maturities of contractual obligations (in thousands of Canadian dollars) :

| 2008 | Carrying amount | 2009 | 2010 | 2011 | Over 3 years |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 27,468 | $ 27,468 | $ – | $ – | $ – |
| Accrued quotational payments | 25,568 | 25,568 | | | |
| Bank overdraft facility (repaid in Feb 2009) | 5,737 | 5,737 | | | |
| Amounts due to related parties | 1,772 | 1,772 | – | – | – |
| Capital lease obligation | 18,900 | 4,280 | 4,003 | 4,003 | 6,614 |
| Convertible debt * | 35,219 | – | – | 35,219 | – |
| Royalty obligation | 64,357 | 3,384 | 4,804 | 5,862 | 50,307 |
| Total contractual obligations | $ 179,021 | $ 68,209 | $ 8,807 | $ 45,084 | $ 56,921 |

The Company also has purchase orders in the normal course of operations for capital equipment required for the Gibraltar expansion project in the amount of $17,375. The orders have specific delivery dates and financing of this equipment will be through existing cash resources.

Other than those obligations disclosed in the notes to its audited annual financial statements for the fiscal period ended December 31, 2008, the Company had no other material commitments for material capital expenditures as of December 31, 2008.

*

The Bonds have a “put” right in August 2009 to be redeemed at 100.6%. Due to this “put” right, the Bonds have been accordingly classified as current liabilities as at December 31, 2008. However, the Company has not received any indication from the Bondholders with regards to their intention to exercise the “put” right to date.

## CODE OF ETHICS

The Company has adopted a Code of Ethics that applies to its officers, employees and directors and promotes, among other things, honest and ethical conduct. The code also promotes compliance by the Company’s Chief Executive Officer, Chief Financial Officer and other senior finance staff with the Sarbanes-Oxley Act of 2002. Investors may view the Company’s Code of Ethics, which is included as a part of the Company’s Governance Policies and Procedures Manual, on the Company’s web site at www.tasekomines.com.

## NYSE AMEX EQUITIES CORPORATE GOVERNANCE

The Company’s common shares are listed for trading on the NYSE Amex Equities Exchange (“NYSE Amex”). Section 110 of the NYSE Amex company guide permits NYSE Amex to consider the laws, customs and practices of foreign issuers in relaxing certain NYSE Amex listing criteria, and to grant exemptions from NYSE Amex listing criteria based on these considerations. A company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law. A description of the significant ways in which the Company’s governance practices differ from those followed by domestic companies pursuant to NYSE Amex standards is contained on the Company’s website at www.tasekomines.com.

Upon listing, the Company received an exemption from its quorum requirements for meetings of shareholders. Under the NYSE Amex listing standards, the quorum requirement is a minimum of one third of shareholders entitled to vote for U.S. domestic companies. The Company does not meet this requirement and has been granted relief from this listing standard.

Further, the Company’s board of directors is presently not comprised of a majority of independent directors, as required by Section 802(a) of the NYSE Amex Company Guide, and the Company’s nominating and corporate governance committee is presently not comprised exclusively of independent directors, as required by 804(a) of the NYSE Amex Company Guide. The Company has been granted relief from these requirements by NYSE Amex.

## UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

**CONSENT TO SERVICE OF PROCESS**

The Company previously filed an Appointment of Agent for Service of Process and Undertaking on Form F-X signed by the Company and its agent for service of process with respect to the class of securities in relation to which the obligation to file this annual report arises.

**SIGNATURES**

Pursuant to the requirements of the Exchange Act, the Company certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 31, 2009.

**TASEKO MINES LIMITED**

*/s/ Peter Mitchell*

By: Peter Mitchell

Peter Mitchell
**Chief Financial Officer**

**EXHIBIT INDEX**

| Exhibit Number | Exhibit Description |
|---|---|
| 99.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 99.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 99.3 | Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 99.4 | Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 99.5 | Annual Information Form of the Company for the 15 months ended December 31, 2008 |
| 99.6 | Audited consolidated balance sheets as at December 31, 2008 and September 30, 2007 and consolidated statements of operations, equity, and cash flows for the fiscal periods then ended, including the notes thereto and report of our independent registered public accounting firm thereon |
| 99.7 | Management's discussion and analysis of financial condition and results of operations for the 15 months fiscal period ended December 31, 2008 |
| 99.8 | Supplementary Note entitled – "Reconciliation with United States Generally Accepted Accounting Principles" as at December 31, 2008, and September 30, 2007 and for the fiscal period ended December 31, 2008 and each of the two years ended September 30, 2007 and 2006 |
| 99.9 | Consent of KPMG LLP |
| 99.10 | Consent of Scott Jones |
| 99.11 | Hunter Dickinson Services Inc. Corporate Services Agreement Date June 1, 2008 |

**CERTIFICATION**
**PURSUANT TO SECTION 302**
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Russell Hallbauer**,** Chief Executive Officer of Taseko Mines Limited, certify that:

(1) I have reviewed this annual report on Form 40-F of Taseko Mines Limited for the fiscal year ended December 31, 2008;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

(4) The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

(5) The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the issuer's auditors and the audit committee of issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2009

By: /s/ R. Hallbauer

Name: Russell Hallbauer
Title: Chief Executive Officer

**CERTIFICATION**
**PURSUANT TO SECTION 302**
**OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter Mitchell, Chief Financial Officer of Taseko Mines Limited., certify that:

(1) I have reviewed this annual report on Form 40-F of Taseko Mines Limited for the fiscal year ended December 31, 2008;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

(4) The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

(5) The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the issuer's auditors and the audit committee of issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 31, 2009

By: /s/ P. Mitchell

Name: Peter Mitchell
Title: Chief Financial Officer

**CERTIFICATION**
**PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Russell Hallbauer, Chief Executive Officer of Taseko Mines Limited (the "Company"), hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Annual Report on Form 40-F of the Company for the fiscal year ended December 31, 2008 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ R. Hallbauer

Name: Russell Hallbauer
Title: Chief Executive Officer

Date: March 31, 2009

*This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 40-F. A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

*This certification accompanies this Annual Report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.*

**CERTIFICATION**
**PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter Mitchell, Chief Financial Officer of Taseko Mines Limited (the "Company"), hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Annual Report on Form 40-F of the Company for the fiscal year ended December 31, 2008 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ P. Mitchell

Name: Peter Mitchell
Title: Chief Financial Officer

Date: March 31, 2009

*This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 40-F. A signed original of this statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

*This certification accompanies this Annual Report on Form 40-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.*



# ANNUAL INFORMATION FORM

**FOR THE FISCAL PERIOD (15 MONTHS)**
**ENDED DECEMBER 31, 2008**

**AS AT MARCH 31, 2009**

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This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements are discussed herein and include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Incorporated by reference into this annual information form (the “Annual Information Form” or “AIF”) are the audited consolidated financial statements and Management Discussion and Analysis for Taseko Mines Limited (the “Company” or “Taseko”) for the fiscal year (fifteen months) ended December 31, 2008 and the fiscal year ended September 30, 2007 together with the auditor’s report thereon. The financial statements are available for review on the SEDAR website located at www.sedar.com. All financial information in this Annual Information Form is prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) using Canadian dollars.

Also incorporated by reference is the technical report “Technical Report on the 105 Million Ton Increase in Mineral Reserves at the Gibraltar Mine” dated January 23, 2009, prepared by Scott Jones, P. Eng., and the technical report “Technical Report, Executive Summary Feasibility Study of the Prosperity Gold – Copper Project” dated October 15, 2007, prepared by Scott Jones, P. Eng. Both technical reports have been filed on Taseko’s profile on SEDAR at www.sedar.com.

**Currency and Metric Equivalents**

The Company’s accounts are maintained in Canadian dollars and all dollar amounts herein are expressed in Canadian dollars unless otherwise indicated. .

The following factors for converting Imperial measurements into metric equivalents are provided:

| To convert from Imperial | To metric | Multiply by |
|---|---|---|
| acres | hectares | 0.405 |
| feet | metres | 0.305 |
| miles | kilometres | 1.609 |
| tons (2000 pounds) | tonnes | 0.907 |
| ounces (troy)/ton | grams/tonne | 34.286 |

In this AIF the following defined terms have the meanings set forth below:

| | |
|---|---|
| **NYSE Amex** | The New York Stock Exchange which has incorporated the former American Stock exchange, being one of the two stock exchanges (together with the TSX) on which the Common Shares are listed. |
| **Common Shares** | The Company's common shares without par value, being the only class or kind of the Company's authorized capital. |
| **Company** | Taseko Mines Limited, including its subsidiaries, unless the context requires otherwise. |
| **Carbonatite deposit** | Carbonatites deposits are igneous rocks largely consisting of the carbonate minerals calcite and dolomite which contain the niobium mineral pyrochlore, rare earth minerals or copper sulphide minerals. |
| **Epithermal deposit** | A mineral deposit formed at low temperature (50-200°C), usually within one kilometer of the earth's surface, often as structurally controlled veins. |
| **Flotation** | Flotation is a method of mineral separation whereby after crushing and grinding ore, froth created in a slurry by a variety of reagents, causes some finely crushed minerals to float to the surface where they are skimmed off. |
| **HQ** | A letter name specifying the dimensions of bits, core barrels, and drill rods in the H-size and Q-group wireline diamond drilling system having a core diameter of 63.5 mm and a hole diameter of 96 mm. |
| **Induced Polarization ("IP") Survey** | A geophysical survey used to identify a feature that appears to be different from the typical or background survey results when tested for levels of electro- conductivity. IP detects both chargeable, pyrite-bearing rock and non-conductive rock that has high content of quartz. |
| **Mineral Deposit** | A deposit of mineralization, which may or may not be ore. |
| **Mineral Symbols** | Ag – silver; Au – gold; Cu – copper; Pb – lead; Zn – Zinc; Mo – molybdenum; Nb - niobium. |
| **NQ** | A letter name specifying the dimensions of bits, core barrels, and drill rods in the N-size and Q-group wireline diamond drilling system having a core diameter of 47.6 mm and a hole diameter of 75.7 mm |
| **Porphyry deposit** | A type of mineral deposit in which ore minerals are widely disseminated, generally of low grade but large tonnage. |

| | |
|---|---|
| **Solvent Extraction/ Electrowinning ("SX/EW")** | Solvent extraction is the technique of transferring a solute from one solution to another; for example when copper oxide is dissolved into solution, copper becomes the solute. Electrowinning is the process in which an electric current flows between a pair of electrodes (anode & cathode) in a solution containing metal ions (electrolyte). Metal is deposited on the cathode in accordance with the metal's ability to gain or lose electrons. Since ion deposition is selective, the cathode product is generally high grade and requires little further refining. |
| **TSX** | The Toronto Stock Exchange, one of the two stock exchanges on which the Common Shares are listed, along with NYSE Amex. |

**Resource Category (Classifications) Used in this AIF**

The discussion of mineral deposit classifications in this AIF adheres to the resource/reserve definitions and classification criteria developed by the Canadian Institute of Mining and Metallurgy in 2005. Estimated mineral resources fall into two broad categories dependent on whether the economic viability of them has been established and these are namely "resources" (economic viability not established) and ore "reserves" (viable economic production is feasible). Resources are sub-divided into categories depending on the confidence level of the estimate based on level of detail of sampling and geological understanding of the deposit. The categories, from lowest confidence to highest confidence, are inferred resource, indicated resource and measured resource. Reserves are similarly sub-divided by order of confidence into probable (lowest) and proven (highest). These classifications can be more particularly described as follows:

A "**Mineral Resource**" is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

An "**Inferred Mineral Resource**" is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An "**Indicated Mineral Resource**" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

A "**Measured Mineral Resource**" is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate

techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

A "**Mineral Reserve**" is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

A "**Probable Mineral Reserve**" is the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A "**Proven Mineral Reserve**" is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified. The US Securities and Exchange Commission require permits in hand or imminent to classify mineralized material as reserves.

For United States reporting purposes, SEC Industry Guide 7 (under the United States Securities Exchange Act of 1934 (the "Exchange Act"), as interpreted by Staff of the United States Securities and Exchange Commission (the "SEC"), applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserved used in National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101") differ from the definitions in the SEC Industry Guide 7. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards.

## ITEM 3. CORPORATE STRUCTURE

Taseko Mines Limited was incorporated on April 15, 1966, pursuant to the *Company Act* of the Province of British Columbia. This corporate legislation was superseded in 2004 by the *British Columbia Corporations* Act which is now the corporate law statute that governs Taseko .

Taseko has one material active wholly owned subsidiary, Gibraltar Mines Ltd. ("Gibraltar"), a second active but not material subsidiary Aley Corporation ("Aley"), and three non-material, inactive subsidiaries, Cuisson Lake Mines Ltd. (which is 70% owned and holds certain Gibraltar Mine mineral interests), 688888 BC Ltd. (which is wholly owned) and Taseko Acquisitionsub Ltd. (which is wholly owned). Taseko owns 100% of the common shares of Gibraltar but none of Gibraltar's issued preferred shares.

The head office of Taseko is located at Suite 300, 905 West Pender Street, Vancouver, British Columbia, Canada V6C 1L6, telephone (604) 778 373-4533, facsimile (778) 373-4534. The Company's legal registered office is in care of its Canadian attorneys Lang Michener LLP, Barristers & Solicitors, at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, Canada V6E 4N7, telephone (604) 689-9111, facsimile (604) 685-7084.

In this Annual Information Form, the terms “Company” or “Taseko” refer to Taseko Mines Limited and all its subsidiaries together unless the context otherwise clearly requires. Certain terms used herein are defined in the glossary of this Annual Information Form or in the disclosure to which the term relates.

## ITEM 4. GENERAL DEVELOPMENT OF THE BUSINESS

The principal business activity of Taseko for the past three years has been the operation and capacity expansion of its Gibraltar Mine which constitutes the majority of the activity disclosed by Taseko's consolidated financial statements summarized below.

The consolidated financial statements below have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and are expressed in thousands of Canadian dollars except for per share and share amounts.

| | As at December 31 | | As at September 30 |
|---|---|---|---|
| **Balance Sheets** | **2008** | **2007** | **2006** |
| Current assets | $ 41,283 | $ 94,619 | $ 149,447 |
| Mineral properties | 32,610 | 18,407 | 2,628 |
| Property, plant and equipment | 292,390 | 158,492 | 43,817 |
| Other assets | 111,962 | 105,745 | 101,569 |
| Total assets | $ 478,245 | $ 377,263 | 297,461 |
| | | | |
| Current liabilities | 112,053 | 44,589 | 47,863 |
| Other liabilities | 131,285 | 169,014 | 148,664 |
| Shareholders' equity | 234,907 | 163,660 | 100,934 |
| Total liabilities & shareholders' equity | $ 478,245 | $ 377,263 | $ 297,461 |

| | Fifteen months ended December 31 | | Year ended September 30 |
|---|---|---|---|
| **Statements of Operations** | **2008** | **2007** | **2006** |
| Revenue | $ 231,678 | $ 218,426 | $ 161,900 |
| Cost of sales | (196,261) | (109,533) | (103,628) |
| Amortization | (7,363) | (3,155) | (3,412) |
| Operating profit | 28,054 | $ 105,738 | $ 54,860 |
| Accretion of reclamation obligation | 1,451 | 1,777 | 1,732 |
| Exploration | 11,864 | 8,967 | 3,544 |
| Foreign exchange loss (gain) | 4,032 | 233 | (289) |
| Gain on asset retirement obligation change of estimates | (6,917) | (4,570) | – |
| Loss on advances on equipment | 862 | – | – |
| Loss on extinguishment of capital leases | – | – | 240 |
| General and administration | 11,034 | 6,501 | 5,286 |
| Ledcor termination fee | – | – | 3,500 |
| Gain on sale of marketable securities | (1,034) | (1,508) | – |
| Interest and other income | (9,701) | (11,093) | (7,170) |
| Interest expense | 8,284 | 5,947 | 4,594 |
| Interest accretion on convertible debt | 2,938 | 2,922 | 1,280 |
| Stock-based compensation | 6,442 | 6,771 | 3,182 |
| Change in fair market value of financial instruments | 886 | 1,925 | – |
| Earnings (loss) before income taxes | $ (30,141) | $ 87,866 | $ 38,961 |
| Current income tax recovery (expense) | 2,151 | (3,959) | (4,397) |
| Future income tax recovery (expense) | 3,446 | (35,645) | (1,648) |
| Earnings (loss) for the year | $ 3,510 | $ 48,262 | $ 32,916 |
| | | | |
| Other comprehensive income (loss): | | | |
| Unrealized gain (loss) on reclamation deposits | 1,859 | (419) | – |
| Unrealized gain (loss) on marketable securities/investments | (11,295) | 4,710 | – |
| Reclassification of realized gain on sale of marketable securities | (1,152) | (1,508) | – |
| Tax effect | 1,570 | (445) | – |
| Other comprehensive income (loss) | $ (9,018) | $ 2,338 | $ – |
| Total comprehensive income (loss) | $ (5,508) | $ 50,600 | $ 32,916 |
| Basic earnings (loss) per share | $ 0.02 | $ 0.37 | $ 0.29 |
| Diluted earnings (loss) per share | $ 0.02 | $ 0.36 | $ 0.26 |

| Statements of Operations | Fifteen months ended December 31 2008 | Year ended September 30 2007 | 2006 |
|---|---|---|---|
| Basic weighted average number of common shares outstanding | 142,062 | 129,218 | 113,554 |
| Diluted weighted average number of common shares outstanding | 156,928 | 142,278 | 126,462 |

Taseko's business is focused on, firstly, enhancing the production of copper and molybdenum from its producing Gibraltar mine (the "Gibraltar Mine") and, secondly, on demonstrating the economic feasibility and social acceptability of its Prosperity gold and copper property (the "Prosperity Project"). A feasibility study has been completed for Prosperity Project, demonstrating mineral reserves as defined under Canadian Securities regulations under NI 43-101. As no permits are in place, the Prosperity Project does not have reserves under US SEC Guide 7 Standards. Both the Gibraltar Mine and the Prosperity Project are located in central British Columbia, Canada.

The Company also has two non material properties located in British Columbia, including the advanced exploration stage property known as the Harmony project, and the mid stage exploration niobium project known as the Aley project. Mineralization at the Harmony project has not at this time been determined to constitute a proven or probable reserve, and there are no mineral resources currently estimated at the Aley project. Taseko and its subsidiaries owns all its projects outright.

After focusing on the recommencement of copper production at the Gibraltar Mine over fiscal 2005 through 2007, the Company reactivated environmental and economic assessments of the Prosperity Project. A $2 million feasibility study on the Prosperity Project was completed in September 2007, projecting the technical and economic feasibility of the project.

In fiscal 2008, Taseko expanded the ore concentrator and other production improvements at the Gibraltar Mine. Taseko also continued to advance the Prosperity Project through the environmental assessment process. Work on the Harmony and Aley projects was curtailed in 2008 and 2009 because of deterioration of economic conditions and commodity prices. Project assessment work will resume once prevailing commodity prices suggest new opportunities for these projects. Taseko believes that there will continue to be demand for copper, molybdenum and gold for the foreseeable future and there will be a continuing need to replace depleted reserves from existing mines hence it sees value in projects which may not yet seem economic.

During the past three years, the Company's two material projects have developed as follows:

a)

The Gibraltar Mine obtained government permitting and re-started the operation in early October 2004 following several years on care and maintenance as a result of low metal prices. Commercial production started on January 1, 2005 and has continued to the present. Total production between restart and up to December 31, 2008 was 15.7 million tons milled, producing 225.8 million lb. of copper in concentrate, 6.9 million lb. cathode copper and 2.6 million lb. of molybdenum. Construction of the Phase 1 mill expansion was completed in February 2008. The ramp up to the rated processing capacity of 46,000 tons per day ("tpd") has been ongoing since the completion of construction. The construction schedule of a Phase 2 expansion program, designed to increase concentrator from 46,000 tpd to 55,000 tpd, has been modified as a result of management's review of capital spending in the face of the global credit market crisis. The regrind and cleaner flotation circuits will be complete in the summer of 2009 as they are not cash intensive to complete and they provide very robust payback by enhancing both copper and molybdenum recoveries. Ramp up to 55,000 tpd will occur following completion of the remainder of the Phase 2 program and completion of the in-pit crusher and conveyor.

b) The Prosperity Project was the subject of a feasibility study which was completed in September 2007 for a 70,000 tonnes per day operation with a twenty year mine life. An environmental assessment under the Canadian and British Columbia Environmental Assessment Acts is underway with the completion of both processes expected in the fall of 2009.

The Company's two non-material projects have developed as follows:

a) The Harmony project was significantly moved towards mine development permitting during a period of active exploration during the late 1990s further described herein. Currently the property is being maintained in good standing but further technical work has been deferred.

b) Taseko acquired the Aley project in 2007 and carried out an initial exploration program for niobium. Currently the Aley project is being maintained in good standing but further technical work has been deferred.

The provincial government of British Columbia and the federal government of Canada both have jurisdiction over a wide variety of activities and persons affected by mining including local communities, habitat users and others having or claiming to have interests which may be affected by mining activity. The Company's management believes that there is a reasonable level of public acceptance of mining in British Columbia and that responsible mining projects make a positive contribution to the Province of British Columbia and the local communities where or near to where these projects are located. This has enabled the Company to have positive dialogue with local communities, First Nations, and government agencies. It has also helped in advancing the Prosperity Project's evaluation process forward.

In August 2006, the Company completed an offering of 7.125% convertible bonds in the aggregate principal amount of US$30,000,000. The proceeds from this offering were used for further investments in the Company's producing assets.

In June 2007, the Company completed the acquisition of all the issued and outstanding shares in the capital of a private company whose sole asset was the Aley project (niobium) for a total cash consideration of $1.5 million, as well as 894,730 common shares. In addition, the Company also purchased the residual net smelter royalties from Teck Cominco Metals Limited ("Teck") for a total cash consideration paid to Teck of $300,000 and the issuance of 240,000 common shares and 120,000 warrants. Each warrant is exercisable into one common share at the exercise price of $3.48 per share until June 4, 2009. The Aley project hosts a niobium deposit of uncertain size and grade. Niobium is a metal used in making high strength steel required in the manufacture of automobiles, bridges, pipes, jet turbines and other high technology applications.

On May 2, 2008, the Company completed the acquisition of all the issued and outstanding shares in the capital of a private company, Oakmont Ventures Ltd. ("Oakmont"), whose sole asset was the 30% net profits interest in certain claims that are part of the Gibraltar Mine property located adjacent to the Gibraltar East pit. This acquisition was completed through the issuance of 1,000,000 common shares of the Company with an aggregate value of $5,220,000.

As announced in a news release on December 11, 2008, proven and probable mineral reserves at the Gibraltar Mine have increased by approximately 105 million tons to a total of 472.4 million tons (See "Description of Business – Gibraltar Mine – Reserves"). In January 2009, the Company prepared a NI 43-101 compliant technical report containing the revised reserve estimates and updated capital and operating costs and filed it at www.sedar.com.

On March 24, 2009, the Company announced that it had entered into an agreement with a syndicate of Underwriters which agreed to buy from Taseko 13,793,104 common shares at an issue price of $1.45 per common share (the “Offering”) for gross proceeds of approximately $20 million. The Company also intends to issue, via a non-brokered private placement at the same price as the Offering, approximately $5 million of common shares. The net proceeds from the Offering and the private placement are intended to be used for general working capital and corporate purposes. Closing of the Offering and the private placement is expected to occur on or about April 15, 2009 and is subject to execution of definitive agreements, securities regulatory approvals and customary closing conditions as of the date hereof.

The Company has not made any significant acquisitions or dispositions since January 2006.

## ITEM 5. DESCRIPTION OF BUSINESS

Taseko is a mining company that generally seeks to acquire, explore and advance development of large tonnage mineral deposits which, under metals price assumptions that fall within historical averages, are potentially capable of supporting a mine for 10 years and longer.

Figure 1 below shows the location of the Company's four properties in British Columbia, Canada.

**Figure 1: Location of the Taseko's Properties**

*Source: Taseko*

**The Gibraltar Mine**

Unless stated otherwise, information of a technical or scientific nature related to the Gibraltar Mine contained in this AIF is summarized or extracted from a technical report entitled "Technical Report on the 105 Million Ton Increase in Mineral Reserves at the Gibraltar Mine" dated January 23, 2009 (the "Gibraltar Technical Report"), prepared by Scott Jones, P. Eng. filed on Taseko's profile on SEDAR at www.sedar.com. Mr. Jones is not independent of Taseko by virtue of being employed by the Company as Vice-President, Engineering.

*Property Description and Location*

The Gibraltar Mine site covers approximately 109 square km, located at latitude 52°30'N and longitude 122°16'W in the Granite Mountain area, approximately 65 km north of the City of Williams Lake in south-central British Columbia, Canada. The Gibraltar Mine property consists of 249 tenures held 100% by the Company as summarized in Table 1 below.

**Table 1: Mineral Tenures – Gibraltar Mine**

| Tenure Type | Number | Area (ha) |
|---|---|---|
| Claims | 219 | 14,006.86 |
| Leases | 30 | 1,889.68 |
| Total | 249 | 15,896.54 |

There are 30 mining leases at Gibraltar which are valid until at least July 26, 2023 as long as renewal fees, which are due on an annual basis, are paid. Rights to the surface accompany each mining lease. Additionally all mining claims at Gibraltar are valid until February 15, 2011 with the exception of three claims that have expiry dates of June 12, June 24 and October 19 in 2009. It is intended that all leases and claims will be renewed prior to their renewal fees being due (in the case of the leases) and prior to their expiry in the case of the claims.

There are several land parcels for which surface rights were purchased outright. There is one fee simple lot at Gibraltar (L3728) on which the plant site is located and annual taxes are paid. In addition Gibraltar holds four other land parcels: DL9170, DL9483 and DL588.

The Gibraltar Mine has operated for most of the last 35 years from four open pits. Waste dumps have been developed in various areas adjacent to the open pits and tailings have been deposited in an impoundment area, located about three km north of the mill.

A mill expansion completed in 2008 included commissioning of a new 34' diameter Semi-Autogenous Grinding ("SAG") mill, conversion of the rod and ball mill circuit to ball mill grinding only, and replacement of rougher and cleaner flotation cells with large state of the art cells. The rated throughput capacity increased from 36,000 tons per day to 46,000 tons per day.

*Accessibility, Climate, Local Resources, Infrastructure and Physiography*

Access to the Gibraltar Mine from Williams Lake, British Columbia is via Highway 97 to McLeese Lake, and then a paved road provides access to the Gibraltar Mine site, a total road distance of 65 km.

The Canadian National Railway has rail service to facilitate the shipping of copper concentrates through to the Pacific Ocean port of North Vancouver. A rail siding and storage shed for the shipment of concentrate is located 26 km from the mine site. Electricity is obtained from BC Hydro. Natural gas is provided by Avista Energy and Terasen Gas. The communities of Williams Lake and Quesnel are sufficiently close to the site to supply goods, services, and personnel to the Gibraltar Mine. The number of active personnel at the Gibraltar Mine at the end of December 2008 was 397 individuals.

The Gibraltar Mine mineral claims cover an area of gentle topography; local relief is in the order of 200 meters. The plant site is located at an elevation of approximately 1,100 meters above sea level. The project area has a moderate continental climate with cold winters and warm summers. Ambient air temperature ranges from a winter minimum of -34° C to a summer maximum of 35°C. The Gibraltar Mine operates year round.

Make-up fresh water for the mine site is obtained from a set of wells on the Gibraltar Mine property. The Company owns and operates the concentrate rail load-out facility on the CN rail line at Macalister.

*Gibraltar Mine History*

In 1964, Gibraltar Mines Ltd. (Gibraltar) acquired a group of claims in the McLeese Lake area from Malabar Mining Co. Ltd. Canadian Exploration Limited (Canex), at that time a wholly-owned subsidiary

of Placer Development (Placer), and Duval Corporation (Duval) had also been exploring on claims known as the Pollyanna Group which they had acquired adjacent to Gibraltar's claims. In 1969, Gibraltar, Canex and Duval entered into an agreement providing for the commingling of Gibraltar's claims with the Pollyanna Group. In 1971 Gibraltar acquired Duval's remaining interest in the property.

Preliminary development of the Gibraltar Mine began in October 1970. The concentrator commenced production on March 8, 1972 and was fully operational by March 31, 1972. Mining and milling operations were suspended on December 1, 1993 due to low copper prices and recommenced in September 1994 following the increase in copper prices. A cathode copper plant design with an annual capacity of 4,535 tonnes (10 million lb.) of market-ready copper metal began operation in October 1986. Up to the 1998 shutdown, as discussed below, 38,430 tonnes (84.7 million lb.) of electro won copper had been produced from this facility.

In October 1996, Westmin Resources Limited ("Westmin") acquired 100% control of Gibraltar and in December 1997, Boliden Limited Westmin (Canada) Limited ("Boliden") acquired Westmin. In March 1998, Boliden announced that it would cease mining operation at Gibraltar Mine at the end of 1998.

On July 21, 1999, Taseko's subsidiary, Gibraltar Mines Ltd., purchased the Gibraltar mine assets from Boliden Westmin (Canada) Limited ("Boliden") and certain of its affiliates, including all mineral interests, mining and processing equipment and facilities, and assumed responsibility for reclamation obligations estimated at that time at about $33 million. Pursuant to the terms of the acquisition, Gibraltar acquired mining equipment, parts and supplies inventories valued at $19 million, an existing British Columbia Government environmental deposit of $8 million, and mineral interests valued at $3.3 million, and received $20.1 million in cash over 18 months from closing, of which $17 million was received pursuant to a 10-year non-interest bearing convertible debenture issued to Boliden and subsequently acquired by NVI Mining Ltd ("NVI"). Gibraltar assumed the estimated reclamation liability pertaining to the Gibraltar mine of $32.9 million and Taseko guaranteed Gibraltar's obligations to Boliden. On April 2, 2008, NVI issued a notice to the Company to convert the principal amount of the debenture of $17,000,000 at an effective conversion rate of $5.14 per common share, which would have resulted in 3,307,393 common shares of the Company being issued to NVI. The Company issued 2,612,971 to NVI and made a cash payment of $3,569,000 in lieu of issuing the remaining 694,422 common shares as full and final settlement to NVI and accordingly the debenture is discharged as of the date hereof.

The total production history, to the end of 1998, amounted to 845,800 tonnes (1,860 million lb.) of copper, 8,900 tonnes (19.7 million lb.) of molybdenum and 38,400 tonnes (84.7 million lb.) of cathode copper from 305 million tonnes (336 million short tons) milled.

From 1999-2004, Taseko geologists and engineers explored for additional mineralized material and to better define known resources. The on-site staff also completed on-going reclamation work and maintained the Gibraltar mine for re-start. Operating and environmental permits were kept in good standing.

In October 1, 2004 when the mine re-opened, there were approximately 837 million tons of measured and indicated resources outlined at Gibraltar, including proven and probable sulphide reserves of 163.5 million tons grading 0.313% copper and 0.010% molybdenum at a 0.20% copper cut-off and 16.5 million tons of oxide reserves grading 0.148% Cu at a 0.10% acid soluble copper cut-off. The Gibraltar re-start decision was based on the initial four years of the 12-year mine plan. Mining operations recommenced under the Taseko Ledcor Joint Venture management arrangement. Milling production began in October of that year. Copper Cathode production recommenced in January 2006 at the SX-EW plant. In November of 2006 Taseko voluntarily withdrew from the joint venture with Ledcor and through Gibraltar assumed responsibility for all matters in connection with Gibraltar Mine.

Total production between restart and up to December 31, 2008 was 45.7 million tons milled, producing 225.8 million lb. of copper in concentrate, 6.9 million lb. cathode copper and 2.6 million lb. of molybdenum.

*Red Mile Royalty Sale Agreements*

On September 29, 2004, Gibraltar and 688888 B.C. Ltd. ("688888"), a wholly-owned subsidiary of Taseko, entered into certain related agreements. Pursuant to a Royalty Agreement among, *inter alia*, Gibraltar and Wilshire (GP) No. 2 Corporation, in its own capacity and in its capacity as general partner on behalf of all the limited partners of Red Mile Resources No. 2 Limited Partnership ("Red Mile") (see "Material Contracts"), Gibraltar sold to Red Mile a royalty (the "Royalty Interest") for $67,357,000 (the "Purchase Price"). Annual royalties payable by Gibraltar to Red Mile range from $0.01 per pound to $0.14 per pound of copper produced during the period from the Commencement of Commercial Production (as defined in the Royalty Agreement) to the later of (a) December 31, 2014, and (b) the date that is five years after the end of commercial production from the mine.

Pursuant to a Funding Pledge Agreement among, *inter alia*, Alberta Capital Trust Corporation ("Alberta Trust") and Gibraltar (see "Material Contracts"), the Purchase Price was invested in a promissory note with Alberta Trust, and Gibraltar pledged the promissory note, along with interest earned and to be earned thereon, to secure its obligations under the Funding Pledge Agreement. Pursuant to a Pledge, Priorities and Direction Agreement (see "Material Contracts"), Gibraltar is entitled to have released to it funds held under the promissory note, and interest thereon, to fund its royalty obligations under the Royalty Agreement to the extent of its royalty payment obligations.

Pursuant to a Call Option Agreement among, *inter alia*, 688888 and Red Miles Resources Inc., in its capacity as general partner on behalf of all of the partners of Red Mile Resources Fund Limited Partnership ("RMRF") (see "Material Contracts"), 688888 has an option to, directly or indirectly, reacquire the Royalty Interest by acquiring ("call") from Red Mile the Royalty Interest or from RMRF all of the limited partnership units ("LP Units") of Red Mile held by RMRF. Pursuant to the Royalty Agreement, RMRF has the right to require Gibraltar to purchase ("put") all of Red Mile's LP Units owned by RMRF.

Pursuant to the Royalty Agreement, Gibraltar has granted to Red Mile a net profits interest ("NPI"), which survives any "put" or "call" of the Red Mile LP Units. The NPI is applicable for the years 2011 to 2014 and varies depending on the average price of copper for any year during that period. No NPI is payable until Gibraltar reaches a pre-determined aggregate level of revenues less defined operating costs and expenditures.

*Property Geology*

The Gibraltar Mine generally consists of seven separate mineralized zones. Six of these – Pollyanna, Granite, Connector, Gibraltar East, Gibraltar West and Gibraltar West Extension – occur within the Granite Mountain batholith in a broad zone of shearing and alteration. A seventh copper mineralized body, the Sawmill zone, lies about six km to the south, along the southern edge of the batholith, within a complex contact zone between the batholith and Cache Creek Group rocks.

Two major structural orientations have been recognized at Gibraltar: the Sunset and Granite Creek mineralized systems. The Sunset system has a northwest strike with one set of structures dipping 35° to 45° to the south and a conjugate set, known as the Reverse Sunset, dipping 50° to 60° to the north. The Granite Creek system strikes east-west and dips 20° to 40° to the south with a subordinate set of structures dipping steeply in a northerly direction. Structures of the Sunset system that host

mineralization are mainly shear zones, with minor development of stockwork and associated foliation lamellae. Host structures of the Granite Creek system are predominantly oriented stockwork zones.

The Granite Creek system provides the major structures that control mineralization of Pollyanna, Granite and the Sawmill zones. These bodies have the characteristic large diffuse nature of porphyry copper type mineralization. The Gibraltar East deposit is essentially a system of interconnected Sunset zones, which create a large body of uniform grade. Gibraltar West and Gibraltar West Extension deposits are contained within a large complex shear zone.

*Mineralization*

Pyrite and chalcopyrite are the principal primary iron and copper sulphide minerals. Sixty percent of the copper occurs in fine-grained chalcopyrite. Coarser grained chalcopyrite also occurs, usually in quartz veins and shear zones. Small concentrations of bornite (a sulphide mineral of copper and iron), associated with magnetite and chalcopyrite, is present on the extremities of the Pollyanna and Sawmill deposits. Oxide copper mineralization is also present between the Gibraltar East and Pollyanna open pits in the Connector Zone. Molybdenite (molybdenum sulphide mineral) is a minor but economically important associate of chalcopyrite in the Pollyanna, Granite and Sawmill deposits.

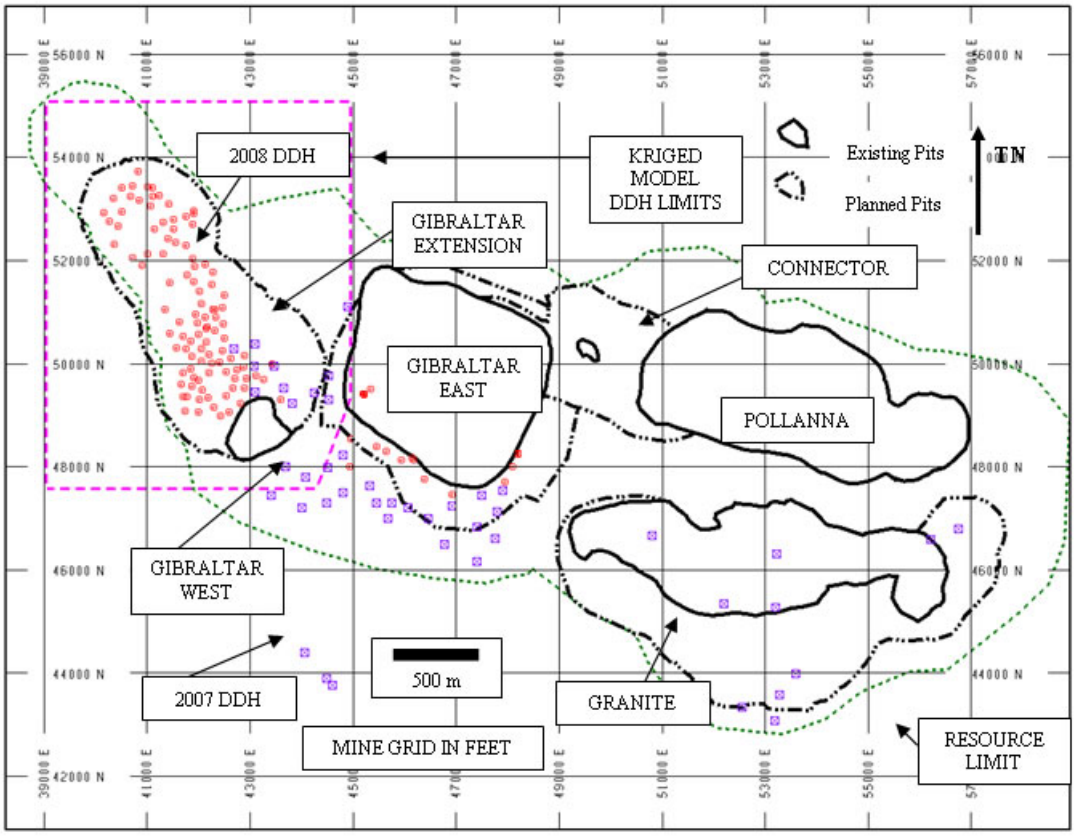
*Exploration*

From 1999-2004, Taseko geologists and engineers explored for additional mineralized material and to better define known resources. At October 1, 2004 when the mine re-opened, there were approximately 837 million tons of measured and indicated resources outlined at the Gibraltar Mine, including proven and probable sulphide reserves of 163.5 million tons grading 0.313% copper and 0.010% molybdenum at a 0.20% copper cut-off and 16.5 million tons of oxide reserves grading 0.148% Cu at a 0.10% acid soluble copper cut-off. A core drilling program for pit definition for the Granite Lake and PGE Connector deposits and property exploration at the 98 Oxide Zone, was carried out between September and November 2005. A further drilling program carried out in 2006 was designed to define the mineral resources between the existing pits by tying together the extensive mineralization zones, and to test for additional mineralization at depth.

The 2007 program tested a number of targets to define further mineralization, provided definition drilling in the Pollyanna-Granite saddle zone and Granite West areas and included condemnation drilling for the proposed extensions of both the #5 and #6 Dump footprints. The targets for further mineralization were; Gibraltar South, Pollyanna North IP anomaly, Granite South and the Gunn Zone.

Data from an additional 47 holes totaling 52,175 feet (15,903 m) drilled in the 2007 program after July 2007 was not available in time for when resources were updated in 2007. In addition, a hole totaling 605 feet (184 m) was drilled in the Granite area at the end of the 2007 program but collared in January 2008. Figure 2 below shows the 2008 drilling and 2007 drilling not incorporated in 2007 resource estimates for the Gibraltar Mine.

**Figure 2: 2007 and 2008 Diamond Drilling – Gibraltar Mine**




*Source: Gibraltar Technical Report*

Holes drilled in the Gibraltar West pit area were incorporated into the 2008 reserve estimate for the new Gibraltar Extension Pit. The 2008 exploration program was conducted on the southern and eastern margins of the Gibraltar East pit and northwest of the Gibraltar West pit. The objective was to upgrade identified inferred resources to indicated or measured categories through “in-fill” drilling.

*Drilling*

The objective of the 2008 drilling program was to upgrade inferred resources in the Gibraltar East pit and Gibraltar West pit areas to measured or indicated resource categories. In total, 110,607 feet (33,713 m) of NQ and HQ size core were drilled in 125 holes. The 2008 drilling is summarized in Table 2 below.

Twenty-one holes totalling 22,753 feet (6,935 m) were drilled around the southern and eastern margins of the Gibraltar East pit. Thirteen of these holes were designed to upgrade the resources, three holes to target pockets of potential mineralization below the current pit, and five were abandoned, substituted or re-drilled due to difficulties in drilling conditions. The results of the completed holes are incorporated into the resource estimates disclosed in Table 4.

One hundred and four holes totalling 87,854 feet (26,778 m) were drilled northwest of the Gibraltar West pit. The objective was to test the continuity of the northwest-trending zone of mineralization and provide

sufficient drill hole density to generate reserves. Most of the holes were drilled at -90° dip. Two holes totaling 170 feet (52 m) did not reach bedrock and were excluded from the dataset used for the reserve estimate. Seven holes totaling 5,272 feet (1,607 m) were drilled at the outer edges of the deposit for geotechnical purposes. The new holes provided data for a re-evaluation of the deposit geology and generation of a reserve estimate for staged pits collectively named the Gibraltar Extension pit.

**Table 2: 2008 Drilling Summary – Gibraltar Mine**

| Target Area | No. of Holes | Feet | Metres |
|---|---|---|---|
| Gibraltar East | 45 | 50,082 | 15,265 |
| Gibraltar Extension* | 115 | 100,622 | 30,670 |
| Granite Pit Area | 11 | 12,512 | 3,814 |
| TOTAL ** | 171 | 163,217 | 49,749 |

*Excludes two holes (170 ft / 51.8 m) that did not reach bedrock
**Includes 48 holes (52,780 ft / 16,087 m) from 2007 drilling program

*Sampling and Analytical Procedures*

A total of 110,607 feet (33,713 m) was drilled in 125 drill holes in calendar 2008 averaging 883 ft (269 m) in length. This included 18 HQ core size holes, 2 holes which started HQ and ending NQ and 106 NQ size holes. Core recovery was measured on 10,564 drill runs averaging 9.2 ft (2.8 m) in length. Recovery was generally good, averaging 92.5% for the sampled intervals measured. The 10,435 half core samples taken in 2008 by Gibraltar personnel averaged 10 ft in length.

Drill core was boxed at the drill site and transported by company truck to a secure logging, sampling and sample preparation facility at the Gibraltar Mine. The drill core was mechanically split into two halves lengthwise. Half core was taken as an assay sample. The remaining half core and coarse reject after sample preparation at the analytical laboratories are stored at the Gibraltar Mine. The remaining pulps after analysis are stored at a secure warehouse at Port Kells, British Columbia.

The 2008 sample preparation was performed mainly by Acme, Vancouver (99.5%) and secondly by Eco Tech, Kamloops (0.5%) . The half-core samples were prepared at the respective laboratories using the same specifications. The entire sample was dried, and crushed to 70% passing 10 mesh (<2 mm). A 250 g split was then taken and the samples were pulverized to 95% passing 150 mesh (106 microns). The coarse reject samples were returned to Gibraltar Mine after analysis for long term storage. The sample pulps are retained at the Port Kells BC warehouse of Taseko.

Taseko implemented a rigorous quality control quality assurance (QA/QC) program after taking over the Gibraltar Mine. This QA/QC program was in addition to the QA/QC procedures used internally by the analytical laboratories. The results of this program indicate that analytical results are of high quality and suitable for use in detailed modeling and resource evaluation studies.

From 2006 – 2008 drill hole data was verified, including digitally as well as manually. The validation and verification work performed on the Gibraltar database indicates that it is of good quality and acceptable for use in geological and reserve modeling.

*Gibraltar Mine Reserves and Resources*

Proven and probable mineral reserves at the Gibraltar Mine have increased by approximately 105 million tons to a total of 472.4 million tons as of December 31, 2008.

One hundred seventy-three new diamond drill holes were completed between July 2007 and September 2008 of which 115 holes were included in the Gibraltar Extension geological model, and this has allowed for further expansion of reserves at the Gibraltar Mine.

The Gibraltar Extension deposit is a body of mineralization on the Gibraltar Mine property which has a shape and structure significantly different from other deposits that occur on the property. Drilling up until the 2008 drilling program had provided details of the northwest and southeast portions of the Gibraltar deposit but the central zone was under-drilled and poorly defined. The 2008 program objective was to test the continuity of mineralization between the two ends and increase drill hole density along the Gibraltar deposit to upgrade the resource model blocks from inferred to measured and indicated category so that proven and probable reserves could be estimated. The Gibraltar Extension reserve estimate involved a detailed re-evaluation of the geological model, generation of pit designs, and an overall mine life schedule.

The reserve estimates for the Gibraltar Extension deposit used long term metal prices of US$1.75/lb for copper and US$10.00/lb for molybdenum and a foreign exchange of Cdn$0.82 per US dollar. The estimates for the balance of the reserves used September 2007 NI 43-101 estimates reduced by actual 2008 mining with long term metal prices of US$1.50/lb for copper, US$10/lb for molybdenum and a foreign exchange of $0.80 per US dollar.

The proven and probable reserves at the Gibraltar Mine as of December 31, 2008 are tabulated in Table 3 below and are NI 43-101 and SEC Guide 7 compliant.

**Table 3: Gibraltar Mine Mineral Reserves**
**at 0.20% Copper Cut-off**

| Pit | Category | Tons (millions) | Cu (%) | Mo (%) |
|---|---|---|---|---|
| Connector | Proven | 40.4 | 0.296 | 0.010 |
| | Probable | 14.8 | 0.271 | 0.009 |
| | **Subtotal** | **55.2** | **0.289** | **0.010** |
| Gibraltar East | Proven | 66.8 | 0.286 | 0.008 |
| | Probable | 33.3 | 0.285 | 0.013 |
| | **Subtotal** | **100.1** | **0.286** | **0.010** |
| Granite | Proven | 187.0 | 0.324 | 0.009 |
| | Probable | 25.7 | 0.319 | 0.009 |
| | **Subtotal** | **212.8** | **0.323** | **0.009** |
| Gibraltar Extension | Proven | 75.4 | 0.352 | 0.002 |
| | Probable | 29.3 | 0.304 | 0.002 |
| | **Subtotal** | **104.7** | **0.339** | **0.002** |
| Total | | 472.8 | 0.315 | 0.008 |

**Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources**

This section uses the terms ‘measured resources’ and ‘indicated resources’. The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

The mineral reserves stated above are contained within the mineral resources indicated in Table 4 below:

**Table 4: Gibraltar Mine Mineral Resources at 0.20% Copper Cut-off**

| Category | Tons (millions) | Cu (%) | Mo %) |
|---|---|---|---|
| Measured | 597.7 | 0.302 | 0.008 |
| Indicated | 361.0 | 0.290 | 0.008 |
| **Total** | **958.7** | **0.298** | **0.008** |

There are also oxide reserves, identified in both the PGE Connector and Gibraltar pits as shown in Table 5 below. These oxide reserves are in addition to the sulphide reserves stated in Table 3 and are contained within the resources contained in Table 4.

**Table 5: Gibraltar Mine – Oxide Mineral Reserves as of December 31, 2008 at 0.10% ASCu cut-off**

| Pit | Tons (millions) | Cu (%) | ASCu (%) |
|---|---|---|---|
| Connector | 12.7 | 0.349 | 0.151 |
| Gibraltar East | 0.5 | 0.152 | 0.121 |
| **Total** | **13.2** | **0.341** | **0.150** |

The mineral resource and reserve estimations were completed by Gibraltar mine staff under the supervision of Scott Jones, P.Eng., Vice-President, Engineering, a Qualified Person under NI 43-101 and the author of the Gibraltar Technical Report. Mr Jones has verified the methods used to determine grade and tonnage in the geological model, reviewed the long range mine plan, and directed the updated economic evaluation.

*Mining Operations*

The Gibraltar Mine is a typical open pit operation that utilizes drilling, blasting, cable shovel loading and large-scale truck hauling to excavate rock. The Gibraltar Mine is planned to enable excavation of sulphide mineralized material of sufficient grade that can be economically mined, crushed, ground and processed to a saleable product by froth flotation. Tailings are pumped to a storage facility.

Rock containing lower grade sulphide mineralization or oxide mineralization is also mined but is not immediately processed. The lower grade sulphide material is stockpiled for later treatment in the mill. In addition, a portion of the low grade sulphide (waste) and all of the oxide material can be leached with sulphuric acid, which is naturally assisted by bacterial action, and the resultant copper sulphate solution can be processed to cathode copper in the Gibraltar Mine's SX/EW plant. The SX/EW plant was re-commissioned during the first quarter of the fiscal 2007 and operated throughout the 15 months of the 2008 fiscal year.

Construction of the Phase 1 mill expansion was completed in February 2008. The ramp up to the rated processing capacity of 46,000 tpd has been ongoing since completion of the construction phase. Sustained periods of operation at the rated capacity have been more frequent and of longer duration as mill operations personnel continue to refine the metallurgical performance relating to grind size at higher mill throughput rates and metal recovery. The improved performance is evidenced by the recovery increasing from 73.2% in October 2008 to 82.2% in February 2009, a 12% increase.

The Phase 2 expansion program consists of modernizing and increasing the capacity of the regrind, cleaner flotation, and ancillary circuits along with installation of a two-stage tailings pumping system. Phase 2 is designed to increase concentrator capacity from 46,000 to 55,000 tpd. The construction schedule for Phase 2 has been modified as a result of management's review of capital spending. The regrind mill and cleaner flotation circuits will be completed in the summer of 2009 as they are not cash intensive to complete and they provide very robust payback through increased copper and molybdenum recoveries. Ramp up to 55,000 tpd will occur following completion of the rest of the Phase 2 program and completion of the in-pit crusher and conveyor.

The Phase 3 expansion was designed to increase throughput capacity by a further 30,000 tpd to 85,000 tpd. The engineering for Phase 3 was well advanced and the estimated capital cost had been confirmed at $300 million for mill infrastructure and $50 million for mining equipment. With the exception of upgrading or replacing the molybdenum circuit, the entire project has been deferred as a result of the credit market conditions and copper market outlook. Once the economic conditions improve, the decision to move forward on this next phase of expansion will be reviewed.

Production in 2008

Taseko has changed its fiscal year end from September 30 to December 31. The following table was prepared by the Company and is a summary of the operating statistics for fifteen months ending December 31, 2008 compared to the twelve months ending September 30, 2007. All mining during the fifteen months of fiscal 2008 took place in the Polyanna and Granite pits.

**Table 6: Gibraltar Production**

| | **Fifteen months ending December 31, 2008** | **Twelve months ending September 30, 2007** |
|---|---|---|
| Total tons mined (millions) [1] | 51.8 | 35.4 |
| Tons of ore milled (millions) | 13.6 | 9.5 |
| Stripping ratio | 2.7 | 2.6 |
| Copper grade (%) | 0.351 | 0.328 |
| Molybdenum grade (%Mo) | 0.009 | 0.011 |
| Copper recovery (%) | 75.8 | 77.5 |
| Molybdenum recovery (%) | 31.8 | 29.6 |
| Copper production (millions lb) [2] | 77.1 | 51.8 |
| Molybdenum production (thousands lb) | 841 | 580 |

1 Total tons mined includes sulphide ore, oxide ore, low grade stockpile material, overburden, and waste rock which were moved from within pit limit to outside pit limit during the period.

2 2008 copper production includes 72.5 million lb in concentrate and 4.6 million lb in cathode.

Contracts and Markets

Gibraltar's copper concentrate has a nominal 28% copper grade and no significant deleterious elements. Gibraltar's copper concentrate is currently sold at prices based on London Metal Exchange ("LME") quotations under an agreement with MRI Trading AG ("MRI") of Switzerland (see "Material Contracts"), which includes 100% of off-take until 2011 and some opportunity for other sales after that time. Although 100% of Gibraltar's copper concentrate is currently sold to MRI, in the event that MRI was unable to purchase Gibraltar's copper concentrate as provided in the MRI sales agreement, a liquid

market exists. Gibraltar copper cathode is nominally 99.9%+ pure copper, and is currently sold under an agreement with Trafigura AG of Switzerland, which includes provisions for 100% of the cathode production. Gibraltar also has an agreement with Derek Raphael to treat a minimum of 75% of its molybdenum concentrate.

The copper market is volatile and cyclical. Copper is a commodity traded on the LME, the New York Commodity Exchange and the Shanghai Futures Exchange. The price of copper as reported on these exchanges is influenced significantly by numerous factors, including (i) the worldwide balance of copper demand and supply, (ii) rates of global economic growth, trends in industrial production and conditions in the housing and automotive industries, all of which correlate with demand for copper, (iii) economic growth and political conditions in China, which has become the largest consumer of refined copper in the world, and other major developing economies, (iv) speculative investment positions in copper and copper futures, (v) the availability and cost of substitute materials and (vi) currency exchange fluctuations.

Updated Capital and Operating Cost Estimates

As part of the Gibraltar Technical Report, capital & operating agreement cost estimates were updated. As the majority of the Gibraltar Mine's facilities are operating, the only capital requirements are for the completion of the phase two mill expansion, the purchase of a new in-pit crusher/conveyor system and sustaining capital to maintain the integrity of the mining and processing equipment. The capital cost estimate for the mill expansion project is based on a thorough assessment that was completed for the feasibility study work in 2007. Sustaining capital is based on planned equipment replacement and upgrades with the costs estimated based on current supplier quotations, recent equipment acquisitions and engineering cost estimates.

The updated capital requirements are detailed in Table 7.

**Table 7: Capital Cost Summary Gibraltar Mine – 2008**

| Area | Total Capital (x $1,000) |
|---|---|
| Equipment | $70,017 |
| General Sustaining | $118,653 |
| Mill Expansion | $20,000 |
| Total | $208,670 |

The operating cost estimates in the Gibraltar life of mine plan are based on detailed scheduling of equipment capacities including estimates of average haulage distances and truck cycle times for each year of the plan. These schedules support detailed estimates of equipment operating hour requirements, major overhauls, manpower schedules, and primary inputs including diesel fuel, explosives, electricity, process reagents, etc. All of these factors have been derived from operating experience and reflect current operating parameters, unit costs of supply, and current and anticipated contracts. Updated, average life-of-mine unit operating costs are summarized in Table 8:

**Table 8: Operating Cost Summary Gibraltar Mine – 2008**

| Area | Life of Mine Cost |
|---|---|
| Mine cost/ton mined | $1.01 |
| Mill and G & A cost/ton milled | $2.71 |
| Total Sulphide Operating cost/ton milled | $6.84 |

Off site costs for transportation, treatment, and refining are based on current and anticipated contracts.

Production Forecast

The life of mine plan covers a period of twenty three years starting in fiscal 2009 and ending in fiscal 2032. The plan calls for the mining and processing of 472 million tons of ore from four pits: Granite, Gibraltar East, Connector and Gibraltar Extension. The average grade is estimated to be 0.315% copper and 0.008% molybdenum. The average strip ratio over the life of the plan is 3.1:1. The life of mine production requirements are summarized in Table 9 below.

**Table 9: Life of Mine Production Units – Gibraltar Mine**

| | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Tonnes Milled** | 20.1 | 20.1 | 20.1 | 20.1 | 20.1 | 20.1 | 20.1 | 20.1 | 20.1 | 20.1 | 20.1 | 20.1 |
| **Tonnes Mined** | 81.1 | 83.1 | 85.5 | 74.3 | 75.5 | 82.0 | 80.6 | 78.9 | 82.4 | 85.4 | 85.5 | 85.5 |

| | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** | **2031** | **2032** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Tonnes Milled** | 20.1 | 20.1 | 20.1 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 13.4 |
| **Tonnes Mined** | 85.2 | 83.9 | 78.0 | 90.5 | 95.0 | 95.3 | 94.4 | 88.8 | 95.3 | 88.7 | 49.4 | 13.4 |

The concentrator is forecast to produce 2,571 million pounds of copper in concentrate and 28.8 million pounds of molybdenum in concentrate. The average mill throughput over the remainder of the mine life is approximately 54,573 tons per day.

Sufficient oxide ore was released in late 2006 to warrant restarting the site's SX/EW plant. The existing oxide reserves will support profitable annual operation of the plant from 2009-2016 and 2021-2026. During the period 2017-2020, the plant will be shut down due to limited supply of oxide material. The mining schedule will release sufficient oxide material from the Connector pit starting in 2021 which will be the primary source of feed for running the SX/EW plant through to the remaining years of the life of the Gibraltar Mine.

Environmental Considerations

There have been no material environmental non-compliance incidents since the mine re-opened.

The current Environmental Protection Permit was last amended on April 12, 2006, and authorizes the discharge of tailings, sewage, and treated acid mine drainage to the tailings pond; tailings, sewage, open pit and waste dump drainage to the Gibraltar East pit.

Permit M-40, covering the reclamation plan and liabilities was last amended January, 2008. The reclamation plan includes a water management, treatment and monitoring program and establishment of vegetation on all areas in order to protect against wind and water erosion and to meet end land use objectives. In 2007, a decommissioning plan provided an assessment of the costs of reclamation and ongoing water treatment which was based on a five year mine plan. Closure costs were estimated to be $28 million, and Gibraltar has contributed $35 million held into a Qualified Environmental Trust fund with HSBC (Trust) Company Canada serving as a reclamation bond for the BC Government.

The Company was permitted by the Government of British Columbia to release $5 million from the Gibraltar Mine reclamation deposit in exchange for security on certain equipment of the Gibraltar Mine.

Subsequent to December 31, 2008, the Company obtained further approval and release $3.9 million from the reclamation deposit.

The reclamation plan and liability due to the additional mineral reserves disclosed in the Gibraltar Technical Report will be evaluated in the next decommissioning plan currently scheduled for 2012 or earlier if required by the Ministry of Energy and Mines.

Other permit considerations relative to the additional reserves described in the Gibraltar Technical Report may include approvals required for route changes to the access road, hydro transmission and water management pipeline, and these approvals will be pursued by the Company as required.

In 2002, Gibraltar and the Cariboo Regional District agreed to develop a landfill site on waste dumps in an area that would not be needed for the future operation of the mine. The landfill will provide reclamation credits to the land it occupies, as well as revenues to support ongoing site management costs. Construction of the landfill was initiated in June 2003 and operations began in October 2003.

**The Prosperity Project**

Unless stated otherwise, information of a technical or scientific nature related to the Prosperity Project contained in this AIF is summarized or extracted from a technical report entitled “Technical Report, Executive Summary Feasibility Study of the Prosperity Gold – Copper Project” dated October 15, 2007 (the “Prosperity Technical Report”), prepared by Scott Jones, P. Eng. filed on Taseko’s profile on SEDAR at www.sedar.com. Mr. Jones is not independent of Taseko by virtue of being employed by the Company as Vice-President, Engineering.

*Property Description and Location*

The Prosperity Project is located at latitude 51° 28’ N and longitude 123° 37’ W in the Clinton Mining Division, approximately 125 km southwest of the City of Williams Lake, British Columbia, and consists of 124 mineral claims covering the mineral rights for approximately 121 square km. Of this, six fractional claims were staked in 2008 as part of taking the claims to lease, a process that is currently underway. The six fractional claims are in good standing until October 2009. All other claims are in good standing until April 2011. The claims are 100% owned by Taseko and are not subject to any royalties or carried interests.

The outer boundary of the property has been legally surveyed as part of the process of taking the claims to lease. As this is a relatively new project, there are no existing environmental liabilities on the property. No permits are required for the work (largely related to the environmental assessment process) that is currently underway. When additional site work is required, permit applications will be made. The Company does not hold any surface rights.

The property is located within territory that is the subject of an aboriginal Rights action. The Xeni Gwet’in First Nation has sought an injunction to prevent the provincial and federal governments from issuing any permits that would infringe on their aboriginal right to fish.

*Accessibility, Climate, Local Resources, Infrastructure and Physiography*

Access from Williams Lake is via Highway 20 to Lee’s Corner, then via an all-weather main logging haulage road to the site, a total road distance of 192km. The Canadian National railway services Williams Lake and has rolling stock available to move copper concentrates by rail to points of sale in North

America. The City of Williams Lake is sufficiently close and is capable of supplying goods, services, and personnel to a mine.

Multiple high-voltage transmission lines from the existing Peace River hydroelectric power grid are situated 118 km east of the Prosperity Project, a natural gas transmission pipeline is situated 112 km northeast, and ample water is available nearby for a mining operation.

The Prosperity Project is located on the Fraser Plateau in the Taseko Lakes region on the eastern side of the Chilcotin Mountain Range, which forms part of British Columbia's Coast Mountain Range. The landscape is characterized by the low rounded summits of the Chilcotin Range and moderately sloping upland. The Prosperity Project is located within the Fish Creek and Fish Lake watershed in a broad valley with slopes of moderate relief. Elevations at the site range between 1,450 m and 1,600 m above sea level.

Local climatic conditions are moderated primarily by elevation, aspect, physiography, and the proximity of the area to the Chilcotin Mountains. The annual mean temperature at the Prosperity Project site is estimated to be 2ºC. The coldest months of December and January average -10ºC, and the warmest months of July and August average 13ºC.

*Prosperity Project History*

Prospectors discovered mineralization in the 1930's. Exploration continued intermittently and by a variety of operators until about 1991, and included extensive IP, magnetic and soil geochemistry surveys, and 176 percussion and diamond drill holes, totaling approximately 27,200 m. This work helped define the Prosperity project mineralization to a depth of 200 m, and outlined a copper-gold mineralized zone approximately 850 m in diameter.

In 1969, Taseko acquired the Prosperity Project and drilled 12 percussion holes totaling 1,265 m and six diamond drill holes totaling 1,036 m immediately to the south of the area where Phelps had explored, and Taseko discovered significant tonnage grading 0.25% to 0.30% copper.

In 1970, Nittetsu Mining Company optioned the Prosperity Project from Taseko Mines Limited and completed 236 m of core drilling in 4 holes before returning the property to Taseko. In 1972, Taseko tested the property with two additional diamond drill holes totaling 156 m. Quintana Minerals Corporation optioned the property from Taseko in 1973 and completed a 23-hole diamond drill program totaling 4,705 m during 1973-74.

Bethlehem Copper Corp. optioned the Prosperity Project in 1979 and by 1981 had completed 3,225 m of percussion drilling in 36 holes and 10,445 m of diamond drilling in 37 holes. Following the corporate merger of Bethlehem Copper Corp. and Cominco Ltd., Cominco acquired the Bethlehem option agreement on the Prosperity Project. Cominco continued to drill the property, completing 1,620 m of percussion drilling in 19 holes and 3,707 m of diamond drilling in 29 holes over the period 1982 to 1989.

Cominco work programs also included 50 line km of induced polarization, magnetic and soil geochemical surveys. The induced polarization survey outlined a 2 km by 3 km east-west trending zone of high chargeability. Also undertaken was a limited metallurgical testwork program which focused on achieving high copper recovery, with little emphasis on gold recovery, using a conventional copper flotation.

After a period of disagreement with Cominco which included a Court process, Taseko acquired 100% of the Prosperity Project free whatsoever of any royalties or third party interests in 1993 through settlement agreements.

*Geological Setting*

The Prosperity Project is located within the western-most portion of the Intermontane Belt at the boundary between the Intermontane and Coast morphologic belts. The surrounding area is underlain by poorly exposed, Late Paleozoic to Cretaceous litho tectonic assemblages which have been intruded by plutons of Mid-Cretaceous to Early Tertiary age. The main Coast Plutonic Complex is 50 km southwest of the Prosperity Project area.

The Yalakom Fault is the major fault in the region and lies to the southwest of the deposit on the Prosperity Project. Estimates of Eocene dextral strike-slip offsets for the Yalakom Fault have been postulated variously as ranging from 80 to 190 km, 125 to 175 km or 115 km. It may have imparted some related structural controls that are important to the localization of mineralization at the deposit.

*Mineralization*

The Prosperity Project hosts a large porphyry gold-copper deposit. The deposit is predominantly hosted in Cretaceous andesitic volcaniclastic and volcanic rocks. In the western portion of the deposit, the host rocks have been intruded by the multi-phase, steeply dipping Fish Creek Stock. The stock is surrounded by an east-west trending, south dipping swarm of subparallel quartz-feldspar porphyritic dykes. The stock and dykes comprise the Late Cretaceous Fish Lake Intrusive Complex that is spatially and genetically related to the deposit. Post mineralization porphyritic diorite occurs as narrow dykes that cross-cut all host rocks. The central portion of the deposit is cut by two major faults, striking north-south and dipping steeply to the west.

Pyrite and chalcopyrite are the principal sulphide minerals in the deposit on the Prosperity Project. They are uniformly distributed in disseminations, fracture fillings, veins and veinlets and may be accompanied by bornite and lesser molybdenite and tetrahedrite-tenantite. Native gold occurs as inclusions in and along microfractures with copper-bearing minerals and pyrite.

*Exploration*

Up to 1991, exploration programs at the Prosperity Project included extensive IP and magnetic geophysical and soil geochemical surveys, and 176 percussion and diamond drill holes totaling approximately 27,100 m. This work helped define the Prosperity Project mineralization to a depth of 200 m, and outlined a gold-copper mineralized zone approximately 850 m in diameter.

In 1991 Taseko drilled 10 holes totaling 7,506 m in a “cross” pattern to test the core of the deposit on the Prosperity Project over a north-south distance of 550 m. All of the holes intersected continuous significant copper and gold grades and extended the mineralization to 810m below surface. A scoping-level metallurgical testwork program was completed which demonstrated that acceptable gold and copper recoveries could be achieved by bulk sulphide flotation followed by regrinding and conventional copper flotation. Baseline environmental and monitoring studies were initiated by the Company.

Diamond drilling continued in 1992, and by the end of the year an additional 116 HQ and NQ diameter vertical drill holes totaling 60,558 m had been drilled, expanding the deposit to 1400 m east-west, 600 m north-south and to 850 m below surface.

Subsequent to 1993, the Company completed a 12 hole (4,605 m) inclined core drilling program in 1994 to investigate the distribution of fracture controlled gold and copper mineralization in the deposit. In addition, 22 holes (3,171 m) were drilled to investigate geotechnical conditions in the proposed Prosperity Project development areas.

In 1996 and 1997, an additional 107 holes (49,465 m) were completed in order to upgrade the confidence limits of the deposit. Of this total, 20 holes (2,203 m) were drilled vertically and 87 holes (47,262 m) were inclined. These holes significantly increased the density of pierce points in the deposit and added to the geotechnical and geochemical characterization of the rock in the deposit.

Over the 34-year period from 1963 to 1997, a total of 154,631 m has been drilled in 452 holes on the Prosperity Project. Of this total, 273 holes (83,453 m) were drilled vertically and 174 holes (71,178 m) were inclined. Sizes of cored holes have included BQ, HQ, and NQ totaling 148,322 m, with an average drill spacing of 70 m. The balance of 6,309 m is from percussion drilling. There has been no production from the Prosperity Project.

Work on the Prosperity Project was deferred from 2000-2005 first due to low metal prices and then later as the Company turned its attention to re-starting the Gibraltar Mine. In November 2005, work was reactivated on the Prosperity Gold-Copper Project. A pre-feasibility level study was completed in the first quarter of fiscal 2007, and a full feasibility study completed in September 2007.

*Sampling and Analysis*

A total of 63,937 drill core samples and 1,548 percussion samples have been taken for analysis on the Prosperity Project since 1969. Prior to 1991, a total of 6,905 were taken with an average length of three meters. From 1991 – 1998, 58,580 core samples were taken for assay with an average length of two meters except in instances where this was impractical.

During 1991-1994, drill core was mechanically split, one half of which was submitted for preparation and analysis. Of the total meterage drilled during 1996-97, 42% was subject to whole core sampling, 44% was sampled as sawn half-core, 5% of samples comprised the larger portion of core sawn 80:20. The remaining 9% was cored overburden, which was not generally sampled. In 1998 the samples were half sawn core and the remaining sample was put back in drilling order in the core box. Drill core remaining after sampling was returned to the core boxes, which were racked and stored at the Prosperity Project Site.

In 1991-1998 the drill core was boxed at the drill rig and transported twice daily by company truck to the logging, sampling and sample preparation compound at the Prosperity site. The core was geologically and geotechnically logged, given QA/QC designations, photographed and sampled under the supervision of Taseko geological and engineering staff. Samples were placed in shipping sacks and taken by company truck to Williams Lake and then shipped by commercial carriers to the Vancouver area analytical laboratories.

Taseko implemented a QA/QC program after taking over the Prosperity project in 1991. This was in addition to the QA/QC procedures used internally by the analytical laboratories. The results of this program indicate that analytical results are of high quality and suitable for use in detailed modeling and resource evaluation studies.

Taseko verified the post-1990 portion of the Prosperity Project drill hole database manually in 1992 and 1998, and another independent comprehensive audit and verification of the geology and assay results in 1998 found the geological work for the Prosperity Project to be done in a professional manner and according to industry standard.

*Resource Estimates*

**Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources**

This section uses the terms 'measured resources' and 'indicated resources'. The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted**

The mineral resources shown in Table 10 include the mineral reserves shown in Table 11. Resource estimates were based on a gold price of US$575/oz, a copper price of US$1.50/lb and an exchange rate of US$0.80 to Cdn$1.00.

**Table 10: Prosperity Mineral Resources**
**at 0.14% copper cut-off – September 2007**

| Category | Tonnes (millions) | Gold (g/t) | Copper (%) |
|---|---|---|---|
| Measured | 547.1 | 0.46 | 0.27 |
| Indicated | 463.4 | 0.34 | 0.21 |
| Total | 1,010.5 | 0.41 | 0.24 |

*Reserve Estimates*

**Cautionary Note to Investors Concerning Reserve Estimates**

The following mineral reserves have been estimated in accordance with NI 43-101, as required by Canadian securities regulatory authorities. For United States reporting purposes, SEC Industry Guide 7 under the Exchange Act, as interpreted by Staff of the SEC, applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in the SEC Industry Guide 7. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards. Accordingly, mineral reserve estimates contained in this AIF may not qualify as "reserves" under SEC standards. In addition, disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

**Table 11: Prosperity Mineral Reserves**
**at $5.25 NSR/tonne cut-off - September 2007**

| Category | Tonnes (millions) | Gold (g/t) | Copper (%) |
|---|---|---|---|
| Proven<br>Probable | 286<br>201 | 0.47<br>0.37 | 0.25<br>0.18 |
| Total | 487 | 0.43 | 0.22 |

*Mining Operations*

During 2008 detailed engineering was performed on the Prosperity Project in order to reduce capital and operating costs thereby counteracting the impact of then rapidly escalating costs being seen in projects worldwide. Engineering included a redesign of the plant site layout, concentrator, maintenance shop, primary crusher, camp/administration complex, miscellaneous infrastructure, and pit development. The revised designs improve energy and operations efficiency to minimize operating costs. Worldwide

pressure on costs and availability of infrastructure and equipment has softened substantially since the economic decline at the end of 2008 and the affects of these input parameters on the project are being evaluated.

*Financial Analysis*

The Prosperity Technical Report was prepared to quantify the Prosperity project's capital and operating cost parameters and to determine the project's likelihood of feasibility and optimal production rate. The capital and operating cost estimates that were used have been developed based on detailed capital cost to production level relationships.

The following are the principal risk factors and uncertainties which, in management's opinion, are likely to most directly affect the ultimate feasibility of the Prosperity project. The mineralized material at the Prosperity project is currently classified as a measured and indicated resource, and a portion of it qualifies under Canadian mining disclosure standards as a proven and probable reserve, but readers are cautioned that no part of the Prosperity project's mineralization is yet considered to be a reserve under US mining standards as all necessary mining permits would be required in order to classify the project's mineralized material as an economically exploitable reserve. Although final feasibility work has been done to confirm the mine design, mining methods and processing methods assumed in the Prosperity Technical Report, construction and operation of the mine and processing facilities depend on securing environmental and other permits on a timely basis. There can be no assurance that any other required permits can be secured or secured on a timely basis. Although costs, including design, procurement, construction and on-going operating costs and metal recoveries have been established at a level of detail required for a Prosperity Technical Report, these could be materially different from those contained in the Prosperity Technical Report. There can be no assurance that these infrastructure facilities can be developed on a timely and cost-effective basis. Energy risks include the potential for significant increases in the cost of fuel and electricity. The Prosperity Technical Report assumes specified, long-term prices levels for gold and copper. The prices of these metals have historically been volatile, and the Company has no control of or influence on the prices, which are determined in international markets. There can be no assurance that the price of gold and copper will continue at current levels or that these prices will not decline below the prices assumed in the Prosperity Technical Report. Prices for gold and copper have been below the price ranges assumed in Prosperity Technical Report at times during the past ten years, and for extended periods of time. The project will require major financing, probably a combination of debt and equity financing. Although interest rates are at historically low levels, there can be no assurance that debt and/or equity financing will be available on acceptable terms. Other general risks include those ordinary to very large construction projects, including the general uncertainties inherent in engineering and construction cost, the need to comply with generally increasing environmental obligations, and accommodation of local and community concerns.

The highlights of the Prosperity Project are as follows:

- Located near existing infrastructure in south-central British Columbia;
- Pre-tax net present value of Cdn$260 million at 7.5% discount rate;
- Pre-tax internal rate of return of 12% with a 6 year payback from start of production;
- 20 year mine life at a milling rate of 70,000 tonnes/day;
- Life of mine strip ratio of 0.8:1;
- Total pre-production capital cost of Cdn$807 million;
- Operating cost of Cdn$6.26 per tonne milled over the life of mine; and
- Mine site production costs net of gold credits of US$0.43/lb Cu.

The development plan incorporates activities during a pre-production period of two years which include construction of the electricity transmission line; upgrading and extension of current road access and mine site clearing; site infrastructure, processing, and tailings starter dam construction; removal and storage of overburden; and pre-production waste development. The mine plan utilizes a large-scale conventional truck shovel open pit mining and milling operation. Following a one and a half year pre-strip period, total material moved over years 1 through 17 averages 146,000 tonnes/day at a strip ratio of 1.2:1. A declining net smelter return cut-off is applied to the mill feed, which defers lower grade ore for later processing. The lower grade ore is recovered from stockpile for the final three years of the mine plan. The life of mine strip ratio including processing of lower grade ore is 0.8:1. Ore has been scheduled to provide 25.5 million tonnes of ore to the primary crusher annually. Taseko has not had any discussions with smelters or other potential buyers at this stage as it would be premature to do so.

*Environmental Assessment*

The Ministry of Environment of British Columbia accepted Taseko's Environmental Assessment report as complete on March 13, 2009 and is moving forward under provisions of the Environmental Assessment Act with an Environmental Assessment Office ("EAO")-led review of this Project. The Canadian Environmental Assessment Agency ("CEAA") and the B.C. EAO are collaborating on their respective federal and provincial environmental assessment processes in a coordinated manner. The EA review is mandated by law to be completed 180 calendar days after the acceptance, date noted above. Federal and provincial government decisions on proceeding with the Project will be made following completion of the Environmental Assessment process.

**Non Material Projects**

**The Harmony Project**

Gibraltar Mines Ltd, a subsidiary of Taseko Mines Limited, acquired the Harmony gold project in October 2001 through a transaction with Continental Minerals Corporation (formerly Misty Mountain Gold Ltd.) for consideration of $2.23 million in cash and the issuance of preferred shares in Gibraltar's capital stock. Details of the exchange terms of these preferred shares can be found in the 2003 Annual Information Form filing by Taseko at www.sedar.com and in the notes to its December 31, 2008 audited financial statements.

As there has not been significant exploration or development conducted on the Harmony project for several years, due to historically low gold prices the Harmony Gold Property was written down to a nominal value in 2004.

*Location, Access and Infrastructure*

The Harmony project is located at latitude 53$^{o}$ 31' N and longitude 132$^{o}$ 13' W in the Skeena Mining Division, on Graham Island, Queen Charlotte Islands (also known as Haida Gwaii), on the north-western coast of British Columbia, Canada.

*Property Description*

The Harmony project comprises of 58 mineral claims and 177 square km.

*Exploration History*

Prospectors discovered mineralization at Harmony in 1970. The project claims were optioned by various companies during the period 1970 to 1975, which carried out geological mapping, geochemical surveys and minor drilling. Consolidated Cinola Mines Ltd. acquired the ground in 1977 and, with partners, carried out detailed drilling totalling 30,116 meters in 231 holes by 1984. In 1981, 465 meters of an underground drift and crosscuts were excavated for a metallurgical bulk sample. A 45 tonne per day pilot mill was established to treat about 5,200 tonnes of material and in 1982 a feasibility study for a 10,000-15,000 tonnes per day operation was completed. From 1986 to 1988, City Resources drilled 83 diamond drill holes and 64 reverse-circulation drill holes, totalling 13,356 meters, and completed 117.6 meters of underground development to obtain a bulk sample, conducted bench scale metallurgical testing, and developed open pit scenarios for the project. Barrack Gold of Australia acquired City Resources and the project in 1989, however Barrack subsequently was put into bankruptcy and City Resources was acquired in the early 1990's by a new group of investors who renamed the company to Misty Mountain Gold Ltd. From 1989 – 1999, additional drilling, metallurgical and engineering studies were carried out at the Harmony project.

*Geology and Mineralization*

The Harmony project hosts the Specogna epithermal gold deposit, controlled by the Sandspit fault. Dacite dykes of Tertiary age have intruded along the fault. Contemporaneous, pervasive silicification, hydrothermal brecciation, stockwork and banded quartz veining and gold mineralization have developed along the hanging wall of the fault. This extends for a strike distance of at least 800 meters, eastwards from the fault at least 200 meters and to a depth of at least 240 meters. Pyrite and marcasite are the dominant metallic minerals. Gold occurs as native gold and electrum, which are commonly visible. Silver is also present as an alloy with gold.

*Sampling and Analysis*

Details of sampling and analysis of drill cores are described in the 2004 Annual Information Form. Sample pulps are stored in the Company's warehouse at Port Kells, BC. Drill core is stored at site.

*Estimates of Mineralization*

**Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources**

This section uses the terms 'measured resources' and 'indicated resources'. The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted**

**Cautionary Note to Investors Concerning Estimates of Inferred Resources**

This section uses the term "inferred resources". We advise investors that while this term is recognized and required by Canadian regulations, the SEC does not recognize it. "Inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of economic studies, except in rare cases. Mineral resources that are not mineral reserves do not have demonstrated economic viability. None of the following mineralization has been demonstrated to be ore nor is considered to be a mineral reserve. **Investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable. See "Risk Factors".**

In 2001, measured and indicated resources were estimated by the Company based on various reports to be 64 million tonnes grading 1.53 grams Au/tonne, containing approximately 3 million ounces of gold. There were also inferred resources estimated of 21 million tonnes grading 1.04 grams Au/tonne. The estimates were done at a 0.60 grams Au/tonne cut-off.

*Aboriginal (or "First Nations") Issues*

The Queen Charlotte Islands-Haida Gwaii, including the area surrounding the Harmony Gold Project, is subject to aboriginal peoples' land claims. Aboriginal land claims are subject to the B.C. Treaty Commission Legislation and the B.C. Treaty Commission, both established in 1993.

*Plans for 2009*

In late 2007, after completion of the Queen Charlotte-Haida Gwaii Land and Resource Management Plan designated the area in which the Harmony project is located as a mineral development zone, Taseko initiated a review of the metallurgical flow sheet and prior mine development planning to establish further work programs. The Harmony project is being maintained in good standing but further technical work is being deferred pending an improvement in capital markets.

**The Aley Niobium Project**

*Property Acquisition*

In June 2007, Taseko acquired 100% of the Aley niobium project in northern British Columbia through the acquisition of all the issued and outstanding shares in the capital of a private company, for a total cash consideration of $1,500,000 and 894,730 common shares then valued at $2,970,000. Taseko purchased the residual net smelter royalty for a total cash consideration of $300,000 and the issuance of units having a value at the time of $835,200 (consisting of 240,000 common shares and 120,000 warrants). Each warrant is exercisable for one common share at $3.48 until June 4, 2009.

Niobium is a metal used in making high strength steels required in the manufacture of automobiles, bridges, pipes, jet turbines and other high technology applications. The metal is currently selling for $30/kg and the market is growing at 5-8% per year. Currently, the world supply is dominated by only two producers: CBMM, a Brazilian miner and Iamgold which operates the Niobec Mine in Quebec.

*Location, Access and Infrastructure*

The property is located in the Omineca Mining Division in British Columbia, Canada, centred at Latitude 56 degrees 27 minutes north and longitude 123 degrees 13 minutes west. Logging roads from Mackenzie, BC lead to the Ospika Logging Camp on the east side of Williston Lake. The property is located near the shore of the lake, about 30 km from the Ospika Camp and is currently accessed via helicopter.

*Property Description*

The Aley project consists of 13 contiguous claims that cover 5,668 hectares.

*Aley Project History*

A previous operator identified six zones from surface exploration, which included mapping, sampling and trenching. Twenty holes, totaling 3,058 meters were drilled in 1985-86. Of these, 16 were drilled in the Saddle, Saddle West and Central zones.

In 2004, another operator took samples from trenches for metallurgical testing. Approximately 1200 kilograms of material was collected from three sites – two in the Central zone and one from the Saddle zone. Sample analysis was done by Process Research Associates (PRA), and test work was similar to that developed for the Niobec mine in Quebec. The test work included de-sliming, magnetic separation, carbonate rougher flotation, niobium rougher and scavenger flotation, and the first and second niobium rougher and cleaner flotation stages. Enough work was completed to bench mark reagent use and operating conditions for unit processes. The preliminary work indicated that recoveries of approximately 65% were achievable.

*Geology*

The Aley project hosts an ovoid carbonatite complex, 4.4 km in diameter, that intruded Cambro-Ordovician sedimentary rocks in mid Mississippian time. Two major units – an outer quartz-albite syenite and an inner carbonatite core – define the complex. The syenite comprises massive units and breccias, and the carbonatite has both dolomite and calcite phases. Niobium (Nb) occurs in the mineral pyrochlore, as crystals that precipitated from the carbonatite magmas, and has also been altered to other niobium bearing minerals such as fersmite (Nb-oxide) and columbite (Fe-bearing Nb-Tantalum oxide). Niobium mineralization occurs in subvertical to moderately inclined bands that probably formed at the edges of the magma chamber, and which were elongated during intrusion into the sedimentary rocks.

Of the six known mineralized zones, the best results were derived from the Saddle, Saddle West (which appears to be an offshoot of the Saddle zone) and Central zones. The Saddle/Saddle West zone appears to be fersmite/pyrochlore rich whereas the Central zone hosts columbite mineralization associated with magnetite.

*Recent Exploration*

Taseko completed an initial exploration program on the Aley deposit in 2007 that included 11 diamond drill holes to check the results of the 1985-86 drilling program and to plan for the next phase of exploration work. No work was done on the Aley project in 2008 and the Aley project is being maintained in good standing. Further technical work has been deferred pending a recovery in the capital markets.

**Risk Factors**

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Taseko and could cause the Company's operating and financial performance to differ materially from the estimates described in forward-looking statements relating to the Company.

You should carefully consider the risk factors set out below along with the other matters set out in this AIF. The operations of the Company are speculative due to the high risk nature of its business which is the operation, exploration and development of mineral properties. The Company has identified the following non-exhaustive list of inherent risks and uncertainties that it considers to be relevant to its operations and business plans.

*Current Global Economic Conditions*

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, could impede the Company's access to capital or increase its cost of capital. Since 2007, the U.S. credit markets experienced serious disruption due to a deterioration in residential property values, defaults and delinquencies in the

residential mortgage market and a decline in the value and credit quality of mortgage-backed securities. Other adverse events include delinquencies in non-mortgage consumer credit and a general decline in consumer confidence. These conditions worsened in 2008 and are continuing in 2009, contributing to reduced confidence in credit and financial markets around the world and the collapse of, and governmental intervention in, major financial institutions. Asset price volatility and solvency concerns have increased, and there has been less liquidity, a widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various government actions, concerns about the general condition of the capital markets, financial instruments and financial institutions persist, and stock markets have declined substantially.

These market disruptions have had a significant material adverse impact on companies in many sectors of the economy and have limited their access to capital and credit. These disruptions could, among other things, make it more difficult for the Company to obtain, or increase the Company's cost of obtaining, financing for its operations. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on the Company's business, financial condition and results of operations.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If these factors continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be adversely affected.

The Company is also exposed to liquidity risks in meeting its operating and capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and on favourable terms. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares could be adversely affected.

*Volatility in Metals Prices*

The profitability of the Gibraltar Mine and the financial results, exploration, development and mining activities on the Company's other properties, are directly related and sensitive to the market price of copper, gold, molybdenum and other metals. Metal prices fluctuate widely and are affected by numerous factors beyond the Company's control, including global supply and demand, expectations with respect to the rate of inflation, the exchange rates of the United States dollar to other currencies, interest rates, forward selling by producers, production and cost levels in major producing regions, global or regional political, economic or financial situations and a number of other factors such as the sale or purchase of commodities by various commodity traders, production costs of major mineral producing countries and the cost of substitutes.

*Financing*

The Company has been successful at financing its projects and operations over the years. However, the Company's ability to continue its exploration, assessment, development and operational activities will depend on the resource industry generally, which is cyclical in nature, and which may, in turn, affect the Company's ability to attract financing, including joint venture financing, debt or bank financing, equity financing or production financing arrangements. Failure to obtain, or difficulty or delay in obtaining, requisite financing could result in delay of certain projects or postponement of further exploration, assessment or development of certain properties or projects. Financing through the issuance of equity will result in dilution of existing shareholders.

The Company has US$30,000,000 in convertible bonds that have a one-time “put” right to be redeemed at 100.6% by the bondholders in August 2009. If this “put” right is exercised and the obligation becomes due, there is no assurance that the Company will have sufficient cash flow from operations to repay the bonds. Should the Company be unable to repay the bonds when due, the Company will be required to renegotiate or refinance the bonds at terms which may be unfavourable to the Company.

*Taseko’s Prosperity Project Requires Environmental Assessment Review*

A feasibility study of the Prosperity Project was completed in September 2007, the results of which suggest the mineralization can be classified as mineral reserves, using long term metal price assumptions. However the Prosperity Project is currently under an environmental assessment review process which is a legal pre-requisite to obtain a mine development certificate. Failure to obtain such a certificate in a timely manner or at all will delay or even lead to abandonment of the Prosperity Project which would likely negatively affect the Company’s share price.

Furthermore, the feasibility assumes specified, long-term price levels for gold and copper. The prices of these metals have historically been volatile, and the Company has no control of or influence on its price, which is determined in international markets. There can be no assurance that the price of gold or copper will remain at current levels or that it will not decline below the prices assumed in the feasibility study.

The Prosperity Project will require substantial financing, including a possible combination of debt and equity financing. There can be no assurance that debt and/or equity financing will be available on acceptable terms. Other general risks include those typical of very large construction projects, including the general uncertainties inherent in engineering and construction costs, the need to comply with generally increasing environmental regulation, and accommodation of local and community concerns. The economics of the feasibility study are sensitive to the US Dollar and Canadian Dollar exchange rate, and this rate has been subject to large fluctuations in the last several years.

*Increased Costs Could Affect Profitability*

The cash cost of production is frequently subject to great variation from one year to the next due to a number of factors, such as changing strip ratios, ore grade, metallurgy, cost of supplies and services (for example, electricity and fuel) and the exchange rate of supplies and services denominated in foreign currencies. If these costs used in connection with the Company’s operations were to increase significantly, and remain at such levels for a substantial period, the Company’s cash flows from operations may be negatively affected. The Company prepares estimates of future production and unit cash costs of production for particular annually. No assurance can be given that such estimates will be achieved. Failure to achieve production or cost estimates or material increases in operating or capital costs could have adverse impact on the Company’s future cash flows, profitability, results of operations and financial condition.

*Taseko’s Harmony Project and Aley Project Contain No Known Reserves of Ore*

Although there are known bodies of mineralization on the Harmony and Aley Projects there are currently no known reserves or body of commercially viable ore and additional work is required before Taseko can ascertain if any mineralization may be economic. Exploration for minerals is a speculative venture necessarily involving substantial risk. If the expenditures Taseko makes on these properties do not result in discoveries of commercial quantities of ore, the exploration and acquisition expenditures will be written off and the value of Taseko stock could be negatively impacted. Under SEC reserve recognition rules, the Prosperity Project does not contain any reserves.

*Exchange Rate Risk*

The Company is subject to currency exchange rate risk because prices of copper and molybdenum are denominated in United States dollars and, accordingly, the Company's revenues will be received in United States dollars. The Company's expenses are almost entirely in Canadian dollars. The Company currently does not engage in foreign exchange hedging. Any strengthening in the Canadian dollar will negatively impact the profitability of the Company's mining operations.

*Uncertain Project Realization Values*

The Company annually undertakes a detailed review of the life-of-mine plans for its operating properties and an evaluation of the Company's portfolio of development projects, exploration projects and other assets. The recoverability of the Company's carrying values of its operating and development properties are assessed by comparing carrying values to estimated future net cash flows from each property.

Factors which may affect carrying values include, but are not limited to: copper, molybdenum and gold prices; capital cost estimates; mining, processing and other operating costs; grade and metallurgical characteristics of ore; and mine design and timing of production. In the event of a prolonged period of depressed copper prices, the Company may be required to take additional material write-downs of its operating and development properties.

*General Mining Risks*

Mining is an inherently risky business with large capital expenditures and cyclical metals markets. Factors beyond the control of Taseko will affect the marketability of any minerals discovered and mined. The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of ore are discovered at the Prosperity Project and the Harmony Project, a profitable market will exist for the sale of minerals produced by Taseko. Factors beyond the control of Taseko may affect the marketability of any substances discovered. Metal prices, in particular copper, molybdenum and gold prices, have fluctuated widely in recent years. Prices are determined in international markets over which the Company has no influence.

The operations of Taseko may require licenses and permits from various governmental authorities. There can be no assurances that Taseko will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and operations at its projects.

Although the Company maintains high environmental standards for all of its projects, there are almost always public concerns about new mining projects and any significant public opposition to the Prosperity Project will increase the likelihood that its development is delayed or prevented.

Taseko also competes with many companies possessing far greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees.

Typical mining risks are also that estimated reserves are not of the size or grade estimated, adverse geological or ground conditions can impact operations, adverse weather conditions, potential labour problems, and availability and cost of equipment procurement and repairs.

*Taseko's Share Price is Volatile*

In recent years, the market price of a publicly traded stock, especially a resource issuer like Taseko, has experienced a high level of price and volume volatility. Taseko shares have ranged between $0.36 and $20.00 in the last 18 years and between approximately $6.28 and $0.69 in the last three years.

The wide fluctuation in market prices of securities may not necessarily be related to the operating performance, underlying asset values or prospects of the Company. Other factors impacting share prices may include the strength of the economy, market perceptions of the attractiveness of particular industries, and the breadth of the public market for the stock. The price of securities of the Company is also likely to be significantly affected by short-term changes in commodity prices, other precious metal prices or other mineral prices, currency exchange fluctuation and the political environment. The effect of these and other factors on the market price of the common shares on the TSX and the NYSE Amex suggests Taseko's shares will continue to be volatile.

*Environmental Considerations*

An amount of $32.9 million (in 2005 dollars) was estimated for the existing reclamation liability related to the Gibraltar Mine, and this figure is not free from uncertainty. Mining always entails risks of spills, pollution, reclamation, and other liabilities and obligations, which like other mining companies, may adversely affect Taseko. If these challenges are not properly assessed or if rules become more onerous, Taseko could be materially adversely affected.

*Significant Potential Equity Dilution*

Taseko had 8,738,384 share purchase options in-the-money at March 27, 2009. In addition, Taseko shares potentially issuable on convertible bonds (8,955,244), warrants (9,085,714) and shares potentially issuable in 2011 on conversion of Gibraltar's class of Preferred Shares issued for the Harmony project as described under Item 7 below. All of the foregoing may likely act as an upside constraint on the trading price of Taseko's shares.

## ITEM 6. DIVIDENDS

The Company has paid no dividends in any of the three fiscal years ending December 31, 2008. The Company does not pay dividends and has no plans to do so in the foreseeable future.

## ITEM 7. DESCRIPTION OF CAPITAL STRUCTURE

Taseko's share capital consists of one class of no par value common shares.

**Common Shares**

There are unlimited common shares authorized and 153,187,116 common shares without par value were issued and outstanding as fully paid and non-assessable as of December 31, 2008. As of March 27, 2009, there were 153,187,116 common shares issued and outstanding as fully paid and non-assessable (181,190,772 fully diluted excluding Gibraltar Preferred Shares). The accompanying audited consolidated financial statements provide details of all share issuances effected by Taseko in the issue price per share since October 1, 2007.

There have been no changes in the classification of common shares (reclassifications, consolidations, reverse splits or the like) within the previous five years. All common shares of Taseko rank *pari passu* (i.e. equally) for the payment of any dividends and distributions in the event of a windup.

There are no constraints imposed on the foreign ownership of securities of Taseko.

To the knowledge of the Company, Taseko's debt securities have not received any ratings from any rating organization.

**Gibraltar Tracking Preferred Shares (Exchangeable for Taseko Common Shares)**

In 2002, Gibraltar Mines Ltd., Taseko's primary subsidiary, issued 12,483,916 series "A" non-voting tracking preferred shares ("Gibraltar Preferred Shares") which are convertible into Taseko common shares by no later than 2011. These shares were issued to Continental Minerals Corporation (previously named Misty Mountain Gold Limited) as part of the Company's acquisition of the Harmony Gold Property. All of Gibraltar's common shares are owned by Taseko.

The Gibraltar Preferred Shares are designed to track and capture the value of the Harmony Gold Property and will be redeemed for common shares of Taseko upon a realization event, such as a sale to a third party or commercial production at the Harmony Gold Property, or at the option of Gibraltar, if a realization event has not occurred within ten years (2011). The tracking preferred shares are redeemable at specified prices per common share of Taseko starting at $3.39 and escalating by $0.25 per year, currently at $5.14 (as of December 31, 2008). If a realization event does not occur on or before October 16, 2011, Gibraltar is required to redeem the Gibraltar preferred shares for Taseko common shares at a deemed price equal to the greater of the average 20 day trading price of the common shares of Taseko and $10.00. The Taseko common shares to be issued to Continental upon a realization event will in turn be distributed pro-rata, after adjustment for any taxes, to the holders of redeemable preferred shares of Continental that were issued to Continental shareholders at the time of the Arrangement Agreement.

**Convertible Bonds**

On August 29, 2006, the Company issued U.S. $30,000,000 7.125% Convertible Bonds ("Bonds"), which mature in 2011. The material agreements related to the Bonds (all dated August 29, 2006) are the Trust Deed between Taseko and The Law Debenture Corporation PLC (the "Trustee") governing the Bonds, and the Paying and Conversion Agency Agreement between Taseko and Citibank N.A. and the Trustee governing the payment of interest and convertibility of the Bonds .

The Bonds are convertible into the Company's common shares. The Bonds constitute direct, unsubordinated, unsecured, general and unconditional obligations of the Company. The Bonds were issued at 100% and, if not converted, will be redeemed at maturity at 101%. The Bonds carry a coupon interest rate of 7.125% per annum. The Bonds have a "put" right in August 2009 to be redeemed at 100.6%, accordingly, the Bonds have been classified as current liabilities as at December 31, 2008. However, the Company has not received any indication from the holders of the Bonds with regards to their intention to exercise the "put" right to date.

The Bonds are convertible at the holder's option after 40 days from issuance until August 19, 2011 at a conversion price of US$3.35, or up to 8,955,224 common shares of the Company, which was a premium of approximately 40% over the trading price of the Company's shares at the time of closing of the Bond issuance. At any time after September 12, 2008, the Company will have the right to call for the conversion of the Bonds into the number of shares as set out above, so long as the Company's shares

trade at least 50% above the conversion price for at least 20 business days in any period of 30 consecutive business days (see “Material Contracts” – Item 15).

## ITEM 8. MARKET FOR SECURITIES

The following table shows the high and low trading prices and average daily trading volume of the common shares of Taseko on the Toronto Stock Exchange (TSX) for the periods listed.

| | High (Cdn$) | Low (Cdn$) | Average Daily Trading Volume |
|---|---|---|---|
| **Monthly** | | | |
| March 2009 (to March 27) | 1.79 | 0.96 | 513,300 |
| Feb-09 | 1.25 | 0.94 | 212,000 |
| Jan-09 | 1.37 | 0.75 | 253,600 |
| Dec-08 | 0.97 | 0.66 | 335,800 |
| Nov-08 | 1.38 | 0.8 | 373,400 |
| Oct-08 | 2.09 | 0.75 | 740,900 |
| Sep-08 | 3.15 | 1.81 | 550,800 |
| Aug-08 | 3.85 | 2.78 | 392,900 |
| Jul-08 | 5.16 | 3.61 | 202,900 |
| Jun-08 | 5.53 | 4.54 | 339,800 |
| May-08 | 5.55 | 4.57 | 232,600 |
| Apr-08 | 5.86 | 5.03 | 253,500 |
| Mar-08 | 6.31 | 4.6 | 705,600 |
| Feb-08 | 5.38 | 3.5 | 593,200 |
| Jan-08 | 5.25 | 3.54 | 330,700 |
| Dec-07 | 5.36 | 4.23 | 297,400 |
| Nov-07 | 5.73 | 4.35 | 342,300 |
| Oct-07 | 6.1 | 4.87 | 621,000 |

The following table shows the high and low trading prices and average daily trading volume of the common shares of Taseko on the NYSE Amex for the periods listed.

| | High (USD$) | Low (USD$) | Average Daily Trading Volume |
|---|---|---|---|
| **Monthly** | | | |
| March 2009 (to March 27) | 1.45 | 0.75 | 1,109,100 |
| Feb-09 | 1.06 | 0.75 | 694,000 |
| Jan-09 | 1.17 | 0.59 | 1,158,400 |
| Dec-08 | 0.79 | 0.55 | 914,000 |
| Nov-08 | 1.19 | 0.62 | 862,700 |
| Oct-08 | 2.00 | 0.54 | 1,320,700 |
| Sep-08 | 2.96 | 1.74 | 1,229,700 |
| Aug-08 | 3.79 | 2.61 | 1,408,300 |
| Jul-08 | 5.13 | 3.51 | 1,000,600 |
| Jun-08 | 5.46 | 4.46 | 1,043,100 |
| May-08 | 5.54 | 4.64 | 1,434,300 |
| Apr-08 | 5.78 | 4.90 | 1,947,800 |
| Mar-08 | 6.40 | 4.74 | 2,672,500 |

| | High (USD$) | Low (USD$) | Average Daily Trading Volume |
|---|---|---|---|
| Feb-08 | 5.49 | 3.45 | 1,920,800 |
| Jan-08 | 5.29 | 3.39 | 992,900 |
| Dec-07 | 5.32 | 4.20 | 1,079,400 |
| Nov-07 | 6.20 | 4.34 | 1,389,300 |
| Oct-07 | 6.27 | 5.03 | 1,521,300 |

## ITEM 9. ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON ESCROW

There are no shares of Taseko held in escrow or subject to contractual restrictions on transfer.

## ITEM 10. DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and senior officers of the Company, their principal occupations during the past five years, and the period of time they have served as directors or officers of Taseko are as follows. Except where indicated, each director and senior officer of Taseko has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years.

| Name, Position and Country of Residence | Period a Director and/or Officer of Taseko |
|---|---|
| William Armstrong, Director<br>North Vancouver, British Columbia | Since May 2006 |
| Brian Battison, Vice President Corporate Affairs<br>Tsawassen, British Columbia | Since September 2007 |
| David J. Copeland, Director<br>Vancouver, British Columbia | Since March 1994 |
| T. Barry Coughlan, Director<br>Vancouver, British Columbia | Since February 2001 |
| Scott D. Cousens, Director<br>Vancouver, British Columbia | Since December 1995 |
| Robert A. Dickinson, Director<br>Lions Bay, British Columbia | Since January 1991 |
| David Elliott, Director<br>Vancouver, British Columbia | Since July 2004 |
| Russell E. Hallbauer, President, Chief Executive Officer and Director<br>West Vancouver, British Columbia | Since July 2005 |
| Scott Jones, Vice President, Engineering<br>North Vancouver, British Columbia | Since December 2007 |
| Wayne Kirk, Director<br>Orcas, WA , USA | Since July 2004 |
| Peter Mitchell, Chief Financial Officer<br>West Vancouver, British Columbia | Since September 2008 |

| Name, Position and Country of Residence | Period a Director and/or Officer of Taseko |
|---|---|
| John W. McManus, Senior Vice President, Operations<br>West Vancouver, British Columbia | Since October 2005 |
| Ronald W. Thiessen, Chairman of the Board and Director<br>West Vancouver, British Columbia | Since October 1993 |
| Trevor Thomas, Secretary<br>Vancouver, British Columbia | Since July 2008 |

At the annual general meeting held in March 2008, all directors listed above were re-elected to a term of office expiring at the next annual general meeting of Taseko, which is currently scheduled for June 2009. Some of the directors serve together on a number of boards of other publicly listed companies. Jeffrey Mason resigned from the position as Chief Financial Officer and Secretary of the Company on June 30, 2008 and retired from the Board of Directors on July 14, 2008. Trevor Thomas was appointed Secretary or the Company as of July 18, 2008. Peter Mitchell was appointed Chief Financial Officer of the Company as of September 15, 2008.

Although the directors oversee the management of Taseko's affairs, a cost sharing arrangement exists between a number of the public resource companies on which several of the directors serve pursuant to a corporate services agreement with Hunter Dickinson Services Inc. ("HDSI") dated June 1, 2008. HDSI is a private company owned equally by several public companies including Taseko. HDSI provides executive, engineering, geological and administrative services to, and incurs costs on behalf of, these companies and allocates the full costs to them (see Item 15).

All officers have a term of office lasting until their removal or replacement by the Board of Directors however there are certain services agreements in place with respect to these persons which will affect any termination of services. The President and CEO is currently employed by HDSI and provides services to the Company under the terms of the corporate services agreement (see "Material Contracts").

**Principal Occupations and Other Information about Taseko's Directors and Management**

**WILLIAM P. ARMSTRONG, P.Eng. – Director**

Mr. Armstrong earned his Bachelors and Masters degrees in Geological Engineering from the University of British Columbia and has more than 45 years experience in the mining industry. He recently retired from Teck Cominco Ltd., where he was General Manager, Resource Evaluations, and responsible for the evaluation of potential acquisitions and divestitures. He was also responsible for the Teck Cominco's mineral reserves and resources. During his career with Cominco Ltd., and Teck Cominco Ltd., Mr. Armstrong has been involved in feasibility studies, construction and operation of a large number of mines, including coal deposits, underground and open pit base metal mines and precious metal mines.

Mr. Armstrong is, or was within the past five years, an officer and/or director of the following public companies:

| Company | Positions Held | From | To |
|---|---|---|---|
| Taseko Mines Limited | Director | June 2006 | Present |
| Hansa Resources Limited | Director | August 2008 | Present |

**BRIAN BATTISON – Vice President, Corporate Affairs**

Brian Battison is responsible for all matters relating to corporate and public affairs, including government and community relations, First Nations liaison, sustainability and economic and social responsibility. Mr. Battison is a public affairs specialist with over 25 years of practical experience in policy development, issue management and communication in both the private and public sectors. He has been a senior political and policy advisor for the government of British Columbia, served as Interim President & CEO of the Mining Association of BC and spent more than a decade operating a private full service communications consulting firm specializing in strategic planning, program development, implementation and evaluation in the areas of mining and resource development, electrical energy, and health care.

**DAVID J. COPELAND, P.Eng. – Director**

David Copeland is a geological engineer who graduated in economic geology from the University of British Columbia. With over 30 years of experience, Mr. Copeland has undertaken assignments in a variety of capacities in mine exploration, discovery and development throughout the South Pacific, Africa, South America and North America. His principal occupation is President and Director of CEC Engineering Ltd., a consulting engineering firm that directs and co-ordinates advanced technical programs for exploration on behalf of Taseko and other companies for which Hunter Dickinson Services Inc. provides services. He is also a director of Hunter Dickinson Services Inc.

Mr. Copeland is, or was within the past five years, an officer and/or director of the following public companies:

| **Company** | **Positions Held** | **From** | **To** |
|---|---|---|---|
| Taseko Mines Limited | Director | March 1994 | Present |
| Amarc Resources Ltd. | Director | September 1995 | Present |
| Anooraq Resources Corporation | Director | September 1996 | September 2004 |
| Continental Minerals Corporation | Director | November 1995 | Present |
| | President and Chief Executive Officer | January 2008 | Present |
| Farallon Resources Ltd. | Director | December 1995 | Present |
| Great Basin Gold Ltd. | Director | February 1994 | March 2008 |
| Northern Dynasty Minerals Ltd. | Director | June 1996 | Present |
| Rockwell Diamonds Inc. | Director | September 2006 | Present |
| | Chief Executive Officer | September 2006 | September 2007 |
| | Chairman | September 2007 | Present |

**T. BARRY COUGHLAN, BA – Director**

Barry Coughlan is a self-employed businessman and financier who over the past 23 years has been involved in the financing of publicly traded companies. His principal occupation is President and Director of TBC Investments Ltd., a private investment company.

Mr. Coughlan is, or was within the past five years, an officer and or a director of the following companies:

| Company | Positions Held | From | To |
|---|---|---|---|
| Taseko Mines Limited | Director | February 2001 | Present |
| Amarc Resources Ltd. | Director | February 2009 | Present |
| Continental Minerals Corporation | Director | May 2006 | December 2006 |
| Farallon Resources Ltd. | Director | March 1998 | Present |
| Great Basin Gold Ltd. | Director | February 1998 | Present |
| Icon Industries Ltd. | President, CEO and Director | September 1991 | Present |
| Quartz Mountain Resources Ltd. | Director | January 2005 | Present |
| Tri-Gold Resources Corp. (formerly Tri-Alpha Investments Ltd.) | President and Director | June 1986 | Present |
| AMS Homecare Inc. | Director | November 2001 | November 2004 |

**SCOTT D. COUSENS – Director**

Scott Cousens provides management, technical and financial services to a number of publicly traded companies. Mr. Cousens' focus since 1991 has been the development of relationships within the international investment community. Substantial financings and subsequent corporate success has established strong ties with North American, European and Asian investors.

Mr. Cousens is, or was within the past five years, an officer and/or director of the following public companies:

| Company | Positions Held | From | To |
|---|---|---|---|
| Taseko Mines Limited | Director | October 1992 | Present |
| Amarc Resources Ltd. | Director | September 1995 | Present |
| Anooraq Resources Corporation | Director | September 1996 | Present |
| Continental Minerals Corporation | Director | June 1994 | Present |
| Farallon Resources Ltd. | Director | December 1995 | April 2007 |
| Great Basin Gold Ltd. | Director | March 1993 | November 2006 |
| Northern Dynasty Minerals Ltd. | Director | June 1996 | Present |
| Rockwell Diamonds Inc. | Director | November 2000 | November 2008 |

**ROBERT A. DICKINSON, B.Sc., M.Sc. – Director**

Robert Dickinson is an economic geologist who serves as a member of management of several mineral exploration companies, primarily those for which Hunter Dickinson Inc. provides services. He holds a Bachelor of Science degree (Hons. Geology) and a Master of Science degree (Business Administration - Finance) from the University of British Columbia. Mr. Dickinson has also been active in mineral exploration over 40 years. He is a director of Hunter Dickinson Inc. He is also President and Director of United Mineral Services Ltd., a private investment company.

Mr. Dickinson is, or was within the past five years, an officer and/or director of the following public companies:

| Company | Positions Held | From | To |
|---|---|---|---|
| Taseko Mines Limited | Director | January 1991 | Present |
| | Chairman | April 2004 | July 2005 |
| | Co-Chairman | July 2005 | May 2006 |
| Amarc Resources Ltd. | Director | April 1993 | Present |
| | Co-Chairman | September 2000 | April 2004 |
| | Chairman | April 2004 | Present |
| Anooraq Resources Corporation | Director | November 1990 | September 2004 |
| | Director | October 2004 | Present |
| | Chairman | April 2004 | September 2004 |
| | Co-Chairman | October 2004 | Present |
| Continental Minerals Corporation | Director | June 2004 | Present |
| | Chairman | June 2004 | January 2006 |
| | Co-Chairman | January 2006 | December 2006 |
| Detour Gold Corporation | Director | August 2006 | February 2009 |
| Farallon Resources Ltd. | Director | July 1991 | April 2007 |
| | Chairman | April 2004 | September 2004 |
| | Co-Chairman | September 2004 | April 2006 |
| Great Basin Gold Ltd. | Director | May 1986 | November 2006 |
| | Co-Chairman | September 2000 | April 2004 |
| | Chairman | April 2004 | December 2005 |
| | Co-Chairman | December 2005 | November 2006 |
| Northern Dynasty Minerals Ltd. | Director | June 1994 | Present |
| | Co-Chairman | November 2001 | April 2004 |
| | Chairman | April 2004 | Present |
| Rockwell Diamonds Inc. | Director | November 2000 | September 2006 |
| | Chairman | November 2000 | September 2006 |

**DAVID ELLIOTT, B.Comm., ICD.D, FCA – Director**

David Elliott graduated from the University of British Columbia with a Bachelor of Commerce degree and then acquired a Chartered Accountant designation. In 2006, he became a certified director with the Institute of Corporate Directors. Mr. Elliott joined BC Sugar Company in 1976, working in a number of senior positions before becoming President and Chief Operating Officer of the operating subsidiary, Rogers Sugar. In 1997, he joined Lantic Sugar in Toronto as Executive Vice President. He also served as Chairman of the Canadian Sugar Institute. He became President and Chief Operating Officer of the International Group based in St Louis, Missouri in 1999, a company involved with food distribution as well as manufacturing and distribution of pet and animal feed. For several years, he worked with companies developing e-mail and data management services. Currently, Mr. Elliott is a director and audit committee chairman of Northern Dynasty Minerals Ltd., Taseko Mines Limited, Anooraq Resources Corporation and Great Basin Gold Ltd.

Mr. Elliott is, or was within the past five years, an officer and/or director of the following public companies:

| Company | Positions Held | From | To |
|---|---|---|---|
| Taseko Mines Limited | Director | July 2004 | Present |
| Anooraq Resources Corporation | Director | April 2005 | Present |
| Great Basin Gold Ltd. | Director | July 2004 | Present |
| Northern Dynasty Minerals Ltd. | Director | July 2004 | Present |
| StorageFlow Systems Corp. | President | May 2002 | June 2004 |

**RUSSELL E. HALLBAUER, P.Eng. – President, Chief Executive Officer and Director**

Mr. Hallbauer graduated from the Colorado School of Mines with a B.Sc. in Mining Engineering in 1979. He is a Registered Professional Engineer with the Association of Professional Engineers of British Columbia. He has been a member of the Canadian Institute of Mining and Metallurgy since 1975 and is a director and former chairman of the Mining Association of B.C.

In 1983, he joined Teck Corporation's Bullmoose mine, advancing through Engineering and Supervisory positions to become Mine Superintendent in 1987, and in 1992, became General Manager of Quintette. In 1995, he assumed new responsibilities in Vancouver when he was appointed General Manager, Coal Operations, overseeing Teck's three operating coal mines in British Columbia. In 2002, he was appointed General Manager, Base Metal Joint Ventures, responsible for Teck Cominco's interests in Highland Valley Copper, Antamina in Peru, and Louvicourt in Quebec.

Mr. Hallbauer is, or was within the past five years, an officer and/or director of the following public companies:

| Company | Positions Held | From | To |
|---|---|---|---|
| Taseko Mines Limited | Director, President and Chief Executive Officer | July 2005 | Present |
| Northern Dynasty Minerals Ltd. | Director | April 2008 | Present |

**SCOTT JONES, P.Eng. – Vice President, Engineering**

Scott Jones has 25 years of experience in the mining industry, most recently as a Senior Mining Engineer for Teck Cominco where he was involved in property valuation and feasibility studies. He has also held various senior positions in both underground and open pit operations for Teck Cominco and at Barrick Gold's Hemlo Operations. He has a B.Sc. in Mine Engineering from McGill University.

**WAYNE KIRK, LLB – Director**

Mr. Kirk is a citizen of the United States and is a resident of the state of Washington. A Harvard University graduate, Mr. Kirk received his law degree in 1968. From 1992 to 2001 Mr. Kirk was the Vice President, General Counsel and Corporate Secretary of Homestake Mining Company. Prior to his retirement in June 2004 he spent two years as Special Counsel for the law firm, Thelen Reid & Priest, in San Francisco.

Mr. Kirk is, or was within the past five years, an officer and/or director of the following public companies:

| Company | Positions Held | From | To |
|---|---|---|---|
| Taseko Mines Limited | Director | July 2004 | Present |
| Anooraq Resources Corporation | Director | July 2005 | Present |
| Gabriel Resources Ltd. | Director | June 2008 | Present |
| Great Basin Gold Ltd. | Director | July 2004 | Present |
| Northern Dynasty Minerals Ltd. | Director | July 2004 | Present |

**PETER MITCHELL, CA – Chief Financial Officer**

Peter Mitchell is a Chartered Accountant with degrees in Economics (BA) and Business Administration (MBA) from the University of British Columbia. He has extensive experience with private equity portfolio companies through acquisitions, integrations and greenfield initiatives and financing activities.

Mr. Mitchell is, or was within the past five years, an officer and or director of the following public companies:

| Company | Positions Held | From | To |
|---|---|---|---|
| Taseko Mines Limited | Chief Financial Officer | September 2008 | Present |

**JOHN W. McMANUS, P.Eng. – Senior Vice President, Operations**

John W. McManus holds a Bachelor of Science degree in mining engineering from the Colorado School of Mines and a Technologist Diploma in Mining from the British Columbia Institute of Technology.

Mr. McManus has worked in the mining industry in British Columbia for 25 years where he has gained experience in mine operations, mine engineering and environmental management. Most recently, he was the General Manager, Coal Mountain Operations at Elk Valley Coal Corporation. Prior to that, Mr. McManus was the Mine Manager at Teck Cominco's coal mining joint venture Bullmoose operation, General Superintendent at the Elkview coal mine and Superintendent of Engineering at the Quintette operation. His past experience also includes five years working in operations and engineering at the Highland Valley and Lornex copper mines and three years working in gold exploration in Yukon, British Columbia, and California.

Mr. McManus is, or was within the past five years, an officer and or director of the following public companies:

| Company | Positions Held | From | To |
|---|---|---|---|
| Taseko Mines Limited | Vice President, Operations | October 2005 | December 2007 |
| | Senior Vice President, Operations | December 2007 | Present |

**RONALD W. THIESSEN, CA – Chairman of the Board and Director**

Ronald Thiessen is a Chartered Accountant with professional experience in finance, taxation, mergers, acquisitions and re-organizations. Since 1986, Mr. Thiessen has been involved in the acquisition and financing of mining and mineral exploration companies. Mr. Thiessen is employed by Hunter Dickinson Inc., a company providing management and administrative services to several publicly-traded companies and focuses on directing corporate development and financing activities. He is also a director of Hunter Dickinson Inc.

Mr. Thiessen is, or was within the past five years, an officer and/or director of the following public companies:

| **Company** | **Positions Held** | **From** | **To** |
|---|---|---|---|
| Taseko Mines Limited | Director | October 1993 | Present |
| | President and Chief Executive Officer | September 2000 | July 2005 |
| | Co-Chairman | July 2005 | May 2006 |
| | Chairman | May 2006 | Present |
| Amarc Resources Ltd. | Director | September 1995 | Present |
| | President and Chief Executive Officer | September 2000 | Present |
| Anooraq Resources Corporation | Director | April 1996 | Present |
| | President and Chief | September 2000 | August 2007 |
| | Executive Officer | | |
| Continental Minerals Corporation | Director | November 1995 | Present |
| | President and Chief Executive Officer | September 2000 | January 2006 |
| | Co-Chairman | January 2006 | Present |
| Detour Gold Corporation | Director and Chairman | August 2006 | Present |
| Farallon Resources Ltd. | Director | August 1994 | Present |
| | President and Chief Executive Officer | September 2000 | September 2004 |
| | Co-Chairman | September 2004 | December 2005 |
| | Chairman | December 2005 | Present |
| Great Basin Gold Ltd. | Director | October 1993 | Present |
| | President and Chief Executive Officer | September 2000 | December 2005 |
| | Co-Chairman | December 2005 | November 2006 |
| | Chairman | November 2006 | Present |

| Company | Positions Held | From | To |
|---|---|---|---|
| Northern Dynasty Minerals Ltd. | Director | November 1995 | Present |
| | President and Chief Executive Officer | November 2001 | Present |
| Rockwell Diamonds Inc. | Director | November 2000 | September 2007 |
| | President and Chief Executive Officer | November 2000 | September 2006 |
| | Chairman | September 2006 | September 2007 |
| Tri-Gold Resources Corp. | Director | July 1992 | December 2006 |

**TREVOR THOMAS, LLB – Secretary**

Trevor Thomas has practiced in the areas of corporate commercial, corporate finance, securities and mining law since 1995, both in private practice environment as well as in house positions and is currently in-house counsel for Hunter Dickinson Inc. Prior to joining Hunter Dickinson Inc., he served as in house legal counsel with Placer Dome Inc.

| Company | Positions Held | From | To |
|---|---|---|---|
| Taseko Mines Limited | Secretary | August 2008 | Present |
| Amarc Resources Ltd. | Secretary | February 2008 | Present |
| Anooraq Resources Corporation | Assistant Secretary | November 2007 | Present |
| Continental Minerals Corporation | Secretary | February 2008 | Present |
| Farallon Resources Ltd. | Secretary | December 2007 | Present |
| Northern Dynasty Minerals Ltd. | Secretary | February 2008 | Present |
| Rockwell Diamonds Inc. | Secretary | February 2008 | Present |

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or officer of Taseko is as of the date of this AIF, or has been within the 10 years before the date of this AIF, a director or officer of any company that while that person was acting in that capacity, was the subject of a cease trade order, penalties, sanctions or bankruptcy, during the time the individual was a director or within a one year period thereafter, or was a director or officer of a company during the time in which an event occurred which led to a cease trade order, penalties, sanctions or bankruptcy subsequent to the individual ceasing to act as a director or officer.

**Potential For Conflicts of Interest**

Several Directors of Taseko also serve as directors of one or more other resource companies involved in mineral exploration and/or development. It may occur from time to time that as a consequence of his activity in the mineral industry and serving on such other boards that a Director may become aware of potential resource property opportunities which are of interest to more than one of the companies on whose boards that person serves. Furthermore, it is possible that the Directors of Taseko and the directors of one or more such other companies (many of which are described in this Item 10) may also agree to allow joint participation on Taseko's properties or the properties of that other company. Accordingly, situations may arise in the ordinary course which involve a Director in an actual or potential conflict of

interest as well as issues in connection with the general obligation of a director to make corporate opportunities available to the company on which the director serves. In all such events, any director who might have a disclosable financial interest in a contract or transaction by virtue of office, employment or securityholdings or other such interest in another company or in a property interest under consideration by the Taseko Board, would be obliged to abstain from voting as a Taseko Director in respect of any transaction involving that other company(s) or in respect of any property in which an interest is held by him. The Directors will use their best business judgment to help avoid situations where conflicts or corporate opportunity issues might arise and they must at all times fulfill their duties to act honestly and in the best interests of Taseko.

## ITEM 11. PROMOTERS

Not applicable.

## ITEM 12. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Taseko is currently involved in a proceeding against the current owner of the Boliden debenture, NVI, in respect of damages owing from certain tax liabilities in connection with the terms of the 1999 acquisition agreements in the amount of approximately $3.5 million (see “Gibraltar Mine History”).

In April of 2006, Gibraltar obtained a permit under the *Environmental Management Act* to release water from its tailings impoundment into the Fraser River. That Permit is currently the subject of an appeal to the Environmental Appeal Board by an aboriginal group in the Williams Lake area. That appeal is presently partly completed, with five days of evidence having been heard in Williams Lake in December 2006, and a further eight to ten days of evidence in January 2007. While the Respondent to the appeal is the Director under the *Environmental Management Act*, Gibraltar has participated in the appeal as an affected party. Although the outcome of litigation can never be predicted with certainty, the assessment of management is that it is most likely that the permit will be upheld. If the permit were not upheld then the assessment of management is that the most likely result would be that Gibraltar’s ability to discharge the water would be delayed for a period of time, rather than never being able to discharge water at all.

Taseko’s subsidiary Gibraltar has initiated an arbitration against its previous concentrate buyer claiming that the buyer is not acting reasonably in connection with adjustment amounts owing to Gibraltar. It is Gibraltar’s position that some payment time accommodation for the approximately $20 million amounts due to the buyer is warranted under a good faith negotiation clause in the concentrate sale agreement due to the precipitous collapse of copper prices in late 2008. The amounts due have been accrued on Gibraltar’s books and what is primarily in dispute is the timing of the payment obligation.

## ITEM 13. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors or senior officers of the Company, nor any person who has held such a position since the beginning of the last completed financial year end of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any material transaction of the Company other than as set out herein.

Hunter Dickinson Services Inc. (“HDSI”) is a private company owned equally by several public companies, one of which is Taseko. HDI has certain directors in common with the Company and provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company and its subsidiaries on a full cost recovery basis pursuant to an agreement dated December 31, 1996. A member of the Company’s senior management is employed by HDSI rather than by Taseko directly.

## ITEM 14. TRANSFER AGENT AND REGISTRAR

The Company’s registrar and transfer agent is Computershare Trust Company of Canada, located in Vancouver, BC.

## ITEM 15. MATERIAL CONTRACTS

Taseko’s material contracts are as follows:

(a) Red Mile Royalty Sale Agreements dated September 29, 2004 (see “Description of Business – The Gibraltar Mine - Red Mile Royalty Sale Agreements”):

i) Royalty Agreement among, *inter alia*, Gibraltar and Wilshire (GP) No. 2 Corporation, in its own capacity and in its capacity as general partner on behalf of all the limited partners of Red Mile Resources No. 2 Limited Partnership (“Red Mile”), pursuant to which Gibraltar sold to Red Mile a royalty (the “Royalty Interest”) for $67,357,000 (the “Purchase Price”);

ii) Call Option Agreement among, *inter alia*, 688888 B.C. Ltd. (“688888”), a wholly-owned subsidiary of Taseko, and Red Mile Resources Inc., in its capacity as general partner on behalf of all of the partners of Red Mile Resources Fund Limited Partnership (“RMRF”), pursuant to which 688888 has an option to, directly or indirectly, re-acquire the Royalty Interest by acquiring from Red Mile the Royalty Interest or from RMRF all of the limited partnership units of Red Mile held by RMRF;

iii) Funding Pledge Agreement among, *inter alia*, Alberta Capital Trust Corporation (“Alberta Trust”) and Gibraltar, pursuant to which the Purchase Price was invested in a promissory note with Alberta Trust, and Gibraltar pledged the promissory note, along with interest earned and to be earned thereon, to secure its obligations under the Funding Pledge Agreement; and

iv) Pledge, Priorities and Direction Agreement, pursuant to which Gibraltar is entitled to have released to it funds held under a promissory note, and interest thereon, to fund its royalty obligations under the Royalty Agreement to the extent of its royalty payment obligations;

(b) U.S. $30,000,000 7.125% Convertible Notes due 2011 issued by the Company on August 29, 2006 (the “Notes”) (see “Description of Capital Structure - Convertible Bonds”):

i) Placement Agreement dated August 25, 2006 between the Company and Bayerische Hypo – Und Vereinsbank AG (the “Bookrunner”), pursuant to which the Bookrunner agrees to procure subscribers for the Notes;

ii) Trust Deed dated August 29, 2006 between the Company and The Law Debenture Trust Corporation P.L.C. (the "Trustee"), which governs the Notes; and

iii) Paying and Conversion Agency Agreement dated August 25, 2006 among the Company, Citibank N.A. and the Trustee, which governs the payment of interest and convertibility of the Notes;

(c) Corporate Services Agreement dated June 1, 2008 between Hunter Dickinson Inc. ("HD Services") and the Company, pursuant to which HD Services agreed to provide technical, geological, corporate communications, administrative and management services to the Company; and

(d) Copper Concentrate Agreement dated April 17, 2008 between Gibraltar and MRI Trading AG ("MRI"), pursuant to which Gibraltar sells copper concentrate to MRI (see "Description of Business - The Gibraltar Mine" – "Mining Operations" – "Contracts and Markets").

The Company also has copper and molybdenum concentrate sales agreements and various operating agreements in place, which are in the ordinary course of business.

## ITEM 16. INTERESTS OF EXPERTS

The following is a list of the persons or companies named as having prepared or certified a statement, report or valuation, in this AIF either directly or in a document incorporated by reference and whose profession or business gives authority to the statement, report or valuation made by the person or company:

(a) The Company's independent auditors are KPMG LLP, Chartered Accountants, who have issued an independent auditors' report dated March 27, 2009 in respect of the Company's consolidated financial statements as at December 31, 2008 and for the fiscal year (15 months) ended December 31, 2008 and the Company's internal control over financial reporting as at December 31, 2008;

(b) Scott Jones, P. Eng. authored the "Technical Report on the 105 Million Ton Increase in Mineral Reserves at the Gibraltar Mine" dated January 23, 2009; and

(c) Scott Jones, P. Eng. authored the "Technical Report, Executive Summary Feasibility Study of the Prosperity Gold – Copper Project" dated October 15, 2007.

To our knowledge, none of these entities or individuals holds, directly or indirectly, more than 1% of our issued and outstanding common shares.

Based on information provided by the relevant persons, and except as otherwise disclosed in this AIF, none of the persons or companies referred to above has received or will receive any direct or indirect interests in our property or the property of an associated party or an affiliate of ours or have any beneficial ownership, direct or indirect, of our securities or of an associated party or an affiliate of ours

## ITEM 17. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, indebtedness of officers, executive stock options and interests of management and others in material transactions, where

applicable, is contained in annual financial statements, proxy circulars and interim financial statements available at the SEDAR internet web site (www.sedar.com).

The following documents can be obtained upon request from Taseko's Shareholder Communication Department by calling (778) 373-4533:

(i) this Annual Information Form, together with any document incorporated herein by reference;

(ii) the Annual Report of the Company and any interim financial statements filed with Securities Commissions subsequent to the audited financial statements for the Company's most recently completed financial year; and

(iii) the Proxy Circular for the 2008 annual general meeting of the Company.

The Company may require the payment of a reasonable charge from persons, other than security holders of the Company, requesting copies of these documents.

## ITEM 18. DISCLOSURE FOR COMPANIES NOT SENDING INFORMATION CIRCULARS

Not applicable.

## ITEM 19. CONTROLS AND PROCEDURES

**Internal Controls over Financial Reporting Procedures**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and the board of directors regarding the preparation and fair presentation of published financial statements. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of internal control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that internal control over financial reporting was effective as of December 31, 2008 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

There have been no significant changes in internal controls over financial reporting during the fiscal period ended December 31, 2008 that could have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

**Disclosure Controls and Procedures**

Disclosure controls and procedures are those controls and procedures that are designed to ensure that the information required to be disclosed in the filings under applicable securities regulations is recorded, processed, summarized and reported within the time periods specified. As at December 31, 2008, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

There have been no significant changes in the Company's disclosure controls and procedures during the fiscal period ended December 31, 2008 that could have materially affected or are reasonably likely to materially affect the Company's disclosure controls and procedures.

## ITEM 20. AUDIT COMMITTEE

**Audit Committee Charter and Composition of Audit Committee**

The Audit Committee has adopted a charter that sets out its mandate and responsibilities, and is attached to this AIF as Appendix A.

The Audit Committee, consisting of David Elliott, Wayne Kirk and William Armstrong, reviews all financial statements of the Company prior to their publication, reviews audits, considers the adequacy of audit procedures, recommends the appointment of independent auditors, reviews and approves the professional services to be rendered by them and reviews fees for audit services. The charter has set criteria for membership which all members of the Audit Committee are required to meet consistent with National Instrument 52-110 *Audit Committees* and other applicable regulatory requirements. The Audit Committee, as needed, meets separately (without management present) with the Company's auditors to discuss the various aspects of the Company's financial statements and the independent audit.

Each Audit Committee member is an independent director and is financially literate. Mr. Elliott, the Audit Committee's chairman, is a Chartered Accountant and hence a financial expert.

**Relevant Education and Experience**

Disclosure respecting the education and experience of the Committee is provided in their biographies above. As a result of their education and experience, each member of the audit committee has familiarity with, an understanding of, or experience in:

- the accounting principles used by the Company to prepare its financial statements, and the ability to assess the general application of those principles in connection with estimates, accruals and reserves;

- reviewing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, and
- an understanding of internal controls and procedures for financial reporting.

**Reliance on Certain Exemptions**

The Company's auditors, KPMG LLP, have not provided any material non-audit services.

**Pre-Approval Policies and Procedures for Non-Audit Services**

The audit committee has adopted specific policies and procedures for the engagement of non-audit services.

**Code Of Ethics**

The Company has adopted a code of ethics that applies to all personnel of the Company. A copy of the Code of Ethics, which is included as a part of the Company's Governance Policies and Procedures Manual, is available on the Company's website at www.tasekomines.com.

**Principal Accountant Fees and Services**

The following table discloses the aggregate fees billed for each of the last two fiscal years for professional services rendered by the Company's audit firm for various services.

| Services: | | Fiscal year (15 months) ended December 31, 2008 | | Year ended September 30, 2007 |
|---|---|---|---|---|
| Audit Fees | $ | 526,750 | $ | 399,102 |
| Audit-Related Fees(1) | | | | 5,550 |
| Tax Fees | | | | - |
| All Other Fees | | - | | - |
| | $ | 526,750 | $ | 404,652 |

Note:

(1) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

Management of the Company requests approval from the audit committee for all audit and non-audit services to be provided by the Company's auditors. The audit committee pre-approves all such services with set maximum dollar amounts for each itemized service. During such deliberations, the audit committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated under Canadian independence standards and by the US Securities and Exchange Commission, and whether the services requested and the fees related to such services could impair the independence of the auditors.

## ITEM 21. OFF BALANCE SHEET ARRANGEMENTS

None.

**APPENDIX A**

**AUDIT COMMITTEE CHARTER**

**1. Purpose: Responsibilities and Authority**

The Committee shall carry out its responsibilities under applicable laws, regulations and stock exchange requirements with respect to the employment, compensation and oversight of the Company's independent auditor, and other matters under the authority of the Committee. The Committee also shall assist the Board of Directors in carrying out its oversight responsibilities relating to the Company's financial, accounting and reporting processes, the Company's system of internal accounting and financial controls, the Company's compliance with related legal and regulatory requirements, and the fairness of transactions between the Company and related parties. In furtherance of this purpose, the Committee shall have the following responsibilities and authority:

(a) ***Relationship with Independent Auditors.***

(i) Subject to the law of British Columbia as to the role of the Shareholders in the appointment of independent auditors, the Committee shall have the sole authority to appoint or replace the independent auditor.

(ii) The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.

(iii) The independent auditor shall report directly to the Committee.

(iv) The Committee shall approve in advance all audit and permitted non-audit services with the independent auditors, including the terms of the engagements and the fees payable. The Committee may delegate to a subcommittee the authority to grant pre-approvals of audit and permitted non-audit services, provided that the decision of any such subcommittee shall be presented to the full Committee at its next scheduled meeting.

(v) At least annually, the Committee shall review and evaluate the experience and qualifications of the lead partner and senior members of the independent auditor team.

(vi) At least annually, the Committee shall obtain and review a report from the independent auditor regarding:

(A) the independent auditor's internal quality-control procedures;

(B) any material issues raised by the most recent internal quality-control review, or peer review, of the auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;

(C) any steps taken to deal with any such issues; and

(D) all relationships between the independent auditor and the Company.

(vii) At least annually, the Committee shall evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.

(viii) The Committee shall ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit, the concurring partner responsible for reviewing the audit, and other audit partners as required by law.

(ix) The Committee shall consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm on a regular basis.

(x) The Committee shall recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account or participated in any capacity in the audit of the Company.

(b) ***Financial Statement and Disclosure Review.***

(i) The Committee shall review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be filed with applicable securities regulatory authorities and included in the Company's annual reports.

(ii) The Committee shall review and discuss with management (and, to the extent the Committee deems it necessary or appropriate, the independent auditor) the Company's quarterly financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether such financial statements should be filed with applicable securities regulatory authorities.

(iii) The Committee shall review and discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the independent auditor's assessment of the quality of the Company's accounting principles, any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.

(iv) At least annually and prior to the publication of annual audited financial statements, the Committee shall review and discuss with management and the independent auditor a report from the independent auditor on:

(A) all critical accounting policies and practices used by the Company;

(B) all alternative accounting treatments of financial information that have been discussed with management since the prior report, ramifications of the use of such alternative disclosures and treatments, the treatment preferred by the independent auditor, and an explanation of why the independent auditor's preferred method was not adopted; and.

(C) other material written communications between the independent auditor and management since the prior report, such as any management letter or schedule of unadjusted differences, the development, selection and disclosure of critical accounting estimates, and analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements.

(v) Prior to their filing or issuance, the Committee shall review the Company's Annual Information Form/Annual Report to the SEC, quarterly and annual earnings press releases, and other financial press releases, including the use of "pro forma" or "adjusted" non-GAAP information.

(vi) The Committee shall review and discuss with management the financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be specific or it may be in general regarding the types of information to be disclosed and the types of presentations to be made.

( c ) ***Conduct of the Annual Audit***. The Committee shall oversee the annual audit, and in the course of such oversight the Committee shall have the following responsibilities and authority:

(i) The Committee shall meet with the independent auditor prior to the audit to discuss the planning and conduct of the annual audit, and shall meet with the independent auditor as may be necessary or appropriate in connection with the audit.

(ii) The Committee shall ascertain that the independent auditor is registered and in good standing with the Canadian Public Accounting Board and the Public Company Accounting Oversight Board and that the independent auditor satisfies all applicable Canadian independence standards, Independence Standards Board Standard No. 1, and SEC Regulation S-X, Section 2-01. The Committee shall obtain from the auditor a written statement delineating all relationships between the auditor and the Company as per ISB Standard 1, and review relationships that may impact the objectivity and independence of the auditor.

(iii) The Committee shall discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including

(A) the adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management;

(B) the management letter provided by the independent auditor and the Company's response to that letter; and

(C) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

(iv) The Committee shall obtain from the independent auditor assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934 and that, in the course of conducting the audit, the independent auditor has not

become aware of information indicating that an illegal act has or may have occurred or, if such an act may have occurred, that the independent auditor has taken all action required by Section 10A(b) of the Securities Exchange Act of 1934.

(v) The Committee shall make such inquiries to the management and the independent auditor as they deem necessary or appropriate to satisfy themselves regarding the efficacy of the Company's financial and internal controls and procedures and the auditing process.

(d) ***Compliance and Oversight.***

(i) The Committee shall meet periodically with management and the independent auditor in separate executive sessions. The Committee may also, to the extent it deems necessary or appropriate, meet with the Company's investment bankers and financial analysts who follow the Company.

(ii) The Committee shall discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.

(iii) The Committee shall discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

(iv) At least annually and prior to the filing of the AIF/Annual Report to the SEC, the Committee shall review with management and the independent auditor the disclosure controls and procedures and confirm that the Company (with CEO and CFO participation) has evaluated the effectiveness of the design and operation of the controls within 90 days prior to the date of filing of the AIF/Annual Report to the SEC. The Committee also shall review with management and the independent auditor any deficiencies in the design and operation of internal controls and significant deficiencies or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls. As a part of that review, the Committee shall review the process followed in preparing and verifying the accuracy of the CEO and CFO annual certifications required to be included in the Annual Report to the SEC.

(v) At least annually and prior to the filing of the AIF/Annual Report to the SEC, the Committee shall review with management and the independent auditor management's internal control report and assessment of the internal controls and procedures, and the independent auditor's report on and assessment of the internal controls and procedures.

(vi) The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

(vii) The Committee shall discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or reports which raise material issues regarding the Company's financial statements or accounting policies.

(viii) At least annually, the Committee shall meet with the Company's legal counsel and discuss any legal matters that may have a material impact on the financial statements or the Company's compliance policies.

(ix) The Committee shall prepare all reports required under applicable laws, regulations and stock exchange requirements.

(e) ***Related Party Transactions.***

(i) The Committee shall review for fairness to the Company proposed transactions, contracts and other arrangements between the Company and its subsidiaries and any related party or affiliate, and make recommendations to the Board whether any such transactions, contracts and other arrangements should be approved or continued. The foregoing shall not include any compensation payable pursuant to any plan, program, contract or arrangement subject to the authority of the Company's Compensation Committee.

(ii) As used herein the term "related party" means any officer or director of the Company or any subsidiary, or any shareholder holding a greater than 10% direct or indirect financial or voting interest in the Company, and the term "affiliate" means any person, whether acting alone or in concert with others, that has the power to exercise a controlling influence over the Company and its subsidiaries. "Related party" includes Hunter Dickinson Inc.

**2. Structure and Membership**

(a) **Number and qualification**. The Committee shall consist of three persons unless the Board should from time to time otherwise determine. All members of the Committee shall meet the experience and financial literacy requirements of National Instrument 52-110 *Audit Committees* and the rules of the Toronto Stock Exchange, and the NYSE AMEX Exchange. At least one member of the Committee shall be a "financial expert" as defined in Section 16.A of Form 20-F. The relevant portions of the foregoing, as of January 1, 2007, are attached to this Charter as exhibits.

(b) **Selection and Removal**. Members of the Committee shall be appointed by the Board, upon the recommendation of the Nominating and Corporate Governance Committee. The Board may remove members of the Committee at any time with or without cause.

(c) **Independence**. All of the members of the Committee shall be "independent" as required for audit committees by Multilateral Instrument NI 52-110, the rules of the Toronto Stock Exchange, the NYSE AMEX Exchange and SEC Rule 10A. The relevant portions of the foregoing, as of January 1, 2007, are attached to this Charter as exhibits.

(d) **Chair**. Unless the Board elects a Chair of the Committee, the Committee shall elect a Chair by majority vote.

(e) **Compensation**. The compensation of the Committee shall be as determined by the Board.

(f) **Term**. Members of the Committee shall be appointed for one-year terms. Each member shall serve until his or her replacement is appointed, or until he or she resigns or is removed from the Board or the Committee.

**3. Procedures and Administration**

(a) **Meetings**. The Committee shall meet as often as it deems necessary in order to perform its responsibilities, but not less than quarterly. The Committee shall keep minutes of its meetings and any other records as it deems appropriate.

(b) **Subcommittees**. The Committee may form and delegate authority to one or more subcommittees, consisting of at least one member, as it deems appropriate from time to time under the circumstances.

(c) **Reports to the Board**. The Committee shall report (orally or otherwise) regularly to the Board following meetings of the Committee with respect to such matters as are relevant to the Committee's discharge of its responsibilities, and shall report in writing on request of the Chairman of the Board.

(d) **Charter**. The Committee shall, at least annually, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval.

(e) **Independent Advisors**. The Committee shall have the authority to engage such independent legal and other advisors as it deems necessary or appropriate to carry out its responsibilities. Such independent advisors may be regular advisors to the Company. The Committee is empowered, without further action by the Board, to cause the Company to pay appropriate compensation to advisors engaged by the Committee.

(f) **Investigations**. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it deems appropriate, including the authority to request any Officer or other person to meet with the Committee and to access all Company records.

(g) **Annual Self-Evaluation**. The Committee shall evaluate its own performance at least annually.

**4. Additional Powers**

The Committee shall have such other duties as may be delegated from time to time by the Board of Directors.

**5. Limitation of Audit Committee's Role**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

**6. Audit Committee Member Independence and Financial Literacy Requirements**

**AUDIT COMMITTEE INDEPENDENCE REQUIREMENTS**

**Section 1.4 and 1.5 of NI 52-110**

Meaning of Independence:

1.4 Meaning of Independence

(1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

(2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;

(c) an individual who:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than $75,000 in

direct compensation from the issuer during any 12 month period within the last three years.

(4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because:

(a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or

(b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.

(5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

(6) For the purposes of clause (3)(f), direct compensation does not include:

(a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and

(b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

(7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

(8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

1.5 Additional Independence Requirements

(1) Despite any determination made under section 1.4, an individual who

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part- time chair or vice-chair of the board or any board committee; or

(b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with the issuer.

(2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by:

(a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

(3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

**NYSE AMEX Section 803A**

The definition of "independent director", as specified in Section 803A of the NYSE AMEX Company Guide, is set forth below:

"Independent director" means a person other than an officer or employee of the company. No director qualifies as independent unless the issuer's Board of Directors affirmatively determines that the director does not have a relationship that would interfere with the exercise of independent judgment. In addition to the requirements contained in this Section 803A, directors serving on the audit committee must also comply with the requirements set forth in Section 803B(2). The following is a non-exclusive list of persons who shall not be considered independent:

(a) a director who is, or during the past three years was, employed by the company, other than prior employment as an interim executive officer (provided the interim employment did not last longer then one year);

(b) a director who accepted or has an immediate family member who accepted any compensation from the company in excess of $120,000 during any period of twelve consecutive months within the three years preceding the determination of independence, other than the following:

(1) compensation for board or board committee service,

(2) payments arising solely from investments in the company's securities,

(3) compensation paid to an immediate family member who is an employee (other than an executive officer) of the company,

(4) compensation received for former service as an interim executive officer (provided the interim employment did not last longer than one year),

(5) benefits under a tax-qualified retirement plan,

(6) non-discretionary compensation,

(7) loans permitted under Section 13(k) of the Exchange Act,

(8) loans from a financial institution provided that the loans (i) were made in the ordinary course of business, (ii) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the general public, (iii) did not involve more than a normal degree of risk or other unfavorable factors, and (iv) were not otherwise subject to the specific disclosure requirements of SEC Regulation S-K, Item 404, or

(9) payments from a financial institution in connection with the deposit of funds or the financial institution acting in an agency capacity, provided such payments were (i) made in the ordinary course of business, (ii) made on substantially the same terms as those prevailing at the time for comparable transactions with the general public , and (iii) not otherwise subject to the disclosure requirements of SEC Regulation S-K, Item 404.

(c) a director who is an immediate family member of an individual who is, or at any time during the past three years was employed by the company as an executive officer;

(d) a director who is, or has an immediate family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the company made, or from which the company received, payments (other than those arising solely from investments in the company's securities or payments under non-discretionary charitable contribution matching programs) that exceed 5% of the organization's consolidated gross revenues for that year, or $200,000, whichever is more, in any of the most recent three fiscal years;

(e) a director who is, or has an immediate family member who is, employed as an executive officer of another entity where at any time during the most recent three fiscal years any of the issuer's executive officers served on the compensation committee of such other entity; or

(f) a director who is, or has an immediate family member who is, a current partner of the company's outside auditor, or was a partner or employee of the company's outside auditor who worked on the company's audit at any time during any of the past three years.

**Exchange Act Rule 10A-3**

In order to be considered independent for the purposes of Rule 10A-3, a director must meet the following independence standards. .

(i) Each member of the audit committee must be a member of the board of directors of the listed issuer, and must otherwise be independent.

(ii) In order to be considered to be independent, a member of an audit committee may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for

prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or

(B) Be an affiliated person of the issuer or any subsidiary thereof.

The following definitions apply to the determination of independence under Rule 10A-3:

(1)

(i) The term affiliate of, or a person affiliated with, a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

(ii) A person will be deemed not to be in control of a specified person for purposes of this section if the person:

(1) Is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting equity securities of the specified person; and

(2) Is not an executive officer of the specified person.

(iii) The following will be deemed to be affiliates:

(A) An executive officer of an affiliate;

(B) A director who also is an employee of an affiliate;

(C) A general partner of an affiliate; and

(D) A managing member of an affiliate.

(iv) For purposes of paragraph(1)(i) of this section, dual holding companies will not be deemed to be affiliates of or persons affiliated with each other by virtue of their dual holding company arrangements with each other, including where directors of one dual holding company are also directors of the other dual holding company, or where directors of one or both dual holding companies are also directors of the businesses jointly controlled, directly or indirectly, by the dual holding companies (and, in each case, receive only ordinary-course compensation for serving as a member of the board of directors, audit committee or any other board committee of the dual holding companies or any entity that is jointly controlled, directly or indirectly, by the dual holding companies).

(2) In the case of foreign private issuers with a two-tier board system, the term board of directors means the supervisory or non-management board.

(3) In the case of a listed issuer that is a limited partnership or limited liability company where such entity does not have a board of directors or equivalent body, the term board of directors means the board of directors of the managing general partner, managing member or equivalent body.

(4) The term control (including the terms controlling, controlled by and under common control with) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

(5) The term dual holding companies means two foreign private issuers that:

(i) Are organized in different national jurisdictions;

(ii) Collectively own and supervise the management of one or more businesses which are conducted as a single economic enterprise; and

(iii) Do not conduct any business other than collectively owning and supervising such businesses and activities reasonably incidental thereto.

(6) The term executive officer has the meaning set forth in § 240.3b -7.

(7) The term foreign private issuer has the meaning set forth in § 240.3b -4(c).

(8) The term indirect acceptance by a member of an audit committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a spouse, a minor child or stepchild or a child or stepchild sharing a home with the member or by an entity in which such member is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary of the issuer.

(9) The terms listed and listing refer to securities listed on a national securities exchange or listed in an automated inter-dealer quotation system of a national securities association or to issuers of such securities.

## AUDIT COMMITTEE FINANCIAL LITERACY REQUIREMENTS

**NI 52-110**

Section 3.1(4) states that each audit committee member must be financially literate.

Section 1.6 defines the meaning of financial literacy as follows:

“For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer’s financial statements.”

**NYSE AMEX Section 803B(2)(a)(iii)**

Each issuer must have an Audit Committee of at least three members, each of whom:

“is able to read and understand fundamental financial statements, including a company’s balance sheet, income statement, and cash flow statement. Additionally, each issuer must certify that it has, and will continue to have, at least one member of the audit committee who is financially sophisticated, in that he or she has past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including but not limited to being or having been a chief executive officer, chief financial officer, other senior officer with financial oversight responsibilities. A director who qualifies as an audit committee financial expert under Item 401(h) of Regulation S-K, Item 401(e) of Regulation S-B of the United States Securities Act of 1933 is presumed to qualify as financially sophisticated.”

**FORM 20-F DEFINITION OF FINANCIAL EXPERT**

For purposes of this Item, an audit committee financial expert means a person who has the following attributes:

i. An understanding of generally accepted accounting principles and financial statements;

ii. The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

iii. Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the small business issuer's financial statements, or experience actively supervising one or more persons engaged in such activities;

iv. An understanding of internal control over financial reporting; and

v. An understanding of audit committee functions.

A person shall have acquired such attributes through:

i. Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

ii. Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

iii. Experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

iv. Other relevant experience.



CONSOLIDATED FINANCIAL STATEMENTS

FISCAL PERIODS ENDED
DECEMBER 31, 2008, SEPTEMBER 30, 2007 and 2006

(Expressed in thousands of Canadian Dollars)

**KPMG LLP**
**Chartered Accountants**
PO Box 10426 777 Dunsmuir Street
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**AUDITORS' REPORT**

To the Shareholders of Taseko Mines Limited

We have audited the consolidated balance sheets of Taseko Mines Limited (the Company) as at December 31, 2008 and September 30, 2007 and the consolidated statements of operations and comprehensive income (loss), shareholders equity and cash flows for the fifteen month period ended December 31, 2008 and for the years ended September 30, 2007 and 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and September 30, 2007 and the results of its operations and its cash flows for the fifteen month period ended December 31, 2008 and for the years ended September 30, 2007 and 2006 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 27, 2009

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of Taseko Mines Limited

We have audited Taseko Mine Limiteds ("the Company") internal control over financial reporting as of December 31, 2008 based on the criteria established in Internal ControlIntegrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2008 and September 30, 2007, and the related consolidated statements of operations and comprehensive income (loss), shareholders equity and cash flows for the fifteen month period ended December 31, 2008 and for the years ended September 30, 2007 and 2006, and our report dated March 27, 2009expressed an unqualified opinion on those consolidatedfinancial statements.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 27, 2009

## TASEKO MINES LIMITED

**Consolidated Balance Sheets**
(Expressed in thousands of Canadian Dollars)

| | December 31 2008 (note 2) | September 30 2007 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and equivalents | $ 4,587 | $ 37,636 |
| Restricted cash (note 11) | 4,400 | – |
| Marketable securities and investments (note 7) | 3,138 | 18,542 |
| Accounts receivable | 4,606 | 12,021 |
| Advances to a related party (note 12) | – | 807 |
| Inventory (note 5) | 20,340 | 18,058 |
| Prepaid expenses | 329 | 1,069 |
| Advances for equipment (note 20(a)) | 499 | – |
| Current portion of promissory note (note 9(d)) | 3,384 | 2,086 |
| | 41,283 | 90,219 |
| **Restricted cash** (note 11) | – | 4,400 |
| **Advances for equipment** (note 20(a)) | 5,882 | – |
| **Reclamation deposits** (note 15) | 32,396 | 33,396 |
| **Promissory note** (note 9(d)) | 73,684 | 72,350 |
| **Mineral property interests, plant and equipment** (note 10) | 325,000 | 176,898 |
| | **$ 478,245** | **$ 377,263** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Bank indebtedness (note 13) | $ 5,737 | $ – |
| Accounts payable and accrued liabilities | 53,036 | 30,435 |
| Amounts due to a related party (note 12) | 1,772 | – |
| Convertible debt (note 14) | 35,219 | – |
| Current portion of lease liability (note 16) | 3,324 | – |
| Current portion of deferred revenue (note 9(d)) | 175 | 175 |
| Current portion of royalty obligation (note 9(d)) | 3,384 | 2,086 |
| Income taxes payable | 937 | 6,573 |
| Current portion of future income taxes (note 18) | 8,469 | 5,320 |
| | 112,053 | 44,589 |
| **Income taxes** (note 18) | 30,685 | 24,645 |
| **Royalty obligation** (note 9(d)) | 60,973 | 63,330 |
| **Deferred revenue** (note 9(d)) | 831 | 1,050 |
| **Convertible debt** (note 14) | – | 41,008 |
| **Capital leases** (note 16) | 13,100 | – |
| **Site closure and reclamation obligation** (note 15) | 10,366 | 17,441 |
| **Future income taxes** (note 18) | 15,330 | 21,540 |
| | 243,338 | 213,603 |
| **Shareholders' equity** | | |
| Share capital (note 17) | 285,690 | 205,040 |
| Equity component of convertible debt (note 14) | 3,832 | 13,655 |
| Tracking preferred shares (note 8) | 26,642 | 26,642 |
| Contributed surplus | 14,561 | 8,633 |
| Accumulated other comprehensive income (loss) | (6,680) | 2,338 |
| Deficit | (89,138) | (92,648) |
| | 234,907 | 163,660 |
| Continuing operations and going concern (note 1) | | |
| Commitments (note 20) | | |
| Subsequent events (notes 15 and 21) | | |
| | **$ 478,245** | **$ 377,263** |

*See accompanying notes to consolidated financial statements.*

**Approved by the Board of Directors**

*/s/ Russell E. Hallbauer*
Russell E. Hallbauer
Director

*/s/ Ronald W. Thiessen*
Ronald W. Thiessen
Director

## TASEKO MINES LIMITED

**Consolidated Statements of Operations and Comprehensive Income (Loss)**
(Expressed in thousands of Canadian Dollars, except per share amounts)

| | Fifteen Months Ended December 31, 2008 | Year Ended September 30, 2007 | Year Ended September 30, 2006 |
|---|---|---|---|
| **Revenue** | | | |
| Copper | $ 209,784 | $ 199,872 | $ 140,341 |
| Molybdenum | 21,894 | 18,554 | 21,559 |
| | 231,678 | 218,426 | 161,900 |
| **Cost of sales** | (196,261) | (109,533) | (103,628) |
| **Depletion, depreciation and amortization** | (7,363) | (3,155) | (3,412) |
| **Operating profit** | 28,054 | 105,738 | 54,860 |
| | | | |
| **Expenses (income)** | | | |
| Accretion of reclamation obligation (note 15) | 1,451 | 1,777 | 1,732 |
| Asset retirement obligation change of estimates (note 15) | (6,917) | (4,570) | – |
| Change in fair value of financial instruments (note 7) | 886 | 1,925 | – |
| Exploration | 11,864 | 8,967 | 3,544 |
| Foreign exchange loss (gain) | 4,032 | 233 | (289) |
| Gain on sale of marketable securities | (1,034) | (1,508) | – |
| General and administration | 11,896 | 6,501 | 5,286 |
| Interest accretion on convertible debt (note 14) | 2,938 | 2,922 | 1,280 |
| Interest and other income | (9,701) | (11,093) | (7,170) |
| Interest expense | 8,284 | 5,947 | 4,594 |
| Ledcor termination fee (note 9(a)) | – | – | 3,500 |
| Loss on extinguishment of capital leases | – | – | 240 |
| Stock-based compensation (17(c)) | 6,442 | 6,771 | 3,182 |
| | 30,141 | 17,872 | 15,899 |
| | | | |
| Earnings (loss) before income taxes | (2,087) | 87,866 | 38,961 |
| | | | |
| Current income tax expense (recovery) (note 18) | (2,151) | 3,959 | 4,397 |
| Future income tax expense (recovery) (note 18) | (3,446) | 35,645 | 1,648 |
| | | | |
| **Net earnings for the period** | $ 3,510 | $ 48,262 | $ 32,916 |
| | | | |
| Other comprehensive income (loss) | | | |
| Unrealized gain (loss) on available-for-sale reclamation deposit | 1,859 | (419) | – |
| Unrealized gain (loss) on available-for-sale marketable securities | (11,295) | 4,710 | – |
| Reclassification of realized gain on sale of marketable securities | (1,152) | (1,508) | – |
| Tax effect | 1,570 | (445) | – |
| **Other comprehensive income (loss)** | $ (9,018) | $ 2,338 | $ – |
| | | | |
| **Total comprehensive income (loss)** | $ (5,508) | $ 50,600 | $ 32,916 |
| | | | |
| **Earnings per share** | | | |
| Basic | $ 0.02 | $ 0.37 | $ 0.29 |
| Diluted | $ 0.02 | 0.36 | 0.26 |
| | | | |
| **Weighted average number of common shares outstanding** | | | |
| Basic | 142,062 | 129,218 | 113,554 |
| Diluted | 156,928 | 142,278 | 126,462 |

*See accompanying notes to consolidated financial statements.*

## TASEKO MINES LIMITED

**Consolidated Statements of Cash Flows**
(Expressed in thousands of Canadian Dollars)

| | Fifteen Months Ended December 31, 2008 | Year Ended September 30, 2007 | Year Ended September 30, 2006 |
|---|---|---|---|
| **Operating activities** | | | |
| Net earnings for the period | $ 3,510 | $ 48,262 | $ 32,916 |
| Items not involving cash | | | |
| Reclamation obligation change in estimate | (6,917) | (4,570) | – |
| Accretion of reclamation obligation | 1,451 | 1,777 | 1,732 |
| Depreciation, depletion and amortization | 7,363 | 3,155 | 3,412 |
| Interest accretion on convertible debt | 2,938 | 2,922 | 1,280 |
| Loss on extinguishment of capital leases | – | – | 240 |
| Stock-based compensation | 6,442 | 6,771 | 3,182 |
| Future income taxes | (3,446) | 35,645 | 1,648 |
| Unrealized foreign exchange loss (gain) | 6,334 | (3,307) | 49 |
| Loss (gain) on sale of marketable securities | (1,034) | (1,508) | – |
| Change in fair value of financial instruments | 886 | 1,925 | – |
| Changes in non-cash operating working capital | | | |
| Accounts receivable | 7,415 | (2,679) | (2,596) |
| Advances to a related party | 2,579 | (833) | 89 |
| Inventory | (2,282) | 6,160 | (3,344) |
| Prepaid expenses | 741 | 152 | 693 |
| Accrued interest income on promissory note | (2,632) | (1,270) | (4,311) |
| Accounts payable and accrued liabilities | 22,603 | 8,499 | 8,789 |
| Deferred revenue | (219) | (19,759) | 4,836 |
| Accrued interest recovery (expense) on royalty obligation | (1,060) | (1,371) | 1,463 |
| Income taxes | 2,358 | 6,175 | 5,399 |
| Site closure and reclamation expenditures | (183) | (167) | (71) |
| Cash provided by operating activities | 46,847 | 85,979 | 55,406 |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | (134,186) | (127,032) | (16,146) |
| Purchase of mineral property interest | – | (1,800) | – |
| Reclamation deposits | (109) | (20) | (13,000) |
| Funds released from reclamation deposits | 5,000 | – | – |
| Accrued interest income on reclamation deposits | (2,032) | (1,791) | (723) |
| Restricted cash | – | (4,400) | 5,000 |
| Investment in marketable securities | (254) | (21,564) | – |
| Proceeds from sale of marketable securities | 3,360 | 16,999 | – |
| Advance payments for equipment | (6,381) | – | – |
| Investment in convertible promissory note | – | – | (11,500) |
| Cash used for investing activities | (134,602) | (139,608) | (36,369) |
| **Financing activities** | | | |
| Proceeds from bank indebtedness | 5,737 | – | – |
| Principal repayments under capital lease obligation | – | – | (15,077) |
| Common shares issued for cash, net of issue costs | 53,599 | 1,857 | 31,893 |
| Capital lease payments | (1,061) | – | – |
| Convertible bonds issued, net of issue costs | – | – | 31,826 |
| Settlement of convertible debenture (note 14(b)) | (3,569) | – | – |
| Cash provided by financing activities | 54,706 | 1,857 | 48,642 |
| **Increase (decrease) in cash and equivalents** | (33,049) | (51,772) | 67,679 |
| Cash and equivalents, beginning of period | 37,636 | 89,408 | 21,729 |
| **Cash and equivalents, end of period** | **$ 4,587** | **$ 37,636** | **$ 89,408** |

**Suplemental cash flow disclosures (note 19)**

*See accompanying notes to consolidated financial statements.*

## TASEKO MINES LIMITED

**Consolidated Statements of Shareholders' Equity**

(Expressed in thousands of Canadian Dollars, except for per share and share amounts)

| | Fifteen Months Ended December 31, 2008 | | Year Ended September 30, 2007 | | Year ended September 30, 2006 | |
|---|---|---|---|---|---|---|
| **Common shares** | **Number of shares** | | **Number of shares** | | **Number of shares** | |
| Balance at beginning of the period | 130,580,538 | $ 205,040 | 128,388,175 | $ 197,592 | 103,457,316 | $ 160,830 |
| Share purchase options at $0.05 per share | – | – | – | – | 1,500,000 | 825 |
| Share purchase options at $1.15 per share | – | – | 409,833 | 471 | 451,833 | 520 |
| Share purchase options at $1.29 per share | – | – | 75,000 | 97 | 60,000 | 77 |
| Share purchase options at $1.36 per share | – | – | – | – | 1,970,000 | 2,679 |
| Share purchase options at $1.40 per share | – | – | – | – | 3,405,500 | 4,768 |
| Share purchase options at $1.50 per share | – | – | – | – | 10,000 | 15 |
| Share purchase options at $2.07 per share | 30,000 | 62 | 233,300 | 483 | 33,333 | 69 |
| Share purchase options at $2.18 per share | 145,500 | 317 | 244,000 | 532 | 7,500 | 16 |
| Share purchase options at $2.63 per share | – | – | 20,000 | 53 | – | – |
| Share purchase options at $2.68 per share | 7,500 | 20 | 27,500 | 74 | – | – |
| Share purchase options at $3.07 per share | 78,500 | 241 | 48,000 | 147 | – | – |
| Share purchase options at $4.09 per share | 3,600 | 15 | – | – | – | – |
| Share purchase options at $4.50 per share | 5,000 | 23 | – | – | – | – |
| Share purchase warrants at $0.40 per share | – | – | – | – | 375,000 | 150 |
| Share purchase warrants at $0.75 per share | – | – | – | – | 3,913,332 | 2,935 |
| Share purchase warrants at $1.40 per share | – | – | – | – | 8,000,000 | 11,200 |
| Share purchase warrants at $1.66 per share | – | – | – | – | 5,204,361 | 8,639 |
| Shares issued for the purchase of mineral property interest | – | – | 1,134,730 | 3,805 | – | – |
| Fair value of stock options allocated to shares issued on exercise | – | 514 | – | 1,786 | – | 4,869 |
| Shares issued for the purchase of royalty interest (note 9(f)) | 1,000,000 | 5,220 | – | – | – | – |
| Shares issued for debt conversion (note (14(b)) | 2,612,971 | 21,318 | – | – | – | – |
| Equity financings at $5.20 per share, net of issue costs (note (17(b)) | 9,637,792 | 46,945 | – | – | – | – |
| Equity financings at $0.70 per share, net of issue costs (note (17(b)) | 9,085,715 | 5,975 | – | – | – | – |
| Balance at end of the period | 153,187,116 | 285,690 | 130,580,538 | 205,040 | 128,388,175 | 197,592 |
| **Equity component of convertible debt** | | | | | | |
| Balance at beginning of the period | | 13,655 | | 13,655 | | 9,823 |
| Convertible debenture conversion adjustment (note 14(b)) | | (9,823) | | – | | 3,832 |
| Balance at end of the period | | 3,832 | | 13,655 | | 13,655 |
| **Tracking preferred shares** | | | | | | |
| Balance at beginning and end of the period | | 26,642 | | 26,642 | | 26,642 |
| **Contributed surplus** | | | | | | |
| Balance at beginning of the period | | 8,633 | | 3,648 | | 5,335 |
| Stock-based compensation | | 6,442 | | 6,771 | | 3,182 |
| Fair value of stock options allocated to shares issued on exercise | | (514) | | (1,786) | | (4,869) |
| Balance at end of the period | | 14,561 | | 8,633 | | 3,648 |
| **Accumulated other comprehensive income** | | | | | | |
| Balance at beginning of the period | | 2,338 | | – | | – |

| | | | |
|---|---|---|---|
| Unrealized gain (loss) on reclamation deposits | 1,859 | (419) | – |
| Unrealized gain (loss) on available-for-sale marketable securities | (11,295) | 4,710 | – |
| Reclassification of realized gain on sale of marketable securities | (1,152) | (1,508) | – |
| Tax effect | 1,570 | (445) | – |
| Balance at end of the period | (6,680) | 2,338 | – |
| | | | |
| **Deficit** | | | |
| Balance at beginning of the period | (92,648) | (140,603) | (173,519) |
| Adjustment to opening deficit | – | (307) | – |
| Net earnings for the period | 3,510 | 48,262 | 32,916 |
| Balance at end of the period | (89,138) | (92,648) | (140,603) |
| | | | |
| **TOTAL SHAREHOLDERS' EQUITY** | $ 234,907 | $ 163,660 | $ 100,934 |

*See accompanying notes to consolidated financial statements.*

## 1. CONTINUING OPERATIONS AND GOING CONCERN

Taseko Mines Limited ("Taseko" or the "Company") is a public company incorporated under the laws of the Province of British Columbia. At December 31, 2008, the Company's principal business activities related to the operations of the Gibraltar Copper Mine, and exploration on the surrounding properties as well as exploration on the Company's 100% owned Prosperity Gold- Copper Property, Harmony Gold Property and Aley Niobium Property. The Gibraltar property and the Prosperity property are located in south central British Columbia, Canada, near the city of Williams Lake. The Harmony property is located on Graham Island, Queen Charlotte Islands (also known as Haida Gwaii), British Columbia. The Aley Niobium property is located in north eastern British Columbia, near the city of Mackenzie.

The consolidated financial statements are prepared on the basis that the Company will continue as a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they come due. As at December 31, 2008, the Company had cash and equivalents of $4,587 and a working capital deficit of $70,770.

Deterioration of global economic conditions during the latter part of the 2008 calendar year resulted in a significant weakening of base metal prices and high volatility in the exchange traded commodity prices. As well as affecting the commodity price received on the Company's sales, the rapid decline in copper and molybdenum prices generated significant negative provisional pricing adjustments for sales in the final quarter of 2008, resulting in an increase in accrued liabilities as the price adjustment features are treated as embedded derivatives for accounting purposes and are marked-to-market at each period end. The Company has US$30,000 in convertible bonds (note 14) that have a "put" right to be redeemed at 100.6% by the Bondholders in August 2009. Due to this "put" right, the bonds have been accordingly classified as current liabilities as at December 31, 2008. Subsequent to year-end, the Company secured a US$30,000 36-month term facility agreement (note 21(b)) and announced a $25 million "bought-deal" equity financing (note 21(c)). The Company is also committed to equipment purchases in relation to its expansion activities at the Gibraltar Mine in the amount of $17,375 (note 20 (a)).

Although the Company has had a history of operating profit, recent economic events have also impacted the profitability of the Company's operations. The Company is monitoring all expenditures and implementing appropriate cash management strategies to ensure that it has adequate cash resources to fund identified commitments. The Company has implemented a new 24-month operational mine plan which will sustain current mill throughput while mining at a reduced strip ratio, resulting in reduced operating costs. Furthermore, certain expansion projects have been deferred until improvements occur in the credit and commodity markets. While there can be no assurances that the Company's plans to address the current economic events will be successful, management believes that there is sufficient funding through our current resources, credit facilities and cash flow from operations to continue as a going concern.

If the Company is unable to maintain profitable operations and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations and exploration activities or obtain financing at unfavorable terms. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

## 2. BASIS OF PRESENTATION

In September 2008, the Company's Board of Directors approved a resolution to change the Company's year end from September 30 to December 31. Accordingly, these financial statements are prepared as at December 31, 2008 and September 30, 2007 and for the fifteen months ended December 31, 2008 and the years ended September 30, 2007 and 2006.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and all of its subsidiaries. All material intercompany accounts and transactions have been eliminated.

## 3. SIGNIFICANT ACCOUNTING POLICIES

*(a)* *Cash and equivalents*

Cash and equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash. At December 31, 2008, of the $4,587 cash and equivalents held by the Company, $2,169 (US$1,756) were held in United States dollar denominated cash and equivalents (September 30, 2007 – $34,717 (US$34,898)). It excludes cash subject to restrictions under supplier guarantee arrangements (note 11).

*(b)* *Revenue recognition*

Revenue from the sales of metal in concentrate is recognized when persuasive evidence of a sales agreement exists, the title and risk is transferred to the customer, collection is reasonably assured, and the price is reasonably determinable. Revenue from the sales of metal may be subject to adjustment upon final settlement of shipment weights, assays and estimated metal prices. Adjustments to revenue for metal prices are recorded monthly and other adjustments are recorded on final settlement. Cash received in advance of meeting these revenue recognition criteria is recorded as deferred revenue.

Under the Company's concentrate sales contracts, final copper and molybdenum prices are set based on a specified future quotational period and the market metal price in that period. Typically, the quotational periods for copper are either one or four months after the date of arrival at the port of discharge and for molybdenum is one month after the month of shipment. Revenues are recorded under these contracts at the time title passes to the buyer and are based on the forward price for the expected settlement period. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on the average applicable price for a specified future period, and generally occurs from one to five months after shipment. The price adjustment features in the Company's receivables are treated as embedded derivatives for accounting purposes and as such, are marked-to-market through earnings from the date of sale through the date of final pricing.

*(c)*

*Inventory*

Concentrate inventory consists of metal in concentrate, ore-in-process and stockpiled ore. Concentrate inventory is valued based on the lower of average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation.

The costs of removing waste material in the process of mining ore, referred to as "stripping costs", are considered costs of the extracted minerals and recognized as a component of concentrate inventory to be recognized in cost of sales in the same period as the revenue from the sale of the concentrate inventory.

Materials and supplies inventory is valued at the lower of average cost and net realizable value.

Copper cathode inventory consists of finished goods in the form of copper cathode sheets. Copper cathode inventory is valued at the lower of average production cost and net realizable value.

*(d)*

*Financial Instruments*

All financial instruments, including derivatives, are included on the Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are recognized in the statements of operations or accumulated other comprehensive income, depending on the classification of the related instruments.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the asset or liability. All financial instruments are classified into one of the following categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings (loss).
- Available-for-sale financial assets are measured at fair value. Changes in fair value are included in other comprehensive income (loss) until the gain or loss is recognized in net earnings (loss).
- Held for trading financial instruments are measured at fair value. All changes in fair value are included in net earnings (loss) in the period in which they arise.
- All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. Changes in fair value are included in net earnings (loss) in the period in which they arise, except for cash flow hedge transactions which qualify for hedge accounting treatment in which case gains and losses are recognized in other comprehensive income (loss).

In accordance with this standard, the Company had classified its financial instruments as follows:

| Financial Instrument | Classification | Measurement |
|---|---|---|
| Cash and equivalents | Held for Trading | Fair Value |
| Restricted cash | Held for Trading | Fair Value |
| Marketable securities and investments (i) | Available for Sale | Fair Value |
| Amounts receivable | Loans and Receivables | Amortized cost |
| Advances to a related party | Loans and Receivables | Amortized cost |
| Reclamation deposits (ii) | Available for Sale | Fair Value |
| Promissory note (iii) | Loan and Receivable | Amortized cost |
| Bank indebtedness | Held for Trading | Fair Value |
| Accounts payable and accrued liabilities | Other Financial Liability | Amortized cost |
| Advances from a related party | Other Financial Liability | Amortized cost |
| Convertible debt (iv) | Other Financial Liability | Amortized cost |

i.) Marketable securities are classified as available-for-sale securities and are measured at fair market value with unrealized gains or losses recorded in comprehensive income (loss). At the time securities are sold or otherwise disposed of, gains or losses are included in net earnings (loss)

ii.) Reclamation deposits invested in government bonds and treasury bills are classified as available-for-sale securities and are carried at fair market value, with the unrealized gain or loss recorded in shareholders' equity as a component of other comprehensive income (loss). These amounts will be reclassified from accumulated other comprehensive income (loss) to net earnings (loss) when the investment is sold.

iii.) The Promissory note relating to the Red Mile Resources No. 2 Limited Partnership Agreement ("Red Mile") is classified as a loan and receivable.

iv.) The debt component of the Convertible bonds and debenture are classified as other financial liability and are measured at amortized cost.

v.) The Company's investment in a convertible promissory note of Continental Minerals Corporation ("Continental") contained an embedded derivative which was separated from the host contract and measured at fair value. Continental repaid this promissory note during fiscal 2007.

*(e)*

*Comprehensive Income (Loss)*

Comprehensive income (loss) is the change in the Company's shareholder equity that results from transactions and other events from other than the Company's shareholders and includes items that

would not normally be included in net earnings (loss), such as unrealized gains or losses on available-for-sale investments. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings (loss) to be presented in other "comprehensive income (loss)" until it is considered appropriate to recognize into net earnings (loss). This standard requires the presentation of comprehensive income (loss), and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. Accumulated other comprehensive income (loss) is presented as a category in shareholders' equity.

Accordingly, the Company reports a consolidated statement of operations and comprehensive income (loss) and includes the account "accumulated other comprehensive income (loss)" in the shareholders' equity section of the consolidated balance sheet.

*(f)*

*Plant and equipment*

Plant and equipment are stated at cost less accumulated amortization. Mining and milling assets are amortized using the units of production method based on tons mined and milled, respectively, divided by the estimated tonnage to be recovered in the mine plan. During the year, the Company extended the life of its Gibraltar mine. Consequently, the useful life over which the Company's mining and milling assets are depreciated has been extended to reflect their additional use from an extended mine life. Amortization for all other assets is calculated using the declining balance method at rates ranging from 10% to 50% per annum. Repairs and maintenance expenditures are charged to operations as incurred. Major improvements and replacements which extend the useful life of the asset are capitalized as incurred.

The costs of removing overburden material to access mineral reserve deposits, referred to as "stripping costs", are accounted for as variable production costs to be included in the cost of inventory produced, unless the overburden removal activity can be shown to be a betterment of the mineral property, in which case these costs are capitalized. Betterment occurs when the overburden removal activity provides access to additional sources of mineral deposit reserves that will be produced in future periods which would not have otherwise been accessible in the absence of the pre-stripping activity. These deferred costs are amortized using the units of production basis to cost of sales over the life of the mineral deposit reserves.

*(g)*

*Mineral property interests*

The Company capitalizes mineral property acquisition costs on a property-by-property basis. Exploration expenditures and option payments incurred prior to the determination of the feasibility of mining operations are charged to operations as incurred. Exploration expenditures incurred subsequent to the mining operations which do not increase production or extend the life of operations are expensed in the period incurred.

The Company capitalizes development expenditures which have (a) a probable future benefit which the Company can obtain, (b) result from a past transaction, and (c) occur on property controlled by the Company on mineralized ore bodies that have, or are determined to have as a result of these costs, economically mineable mineral reserves. Acquisition costs and development expenditures are amortized over the estimated life of the property, or written off to operations if

the property is abandoned, allowed to lapse, or if there is little prospect of further work being carried out by the Company.

Mineral property acquisition costs include the cash consideration and the fair market value of common shares issued for mineral property interests pursuant to the terms of the relevant agreement. Payments relating to a property acquired under an option or joint venture agreement, where such payments are made at the sole discretion of the Company, are recorded in the accounts upon payment.

Costs related to feasibility work and the development of processing technology are expensed as incurred. Costs incurred subsequent to the determination of the feasibility of the processing technology will be capitalized and amortized over the life of the related plant.

Administrative expenditures are expensed as incurred.

The amount presented for mineral property interests represents costs incurred to date and accumulated acquisition costs, less write-downs and accumulated amortization, and does not necessarily reflect present or future values.

*(h)*

*Site closure and reclamation costs*

The Company recognizes any statutory, contractual or other legal obligation related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for the accretion of the discount and any changes in the amount or timing of the underlying future cash flows. The asset retirement cost is amortized to operations over the life of the asset. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability, and the related asset retirement cost is capitalized as part of the carrying amount of the related long-lived asset. In the event the required decrease in the asset retirement cost is in excess of the carrying value, the excess amount is recorded as a change in estimate in the statement of operations.

*(i)*

*Impairment of long-lived assets*

Long-lived assets, including mineral property interests, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount and the fair value less costs to sell, and are no longer amortized.

The Company prepared cash flow forecasts for the Gibraltar mine and development projects using price assumptions reflecting prevailing commodity prices and analysts' consensus forecasts, current life-of-mine plans and forecast operating cost profiles. The analysis was based on a life of mine of 24 years, using long-term price assumptions of US$1.75 per pound of copper and US$12 per pound of molybdenum as well as a long-term foreign exchange of $1.23 CAD to $1 USD. No impairment was identified for the Gibraltar Mine and the Company's other exploration projects as at December 31, 2008.

Management estimates of mineral prices, recoverable reserves, and operating, capital and reclamation costs used in impairment tests are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the future that could adversely affect management's estimate of the net cash flow from its assets.

*(j)* *Share capital*

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted market price on the date of issue.

The proceeds, net of issue costs, from common shares issued pursuant to flow-through share financing agreements are credited to share capital and the tax benefits of these exploration expenditures are transferred to the purchaser of the shares.

*(k)* *Stock-based compensation*

The Company has a share option plan which is described in note 17(c). The Company records all stock-based payments using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period. The offset is credited to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

*(l)* *Income taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, generally using the substantively enacted or enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets also result from unused loss carry forwards, resource-related pools, and other deductions. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

*(m)*

*Functional currency and foreign currency translations*

The Company's functional currency is the Canadian dollar as the Canadian dollar is the currency of the primary economic environment in which the Company operates. While the Company receives its metal sales revenues in United States dollars, the majority of the Company's supplies, labor, and services are denominated in Canadian dollars. All of the business operations of the Company are located in Canada. A majority of the Company's financings are in Canadian dollars.

Foreign currency monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets, liabilities, revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of the transactions. Foreign exchange gains and losses are included in earnings.

For operations considered self-sustaining, of which the Company has none currently, foreign currency assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the fiscal period. The resulting foreign exchange gains and losses are accumulated in a separate component of shareholders' equity until there has been a realized reduction in the net investment in such operations.

*(n)*

*Earnings (loss) per common share*

Basic earnings (loss) per common share are based on the weighted average number of common shares outstanding during the period.

Diluted earnings (loss) per share is calculated using the treasury stock method, whereby all "in the money" options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the year. Dilution for convertible bonds and debentures is calculated on an if-converted basis.

*(o)*

*Variable interest entities*

The Company accounts for variable interest entities ("VIE") in accordance with Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG15"). AcG15 prescribes the application of consolidation principles for entities that meet the definition of a VIE. An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both.

*(p)*

*Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and

expenses during the reporting year. Significant areas requiring the use of management estimates relate to the impairment of mineral property interests and plant and equipment, the balances of reclamation liability, income taxes, valuation allowances for future income tax assets, rates for depletion, depreciation and amortization, the assumptions used in computing stock-based compensation, the fair value of the option to convert the debenture into common shares and future cash flows related thereto, receivables from sales of concentrate and valuation of concentrate inventory, and the determination of mineral reserves and mine life. Actual results could differ from these estimates.

*(q)* *Segment disclosures*

The Company operates in a single reportable operating segment, the exploration, development and operation of mineral property interests, within the geographic area of British Columbia, Canada.

*(r)* *Comparative figures*

Certain of the prior years' comparative figures have been reclassified to conform with the presentation adopted for the current year.

## 4. CHANGES IN ACCOUNTING POLICY

The Company adopted the following new accounting standards issued by the CICA relating to financial instruments. As required by the transitional provisions of these new standards, these new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

*(a)* *Accounting Changes (Section 1506)*

This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. As a result, changes in accounting policies are only permitted when required by a primary source of GAAP or when the change will result in more reliable and more relevant information. Changes in accounting estimates during the period resulting from the increase in the life of the Gibraltar mine are disclosed in notes 10 and 15.

*(b)* *Capital Disclosures (Section 1535)*

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any externally imposed capital requirements and, if it has not complied, the consequences of such non-compliance. These disclosures are presented in note 6(a).

*(c)* *Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)*

These standards replace CICA 3861, "*Financial Instruments – Disclosure and Presentation*". These new standards require entities to disclose quantitative and qualitative information that enable users to evaluate the significance of financial instruments on the Company's financial performance, and the nature and extent of risks arising from financial instruments to which the Company is exposed during the year and at the balance sheet date. In addition, disclosure is required of management's objectives, policies and procedures for managing these risks. These disclosures are presented in note 6(b) and (c).

*(d)*

*Inventories (Section 3031)*

This standard replaces the existing Section 3030 with the same title and harmonizes accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). This standard requires that inventories be measured at the lower of cost and net realizable value, and includes guidance on the determination of cost, including the allocation of overheads and other costs. The standard also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The Company adopted this standard during the current period and determined that there was no significant impact on the financial statements.

*(e)*

*Going Concern – Amendments to Section 1400*

CICA Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Company has assessed its ability to continue as a going concern and concluded that it will be able to continue as a going concern (note 1).

**New Accounting Standards Not Yet Adopted**

*(f) International Financial Reporting Standards ("IFRS")*

The Canadian Accounting Standards Board ("AcSB") has announced its decision to replace Canadian generally accepted accounting principles (“Canadian GAAP”) with International Financial Reporting Standards ("IFRS") for all Canadian publicly-listed companies. The AcSB announced that the changeover date will commence for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company to changeover to IFRS will be January 1, 2011. Therefore, the IFRS adoption will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is currently in the process of developing an IFRS conversion plan and evaluating the impact of the transition to IFRS.

*(g) Section 3064 – Goodwill and Intangibles*

The AcSB issued CICA Handbook Section 3064, which replaces Section 3062, “*Goodwill and Other Intangible Assets”*, and Section 3450, *“Research and Development Costs”*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of this new standard and anticipates this standard will have no significant impact on the financial statements.

## 5. INVENTORY

| | As at December 31 2008 | As at September 30 2007 |
|---|---|---|
| Copper concentrate | $ 6,508 | $ 6,623 |
| Ore in process | 1,120 | 2,320 |
| Materials and supplies | 12,100 | 8,510 |
| Copper cathode | 612 | 605 |
| | $ 20,340 | $ 18,058 |

At December 31, 2008, the Company recorded an adjustment of $1,504 to reduce the concentrate inventory to its net realizable value (2007 – $nil).

## 6. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

*(a)* *Capital Management Objectives*

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the components of shareholders' equity, as well as its cash and equivalents, credit facilities and convertible debt as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue equity, sell assets, or return capital to shareholders as well as issue or repay debt. As at December 31, 2008, the Company is subject to externally-imposed capital requirements in the form of bank covenants relating to the bank indebtedness (note 13) and restrictions on certain of its cash balances (note 11).

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are approved by the Board of Directors.

The Company’s investment policy is to invest its cash in highly liquid short-term interest-bearing investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash.

There were no changes to the Company's approach to capital management during the fifteen months ended December 31, 2008 and the Company expects it will be able to raise sufficient capital resources to carry out its plans of operations for fiscal 2009 as disclosed in note 1.

*(b)* *Carrying Amounts and Fair Values of Financial Instrument*

The fair value of a financial instrument is the price at which a party would accept the rights and/or obligations of the financial instrument from an independent third party. Given the varying influencing factors, the reported fair values are only indicators of the prices that may actually be realized for these financial instruments.

The fair values of the tracking preferred shares are not readily determinable with sufficient reliability due to the difficulty in obtaining appropriate market information. It is not practicable to determine the fair value of the investment and advances from related parties because of the related party nature of such amounts and the absence of a secondary market for such instruments. The fair values of the promissory note are not readily determinable with sufficient reliability due to the uncertainty around the maturities and the future cash flows associated with the promissory note.

Aside from the financial assets mentioned above, the carrying amounts of the Company's other financial assets approximate their fair values. The following tables show the estimated fair values of the these financial assets:

| | Estimated fair value as at | |
|---|---|---|
| | December 31, 2008 | September 30, 2007 |
| Cash and equivalents | $ 4,587 | $ 37,636 |
| Restricted cash | 4,400 | 4,400 |
| Held for trading | $ 8,987 | $ 42,036 |
| Accounts receivable | $ 4,606 | $ 12,021 |
| Loans and receivables | $ 4,606 | $ 12,021 |
| Marketable securities and investments | $ 3,138 | $ 18,542 |
| Reclamation deposits | 32,396 | 33,396 |
| Available for sale financial assets | $ 35,534 | $ 51,938 |
| Total financial assets | $ 49,127 | $ 105,995 |

The fair value of marketable securities and investments and reclamation deposits represents the market value of quoted investments.

The fair values of financial liabilities are as follows:

| | Estimated fair value as at | |
|---|---|---|
| | December 31, 2008 | September 30, 2007 |
| Bank Indebtedness | $ 5,737 | $ – |
| Accounts payable and accrued liabilities | 53,036 | 30,435 |
| Advances due to a related party | 1,772 | – |
| Convertible debt | 33,329 | 41,008 |
| | $ 93,874 | $ 71,443 |

At December 31, 2008, all the Company's financial liabilities were classified as other financial liabilities and carried at amortized cost. The fair values of the convertible debt were determined by discounting the stream of future payments of interest and principal at 12.5% which approximates the Company’s current borrowing rate.

*(c)*

*Financial Instrument Risk Exposure and Risk Management*

The Company is exposed in varying degrees of financial instrument related risks. The Board approves and monitors the risk management processes, including treasury policies, counterparty limits, controlling and reporting structures. The types of risk exposure and the way in which such exposure is managed are provided as follows.

*(i)*

*Credit Risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, restricted cash, reclamation deposits, promissory note and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents, restricted cash and reclamation deposits with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

Substantially all the Company's cash and equivalents are held with one major Canadian financial institution and its subsidiaries. The reclamation trust and the promissory note are each held at different financial institutions from the cash and equivalents.

*(ii)*

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements. The Company's cash and equivalents are invested in business accounts and bankers acceptances, and are available on demand for the Company's programs.

The following are the contractual maturities of financial liabilities:

| 2008 | Carrying amount | 2009 | 2010 | 2011 | Over 3 years |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 53,036 | $ 53,036 | $ – | $ – | $ – |
| Bank overdraft facility | 5,737 | 5,737 | | | |
| Amounts due to a related party | 1,772 | 1,772 | – | – | – |
| Convertible debt (note14(a)) | 35,219 | – | – | 35,219 | – |
| Total liabilities | $ 95,764 | $ 60,545 | $ – | $ 35,219 | $ – |

| 2007 | Carrying amount | 2008 | 2009 | 2010 | Over 3 years |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 30,435 | $ 30,435 | $ – | $ – | $ – |
| Convertible debt | 41,008 | – | – | – | 41,008 |
| Total liabilities | $ 71,443 | $ 30,435 | $ – | $ – | $ 41,008 |

*(iii)* *Market Risk*

The significant market risk exposures to which the Company is exposed are commodity price risk, foreign exchange risk, and interest rate risk.

*(a)* *Commodity Price Risk*

The value of the Company's mineral resource properties is dependent on the price of copper, gold, molybdenum and niobium and the outlook for these minerals. The Company does not have any hedging or other commodity based risks with respect to its operations.

Market prices for these metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators.

The profitability of the Company's operations is highly correlated to the market price of copper and molybdenum. If copper prices decline for a prolonged period below the cost of production of the Company's operating mine, it may not be economically feasible to continue production.

As at December 31, 2008 and September 30, 2007, the Company had no commodity hedges in place, and consequently, hedge accounting is not used.

*(b)* *Foreign Exchange Risk*

The Company's revenues from the production and sale of copper and molybdenum are denominated in US dollars. The Company's concentrate treatment, refining, and transportation costs are substantially denominated in US dollars. However the Company's operating expenses are incurred primarily in Canadian dollars and its liabilities are denominated primarily in Canadian dollars. Consequently, the Company's operations are subject to currency transaction risk and currency translation risk.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuation of the US dollar in relation to the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities.

As at December 31, 2008 and September 30, 2007, the Company had no foreign currency hedges in place, and consequently, hedge accounting is not used.

The Company's financial assets held in the US dollars (stated in Canadian dollars) were:

| Carrying value | December 31, 2008 | September 30, 2007 |
|---|---|---|
| Cash and equivalents | $ 2,169 | $ 34,717 |
| Accounts receivable | - | 6,909 |
| Total financial assets | $ 2,169 | $ 41,626 |

The Company's financial liabilities held in the US dollars (stated in Canadian dollars) were:

| Carrying value | December 31, 2008 | September 30, 2007 |
|---|---|---|
| Accounts payable and accrued liabilities | $ 13,227 | $ 765 |
| Convertible debt | 35,219 | 26,693 |
| Total financial liabilities | $ 48,446 | $ 27,458 |

The following exchange rates applied during the periods ended December 31, 2008 and September 30, 2007:

| | Average rate | | Period end spot rate | |
|---|---|---|---|---|
| | Dec. 31 2008 | Sept. 30 2007 | Dec. 31 2008 | Sept. 30 2007 |
| CAD vs. USD | 1.0501 | 1.1135 | 1.2180 | 0.9948 |

A 10 percent weakening of the Canadian dollar against the US Dollar at December 31, 2008 and September 30, 2007 would have increased net earnings by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | Dec. 31, 2008 | Sept. 30, 2007 |
|---|---|---|
| Net Earnings | $ 12,613 | $ 14,447 |

A 10 percent strengthening of the Canadian Dollars against the US Dollar at December 31, 2008 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

*(c)*

*Interest Rate Risk*

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest in cash equivalents in order to provide liquidity while achieving a satisfactory return for shareholders. Fluctuations in interest rates impact on the value of cash equivalents and reclamation deposits, which are invested in Canadian provincial bonds.

The convertible bonds carry a fixed interest rate of 7.125% per annum and as such are not subject to fluctuations in interest rate. The bank indebtedness carries a variable interest rate at prime rate plus 1%.

The exposure of the Company's financial assets to interest rate risk as at December 31, 2008 is as follows:

| | | Total | Weighted average effective interest rate (percent) | Weighted average period for which the interest rate is fixed (years) |
|---|---|---|---|---|
| Financial assets subject to floating interest rates | $ | 8,987 | 4.0% | N/A |
| Financial assets subject to fixed interest rates | | 109,464 | 6.3% | 7.02 |
| Equity investments | | 3,138 | N/A | N/A |
| Trade and other receivables | | 4,606 | N/A | N/A |
| Total financial assets | $ | 126,195 | | |

The exposure of the Company's financial assets to interest rate risk as at September 30, 2007 is as follows:

| | | Total | Weighted average effective interest rate (percent) | Weighted average period for which the interest rate is fixed (years) |
|---|---|---|---|---|
| Financial assets subject to floating interest rates | $ | 42,036 | 5.4% | N/A |
| Financial assets subject to fixed interest rates | | 107,832 | 5.7% | 7.81 |
| Equity investments | | 18,542 | N/A | N/A |
| Trade and other receivables | | 12,828 | N/A | N/A |
| Total financial assets | $ | 181,238 | | |

The exposure of the Company's financial liabilities to interest rate risk at December 31, 2008 is as follows:

| | | Total | Weighted average effective interest rate (percent) | Weighted average period for which the interest rate is fixed (years) | Weighted average period until maturity (years) |
|---|---|---|---|---|---|
| Financial liabilities subject to floating interest rates | $ | 5,737 | 4.0% | N/A | N/A |
| Financial liabilities subject to fixed interest rates | | 35,219 | 7.1% | 2.6 | 2.6 |
| Other liabilities | | 54,808 | N/A | N/A | N/A |
| Total financial liabilities | $ | 95,764 | | | |

The exposure of the Company's financial liabilities to interest rate risk at September 30, 2007 is as follows:

| | | Total | Weighted average effective interest rate (percent) | Weighted average period for which the interest rate is fixed (years) | Weighted average period until maturity (years) |
|---|---|---|---|---|---|
| Financial liabilities subject to fixed interest rates | $ | 26,693 | 7.1% | 3.86 | 3.86 |
| Non-interest bearing debt | | 14,315 | N/A | N/A | 1.83 |
| Other liabilities | | 30,435 | N/A | N/A | N/A |
| Total financial liabilities | $ | 71,443 | | | |

A 10 percent decrease of the prime rate for the year ended December 31, 2008 and September 30, 2007 would have increased net earnings by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

| | Dec. 31, 2008 | Sept. 30, 2007 |
|---|---|---|
| Net earnings | $ 142 | $ 515 |

A 10 percent increase of the prime rate for the year ended December 31, 2008 and September 30, 2007 would have an the equal but opposite effect on net earnings on the basis that all other variables remain constant.

**7. MARKETABLE SECURITIES AND INVESTMENTS**

| | As at December 31, 2008 | | |
|---|---|---|---|
| | Cost | Unrealized Gain/(Loss) | Fair Value |
| Continental Minerals Corporation – Common shares | $ 9,880 | $ (7,297) | $ 2,583 |
| Investment in other public companies | 409 | 146 | 555 |
| | $ 10,289 | $ (7,151) | $ 3,138 |

| | As at September 30, 2007 | | |
|---|---|---|---|
| | Cost | Unrealized Gain/(Loss) | Fair Value |
| Continental Minerals Corporation – Common shares | $ 9,880 | $ 2,566 | $ 12,446 |
| Continental Minerals Corporation – Warrants | 3,118 | (2,232) | 886 |
| Investment in other public companies | 4,574 | 636 | 5,210 |
| | $ 17,572 | $ 970 | $ 18,542 |

At September 30, 2006, the Company held a convertible promissory note ("Note") of Continental Minerals Corporation ("Continental"), a public company which is a related party by virtue of certain common directors. The Note contained a right to participate in Continental's equity financings at a 5% discount to the price paid by other parties in the financing. In February 2007, the Company redeemed the Note and exercised its pre-emptive right to participate in Continental's equity financing. The Company received the principal amount of the Note ($11,500) plus a 5% premium, for total proceeds of $12,100. The proceeds were used to subscribe for 7,318,182 equity units ("Units") of Continental at a price of $1.65 per Unit. Each Unit consisted of one common share of Continental and one Continental common share purchase warrant, exercisable at a price of $1.80 per share for a one year period from the completion of the financing, thus expiring February 20, 2008. The proceeds paid for the Units were allocated to the common shares and warrants received of Continental based on the pro-rated fair value of the common shares ($9,880) and warrants ($3,118) at the time of the financing.

In February 2008, the Continental warrants expired unexercised. To reflect this expiry, a mark-to-market loss of $886 (year ended September 30, 2007 – loss of $2,232) was charged to operations. As at December 31, 2008, the Company held 7,827,726 common shares (September 30, 2007 – 7,827,726) and Nil (September 30, 2007 – 7,318,182) share purchase warrants of Continental.

**8.**

**ARRANGEMENT AGREEMENT (TRACKING PREFERRED SHARES AND HARMONY GOLD PROPERTY)**

In October 2001, the Company and its subsidiary Gibraltar Mines Ltd. ("Gibraltar") completed the acquisition of the Harmony Gold Property and related assets from Continental, for 12,483,916 series "A" non-voting tracking preferred shares of Gibraltar and $2,230 cash. The tracking preferred shares were recorded at $26,642, being their then fair value, and are designed to track and capture the value of the Harmony Gold Property and will be redeemed for common shares of Taseko upon a realization event, such as a sale of the Harmony Gold Property to a third party or commercial production at the Harmony Gold Property or, at the option of Gibraltar, if a realization event has not occurred by 2011. Accordingly, the tracking preferred shares have been classified within shareholders' equity on the consolidated balance sheet.

As previously noted, the Gibraltar tracking preferred shares are redeemable for common shares of Taseko upon the occurrence of certain value realization events for the Harmony Gold Property. The tracking preferred shares are redeemable at specified prices per common share of Taseko starting at $3.39 and escalating by $0.25 per year, currently at $5.14 (as of December 31, 2008). If a realization event does not occur on or before October 16, 2011, Gibraltar has the right to redeem the tracking preferred shares for Taseko common shares at a deemed price equal to the greater of the then average 20 day trading price of the common shares of Taseko and $10.00. The Taseko common shares to be issued to Continental upon a realization event will in turn be distributed pro-rata, after adjustment for any taxes, to the holders of redeemable preferred shares of Continental that were issued to Continental shareholders at the time of the Arrangement Agreement.

**9.**

**MINERAL PROPERTY INTERESTS**

| | December 31 2008 | September 30 2007 |
|---|---|---|
| Gibraltar Copper Mine (note 9(a)) | $ 16,743 | $ 10,062 |
| Prosperity Gold-Copper Property (note 9(b)) | 1 | 1 |
| Harmony Gold Property (note 9(c)) | 1 | 1 |
| Aley Niobium Property (note 9(e)) | 8,343 | 8,343 |
| Oakmont Royalty Interest (note 9(f)) | 7,520 | - |
| | **$** 32,608 | **$** 18,407 |

*(a)*

*Gibraltar Copper Mine*

In July 1999, the Company acquired a 100% interest in the Gibraltar Copper Mine mineral property, located near Williams Lake, British Columbia, Canada from Boliden Westmin (Canada) Limited ("BWCL") for $3,325. The acquisition of the Gibraltar Mine, which had been on care and maintenance since 1998, included plant and equipment and supplies inventory of the Gibraltar Mine, and $8,000 of funds for future reclamation. As part of its 1999 operating permits, the Company had agreed to incur a total of $4,000 on reclamation and environmental

programs during the six year period July 1999 to July 2005. The Gibraltar mine final reclamation and closure plan is updated every five years. The most recent reclamation plan and closure report was approved by the British Columbia Ministry of Energy and Mines in 2004. Pursuant to this approved closure plan, the Ministry agreed that the Company had satisfied the $4,000 reclamation obligation required under the 1999 operating permits.

The acquisition agreement contained certain indemnification clauses. The $8,000 of funds set aside for future reclamation was considered a "Qualified Environmental Trust" for Canadian income tax purposes. During the year ended September 30, 2003, the Government of British Columbia released these funds from the Trust, which resulted in an income inclusion to the Company, and consequently resulted in the Company utilizing $3,570 of tax pools otherwise available to it. The Company has made a claim to BWCL for this estimated tax liability under the indemnification terms of the agreement. No amount has been recognized in these consolidated financial statements related to this claim.

During the year ended September 30, 2004, the Company commenced restart activities and entered into an agreement with Ledcor CMI Ltd. and Ledcor Mining Ltd. (together "Ledcor"), whereby Ledcor would finance certain equipment and commission, restart, and operate the Gibraltar Mine. Ledcor's primary responsibility was the commissioning and the operating of the mine in addition to other aspects of mine operations, including drilling, blasting, loading and hauling of ore and waste as well as the recruitment of personnel and the maintenance of equipment and facilities. Pursuant to the agreement, the Company was required to maintain a bank account with a balance of at least $5,000 in a "product revenue account", for purposes of providing a working capital reserve for operations and general administrative costs. The Company granted a general security agreement to Ledcor for $5,800 and a second charge on certain mine equipment with an appraised fair value of at least $5,800.

In July 2006, the Company effected a notice of voluntary withdrawal from the agreement established with Ledcor. Under this notice, and effective November 2006, the Company assumed responsibility as operator of the Gibraltar mine and paid Ledcor a termination fee of $3,500. This termination fee was accrued for in the consolidated financial statements for the year ended September 30, 2006 and was paid during the year ended September 30, 2007.

*(b)*

*Prosperity Gold-Copper Property*

The Company owns 100% of the Prosperity Gold-Copper Property, consisting of 196 mineral claims covering the mineral rights for approximately 85 square km in the Clinton Mining Division in south central British Columbia, Canada.

*(c)*

*Harmony Gold Property*

Under the terms of an arrangement agreement (note 8), the Company acquired a 100% interest in the Harmony Gold Property in fiscal 2002.

*(d)*

*Royalty Agreement (promissory note and royalty obligation)*

In September 2004, the Company entered into agreements with an unrelated investment partnership, Red Mile Resources No. 2 Limited Partnership ("Red Mile"). Gibraltar sold to Red Mile a royalty for $67,357 cash, which cash was received on September 29, 2004. These funds were subsequently invested in a promissory note with a trust company and the Company pledged the promissory note along with interest earned and to be earned thereon for a total of $70,200 to secure its royalty obligations under the agreements.

At December 31, 2008, the promissory note amounted to $77,068 (September 30, 2007 – $74,436), of which $3,384 (September 30, 2007 – $2,086) is current, while the royalty obligation amounted to $64,357 (September 30, 2007 – $65,416) of which $3,384 (September 30, 2007 – $2,086) is current.

Pursuant to the agreements, the Company received an aggregate of $10,500 in fees and interest for services performed in relation to the Red Mile transaction, of which $5,250 was received in each of September and December of 2004, and included in interest and other income.

The amount of $5,250 received in September 2004 included $1,750 for indemnifying an affiliate of Red Mile from any claims relating to a breach by Gibraltar under the royalty agreement. The funds received in respect of the indemnification are presented as deferred revenue, and are recognized over the expected remaining life of the royalty agreement, with $1,006 (September 30, 2007 – $1,225) remaining as deferred as at December 31, 2008, of which $175 (September 30, 2007 – $175) is classified as current.

Annual royalties will be payable by Gibraltar to Red Mile at rates ranging from $0.01 per pound to $0.14 per pound of copper produced during the period from the commencement of commercial production (as defined in the agreement) to the later of (i) December 2014 and (ii) five years after the end of commercial production from the mine. For the year ended December 31, 2008, Gibraltar paid a royalty of $0.0566 (September 30, 2007 – $0.0555) per pound of copper produced to Red Mile. Gibraltar is entitled to have released to it funds held under the promissory note and interest thereon to fund its royalty obligations to the extent of its royalty payment obligations.

The Company has a pre-emptive option to effectively purchase ("call") the royalty interest by acquiring the Red Mile partnership units at a future date in consideration of a payment which is (i) approximately equal to the funds received by the Company less royalty payments to date, or (ii) fair value, whichever is lower. Under certain circumstances, the investors in Red Mile also have a right to sell ("put") their Red Mile partnership units to the Company at fair value; however , such right is subject to the Company's pre-emptive right to exercise the "call" in advance of any "put" being exercised and completed.

The Company has granted to Red Mile a net profits interest ("NPI"), which survives any "put" or "call" of the Red Mile units. The NPI is applicable for the years 2011 to 2014 and is 2% if the price of copper averages US$2.50 to US$2.74 per pound, 3% if the price of copper averages US$2.75 to US$2.99 per pound and 4% if the price of copper averages US$3.00 per pound or greater for any year during that period. The US-dollar pricing amounts specified above are based

upon an exchange rate of US$0.75 for Cdn$1.00, and shall be adjusted from time to time by any variation of such exchange rates. No NPI is payable until the Company reaches a pre-determined aggregate level of revenues less defined operating costs and expenditures. No NPI is payable at December 31, 2008.

In accordance with AcG15, the Company has determined that the royalty agreement created certain variable interest entities for which the Company holds a variable interest. However, as the Company is not the primary beneficiary under the agreement, it is not required to consolidate any of such entities.

*(e)*

*Aley Niobium Property*

In June 2007, the Company completed the acquisition of all the issued and outstanding shares in the capital of a private company with a project in north-eastern British Columbia, Canada ("the Transaction"), for a total cash consideration to the acquired company's shareholders of $1,500 as well as a share settlement to the value of $2,970 (consisting of 894,730 common shares).

In the above Transaction, the Company also purchased the residual net smelter royalties ("NSR") from Teck Cominco Metals Limited ("Teck") for a total cash consideration to Teck of $300 and the issuance of units with a value of $835 (consisting of 240,000 common shares and 120,000 warrants). Each warrant is exercisable into one common share at $3.48 until June 4, 2009.

The following table summarizes the total purchase consideration of Aley and the NSR:

| | | **Amount** |
|---|---|---|
| Cash | $ | 1,800 |
| Issuance of 1,134,730 common shares | | 3,642 |
| Issuance of 120,000 warrants | | 163 |
| Total purchase consideration | $ | 5,605 |

The total acquisition price has been allocated to the net assets acquired and liabilities assumed as follows:

| | | **Amount** |
|---|---|---|
| Current assets | $ | 79 |
| Mineral property interests | | 8,343 |
| Current liabilities | | (123) |
| Future income taxes | | (2,694) |
| Total consideration paid, being cash, common shares and units | $ | 5,605 |

*(f)*

*Purchase of Oakmont Ventures Ltd.*

On May 2, 2008, the Company completed the acquisition of all the issued and outstanding shares in the capital of a private company, Oakmont Ventures Ltd. ("Oakmont"), whose sole asset is the 30% net profits interest in certain claims that are part of the Gibraltar mine property located adjacent to the Gibraltar East pit. The acquisition was completed through the issuance of 1,000,000 common shares of the Company at the value of $5,220. The acquisition was accounted for under the purchase method.

The following table summarizes the total purchase consideration of Oakmont:

| | | **Amount** |
|---|---|---|
| Issuance of 1,000,000 common shares | $ | 5,220 |
| Payment of Oakmont's liabilities | | 302 |
| Total purchase consideration | $ | 5,522 |

The total acquisition price has been allocated to the net assets acquired and liabilities assumed as follows:

| | | **Amount** |
|---|---|---|
| Mineral property interests | $ | 7,520 |
| Current liabilities | | (43) |
| Future income taxes | | (1,955) |
| Total consideration paid, being cash, common shares and units | $ | 5,522 |

The results of operations of this acquired company have been included in the Company's consolidated financial statements from the date of the acquisition.

**10.**

## MINERAL PROPERTY INTERESTS, PLANT AND EQUIPMENT

| **Plant and equipment - Gibraltar Mine** | December 31, 2008 | | | September 30, 2007 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net book value | Cost | Accumulated Amortization | Net book value |
| Buildings and equipment | $ 6,115 | $ 2,421 | $ 3,694 | $ 6,115 | $ 1,905 | $ 4,210 |
| Mine equipment | 58,659 | 9,900 | 48,759 | 55,529 | 9,216 | 46,313 |
| Plant and equipment | 97,867 | 4,126 | 93,741 | 26,900 | 1,698 | 25,202 |
| Vehicles | 1,864 | 1,086 | 778 | 1,511 | 753 | 758 |
| Computer equipment | 3,390 | 2,870 | 520 | 3,178 | 2,225 | 953 |
| Social assets | 402 | – | 402 | 402 | – | 402 |
| Deferred pre-stripping costs | 52,535 | 2,358 | 50,177 | 32,949 | – | 32,949 |
| Construction in progress | 82,542 | – | 82,542 | 52,887 | – | 52,887 |
| Assets under capital lease | 17,521 | 13 | 17,508 | – | – | – |
| Asset retirement costs (note 15) | – | – | – | 1,426 | – | 1,426 |
| Total Gibraltar mine | $ 320,895 | $ 22,774 | $ 298,121 | $ 180,897 | $ 15,797 | $ 165,100 |
| Other equipment and leasehold improvements | $ 386 | $ 103 | $ 283 | $ – | $ – | $ – |
| **Mineral property interests** (note 9) | | | 32,608 | | | 18,407 |
| **Net asset retirement obligation adjustment** | | | (6,012) | | | (6,609) |
| **Mineral properties, plant and equipment** | | | $ 325,000 | | | $ 176,898 |

As at December 31, 2008, approximately $82,542 (2007 – $52,887) of plant and equipment is under construction and not being amortized. Amortization recorded during the period reflected changes in accounting estimates during the period resulting from the increase in the life of the Gibraltar mine.

**11.**

## RESTRICTED CASH

In February 2007, Taseko issued a standby letter of credit, collateralized by cash in the amount of $4,400, to British Columbia Hydro and Power Authority (“B.C. Hydro”) to provide security for costs to be incurred by BC Hydro relating to the electrical system reinforcements required for the Gibraltar Expansion Project in accordance with “Credit Support Agreement” between Gibraltar and B.C. Hydro. Under the agreement, the Company is required to submit a standby letter of credit as a guarantee in the amount of $4,400 in order for B.C. Hydro to initiate procurement of major equipment as part of systems reinforcements. The letter of credit will be released over time, as Gibraltar consumes power.

## 12. RELATED PARTY TRANSACTIONS AND ADVANCES

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

| | 15 months ended December 31 | 12 months ended September 30 | |
|---|---|---|---|
| **Transactions** | 2008 | 2007 | 2006 |
| Services rendered and expenses reimbursed | | | |
| Hunter Dickinson Services Inc. | $ 8,934 | $ 4,936 | $ 2,869 |

| **Advances to related party** | As at December 31 2008 | As at September 30 2007 |
|---|---|---|
| Hunter Dickinson Services Inc. | $ – | $ 807 |

| **Amounts due to a related party** | As at December 31 2008 | As at September 30 2007 |
|---|---|---|
| Hunter Dickinson Services Inc. | $ 1,772 | $ – |

Hunter Dickinson Services Inc. ("HDSI") (formerly Hunter Dickinson Inc.) is a private company owned equally by several public companies, one of which is Taseko. HDSI has certain directors in common with the Company and provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company and its subsidiaries on a full cost recovery basis per agreement dated June 1, 2008. Advances are non-interest bearing and due on demand.

## 13. BANK INDEBTEDNESS

During the fifteen months ended December 31, 2008, the Company signed an overdraft facility with a Canadian financial institution for up to $10,000. As at December 31, 2008, the Company had drawn $5,737 from the overdraft facility. The term of the facility bore interest at prime rate plus 1% and was secured against the Company's accounts receivable. The facility agreement stipulated that the facility will be terminated in the event the London Metal Exchange ("LME") monthly cash price of copper reduces below US$2.00 per pound. The facility was also subject to minimum working capital, interest and debt-to-equity ratio covenants. Subsequent to year-end, due to the decrease in copper prices below US$2.00, the Company repaid the facility in full.

**14. CONVERTIBLE DEBT**

| | December 31 2008 | September 30 2007 |
|---|---|---|
| **Liability Component** | | |
| Convertible Bonds – August 2006 | $ 35,219 | $ 26,693 |
| Convertible Debenture – NVI | – | 14,315 |
| Convertible Debt – Liability Component | $ 35,219 | $ 41,008 |
| | | |
| **Equity Component** | | |
| Convertible Bonds – August 2006 | $ 3,832 | $ 3,832 |
| Convertible Debenture – NVI | – | 9,823 |
| Convertible Debt – Equity Component | $ 3,832 | $ 13,655 |

*(a)* *Convertible Bonds – August 2006*

On August 29, 2006 (the “Closing”), the Company issued US$30,000 in principal amount of five year convertible bonds due in 2011 (the "Bonds") to qualified institutional buyers (the “Bondholders”). The Bonds are convertible into the Company’s common shares. The Bonds constitute direct, unsubordinated, unsecured, general and unconditional obligations of the Company.

The Bonds were issued at 100% and, if not converted, will be redeemed at maturity at 101%. The Bonds carry coupon interest rates of 7.125% per annum. The Bonds have a “put” right in August 2009 to be redeemed at 100.6%. Due to this “put” right, the Bonds have been accordingly classified as current liabilities as at December 31, 2008. However, the Company has not received any indication from the Bondholders with regards to their intention to exercise the “put” right to date.

The Bonds are convertible at the holder’s option after 40 days from issuance until August 19, 2011 at a conversion price of US$3.35, or up to 8,955,224 common shares of the Company, which was a premium of approximately 40% over the trading price of the Company’s shares at the time of Closing. At any time after September 12, 2008, the Company will have the right to call for the conversion of the Bonds into the number of shares as set out above, so long as the Company’s shares trade at least 50% above the conversion price for at least 20 business days in any period of 30 consecutive business days.

For accounting purposes, the Bonds contain both a liability component and an equity component, being the holder’s conversion right, which have been separately presented in the consolidated balance sheets. The Company has allocated the US$30,000 face value of the Bonds to the liability and equity components. At issuance, the Company estimated the fair value of the conversion option by deducting the present value of the future cash outflows of the Bonds from the face value of the principal of the Bonds. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 10.5% for a comparable debt instrument that excluded any conversion privilege by

the holder. The residual carrying value of the Bonds is required to be accreted to the redemption value of the Bonds to the first redemption date of the Bonds based on an effective annual interest rate of 12%. For the period ended December 31, 2008, interest and accretion relating to the debt totaled $4,999 (September 30, 2007 – $3,989).

The continuity of the Bonds is as follows:

| | 15 months ended December 31, 2008 | Year ended September 30, 2007 |
|---|---|---|
| Present value of convertible bonds | | |
| Beginning of period | $ 26,693 | $ 29,761 |
| Unrealized foreign exchange loss (gain) | 6,328 | (3,306) |
| Finance cost reclassification | – | (1,382) |
| Accretion for the period | 2,198 | 1,620 |
| End of period | 35,219 | 26,693 |
| Conversion right | 3,832 | 3,832 |
| Convertible bonds | $ 39,051 | $ 30,525 |

| *Convertible Bonds* | December 31, 2008 | September 30, 2007 |
|---|---|---|
| Summary of the convertible bond terms | | |
| Principal amount of convertible debenture | US $30,000 | US $30,000 |
| Price per common share of the unexercised conversion right | US$ 3.35 | US$ 3.35 |
| Number of common shares potentially issuable under unexercised conversion right | 8,955,224 | 8,955,224 |

*(b)*

*Convertible Debenture – NVI Mining Ltd (formerly Boliden Westmin (Canada) Limited)*

On July 21, 1999, in connection with the acquisition of the Gibraltar mine, the Company issued a $17,000 interest-free debenture (the "Debenture") to NVI Mining Ltd. ("NVI" or formerly Boliden Westmin (Canada) Limited). The Debenture was due on July 21, 2009 and was convertible into common shares of the Company over a 10 year period commencing at a price of $3.14 per share in year one and escalating by $0.25 per share per year thereafter. NVI had the right to convert, in part or in whole from time to time, the Debenture into fully paid common shares of the Company from year one to year ten.

On April 2, 2008, NVI issued a notice to the Company to convert the principal amount of the Debenture of $17,000 at an effective conversion rate of $5.14 per common share, which would have resulted in 3,307,393 common shares of the Company being issued to NVI. The Company issued 2,612,971 to NVI and a cash payment of $3,569 in lieu of issuing the remaining 694,422 common shares as full and final settlement to NVI.

The continuity of the Debenture is as follows:

| **Liability component:** | 15 months ended December 31, 2008 | Year ended September 30, 2007 |
|---|---|---|
| Present value of convertible debenture | $ 14,315 | $ 13,013 |
| Accretion, net of interest, for the period | 750 | 1,302 |
| Balance | 15,065 | 14,315 |
| Conversion | (15,065) | – |
| Liability component | – | 14,315 |
| | | |
| **Equity component:** | | |
| Conversion right | 9,823 | 9,823 |
| Conversion | (9,823) | – |
| Equity component | – | 9,823 |
| | | |
| Convertible debenture | $ – | $ 24,138 |

| *NVI convertible debenture* | December 31 2008 | September 30 2007 |
|---|---|---|
| Summary of the convertible debenture terms | | |
| Principal amount of convertible debenture | N/A | $ 17,000 |
| Price per common share of the unexercised conversion right | N/A | $ 5.14 |
| Number of common shares potentially issuable under unexercised conversion right | N/A | 3,307,393 |

## 15. SITE CLOSURE AND RECLAMATION OBLIGATIONS

The continuity of the provision for site closure and reclamation costs related to the Gibraltar mine is as follows:

| | | |
|---|---|---|
| Balance, September 30, 2005 | $ | 17,314 |
| Changes during fiscal 2006: | | |
| Reclamation incurred | | (71) |
| Accretion expense | | 1,732 |
| Balance, September 30, 2006 | $ | 18,975 |
| Changes during fiscal 2007: | | |
| Reclamation incurred | | (167) |
| Accretion expense | | 1,777 |
| Additional site closure and reclamation obligation recognized | | 4,449 |
| Reduction in the present value of reclamation obligation due to a revision in mine life | | (7,593) |
| Balance, September 30, 2007 | $ | 17,441 |
| Changes during the 15 months ended December 31, 2008: | | |
| Reclamation incurred | | (183) |
| Accretion expense | | 1,451 |
| Additional site closure and reclamation obligation recognized | | 366 |
| Reduction in the present value of reclamation obligation due to a revision in mine life | | (8,709) |
| Balance, December 31, 2008 | $ | 10,366 |

During the 15 months ended December 31, 2008, the value of the underlying site closure and reclamation obligation was revised to reflect an increase in the life of the Gibraltar mine. This change resulted in a revision to the timing of undiscounted cash flows associated with the carrying amount of the liability and a reduction in the present value of the site closure and reclamation obligation. The impact of these changes in estimates are:

- an increase to asset retirement costs included in mineral properties, plant and equipment and corresponding increase to reclamation obligation as at December 31, 2008 of $366 (September 30, 2007 – $4,449).
- a decrease of $1,426 (2007 - $Nil) in asset retirement costs included in mineral properties, plant and equipment
- a decrease as at December 31, 2008 of $8,709 (September 30, 2007 – $7,593) in the present value of the reclamation obligation due to an extension in the mine life.
- a gain for the 15 months ended December 31, 2008 of $6,917 (year ended September 30, 2007 – $4,570; year ended September 30, 2006 – $nil ) .

The new estimated amount of the reclamation costs, adjusted for estimated inflation at 2.5% per year, in 2032 dollars, as at December 31, 2008 is $90,000 (September 30, 2007 – $68,400) and is expected to be spent over a period of approximately three years beginning in 2032. The credit-adjusted risk free rates at which the estimated future cash flows have been discounted at 7.1% to 10%, which results in a net present value as at December 31, 2008 of $10,366 (September 30, 2007 – $17,441). The accretion for the fifteen months ended December 31, 2008 of $1,451 (year ended September 30, 2007 – $1,777; year ended September 30, 2006 – $1,732) is charged to the statement of operations.

As required by regulatory authorities, at December 31, 2008, the Company had cash reclamation deposits totaling $32,396 (September 30, 2007 – $33,396) comprised of $32,152 (September 30, 2007 – $33,186) for the Gibraltar mine, $30 (September 30, 2007 – $30) for the Prosperity project, $175 (September 30, 2007 – $175) for the Harmony project and $39 (September 30, 2007 – $5) for the Aley Niobium Project. These deposits are invested in government bonds and treasury bills and bear interest at rates ranging from 3.33% to 5.85% per annum. During the 15 months ended December 31, 2008, the Government of British Columbia permitted the Company to withdraw $5,000 from the Gibraltar mine reclamation deposit in exchange for security on certain equipment of the Gibraltar mine. Subsequent to period-end, the Company obtained further approval and withdrew $3,900 from the reclamation deposit.

## 16. CAPITAL LEASE OBLIGATIONS

Included in property, plant and equipment are mining equipment that the Company acquired pursuant to three to four year capital lease agreements.

Capital lease obligations as detailed above are secured over plant and equipment and are repayable in monthly installments. Interest is charged at rates linked to the prevailing prime rate of the relative financial institution mentioned above.

Future minimum lease payments are as follows:

| | | |
|---|---|---|
| 2009 | $ | 4,280 |
| 2010 | | 4,003 |
| 2011 | | 4,003 |
| Thereafter until 2013 | | 6,614 |
| Total minimum lease payments | $ | 18,900 |
| Less: interest portion | | (2,476) |
| Present value of capital lease obligations | $ | 16,424 |
| Current portion | | (3,324) |
| Non-current portion | $ | 13,100 |

**17. SHARE CAPITAL**

*(a) Authorized*

Authorized share capital of the Company consists of an unlimited number of common shares without par value.

*(b) Private Placements*

In October 2007, the Company completed a short form prospectus offering of 7,115,385 common shares at a price of $5.20 per common share, and also granted to the underwriters an over- allotment option to purchase up to an additional 1,067,307 common shares at the same price, which over-allotment option was exercised in full, for aggregate gross proceeds to the Company of approximately $42,500. Financing fees of $2,553 were paid to the underwriters.

In November 2007, the Company completed a private placement financing of 1,455,100 common shares at a price of $5.20 per share for gross proceeds of $7,600. A finder's fee of $205 was paid in conjunction with the private placement.

In December 2008, the Company completed a private placement financing of 8,571,429 units (the "Units"), with each Unit consisting of one common share and one common share purchase warrant (a "Warrant"), at the issue price of $0.70 per Unit for gross proceeds of $6,000. Each Warrant entitles the holder to purchase one common share of the Company (a "Warrant Share") for a period of 24 months at the exercise price of $0.85 per Warrant Share in the first 12 months and $0.95 per Warrant Share in the second 12 months, subject to an acceleration of the expiry date to 30 days in the event the Company's common shares trade at a price of $1.50 or higher for a period of 10 trading days. A finder's fee of 6% of the proceeds of the private placement financing was paid in equivalent Units.

*(c) Share purchase option plan*

The Company has a share purchase option compensation plan (the "Plan") approved by the shareholders that allows it to grant options, subject to regulatory terms and approval, to its directors, employees, officers and consultants. The Plan is based on a maximum number of eligible shares equaling a rolling percentage of up to 10% of the Company's outstanding common shares, calculated from time to time. Pursuant to the Plan, if outstanding options are exercised, or expire, and/or the number of issued and outstanding common shares of the Company increases, the options available to grant under the Plan increase proportionately. The exercise price of each option is set by the Board of Directors at the time of grant and cannot be less than the market price (less permissible discounts) on the Toronto Stock Exchange. Options may have a term of up to ten years and typically terminate 30 days following the termination of the optionee's employment, except in the case of retirement or death. Vesting of options is at the discretion of the Board at the time the options are granted.

The continuity of share purchase options is as follows:

| | 2008 | | 2007 | | 2006 | |
|---|---|---|---|---|---|---|
| | Number of shares | Average Price | Number of shares | Average Price | Number of shares | Average Price |
| Opening balance | 5,707,334 | $ 2.60 | 3,578,834 | $ 1.78 | 9,280,500 | $ 1.17 |
| Granted during the period | 8,472,050 | 2.19 | 3,301,500 | 3.21 | 2,159,500 | 2.24 |
| Exercised during the period | (270,100) | 2.48 | (1,057,633) | 1.76 | (7,438,166) | 1.21 |
| Expired/cancelled during period | (6,091,566) | 3.67 | (115,367) | 2.20 | (423,000) | 0.91 |
| Closing balance | 7,817,718 | $ 1.33 | 5,707,334 | $ 2.60 | 3,578,834 | $ 1.78 |
| Average contractual remaining life (years) | | 3.47 | | 3.40 | | 3.70 |
| Range of exercise prices | | $1.00 - $5.45 | | $1.15 - $4.09 | | $1.15 - $2.68 |

The following table summarizes information about share purchase options outstanding at December 31, 2008:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices | Number outstanding at December 31 2008 | Weighted average remaining contractual life | Weighted average exercise price | Number exercisable at December 31 2008 | Weighted average exercise price |
| $1.00 to $1.15 | 6,588,384 | 3.77 years | $ 1.03 | 2,948,234 | $ 1.06 |
| $2.07 to $2.18 | 602,000 | 1.88 years | $ 2.17 | 568,699 | $ 2.17 |
| $2.63 to $3.07 | 291,000 | 2.37 years | $ 2.98 | 220,666 | $ 2.95 |
| $4.03 to $4.09 | 93,334 | 1.91 years | $ 4.05 | 58,400 | $ 4.05 |
| $4.50 to $5.45 | 243,000 | 2.71 years | $ 4.54 | 166,995 | $ 4.56 |
| | 7,817,718 | 3.52 years | $ 1.33 | 3,962,994 | $ 1.51 |

The following table summarizes information about share purchase options outstanding at September 30, 2007:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices | Number outstanding at September 30 2007 | Weighted average remaining contractual life | Weighted average exercise price | Number exercisable at September 30 2007 | Weighted average exercise price |
| $1.15 | 1,128,334 | 3.00 years | $ 1.15 | 1,128,334 | $ 1.15 |
| $2.07 to $2.18 | 807,500 | 2.90 years | $ 2.17 | 495,866 | $ 2.18 |
| $2.63 to $3.07 | 3,303,000 | 3.62 years | $ 3.00 | 1,231,000 | $ 2.94 |
| $4.03 to $4.09 | 468,500 | 3.58 years | $ 4.07 | – | - |
| | 5,707,334 | 3.40 years | $ 2.60 | 2,855,200 | $ 2.10 |

As at December 31, 2008, 3,962,994 (September 30, 2007 – 2,855,200) of the options outstanding had vested with optionees and were exercisable.

The exercise prices of all share purchase options granted during the year were equal to the market price at the grant date. The weighted average assumptions used to estimate the fair value of options during the periods ended:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Risk free interest rate | 2.4% | 4% | 4% |
| Expected life | 3.52 years | 4.20 years | 3.93 years |
| Volatility | 65% | 68% | 71% |
| Expected dividends | nil | nil | nil |

*d)*

*Share purchase warrants*

The continuity of share purchase warrants during the period ended December 31, 2008 is as follows:

| Expiry dates | | Exercise price | Outstanding September 30 2007 | Issued | Exercised | Expired | Outstanding December 31 2008 |
|---|---|---|---|---|---|---|---|
| December 17, 2010 | $ | 0.85* | – | 9,085,715 | – | – | 9,085,715 |
| February 22, 2008 | $ | 3.48 | 120,000 | – | – | 120,000 | – |

* Exercise price increases to $0.95 per share purchase warrant after December 17, 2009.

The continuity of share purchase warrants during the year ended September 30, 2007 is as follows:

| Expiry dates | | Exercise price | Outstanding September 30 2006 | Issued | Exercised | Expired | Outstanding September 30 2007 |
|---|---|---|---|---|---|---|---|
| February 22, 2008 | $ | 3.48 | – | 120,000 | – | – | 120,000 |

*e)*

*Earnings per share*

The following table sets forth the computation of diluted earnings per share:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Earnings available to common shareholders | $ 3,510 | $ 48,262 | $ 32,916 |
| Effect of assumed conversions: | | | |
| Accretion on convertible debenture/bonds | – | 1,608 | 296 |
| Interest on convertible bonds | – | 2,368 | – |
| Tax effect on interest on convertible bonds | – | (820) | (73) |
| Earnings available to common shareholders including assumed conversions: | 3,510 | 51,418 | 33,139 |
| Basic weighted-average number of shares outstanding (in 000's) | 142,062 | 129,218 | 113,554 |
| Effect of dilutive securities (in 000's): | | | |
| Stock options | 5,142 | 1,438 | 3,332 |
| Warrants | 7,060 | 2 | 2,626 |
| Tracking preferred shares | 2,664 | 2,664 | 2,664 |
| Convertible debenture/bonds | – | 8,956 | 4,286 |
| Diluted weighted-average number of shares outstanding (in 000's) | 156,928 | 142,278 | 126,462 |
| Earnings per share | | | |
| Basic | $ 0.02 | $ 0.37 | $ 0.29 |
| Diluted | $ 0.02 | $ 0.36 | $ 0.26 |

The following table lists the stock options and share issuable under convertible debentures excluded from the computation of diluted earnings per share because their inclusion would have been anti-dilutive for the periods presented (in thousands):

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Stock options | 2,626 | 3,302 | 2,025 |
| Shares issuable under convertible bonds | 8,956 | 3,308 | – |

## 18. INCOME TAXES

Income tax expense (recovery) differs from the amount which would result from applying the statutory Canadian income tax rates (2008 – 31.4%, 2007 – 34.1% 2006 – 36.6%) for the following reasons:

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Earnings (loss) before income taxes | $ (2,087) | $ 87,866 | $ 38,961 |
| Expected tax expense based on statutory rates | (657) | 29,980 | 14,268 |
| Permanent differences | 4,044 | 3,119 | 2,403 |
| Adjustment to tax reserve | - | - | 2,028 |
| Deductions not allowable (allowable) for tax purposes | 2,746 | 8,289 | (1,360) |
| Recognition of previously unrecognized tax assets | (13,613) | (324) | (12,172) |
| Other | 1,883 | (1,460) | 878 |
| Tax expense (recovery) for the year | $ (5,597) | $ 39,604 | $ 6,045 |
| Presented as: | | | |
| Current income tax expense (recovery) | $ (2,151) | $ 3,959 | $ 4,397 |
| Future income tax expense (recovery) | (3,446) | 35,645 | 1,648 |
| | $ (5,597) | $ 39,604 | $ 6,045 |

As at December 31, 2008 and September 30, 2007, the estimated tax effect of the significant components within the Company's future tax assets were as follows:

| | 2008 | 2007 |
|---|---|---|
| Loss carry forwards | $ 5,260 | $ 52 |
| Royalty obligation | 17,966 | 19,128 |
| BC mining taxes | 3,867 | 1,839 |
| Unrealized foreign exchange loss | 503 | - |
| Unrealized loss recorded in comprehensive income | 1,125 | - |
| Other tax pools | 230 | 733 |
| | 28,951 | 21,752 |
| Valuation allowance | - | (13,613) |
| Future income tax assets | 28,951 | 8,139 |
| Partnership deferral | (6,944) | (5,320) |
| Reclamation obligation | (7,690) | (5,344) |
| Plant and equipment | (16,784) | (11,543) |
| Mineral properties and deferred stripping | (21,332) | (11,856) |
| Unrealized foreign exchange gain | - | (491) |
| Unrealized gain recorded in comprehensive income | - | (445) |
| **Net future income tax liability** | $ (23,799) | $ (26,860) |
| Current portion – future income tax liability | $ (8,469) | $ (5,320) |
| Long term future income tax liability | (15,330) | (21,540) |
| **Net future income tax liability** | **$ (23,799)** | **$ (26,860)** |

At December 31, 2008 the Company's tax attributes included capital losses totaling $1,406 (2007 – $Nil) which are available indefinitely to offset future taxable capital gains, and resource tax pools totaling approximately $7,102 (2007 – $14,000) which are available indefinitely to offset future taxable income. The Company also has non-capital losses of $18,277 (2007 - $169) to offset future taxable income which expire in 2027 and 2028 respectively.

The Company has accrued a long term tax provision of $30,685 (2007 – $24,645) related to various tax pools.

## 19. SUPPLEMENTARY CASH FLOW DISCLOSURES

In addition to the non-cash operating, financing and investing activities primarily disclosed, the Company's non-cash operating, financing and investing activities were as follows:

| | December 31 2008 | September 30 2007 | September 30 2006 |
|---|---|---|---|
| Acquisition of assets under capital lease | $ 17,484 | $ – | $ – |
| Conversion of convertible debenture (note 14(b)) | $ 21,318 | $ – | $ – |
| Increase in asset retirement costs included in mineral properties, plant and equipment (note 15) | $ – | $ 1,426 | $ – |
| Shares and units issued for the purchase of mineral property interests (note 9 (e) & (f)) | $ 5,220 | $ 3,805 | $ – |
| Shares issued for finders fee | $ 360 | $ – | $ – |
| Fair value of stock options transferred to share capital from contributed surplus on exercise of options | $ 514 | $ 1,786 | $ 4,869 |

| | December 31 2008 | September 30 2007 | September 30 2006 |
|---|---|---|---|
| **Supplemental cash flow information** | | | |
| Cash paid during the year for | | | |
| Interest | $ 2,844 | $ 2,138 | $ 1,557 |
| Taxes | $ 315 | $ 63 | $ 1,188 |

## 20. COMMITMENTS

*(a)*

*Advances for equipment*

As at December 31, 2008, the Company paid $6,381 in advance deposits for equipment to be received in next fiscal year, of which $499 has been classified as current. The Company is further committed to equipment purchases in relation to its expansion activities in the amount of $17,375.

*(b)*

*Treatment and refining agreement*

In April 2008, the Company entered into a six-year agreement commencing in the first fiscal quarter of 2009 and ending on December 31, 2014, with MRI Trading AG ("MRI"), a Swiss- based metal trading company, for the treatment and refining of Gibraltar copper concentrate. Under the terms of the agreement, Taseko has secured long-term, fixed, low cost rates for processing approximately 1.1 million tons of copper concentrate. The Company has the right to price payable copper within the concentrate based on a quotational period, declared by the buyer prior to, and covering each ensuing calendar year.

**21.**

**SUBSEQUENT EVENTS**

*(a)*

*Options grant*

On January 12, 2009, the Company granted 2,175,000 options to directors. The options were granted with an exercise price of $1.15 expiring 5 years after grant.

*(b)*

*Credit Suisse Facility Agreement*

In February 2009, the Company entered into a US$30,000 36-month term facility agreement (the "Facility") with Credit Suisse repayable commencing 14 months after the first utilization of the "Facility" in equal bi-monthly installments. The loan bears interest at LIBOR plus 4 percent. Pursuant to security agreements entered into in connection with the Facility, the Company has ceded as security, certain equipment of the Gibraltar Mine and the MRI treatment and refining agreement along with a corporate guarantee.

*(c)*

*Equity Financings*

On March 26, 2009, the Company announced it had entered into an agreement with a syndicate of underwriters under which the underwriters have agreed to buy from Taseko 13,793,104 common shares at an issue price of $1.45 per common share (the "Offering") for gross proceeds of approximately $20,000. The underwriters will have an over-allotment option, exercisable at any time prior to 30 days after the closing date, to acquire up to an additional number of common shares equal to 15% of the number of common shares sold pursuant to the Offering, at the issue price. The Company also announced it intends to issue, via a non-brokered private placement at the same price as the Offering, approximately $5,000 of common shares (the "Non-Brokered Offering"). Finder's fees will be payable on the Non-Brokered Offering. The net proceeds from the Offering and the Non-Brokered Offering are intended to be used for general working capital and corporate purposes.

Taseko Mines Limited

**15 MONTHS FISCAL PERIOD ENDED DECEMBER 31, 2008**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## 1.1 Date

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Taseko Mines Limited ("Taseko", or the "Company") for the fifteen months ended December 31, 2008 and twelve months ended September 30, 2007, prepared in accordance with Canadian generally accepted accounting principles, and is publicly available on SEDAR at www.sedar.com.

In October 2008, the Company announced that it would change its year end from September 30 to December 31.

This MD&A is prepared as of March 26, 2009. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

**Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources**

This discussion uses the terms 'measured resources' and 'indicated resources'. The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

**Cautionary Note to Investors Concerning Estimates of Inferred Resources**

This discussion uses the term 'inferred resources'. The Company advises investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. 'Inferred resources' have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of economic studies, except in rare cases. **Investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable.**

## 1.2 Overview

Taseko is a mining and mineral exploration company with one operating mine and three exploration projects, all located in British Columbia, Canada. These are the Gibraltar copper-molybdenum mine, the Prosperity gold-copper property, the Harmony gold property and the Aley niobium property.

In October 2008, the Company announced that it would change its year end from September 30 to December 31. As a result, this management discussion and analysis deals with the transition period, comparing the three months ending December 31, 2008 with the three months ending December 31, 2007 and the fifteen month ending December 31, 2008 with the twelve months ending September 30 2007. In order to provide more meaningful information on the current status of the Gibraltar Mine, the report will also include information illustrating unaudited operating results in January and February of the current quarter.

In the fifteen months ending December 31, 2008, Taseko focused on commissioning the first phase of the expanded concentrator and completing other production improvements at the Gibraltar mine, advancing the attainment of a Project Approval for the Prosperity project, and reviewing potential acquisitions to provide for further corporate growth.

Deterioration of global economic conditions during the latter part of the 2008 calendar year resulted in a significant weakening of base metal prices and high volatility in the exchange traded commodity prices. As a result of the economic crisis and concurrent decrease in demand for copper, the London Metal Exchange price declined from US$2.90 per pound at the end of September 2008 to US$1.32 per pound at the end of December 2008. As well as affecting the price received during the quarter, the rapid decline in copper prices generated significant negative provisional pricing adjustments for copper sales in the quarter ended December 31, 2008. Copper prices have improved in the first quarter of 2009, which will result in positive price adjustments.

Management has been monitoring the effects of the current economic and credit conditions on the Company's business and is reviewing discretionary and project capital spending and operating costs. Plans to move forward with the Harmony and Aley Projects in 2009 have been deferred, as has the Phase 3 expansion of the concentrator at the Gibraltar mine.

A new 24-month mine plan implemented in November 2008 for the Gibraltar mine will sustain a 45,000 tons per day ("tpd") mill throughput while mining at a significantly reduced strip ratio, which will result in lower mine equipment hours and manpower requirements. Maintaining mill feed at planned grades and reduced strip ratio is possible as a result of the pre-stripping investment that was made during 2007 and early 2008. This new operational plan along with declining input costs, a weaker Canadian dollar and the finalization of remaining Phase 2 expansion items indicate total cash costs (onsite and offsite costs) will decline to approximately US$1.15 per pound.

The Gibraltar mine achieved production of 18.8 million pounds of copper in the quarter ended December 31, 2008, which represented a 31% increase over the 14.4 million pounds produced in the same quarter in 2007 as a result of significantly improved mill throughput. Molybdenum production was 0.2 million

pounds for the quarter ended December 31, 2008 as compared to 0.3 million pounds in the quarter ended December 31, 2007.

The Prosperity Project continues to have robust economics considering current and expected future gold and copper prices and the Environmental Assessment process is entering its final stages. The Provincial Environmental Assessment is mandated by law to be completed 180 days following its acceptance as complete, which occurred on March 13, 2009.

**Non-GAAP Measures**

The table and discussion below includes certain non-GAAP performance measures that do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company believes that these measures are commonly used, in conjunction with conventional GAAP measures, by certain investors to enhance their understanding of the Company's performance. The Company's use of these non-GAAP measures is intended to provide additional information that should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP.

**Financial Results and Current Market Conditions**

| (in millions of dollars) | Fifteen months ending December 31, 2008 | Twelve months ending September 30, 2007 | Three months ending December 31, 2008 | Three months ending December 31, 2007 |
|---|---|---|---|---|
| Gross Revenues [1] | 258.6 | 216.1 | 32.5 | 43.7 |
| Gross Cost of Sales [2] | 194.7 | 109.5 | 47.5 | 25.0 |
| Amortization | 7.4 | 3.2 | 2.0 | 0.7 |
| Unadjusted Operating Profit (Loss) | 56.5 | 103.4 | (17.0) | 18.0 |
| Adjustments: | | | | |
| Quotational Pricing | (26.9) | 2.3 | (21.9) | 1.2 |
| Inventory Adjustment | (1.5) | – | (1.5) | – |
| Operating Profit as reported | 28.1 | 105.7 | (40.4) | 19.2 |

[1] Gross Revenues is a non-GAAP measure defined as revenues before quotational pricing adjustments.

[2] Gross Cost of Sales is a non-GAAP measure defined as cost of sales before inventory net realizable value adjustments.

For the fifteen months ended December 31, 2008, Taseko generated an operating profit before quotational period and inventory adjustments of $56.5 million compared to $103.4 million during the twelve months ended September 30, 2007. Additionally, during the fifteen-month period, Taseko generated cash from operating activities of $46.9 million as compared to $86.0 million for the twelve month period ended September 30, 2007.

A $26.9 million negative pricing adjustment and a $1.5 million negative inventory adjustment was recorded in the fifteen months ended December 31, 2008 related to the rapid deterioration in base metal

prices, including copper and molybdenum, in the quarter ended December 31, 2008. The result of these adjustments and other expenses was net earnings after tax of $3.5 million for the fifteen months ended December 31, 2008 as compared to net earnings after tax of $48.3 million for the year ended September 30, 2007. The corresponding loss for Taseko for the three months ended December 31, 2008 was $39.6 million as compared to net earnings after tax of $16.2 million for the three months ended December 31, 2007.

Under the Company's concentrate sales contracts, final copper and molybdenum prices are set based on a specified future quotational period and the market metal price in that period. Typically, the quotational periods for copper are either one or four months after the date of arrival at the port of discharge and for molybdenum is one month after the month of shipment. Revenues are recorded under these contracts at the time title passes to the buyer and are based on the forward price for the expected settlement period. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on the average applicable price for a specified future period, and generally occurs from one to five months after shipment.

**1.2.1 Gibraltar Mine**

Taseko's 100% owned Gibraltar mine is located north of the City of Williams Lake in south-central British Columbia.

*Gibraltar Mine Current Production and Cost Performance*

In July of 2008, recognizing the effect that the tightening credit market could have on Taseko's business plan, management focused on reducing operating costs and reviewing capital projects. As the crisis deepened during the summer and fall of 2008 coupled with the dramatic drop in metal prices in September, management's actions became entirely focused on cash preservation, which entailed stopping or deferring all major projects at Gibraltar that were not needed for immediate production requirements. The timing of the pull back on projects allowed the operations management team to fully realize the benefits of the Phase 1 mill expansion and the newly commissioned mining equipment. These two factors have allowed Gibraltar to significantly reduce operating costs in a relatively short period of time. Also allowing substantial operating cost improvements were the successful implementation of the two-year mine plan along with the cumulative effects of new technology, increased recoveries and throughput, reduced strip ratio and operation of only the most cost effective mining equipment. As well, reduced cost of consumables and purchased services such as steel, fuel and ocean freight, in conjunction with the effect of the weakened Canadian Dollar against the US Dollar, have all supported the significant drop in operating cost.

The following table illustrates detail of Gibraltar's performance during the last quarter of 2008 plus January and February 2009:

| | October 2008[3] | November 2008[3] | December 2008[3] | January 2009[3] | February 2009[3] |
|---|---|---|---|---|---|
| Total tons mined (millions)[1] | 3.9 | 2.4 | 2.3 | 2.5 | 2.2 |
| Tons of ore milled (millions) | 1.2 | 0.9 | 1.0 | 1.1 | 1.1 |
| Stripping ratio | 2.7 | 1.6 | 1.0 | 1.2 | 0.9 |
| Copper grade (%) | 0.372 | 0.317 | 0.404 | 0.350 | 0.352 |
| Molybdenum grade (%Mo) | 0.010 | 0.009 | 0.011 | 0.009 | 0.009 |
| Copper recovery (%) | 73.2 | 75.1 | 80.7 | 81.6 | 82.2 |
| Molybdenum recovery (%) | 20.6 | 33.6 | 31.4 | 39.1 | 30.1 |
| Copper production (millions lb) [2] | 6.9 | 5.0 | 6.9 | 6.4 | 6.2 |
| Molybdenum production (thousands lb) | 52 | 57 | 71 | 75 | 57 |
| Foreign Exchange ($C/$US) | 1.18 | 1.22 | 1.23 | 1.23 | 1.25 |
| Copper production costs per pound of copper | US$1.44 | US$1.57 | US$1.24 | US$1.09 | US$1.03 |
| By-product credit[4] per pound of copper | US$0.09 | US$0.09 | US$0.09 | US$0.12 | US$0.12 |
| Copper production costs, net of by-product credits[4] , per lb of copper | US$1.35 | US$1.48 | US$1.15 | US$0.97 | US$0.91 |
| Off property costs for transport, treatment (smelting & refining) & sales[5] per lb of copper | US$0.29 | US$0.27 | US$0.27 | US$0.22 | US$0.22 |
| Total cash costs of production per lb of copper | US$1.64 | US$1.76 | US$1.42 | US$1.19 | US$1.13 |

[1] Total tons mined includes sulphide ore, oxide ore, low grade stockpile material, overburden, and waste rock which were moved from within pit limit to outside pit limit during the period.

[2] Copper production includes concentrate and cathode.

[3] The results presented on a monthly basis are unaudited.

[4] By-product credit is calculated on a three month total and averaged over the quarter. [5] Off property costs are calculated on a three month total and averaged over the quarter.

*Three-Month Sales and Inventory*

*Copper*

- Copper in concentrate sales volume increased by 49% to 17.6 million pounds in the three months ending December 31, 2008 from the 11.8 million pounds of copper in concentrate sold during the three months ending December 31, 2007.
- Copper cathode sales volume doubled in the three months ending December 31, 2008 to 0.90 million pounds compared to 0.44 million pounds in the three months ending December 31, 2007.
- Copper concentrate inventory at December 31, 2008 was 4.1 million pounds. Copper in concentrate in inventory at December 31, 2007 was 6.3 million pounds.

- Copper cathode inventory at December 31, 2008 was 0.4 million pounds. Copper cathode in inventory at December 31, 2007 was 0.9 million pounds.
- The average price realized for sales of copper during the period was US$1.26 (before pricing adjustments), compared to US$3.16 per pound (before pricing adjustments) realized in the three months ending December 31, 2007.

Revenue adjustments were incurred during the period related to shipments in prior quarters. The Quotational Period (QP) for shipments sold to Gibraltar's concentrate trader in August and September 2008 was four months after month of arrival of the shipment at the designated smelter. As a result, the close or final QP for these shipments was January and February 2009. These shipments were provisionally priced when they were shipped, but the copper price dropped dramatically in the beginning of September 2008 to a copper price at the end of December 2008 of US$1.39 per pound. This resulted in a negative pricing adjustment of $26.9 million.

*Molybdenum*

- Molybdenum in concentrate sales volume declined by 32% to 143,000 pounds from 210,000 pounds sold in the three months ending December 31, 2007.
- Molybdenum in concentrate inventory at December 31, 2008 was 77,000 pounds. Molybdenum in concentrate inventory at December 31, 2007 was 96,000 pounds.
- The average price realized for sales of molybdenum for the three months ending December 31, 2008 declined to US$19.96 per pound, compared to US$32.18 per pound realized in the three months ending December 31, 2007.

*Three-Month Production*

The following table is a summary of the operating statistics for the three months ending December 31, 2008 compared to the three months ending December 31, 2007.

| | Three months ending December 31, 2008 | Three months ending December 31, 2007 |
|---|---|---|
| Total tons mined (millions) [1] | 8.6 | 10.1 |
| Tons of ore milled (millions) | 3.2 | 2.3 |
| Stripping ratio | 1.7 | 3.2 |
| Copper grade (%) | 0.365 | 0.364 |
| Molybdenum grade (%Mo) | 0.010 | 0.012 |
| Copper recovery (%) | 76.1 | 79.3 |
| Molybdenum recovery (%) | 28.0 | 50.4 |
| Copper production (millions lb) [2] | 18.8 | 14.4 |
| Molybdenum production (thousands lb) | 179 | 291 |

[1] Total tons mined includes sulphide ore, oxide ore, low grade stockpile material, overburden, and waste rock which were moved from within pit limit to outside pit limit during the period.

[2] 2008 copper production includes 17.9 M lb in concentrate and 0.9 M lb in cathode.
2007 copper production includes 13.4 M lb in concentrate and 1.0 M lb in cathode.

Tons mined during the three months ending December 31, 2008 decreased compared to the same period ending December 31, 2007 as a result of the November implementation of the revised mine plan.

Copper in concentrate production during the three-month period ending December 31, 2008 was 17.9 million pounds, an increase from the 13.4 million pounds produced in the three-month period ending December 31, 2007. This concentrate production increase is a result of the increased throughput achieved by completion of the Phase 1 concentrator expansion. Copper and molybdenum metallurgical recoveries were low in October and November as a result of mechanical problems related to the regrind mill. This is the original regrind mill and, although it is operational again, it will be replaced in summer of 2009 as part of the completion of the Phase 2 mill expansion.

*Fifteen-Month Sales and Inventory*

The following table illustrates the significant changes in the average prices for copper and molybdenum on a quarter by quarter basis over the past fifteen months:

| | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q5 2008 |
|---|---|---|---|---|---|
| LME Copper Price Average | $3.27 | $3.51 | $3.83 | $3.49 | $1.77 |

| | Q1 2008 | Q2 2008 | Q3 2008 | Q4 2008 | Q5 2008 |
|---|---|---|---|---|---|
| Molybdenum Oxide Price Average | $32.50 | $33.75 | $33.50 | $33.75 | $17.75 |

*Copper*

- Copper in concentrate sales during the fifteen months ending December 31, 2008 was 73.4 million pounds, compared to sales of 53.4 million pounds in the twelve months ending September 30, 2007.
- Copper in concentrate inventory at December 31, 2008 was 4.1 million pounds compared to 4.6 million pounds at September 30, 2007.
- Copper cathode sales for the fifteen months ending December 31, 2008 was 4.5 million pounds, compared to 2.1 million pounds in the twelve months ending September 30, 2007.
- Copper cathode inventory at December 31, 2008 was 0.4 million pounds compared to 0.3 million pounds at September 30, 2007

*Molybdenum*

- Molybdenum in concentrate sales during the fifteen months ending December 31, 2008 was 0.8 million pounds, compared to sales volume of 0.6 million pounds in the twelve months ending September 30, 2007.
- The inventory at December 31, 2008 was 77,000 pounds compared to 18,100 pounds at September 30, 2007.

**Concentrator Expansion Project**

Construction of the Phase 1 mill expansion was completed in February 2008. The ramp up to the rated processing capacity of 46,000 tons per day ("tpd") has been ongoing since completion of the construction phase with sustained periods of operation at the rated capacity becoming more frequent and of longer duration as mill operations personnel continue to refine the metallurgical performance relating to grind size at higher mill throughput rates and metal recovery. The improved performance is evidenced by the recovery increasing from 73.2% in October 2008 to 82.2% in February 2009, a 12% increase.

The Phase 2 expansion program consists of modernizing and increasing the capacity of the regrind, cleaner flotation, and ancillary circuits along with installation of a two-stage tailings pumping system. Phase 2 is designed to increase concentrator capacity from 46,000 to 55,000 tpd. The construction schedule for Phase 2 has been modified as a result of management's review of capital spending. The regrind mill and cleaner flotation circuits will be completed in the summer of 2009 as they are not cash intensive to complete and they provide very robust payback through increased copper and molybdenum recoveries. Ramp up to 55,000 tpd will occur following completion of the rest of the Phase 2 program and completion of the in-pit crusher and conveyor.

The Phase 3 expansion was designed to increase throughput capacity by a further 30,000 tpd to 85,000 tpd. The engineering for Phase 3 was well advanced and the estimated capital cost had been confirmed at $300 million for mill infrastructure and $50 million for mining equipment. With the exception of upgrading or replacing the molybdenum circuit, the entire project has been deferred as a result of the credit market conditions and copper market outlook. Once the economic conditions improve, the decision to move forward on this next phase of expansion will be reviewed.

**Labour and Safety**

Labour at site was reduced as a result of the 24-month plan to reduce costs in response to significant decreases in metal prices. The number of active personnel at the end of December 2008 was 397 and at the end of February 2009 was 320, compared to 450 personnel at the site at the end of September 2008.

There was one lost time accident during the three-month period ending December 31, 2008.

**Mineral Resources and Reserves**

Taseko completed a drill program and engineering study on the Oakmont ground of the Gibraltar property in 2008. These programs have confirmed an extension of the Gibraltar mineral deposit (Gibraltar Extension) and increased the mine's mineral reserves by 28% to 472 million tons.

Gibraltar's proven and probable reserves as of December 31, 2008 are tabulated below:

| **Gibraltar Mine Mineral Reserves** At 0.20% copper cut-off | | | | |
|---|---|---|---|---|
| **Pit** | **Category** | **Tons (millions)** | **Cu (%)** | **Mo (%)** |
| Connector | Proven | 40.4 | 0.296 | 0.010 |
| | Probable | 14.8 | 0.271 | 0.009 |
| | **Subtotal** | **55.2** | **0.289** | **0.010** |
| Gibraltar East | Proven | 66.8 | 0.286 | 0.008 |
| | Probable | 33.3 | 0.285 | 0.013 |
| | **Subtotal** | **100.1** | **0.286** | **0.010** |
| Granite | Proven | 187.0 | 0.324 | 0.009 |
| | Probable | 25.8 | 0.319 | 0.009 |
| | **Subtotal** | **212.8** | **0.323** | **0.009** |
| Gibraltar Extension (new reserves) | Proven | 75.4 | 0.352 | 0.002 |
| | Probable | 29.3 | 0.304 | 0.002 |
| | **Subtotal** | **104.7** | **0.339** | **0.002** |
| Total | | 472.8 | 0.315 | 0.008 |

The mineral reserves stated above are contained within the following mineral resources:

| **Gibraltar Mine Mineral Resources** At 0.20% copper cut-off | | | |
|---|---|---|---|
| **Category** | **Tons (millions)** | **Cu (%)** | **Mo %)** |
| Measured | 598.0 | 0.302 | 0.008 |
| Indicated | 361.1 | 0.290 | 0.008 |
| **Total** | **959.1** | **0.298** | **0.008** |

The mineral resource and reserve estimations were completed by Gibraltar mine staff under the supervision of Scott Jones, P.Eng., Vice-President, Engineering and a Qualified Person under National Instrument 43-101. Mr. Jones has verified the methods used to determine grade and tonnage in the geological model, reviewed the long range mine plan, and directed the updated economic evaluation. The estimates for the Gibraltar Extension used long-term metal prices of US$1.75 per pound for copper and US$10.00 per pound for molybdenum and a foreign exchange of C$0.82 per US dollar while the estimates for the balance of the reserves used long-term metal prices of US$1.50 per pound for copper and US$10.00 per pound for molybdenum and a foreign exchange of C$0.80 per US dollar. A technical report has been filed on www.sedar.com .

### 1.2.2 Prosperity Project

Taseko holds a 100% interest in the Prosperity property, located 125 kilometers southwest of the City of Williams Lake. The property hosts a large porphyry gold-copper deposit amenable to open pit mining. In September 2007, the Company announced the positive results of a feasibility study for the Project.

During 2008 detailed engineering was performed in order to reduce capital and operating costs thereby counteracting the impact of the then rapidly escalating costs being experienced in projects worldwide. Engineering included a redesign of the plant site layout, concentrator, maintenance shop, primary crusher, camp/administration complex, miscellaneous infrastructure, and pit development. The revised designs improve energy and operations efficiency to minimize operating costs. Worldwide pressure on costs and availability of infrastructure and equipment has softened substantially since the economic decline at the end of 2008 and the effects of these factors on the project are being evaluated.

The Ministry of Environment of British Columbia accepted Taseko's Environmental Assessment report as complete on March 13, 2009 and is moving forward under provisions of the Environmental Assessment Act with an Environmental Assessment Office ("EAO")-led review of this Project. The Canadian Environmental Assessment Agency ("CEAA") and the B.C. EAO are collaborating on their respective federal and provincial environmental assessment processes in a coordinated manner. The EA review is mandated by law to be completed 180 calendar days after the acceptance date noted above. Federal and provincial government decisions on proceeding with the Project will be made following completion of the Environmental Assessment process.

### 1.2.3 Harmony Project

Taseko holds 100% of the Harmony gold project, located on the Queen Charlotte-Haida Gwaii on the northwest coast of British Columbia. The Company has undertaken property maintenance and environmental monitoring activities at Harmony since acquiring the project in 2001.

The Company initiated a review of engineering work on the project in late 2007 following the designation of the area as a mineral development zone under the Queen Charlotte-Haida Gwaii Land and Resource Management Plan. Plans to move forward with the Harmony Project are currently on hold.

### 1.2.4 Aley Project

Taseko holds 100% of the Aley niobium project in northern British Columbia. Niobium is a metal used in making high-strength steels required in the manufacture of automobiles, bridges, pipes, jet turbines and other high technology applications. Plans to move forward with the Aley Project are currently on hold.

### 1.2.5 Corporate

Peter Mitchell was appointed the Company's Chief Financial Officer on September 15, 2008. Mr. Mitchell is a Chartered Accountant with degrees in Economics (BA) and Business Administration (MBA). He has extensive experience with private equity portfolio companies through acquisitions, integrations and greenfield initiatives and financing activities.

*Convertible Debenture – NVI Mining Ltd (formerly Boliden Westmin (Canada) Limited) ("NVI")*

On July 21, 1999, in connection with the acquisition of the Gibraltar mine, the Company issued a $17,000 interest-free debenture (the "Debenture") to NVI Mining Ltd. ("NVI" or formerly Boliden Westmin (Canada) Limited). The Debenture was due on July 21, 2009 and was convertible into common shares of the Company over a 10-year period commencing at a price of $3.14 per share in year one and escalating by $0.25 per share per year thereafter. NVI had the right to convert, in part or in whole from time to time, the Debenture into fully paid common shares of the Company from year one to year ten.

On April 2, 2008, NVI issued a notice to the Company to convert the principal amount of the Debenture of $17,000,000 at an effective conversion rate of $5.14 per common share, which would have resulted in 3,307,393 common shares of the Company being issued to NVI. The Company issued 2,612,971 to NVI and a cash payment of $3,569,000 in lieu of issuing the remaining 694,422 common shares as full and final settlement to NVI.

**1.2.6 Market Trends**

Copper prices had been on an overall upward trend between late 2003 and October 2008, but have decreased significantly since then as a result of uncertainty in global financial markets. In mid-2008, the copper market deficit, caused by strong demand growth and struggling production and a lack of new development projects, reached its peak.

The average price in 2008 was US$3.15/lb, compared to an average price of US$3.22/lb in 2007. In July, the copper price was as high as US$4.08/lb before the global credit crisis occurred, resulting in a global economic downturn and a subsequent collapse in the price of copper. In December, the price of copper retreated to a low of US$1.26/lb. The 70% drop in price over such a short period of time was unprecedented.

Prices stabilized in January 2009, ranging from US$1.40/lb to US$1.50/lb and averaging US$1.48/lb. By mid-March copper was trading in the US$1.65/lb range. The average copper price in 2009 to mid March was US$1.53/lb.

Precious metals prices had been on an overall uptrend for more than three years. Gold prices were volatile in late 2008, dropping below $800/oz for a two-week period in September, and again from mid October through November. The average gold price for the year was US$871/oz. Prices in 2009 to mid March have averaged US$905/oz. As global economic and other market conditions are uncertain, market experts have forecast strong gold prices through 2009.

Molybdenum prices increased from US$7.60/lb in 2003 and peaked in 2005 at an average price of US$34/lb. Prices decreased in 2006, averaging US$25.53/lb over the year, and strengthened again in 2007, averaging US$30.47/lb for the year. Molybdenum prices dropped significantly in late 2008, but averaged US$28.98/lb based on strength earlier in the year. Prices continued to drop in 2009, averaging US$9.30/lb in January but have stabilized around that price since that time. The average price in 2009 to mid March is US$9.68/lb.

The Company sells its products in United States dollars but its expenses are denominated primarily in Canadian dollars. The twelve-month average at December 31, 2008 for one United States dollar was 1.067 Canadian dollars. During the first nine months of 2008, the Canadian dollar was approximately at par with the United States dollar. However, in the last three months of 2008, the Canadian dollar has weakened significantly relative to the US dollar. At December 31, 2008, one United States dollar was equivalent to 1.218 Canadian dollars. Current forecasts anticipate an average of one United States dollar to 1.246 Canadian dollars in 2009.

## 1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in thousands of Canadian dollars except per share amounts.

| Balance Sheets | As at December 31 2008 | As at September 30 2007 | 2006 |
|---|---|---|---|
| Current assets | $ 41,283 | $ 94,619 | $ 149,447 |
| Mineral properties | 32,610 | 18,407 | 2,628 |
| Plant and equipment | 292,390 | 158,492 | 43,817 |
| Other assets | 111,962 | 105,745 | 101,569 |
| Total assets | $ 478,245 | $ 377,263 | 297,461 |
| | | | |
| Current liabilities | 112,053 | 44,589 | 47,863 |
| Other liabilities | 131,285 | 169,014 | 148,664 |
| Shareholders' equity | 234,907 | 163,660 | 100,934 |
| Total liabilities & shareholders' equity | $ 478,245 | $ 377,263 | $ 297,461 |

| Statements of Operations | Fifteen months ended December 31 2008 | Year ended September 30 2007 | 2006 |
|---|---|---|---|
| Revenue | $ 231,678 | $ 218,426 | $ 161,900 |
| Cost of sales | (196,261) | (109,533) | (103,628) |
| Amortization | (7,363) | (3,155) | (3,412) |
| Operating profit | 28,054 | $ 105,738 | $ 54,860 |
| Accretion of reclamation obligation | 1,451 | 1,777 | 1,732 |
| Exploration | 11,864 | 8,967 | 3,544 |
| Foreign exchange loss (gain) | 4,032 | 233 | (289) |
| Gain on asset retirement obligation change of estimates | (6,917) | (4,570) | – |
| Loss on advances on equipment | 862 | – | – |
| Loss on extinguishment of capital leases | – | – | 240 |
| General and administration | 11,034 | 6,501 | 5,286 |
| Ledcor termination fee | – | – | 3,500 |
| Gain on sale of marketable securities | (1,034) | (1,508) | – |
| Interest and other income | (9,701) | (11,093) | (7,170) |
| Interest expense | 8,284 | 5,947 | 4,594 |
| Interest accretion on convertible debt | 2,938 | 2,922 | 1,280 |
| Stock-based compensation | 6,442 | 6,771 | 3,182 |
| Change in fair market value of financial instruments | 886 | 1,925 | – |
| Earnings (loss) before income taxes | $ (2,087) | $ 87,866 | $ 38,961 |
| Current income tax recovery (expense) | 2,151 | (3,959) | (4,397) |
| Future income tax recovery (expense) | 3,446 | (35,645) | (1,648) |
| Earnings (loss) for the period | $ 3,510 | $ 48,262 | $ 32,916 |
| | | | |
| Other comprehensive income (loss): | | | |
| Unrealized gain (loss) on reclamation deposits | 1,859 | (419) | – |
| Unrealized gain (loss) on marketable securities/investments | (11,295) | 4,710 | – |
| Reclassification of realized gain on sale of marketable securities | (1,152) | (1,508) | – |
| Tax effect | 1,570 | (445) | – |
| Other comprehensive income (loss) | $ (9,018) | $ 2,338 | $ – |
| Total comprehensive income (loss) | $ (5,508) | $ 50,600 | $ 32,916 |
| Basic earnings per share | $ 0.02 | $ 0.37 | $ 0.29 |
| Diluted earnings per share | $ 0.02 | $ 0.36 | $ 0.26 |
| Basic weighted average number of common shares outstanding | 142,062 | 129,218 | 113,554 |
| Diluted weighted average number of common shares outstanding | 156,928 | 142,278 | 126,462 |

## 1.4 Summary of Quarterly Results

Expressed in thousands of Canadian dollars, except per-share amounts. Small differences are due to rounding.

| | Dec 31, 2008 | Sept 30, 2008 | Jun 30 2008 | Mar 31 2008 | Dec 31 2007 | Sep 30 2007 | Jun 30 2007 | Mar 31 2007 | Dec 31 2006 |
|---|---|---|---|---|---|---|---|---|---|
| Current assets | 41,283 | 80,250 | 114,611 | 124,105 | 117,251 | 94,619 | 97,907 | 114,756 | 129,940 |
| Mineral properties | 32,610 | 32,095 | 29,916 | 19,142 | 18,941 | 18,407 | 15,986 | 5,468 | 3,554 |
| Plant and equipment | 292,390 | 266,872 | 222,729 | 202,679 | 182,342 | 158,492 | 120,857 | 95,627 | 63,281 |
| Other assets | 111,962 | 132,977 | 113,159 | 112,926 | 106,873 | 105,745 | 104,781 | 104,677 | 104,051 |
| **Total assets** | **478,245** | **512,194** | **480,415** | **458,852** | **425,407** | **377,263** | **339,531** | **320,528** | **300,826** |
| | | | | | | | | | |
| Current liabilities | 112,053 | 65,663 | 41,484 | 29,976 | 22,439 | 44,589 | 35,225 | 36,426 | 37,411 |
| Other liabilities | 131,285 | 176,456 | 173,755 | 182,419 | 173,042 | 169,014 | 155,070 | 151,799 | 149,912 |
| Shareholders' equity | 234,907 | 270,075 | 265,176 | 246,457 | 229,926 | 163,660 | 149,236 | 132,303 | 113,503 |
| **Total liabilities and shareholders' equity** | **478,425** | **512,194** | **480,415** | **458,852** | **425,407** | **377,263** | **339,531** | **320,528** | **300,826** |
| | | | | | | | | | |
| Revenue | 10,576 | 57,615 | 53,206 | 65,357 | 44,924 | 53,998 | 55,907 | 51,624 | 56,897 |
| Mine site operating costs | (42,021) | (40,924) | (29,633) | (28,854) | (19,810) | (17,062) | (21,399) | (18,962) | (30,809) |
| Transportation and treatment | (7,054) | (9,500) | (6,042) | (7,194) | (5,229) | (5,220) | (4,714) | (5,062) | (6,305) |
| Amortization | (1,979) | (2,029) | (1,563) | (1,091) | (701) | (667) | (1,374) | (677) | (437) |
| Operating profit | (40,478) | 5,162 | 15,968 | 28,218 | 19,184 | 31,049 | 28,420 | 26,923 | 19,346 |
| **Expenses:** | | | | | | | | | |
| | | | | | | | | | |
| Accretion of reclamation obligation | 183 | 326 | 322 | 313 | 307 | 760 | 339 | 339 | 339 |
| Conference and travel | 158 | 135 | 164 | 370 | 157 | 98 | 72 | 156 | 168 |
| Consulting | 77 | 68 | 66 | 52 | 78 | 198 | 138 | 167 | 80 |
| Exploration | 1,088 | 3,363 | 3,047 | 2,243 | 2,123 | 2,320 | 2,188 | 2,546 | 1,913 |
| Interest expense and accretion charges | 3,839 | 1,603 | 1,857 | 2,032 | 1,891 | 2,042 | 2,199 | 2,722 | 1,906 |
| Legal, accounting and audit | 625 | 101 | 277 | 326 | 219 | 443 | 130 | 484 | 163 |
| Office and administration | 1,260 | 1,753 | 1,566 | 1,454 | 1,250 | 975 | 833 | 905 | 762 |
| Shareholder communications | 94 | 77 | 78 | 165 | 136 | 99 | 140 | 134 | 113 |
| Trust and filing | 6 | 9 | 94 | 105 | 115 | 23 | 20 | 118 | 81 |
| Interest and other income | (1,362) | (1,668) | (1,897) | (2,239) | (2,535) | (2,901) | (2,434) | (2,978) | (2,778) |
| Loss (gain) on sale of marketable securities | – | 120 | (586) | (568) | – | – | – | (1,509) | – |
| Asset retirement obligation change of estimates | (4,504) | – | – | – | (2,413) | (4,570) | – | – | – |
| Foreign exchange loss (gain) | 3,249 | 1,142 | 600 | (1,000) | 40 | 756 | 1,454 | (472) | (1,505) |
| Stock-based compensation | 1,054 | (85) | 1,103 | 1,598 | 2,772 | 1,817 | 1,865 | 2,330 | 759 |
| Loss on equipment disposal | 701 | – | 161 | – | – | – | – | – | – |
| Change in fair value of financial instruments | – | – | – | 809 | 77 | 617 | 2,331 | (995) | (28) |
| Earnings (loss) before income taxes | (46,946) | (1,782) | 9,116 | 22,558 | 14,967 | 28,372 | 19,145 | 22,976 | 17,373 |
| Income tax expense (recovery) | (7,303) | (8,653) | 5,317 | 6,357 | (1,315) | 15,727 | 6,739 | 11,485 | 5,653 |
| **Earnings (loss) for the period** | (39,643) | 6,871 | 3,799 | 16,201 | 16,282 | 12,645 | 12,406 | 11,491 | 11,720 |
| Earnings (loss) per share – basic | (0.29) | 0.05 | 0.03 | 0.11 | 0.12 | 0.10 | 0.10 | 0.09 | 0.09 |

## 1.5 Results of Operations

In October 2008, the Company announced that it would change its year end from September 30 to December 31. As a result, in accordance with National Instrument 51-102CP, "*Continuous Disclosure Obligations"*, this management discussion and analysis deals with the transition period, comparing the three months ending December 31, 2008 with the three months ending December 31, 2007 and the fifteen month ending December 31, 2008 with the twelve months ending September 30, 2007.

***Three months ended December 31, 2008 versus three months ended December 31, 2007***

For the three months ended December 31, 2008, Taseko generated operating loss before quotational period and inventory adjustments of $17 million compared to an operating gain before quotational adjustment of $18 million during the three months ended December 31, 2007. A $21.9 million negative pricing adjustment and a $1.5 million negative inventory adjustment was recorded in the three months ended December 31, 2008 related to the rapid deterioration in base metal prices, including copper and molybdenum. The result of these adjustments and other expenses was a net loss after tax of $39.6 million for three months ended December 31, 2008 as compared to net earnings after tax of $16.3 million for the three months ended December 31, 2007.

The Company recognized revenues of $10.6 million in the three months ended December 31, 2008 ("Q5 2008"), compared to $57.6 million in the three months ended September 30, 2008 ("Q4 2008") and $44.9 million in the three months ended December 31, 2007 ("Q1 2008").

The Company is subject to pricing adjustments in its sales contracts. In a declining price environment, negative pricing adjustment will reduce the revenues realized from products shipped. Likewise, in a rising pricing environment, sales will be impacted by positive pricing adjustments. As the price of copper decreased to an average of US$1.39 per pound by the end of December, the Company realized a negative pricing adjustment on its previous concentrate sales. The negative pricing adjustment in Q5 2008 was $21.9 million compared with a negative adjustment of $12.5 million for Q4 2008 and a positive adjustment of $1.2 million for Q1 2008. A significant portion of the negative pricing adjustments in the three months ended December 31, 2008 was generated from the August and September 2008 shipments. These shipments were provisionally priced at $3.17 per pound when they were shipped. The quotational periods declared for these shipments were January and February 2009 respectively when the copper price dropped to $1.46 per pound in January and $1.50 per pound in February. Consequently, an adjustment was made to revenues to adjust to the forward price of copper available, resulting in a realized price of US$0.39/lb. Without these adjustments, the revenue per pound of copper sold during the three months ended December 31, 2008 was US$1.26 per pound. The comparative realized average price per pound of copper sold was US$2.99 per pound in Q4 2008 and $3.26 in the Q1 2008.

Due to these negative pricing adjustments and the decline in prices for copper sold during the period, revenues in the quarter consisted of copper concentrate sales of $7.6 million compared to $51.5 million for Q4 2008 and $36.6 million for Q1 2008. Molybdenum concentrate sales were $1.2 million in the quarter compared to $2.7 million for Q4 2008 and $6.7 million for Q1 2008. Silver concentrate sales

were $0.5 million for the quarter compared to $0.3 million for Q4 2008 and $0.2 million for Q1 2008 and copper cathode sales were $1.3 million for the quarter compared to $3.1 million for Q4 2008 and $1.3 million Q1 2008.

Cost of production for the quarter was $42.0 million, compared to $40.9 million in Q4 2008, and $19.8 million in Q1 2008. Cost of production consists of total production cost for the period of $30.9 million (Q4 2008 – $40.6 million; Q1 2008 – $19.7 million); plus concentrate inventory addition of $11.1 million (Q4 2008 – inventory adjustment of $0.3 million; Q1 2008 – negative inventory adjustment of $1.7 million). Transportation and treatment costs for the quarter amounted to $7.0 million (Q4 2008 – $9.5 million; Q1 2008 – $5.2 million).

Amortization expense of $2.0 million for the current quarter was comparable to Q4 2008 of $2.0 million and higher than Q1 2008 of $0.7 million. The increase in amortization was the result of capital equipment additions as well as the utilization of several new pieces of equipment related to the concentrator expansion. The Company is also currently amortizing deferred stripping costs which had been capitalized in prior periods. Mining and milling assets are amortized using the units of production method based on tons mined and milled during the period and divided by the estimated tonnage to be mined and milled in the mine plan.

Exploration expenses for the quarter were $1.1 million, compared to $3.3 million in Q4 2008, and $2.1 million in Q1 2008 due to a lower level of activity relating to the Company's exploration projects during the quarter.

General and administrative ("G&A") expense for the quarter was $2.2 million, compared to $2.1 million in Q4 2008, and $2.0 million in Q1 2008, which has been relatively constant throughout the periods.

Stock-based compensation expense for the quarter was $1.1 million, compared to a credit of $0.8 million in Q4 2008, and $2.8 million of expense in Q1 2008. The expense was the result of immediately recognizing the stock based compensation for unvested stock options which were cancelled during the quarter as well as newly granted options.

Interest and other income for the quarter was $1.3 million, compared to $1.6 million in Q4 2008, and $2.5 million in Q1 2008. Interest expense and accretion for the quarter was $3.8 million, compared to $1.6 million in Q4 2008 and $1.9 million in Q1 2008. The increase is due to interest component of capital lease obligations, the use of the Company's overdraft facility during the period and interest related to certain tax provisions on the Company's balance sheet.

The Company recorded a foreign exchange loss for the quarter of $3.2 million, compared to a loss of $1.1 million in Q4 2008, and a loss of $0.04 million in Q1 2008. As the Company reports in Canadian dollars, the loss is due to the strengthening of the U.S. dollar and the revaluation of certain US-dollar denominated liabilities at December 31, 2008.

The Company recorded a gain resulting from the change in estimate of reclamation obligation as a result of an extension of mine life during the quarter in the amount of $4.5 million, compared to $nil in Q4 2008, and $2.4 million in Q1 2008.

***Fifteen months ended December 31, 2008 ("fiscal 2008") versus twelve months ended September 30, 2007 ("fiscal 2007")***

For the fifteen months ended December 31, 2008, Taseko generated operating profit before quotational period and inventory adjustments of $56.5 million compared to $103.4 million during the twelve months ended September 30, 2007. Additionally, during the fifteen-month period, Taseko generated cash from operating activities of $46.9 million as compared to $86.0 million for the twelve month period ended September 30, 2007.

A $26.9 million negative pricing adjustment and a $1.5 million negative inventory adjustment was recorded in the fifteen months ended December 31, 2008 related to the rapid deterioration in base metal prices, including copper and molybdenum in the quarter ended December 31, 2008. The result of these adjustments and other expenses was net earnings after tax of $3.5 million for the fifteen months ended December 31, 2008 as compared to net earnings after tax of $48.2 million for the year ended September 30, 2007.

The Company recognized revenues of $231.7 million in fiscal 2008, compared to $218.4 million in fiscal 2007. Revenues consisted of copper concentrate sales of $194.6 million (2007 – $191.1 million), molybdenum concentrate sales of $21.9 million (2007 – $18.6 million), silver concentrate sales of $1.6 million (2007 – $1.4 million), and copper cathode sales of $13.6 million (2007 – $7.4 million). The increase in revenue was the result of higher copper shipments in fiscal 2008. However, this increase was offset by lower realized prices on copper sold. For fiscal 2008, 77.9 million pounds of copper (concentrate and cathode) were sold compared to 55.5 million pounds of copper (concentrate and cathode) for fiscal 2007. The average price per pound of copper sold decreased to US$2.68 per pound for fiscal 2008, down from US$3.27 per pound for fiscal 2007 as a result of a drop in copper demand in the fifth quarter. Molybdenum sales were also higher in fiscal 2008 due to higher volume of sales and concentrate shipped. Molybdenum shipments increased to 0.8 million pounds for fiscal 2008 from 0.6 million pounds for fiscal 2007. However, a decline in the price of molybdenum in the last half of 2008 decreased the average price of molybdenum realized to US$28.19 per pound for fiscal 2008, down from US$28.26 per pound for fiscal 2007.

Under the Company's concentrate sales contracts, final copper and molybdenum prices are set based on a specified future quotational period and the market metal price in that period. Typically, the quotational periods for copper are either one or four months after the date of arrival at the port of discharge and for molybdenum is one month after the month of shipment. Revenues are recorded under these contracts at the time title passes to the buyer and are based on the forward price for the expected settlement period. Final settlement is based on the average applicable price for a specified future period, and generally occurs from one to five months after shipment. Should prices decrease between the time of shipment and final settlement, a negative pricing adjustment is recorded. As a result of the overall decrease in copper and molybdenum prices from September to December 2008, the Company had negative pricing adjustments of $27.0 million in fiscal 2008 compared with $2.3 million of positive pricing adjustments in fiscal 2007. A significant portion of the negative pricing adjustments in fiscal 2008 was generated from the August and September 2008 shipments. These shipments were provisionally priced at $3.17 per pound when they were shipped. The quotational periods declared for these shipments were January and

February 2009 respectively when the copper price dropped to $1.46 per pound in January and $1.50 per pound in February 2009.

Cost of sales for fiscal 2008 was $196.2 million, compared to $109.5 million for fiscal 2007. Cost of sales for fiscal 2008 consists of total production cost of $158.8 million (2007 – $79.0 million) and a concentrate inventory adjustment of $2.4 million (2007 – $9.2 million). Also included in cost of sales is transportation and treatment costs, which were $35 million for fiscal 2008 (2007 – $21.3 million). Cost of sales was higher during fiscal 2008 mainly due to higher production volumes, increases in fuel and ocean freight charges and the expense of stripping costs which were capitalized in the prior year. In addition, lost mill production time from the electrical transformer failure in May 2008 also contributed to higher production costs.

Amortization expense for fiscal 2008 was $7.4 million compared to $3.2 million in fiscal 2007. The increase is the result of capital equipment additions as well as the utilization of several new pieces of equipment related to the concentrator expansion. The Company is also currently amortizing deferred stripping costs which had been capitalized in prior periods. Mining and milling assets are amortized using the units of production method based on tons mined and tons milled during the period and divided by the estimated tonnage to be mined and milled in the mine plan.

Exploration expenses increased to $11.9 million in fiscal 2008 compared to $9.0 million in fiscal 2007, due to a higher level of activity relating to the Company's Prosperity project and work performed on the environmental assessment review (see Section 1.2.2) . Exploration expenses of $6.2 million (fiscal 2007 –$7.4 million) at Gibraltar were capitalized as the exploration expenditures resulted in the discovery of additional mineral reserves that will allow for increases in future production at the Gibraltar mine.

General and administrative ("G&A") costs increased to $11.0 million in fiscal 2008 from $6.5 million in fiscal 2007, mainly due to an extended reporting period of fifteen months in 2008 compared to twelve months in 2007. The increase in G&A was also due to higher salaries and benefits (2008 – $7.3 million, 2007 – $3.5 million) resulting from more staff required to support the Company's exploration projects, expansion at Gibraltar and general corporate activities. Other G&A costs include conference and travel (2008 – $1.0 million; 2007 – $0.5 million); consulting (2008 – $0.3 million; 2007 – $0.6 million); shareholder communication (2008 – $0.6 million; 2007 – $0.5 million) legal and accounting (2008 – $1.5 million; 2007 – $1.2 million); trust and filing (2008 – $0.3 million; 2007 – $0.2 million).

Stock-based compensation was $6.4 million in fiscal 2008 compared to $6.8 million in fiscal 2007. Most of the stock-based compensation in fiscal 2008 resulted from immediately recognizing the stock-based compensation for unvested stock options which were cancelled during the period as well as newly granted options.

Interest and other income decreased to $9.7 million as compared to $11.1 million in fiscal 2007. The decrease was due to a lower average cash balance in fiscal 2008. Interest expense and interest accretion increased to $11.2 million in fiscal 2008 compared to $8.9 million in fiscal 2007 mainly due to an extended reporting period of fifteen months in 2008 compared to twelve months in 2007. In addition, the Company entered into capital lease obligations as well as used its overdraft facility during the period and interest incurred related to certain tax provisions on the Company's balance sheet. The Company recorded a foreign exchange loss of $4.0 million for fiscal 2008 compared to a gain of $0.2 million in fiscal 2007.

The loss is due to the strengthening of the U.S. dollar and the revaluation of certain US-dollar denominated liabilities at December 31, 2008.

The Company recorded a gain resulting from the change in estimate of reclamation obligation as a result of an extension mine life in fiscal 2008 of $6.9 million, compared to a similar gain of $4.6 million for fiscal 2007.

Current income tax recovery of $2.2 million (2007 – expense of $4 million) and future income taxes recovery of $3.4 million (2007 – $35.6 million) were recorded for the fifteen months ended December 31, 2006. The decrease in taxes is due mainly to a reduction in profitability as a result of the economic downturn and the use of available tax pools to offset taxable income.

The Company also has a long term tax liability provision of $30.7 million (2007 – $24.6 million) recorded on the Company's balance sheet recorded in fiscal 2008 in accordance with Canadian generally accepted accounting principles.

### 1.6 Liquidity

At December 31, 2008, the Company had cash and equivalents of $4.6 million, as compared to $37.6 million at September 30, 2007. At February 28, 2009, the Company's cash and equivalents has increased to $32.8 million.

Management anticipates that sales from copper and molybdenum concentrate and copper cathode, along with the US$30 million term facility and $25 million equity financing announced on March 26, 2009 as disclosed in Section *1.7 Capital Resources*, the new 24-month mine plan and implemented cash management strategies will be sufficient to fund current operations and satisfy obligations as they come due. Management is actively monitoring all commitments and planned expenditures necessary to maintain operational objectives for the upcoming fiscal year.

A new 24-month mining plan was implemented in November 2008 for the Gibraltar mine, which includes a significantly reduced strip ratio and lower equipment hours and manpower requirements. This plan, along with declining input costs, a weaker Canadian dollar and the completion of the remaining Phase 2 expansion items will reduce operating costs and ensure there is sufficient liquidity and working capital to manage the current economic downturn.

*Liquidity Risk*

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and equivalents. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements. The Company's cash and equivalents are invested in business accounts bankers acceptances, which are available on demand for the Company's programs.

The following are the contractual maturities of contractual obligations (in thousands of Canadian dollars):

| 2008 | Carrying amount | 2009 | 2010 | 2011 | Over 3 years |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilities | $ 27,468 | $ 27,468 | $ – | $ – | $ – |
| Accrued quotational payments | 25,568 | 25,568 | | | |
| Bank overdraft facility (repaid in Feb 2009) | 5,737 | 5,737 | | | |
| Amounts due to related parties | 1,772 | 1,772 | – | – | – |
| Capital lease obligation | 18,900 | 4,280 | 4,003 | 4,003 | 6,614 |
| Convertible debt | 35,219 | – | – | 35,219 | – |
| Royalty obligation | 64,357 | 3,384 | 4,804 | 5,862 | 50,307 |
| Total contractual obligations | $ 179,021 | $ 68,209 | $ 8,807 | $ 45,084 | $ 56,921 |

The Company also has purchase orders in the normal course of operations for capital equipment required for the Gibraltar expansion project in the amount of $17,375,000. The orders have specific delivery dates and financing of this equipment will be through existing cash resources.

Other than those obligations disclosed in the notes to its audited annual financial statements for the fiscal period ended December 31, 2008, the Company had no other material commitments for material capital expenditures as of December 31, 2008.

Although the Company has implemented the necessary plans to ensure sufficient financial liquidity, the Company's ability to repay or refinance its financial liabilities to their contractual maturities depends on a number of factors, some of which are beyond the Company's control. There is no assurance that our expected cash flows from operations in combination with other steps being taken will allow us to meet these obligations as they become due.

### 1.7 Capital Resources

The Company's primary sources of liquidity and capital resources are our cash flow provided from operations as well as equity and debt financings.

*Equity Financings – Private Placements*

On October 30, 2007, the Company closed a "bought deal" short form prospectus offering of 7,115,385 common shares at a price of $5.20 per common share. The Company granted to the underwriters an over-allotment option to purchase up to an additional 1,067,307 common shares at $5.20. The underwriters elected to exercise the over-allotment option in full at the closing, resulting in aggregate gross proceeds to the Company of $42.5 million.

On November 13, 2007, the Company completed a private placement financing by issuing 1,455,100 common shares at a price of $5.20 per share for gross proceeds of $7.6 million.

On December 17, 2008, the Company completed a private placement financing of 8,571,429 units (the “Units”), which each Unit consisting of one common share and one common share purchase warrant (a “Warrant”), at the issue price of $0.70 per Unit (the “Purchase Price)” for gross proceeds of $6 million. Each Warrant entitles the holder to purchase one common share of the Company for a period of 24 months at the exercise price of $0.85 per Warrant Share in the first 12 months and $0.95 per Warrant Share in the second 12 months.

On March 26, 2009, the Company announced it had entered into an agreement with a syndicate of underwriters under which the underwriters have agreed to buy from Taseko 13,793,104 common shares at an issue price of $1.45 per common share (the "Offering") for gross proceeds of approximately $20 million. The underwriters will have an over-allotment option, exercisable at any time prior to 30 days after the closing date, to acquire up to an additional number of common shares equal to 15% of the number of common shares sold pursuant to the Offering, at the issue price. The Company also announced it intends to issue, via a non-brokered private placement at the same price as the Offering, approximately CDN$5 million of common shares (the "Non-Brokered Offering"). Finder's fees will be payable on the Non-Brokered Offering. The net proceeds from the Offering and the Non-Brokered Offering are intended to be used for general working capital and corporate purposes.

*Debt Financings*

During the 2008 fiscal period, the Company signed an overdraft facility with a Canadian financial institution for up to $10 million. As at December 31, 2008, the Company had drawn $5.7 from the overdraft facility. The term of the facility bore interest at prime rate plus 1% and was secured against the Company’s accounts receivable. The facility agreement stipulated that the facility will be terminated in the event the London Metal Exchange (“LME”) monthly cash price of copper reduces below US$2.00. The facility was also subject to minimum working capital, interest and debt-to-equity ratio covenants. Subsequent to year-end, due to the decrease in copper prices below US$2.00, the Company repaid the facility in full.

In February 2009, the Company entered into a US$30 million 36-month term facility agreement (the “Facility”) with Credit Suisse repaysable commencing after 14 months after the first utilization of the “Facility”. The loan bears interest at LIBOR plus 4 percent. Pursuant to security agreements entered into in connection with the Facility, the Company has ceded as security, certain equipment of the Gibraltar Mine and the MRI treatment and refining agreement.

*Other Sources*

The Company acquired certain mining equipment during the year in the amount of $17.6 million pursuant to three to four year capital lease agreements. These capital lease obligations are secured by the mining equipment and are repayable in monthly installments. Interest is charged at rates linked to the prevailing prime rate.

The Company was permitted by the Government of British Columbia to release $5 million from the Gibraltar mine reclamation deposit in exchange for security on certain equipment of the Gibraltar mine. Subsequent to period end, the Company obtained further approval and release $3.9 million from the reclamation deposit.

Other than those obligations disclosed in the notes to its audited annual financial statements for the fiscal period ended December 31, 2008, the Company has no other long term debt, capital lease obligations, operating leases or any other long term obligations as of December 31, 2008.

### 1.8 Off-Balance Sheet Arrangements

None.

### 1.9 Transactions with Related Parties

Hunter Dickinson Services Inc. ("HDSI") (formerly Hunter Dickinson Inc.) is a private company owned equally by several public companies, one of which is Taseko. HDSI has certain directors in common with the Company and carries out geological, engineering, corporate development, administrative, financial management, investor relations, and other management activities for, and incurs third party costs on behalf of, the Company. The Company reimburses HDSI on a full cost-recovery basis per agreement dated June 1, 2008.

Costs for services rendered and costs incurred on behalf of the Company by HDSI during the fiscal period ended December 31, 2008 were $8.9 million, as compared to $4.9 million in the year of 2007. The increase over prior fiscal year is due to higher staffing levels required to support the increase in general corporate development and exploration activities.

### 1.10 Current Quarter

Please refer to section *1.5 Results of Operations*.

### 1.11 Proposed Transactions

None.

### 1.12 Critical Accounting Estimates

The Company's significant accounting policies are presented in notes 3 and 4 of the audited consolidated statements for the fiscal period ended December 31, 2008. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the consolidated financial statements. These estimates include:

- mineral resources and reserves,
- the carrying values of concentrate inventories and supplies inventories
- the carrying values of mineral properties,
- the carrying values of property, plant and equipment,
- rates of amortization of property, plant and equipment

- the carrying values of the reclamation liability,
- the carrying values of the convertible debentures and conversion rights,
- income taxes,
- the valuation allowances for future income taxes,
- the carrying values of the receivables from sales of concentrate,
- the carrying values of deferred revenue,
- the assumptions used in determining the reclamation obligation, and
- the valuation of stock-based compensation expense.

Actual amounts could differ from the estimates used and, accordingly, affect the results of operations.

During the fifteen months fiscal period ended December 31, 2008, the Company increased its mineral reserves at the Company's Gibraltar mine, thereby extending the life of the mine. Consequently, the rates of amortization of the Company's property, plant and equipment, the carrying values of the reclamation liability, and the Company's future income taxes have been revised to reflect the extended mine life.

Mining and milling assets are amortized using the units of production method based on tons mined and milled during the period divided by the estimated tonnage to be recovered in the mine plan. An increase in recoverable reserves results in higher estimated tonnage to be recovered in the mine plan and hence a reduced annual amortization rate.

Due to the recent drop in commodity prices, the Company conducted a review of the carrying values of its mineral properties, plant, and equipment under Canadian GAAP as at December 31, 2008. The Company prepared cash flow forecasts for the Gibraltar mine and exploration projects using price assumptions reflecting prevailing commodity prices and analysts' consensus forecasts, current life-of-mine plans and forecast operating cost profiles. The long-term price assumptions used were US$1.75 per pound of copper and US$12 per pound of molybdenum. No impairment was identified for the Gibraltar Mine and the Company’s other exploration projects.

The Company also conducted a review of its inventory and recorded an adjustment of $1.5 million to reduce the concentrate inventory to its net realizable value at December 31, 2008.

### 1.13 Change in Accounting Policies including Initial Adoption

Effective October 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”) relating to financial instruments. As required by the transitional provisions of these new standards, these new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

*(a) Accounting Changes (Section 1506)*

This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. As a result, changes in accounting policies are only permitted when required by a primary source of GAAP or when the change will result in more reliable and more relevant information.

*(b) Capital Disclosures (Section 1535)*

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any externally imposed capital requirements and, if it has not complied, the consequences of such non-compliance.

*(c) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)*

These standards replace CICA 3861, "*Financial Instruments – Disclosure and Presentation*". These new standards require entities to disclose quantitative and qualitative information that enable users to evaluate the significance of financial instruments on the Company's financial performance, and the nature and extent of risks arising from financial instruments to which the Company is exposed during the year and at the balance sheet date. In addition, disclosure is required of management's objectives, policies and procedures for managing these risks.

(*d) Inventories (Section 3031)*

This standard replaces the existing Section 3030 with the same title and will harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). This standard requires that inventories be measured at the lower of cost and net realizable value, and includes guidance on the determination of costs, including the allocation of overheads and other costs. The standard also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The Company adopted this standard during the current period and determined that there was no significant impact on the financial statements.

*(e) Going Concern – Amendments to Section 1400*

CICA Section 1400, *"General Standards of Financial Statement Presentation"*, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The Company has assessed its ability to continue as a going concern and concluded that it will be able to continue as a going concern. The Company has made the following disclosure in the notes to the financial statements:

> The consolidated financial statements are prepared on the basis that the Company will continue as a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they come due. As at December 31, 2008, the Company had cash and equivalents of $4,587,000 and a working capital deficit of $70,770,000.
>
> Deterioration of global economic conditions during the latter part of the 2008 calendar year resulted in a significant weakening of base metal prices and high volatility in the exchange traded commodity prices. As well as affecting the commodity price received on the Company's sales,

the rapid decline in copper and molybdenum prices generated significant negative provisional pricing adjustments for sales in the final quarter of 2008, resulting in an increase in accrued liabilities as the price adjustment features are treated as embedded derivatives for accounting purposes and are marked-to-market at each period end. The Company has US$30 million in convertible bonds (note 14) that have a “put” right to be redeemed at 100.6% by the Bondholders in August 2009. Due to this “put” right, the bonds have been accordingly classified as current liabilities as at December 31, 2008. Subsequent to year-end, the Company secured a US$30 million 36-month term facility agreement (note 21(b)) and announced a $25 million “bought-deal” equity financing (note 21(c)). The Company is also committed to equipment purchases in relation to its expansion activities at the Gibraltar Mine in the amount of $ $17,375 (note 20 (a)).

Although the Company has had a history of operating profit, recent economic events have also impacted the profitability of the Company’s operations. The Company is monitoring all expenditures and implementing appropriate cash management strategies to ensure that it has adequate cash resources to fund identified commitments. The Company has implemented a new 24-month operational mine plan which will sustain current mill throughput while mining at a reduced strip ratio, resulting in reduced operating costs. Furthermore, certain expansion projects have been deferred until improvements occur in the credit and commodity markets. While there can be no assurances that the Company’s plans to address the current economic events will be successful, management believes that there is sufficient funding through our current resources, credit facilities and cash flow from operations to continue as a going concern.

If the Company is unable to maintain profitable operations and generate sufficient cash flows to meet obligations as they come due, the Company may have to reduce or curtail its operations and exploration activities or obtain financing at unfavorable terms. Furthermore, failure to continue as a going concern would require that the Company’s assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

**New Accounting Standards Not Yet Adopted**

*(f) International Financial Reporting Standards ("IFRS")*

The Canadian Accounting Standards Board ("AcSB") has announced its decision to replace Canadian generally accepted accounting principles (“Canadian GAAP”) with International Financial Reporting Standards ("IFRS") for all Canadian publicly-listed companies. The AcSB announced that the changeover date will commence for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company to changeover to IFRS will be January 1, 2011. Therefore, the IFRS adoption will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is currently in the process of developing an IFRS conversion plan and evaluating the impact of the transition to IFRS.

*(g) Section 3064 – Goodwill and Intangibles*

The AcSB issued CICA Handbook Section 3064, which replaces Section 3062, "*Goodwill and Other Intangible Assets"*, and Section 3450, *"Research and Development Costs"*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of this new standard and anticipates this standard will have no significant impact on the financial statements.

### 1.14 Financial Instruments and Other Instruments

Please refer to note 6 of the accompanying audited consolidated financial statements.

### 1.15 Other MD&A Requirements

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

### 1.15.1 Additional Disclosure for Venture Issuers without Significant Revenue

Not applicable. The Company is not a Venture Issuer.

### 1.15.2 Disclosure of Outstanding Share Data

The following details the share capital structure as at March 26, 2009, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

| | Expiry date | Exercise price | Number | Number |
|---|---|---|---|---|
| Common shares | | | | 153,187,116 |
| Share purchase option | March 27, 2009 | $ 2.18 | 90,000 | |
| | March 27, 2009 | $ 2.68 | 20,000 | |
| | Feb 14, 2010 | $ 3.07 | 66,000 | |
| | July 03, 2010 | $4.03 | 60,000 | |
| | September 28, 2010 | $1.15 | 348,334 | |
| | September 28, 2010 | $ 1.15 | 780,000 | |
| | September 28, 2010 | $ 2.07 | 70,000 | |
| | Feb 24, 2011 | $4.50 | 98,000 | |
| | Feb 24, 2011 | $ 2.18 | 442,000 | |
| | March 28, 2011 | $ 2.63 | 40,000 | |
| | April 22, 2011 | $5.45 | 10,000 | |
| | August 22, 2011 | $ 4.09 | 28,334 | |
| | February 24, 2012 | $ 3.07 | 165,000 | |
| | February 24, 2012 | $ 4.50 | 135,000 | |
| | December 10, 2011 | $1.00 | 2,022,050 | |
| | December 10, 2013 | $1.00 | 3,413,000 | |
| | January 12, 2014 | $1.15 | 2,175,000 | 9,962,718 |
| Warrants | December 17, 2010 | $0.85 | 9,085,715 | 9,085,714 |
| Convertible bonds | August 29, 2011 | US$3.35 | 8,955,224 | 8,955,224 |
| Preferred shares redeemable into Taseko Mines Limited common shares | | | | 12,483,916 |

### 1.15.3 Internal Controls over Financial Reporting Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and the board of directors regarding the preparation and fair presentation of published financial statements. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of internal control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that internal control over financial reporting was effective as of December 31, 2008 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

There have been no significant changes in internal controls over financial reporting during the fiscal period ended December 31, 2008 that could have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

### 1.15.4 Disclosure Controls and Procedures

Disclosure controls and procedures are those controls and procedures that are designed to ensure that the information required to be disclosed in the filings under applicable securities regulations is recorded, processed, summarized and reported within the time periods specified. As at December 31, 2008, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

There have been no significant changes in the Company's disclosure controls and procedures during the fiscal period ended December 31, 2008 that could have materially affected or are reasonably likely to materially affect the Company's disclosure controls and procedures.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of Taseko Mines Limited

On March 27, 2009, we reported on the consolidated balance sheets of Taseko Mines Limited ("the Company") as at December 31, 2008 and September 30, 2007 and the consolidated statements of operations and comprehensive income (loss), shareholders equity and cash flows for the fifteen month period ended December 31, 2008 and for the years ended September 30, 2007 and 2006 which are included in the annual report on Form 40-F. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related supplemental note entitled "Reconciliation with United States Generally Accepted Accounting Principles" included in the Form 40-F. This supplemental note is the responsibility of the Company's management. Our responsibility is to express an opinion on this supplemental note based on our audits.

In our opinion, such supplemental note, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 27, 2009

**COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING DIFFERENCES**

To the Board of Directors of Taseko Mines Limited

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) that refers to a change in accounting policies such as those described in note 4 to the consolidated financial statements. Our report dated March 27, 2009 is expressed in accordance with Canadian reporting standards which do not require such a reference.

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) that refers to the audit report on the effectiveness of the Companys internal control over financial reporting. Our report to the shareholders dated March 27, 2009 is expressed in accordance with Canadian reporting standards, which do not require a reference to the audit report on the effectiveness of the Companys internal control over financial reporting in the financial statement auditors report.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 27, 2009

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## TASEKO MINES LIMITED

Reconciliation with United States Generally Accepted Accounting Principles
For the fifteen months ended December 31, 2008 and years ended September 30, 2007 and 2006
(Expressed in thousands of Canadian Dollars, except for per share and share amounts unless stated otherwise)

### DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Taseko Mines Limited (the "Company") prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which principles differ in certain respects from those applicable in the United States ("US GAAP") and from practices prescribed by the United States Securities and Exchange Commission ("SEC"). This "*Reconciliation with United States Generally Accepted Accounting Principles*" note supplements the Company's financial statements set forth in its annual report on Form 40-F. This note should be read in conjunction with the consolidated financial statements of the Company as at December 31, 2008 and September 30, 2007 and for the fiscal periods then ended which are included elsewhere in the Form 40-F.

Had the Company followed US GAAP, certain items on the statements of operations and deficit, and balance sheets would have been reported as follows:

| Consolidated Statements of Operations | 15 months ended December 31 2008 | Year ended September 30 2007 | 2006 |
|---|---|---|---|
| Earnings for the period under Canadian GAAP | $ 3,510 | $ 48,262 | $ 32,916 |
| Adjustments under US GAAP | | | |
| Interest accretion on convertible debt (a) | 2,938 | 2,922 | 1,280 |
| Amortization of deferred financing costs (a) | (580) | (468) | |
| Unrealized foreign exchange gain (loss) on convertible debt (a) | (363) | 330 | - |
| Amortization of property, plant and equipment (b) | - | (44) | (407) |
| Asset retirement obligation change of estimate (b) | - | (4,538) | - |
| Change in fair value of investment (g) | - | - | (307) |
| Earnings for the period under US GAAP, being comprehensive income | $ 5,505 | $ 46,464 | $ 33,482 |
| | | | |
| Earnings per share for the period under US GAAP | $ 0.04 | $ 0.36 | $ 0.29 |
| Diluted earnings per share for the period under US GAAP | $ 0.04 | $ 0.33 | $ 0.26 |

**TASEKO MINES LIMITED**
Reconciliation with United States Generally Accepted Accounting Principles
For the fifteen months ended December 31, 2008 and years ended September 30, 2007 and 2006
(Expressed in thousands of Canadian Dollars, except for per share and share amounts unless stated otherwise)

| Consolidated Balance Sheets | As at December 31, 2008 | As at September 30, 2007 |
|---|---|---|
| Total assets under Canadian GAAP | $ 478,245 | $ 377,263 |
| Adjustments under US GAAP | | |
| Deferred financing costs | 312 | 898 |
| Total assets under US GAAP | $ 478,557 | $ 378,161 |
| | | |
| Total liabilities under Canadian GAAP | $ 243,338 | $ 213,603 |
| Adjustments under US GAAP | | |
| Convertible debenture presented as debt (a) | 1,321 | 5,836 |
| Total liabilities under US GAAP | $ 244,659 | $ 219,439 |
| | | |
| Total shareholders' equity under Canadian GAAP | $ 234,907 | $ 163,660 |
| Adjustments under US GAAP | | |
| Convertible debenture presented as debt (a) | (1,009) | (4,938) |
| Accumulated amortization of mineral claims (c) | (3,112) | (3,112) |
| Adjustment to value allocated to tracking preferred shares upon acquisition of Harmony Project (d) | (13,251) | (13,251) |
| Adjustment to accumulated write down of Harmony Project (e) | 16,363 | 16,363 |
| Total shareholders' equity under US GAAP | $ 233,898 | $ 158,722 |

There are no material differences between Canadian GAAP and US GAAP to total operating, investing or financing cash flows in the consolidated statements of cash flows.

**(a) Convertible debt**

Pursuant to Canadian GAAP, the convertible instruments disclosed in note 14 of the consolidated financial statements require the bifurcation of its equity and debt components whereas under US GAAP, there would be no requirement to bifurcate the instrument. Therefore, under US GAAP, all of the value would be attributed to the debt component.

Under Canadian GAAP, the accretion of the residual carrying value of the convertible instrument to the face value of the convertible instrument over the life of the instrument is charged to operations. Under US GAAP, no such accretion would be required.

Accordingly, $3,832 (2007 – $13,655) of the equity component of the instrument would be classified to debt. However, this amount is offset by $2,856 (2007 – $8,387) of accumulated accretion and a $ 363 of additional unrealized foreign exchange loss (2007 – gain of $330, 2006 – $Nil) recognized for U.S. GAAP purposes as at December 31, 2008.

As a result of the conversion of the NVI Convertible Debenture (note 14(b)), the Company reversed $7,887 of accumulated accretion associated with the convertible debenture with an offsetting entry to share capital for US GAAP Purposes.

Accretion expense of $2,938 for the 15 months ended December 31, 2008 and $2,922 and $1,280 for years ended September 30, 2007 and September 31, 2006 respectively were recorded under Canadian GAAP has been reversed for US GAAP purposes.

Under US GAAP, deferred financing costs are separately disclosed as an asset, whereas under Canadian GAAP, effective October 1, 2006, such costs are netted against the associated debt. Accordingly, amortization of deferred financing costs of $580 was recorded for the 15 months ended December 31, 2008 (Year ended September 30, 2007 – $468, Year ended September 30, 2008 - $Nil) was recorded for U.S. GAAP purposes.

**(b) Site closure and reclamation costs**

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143, "*Accounting for Asset Retirement Obligations*" ("SFAS 143"). SFAS 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost). For purposes of the reconciliation, the Company adopted SFAS 143 effective October 1, 2002.

Under US GAAP, on adoption of SFAS 143 on October 1, 2002, the Company would have recorded income of $11,651 as the cumulative effect of the change in accounting principles, a net decrease of $2,283 to inventories, a net decrease of $10,154 to property, plant and equipment, and a decrease in the provision for site closure and reclamation of $24,088 to reflect the effect of this change in the method of accounting for asset retirement obligations compared to the amounts previously recorded in the Company's consolidated financial statements prepared under Canadian and US GAAP.

Effective October 1, 2004, the Company adopted the new Canadian accounting standard for asset retirement obligations, which is substantively the same as SFAS 143. On adoption of the Canadian standard, the amount of the adjustment to site closure and reclamation was measured retroactively and recognized on October 1, 2004.

There were certain changes in the Company's estimate of future cash flows underlying the obligation during fiscal 2005 and 2004 which have been incorporated into the Company's retroactive adoption of the Canadian standard on October 1, 2004. However, pursuant to US GAAP, and due to the earlier adoption of SFAS 143 in fiscal 2003, changes in estimates of future cash flows underlying the obligation are recognized on a prospective basis. Accordingly, under

US GAAP, property, plant and equipment (net of amortization) would increase for the period ended December 31, 2008 by $Nil (2007 – $4,406).

During the year ended September 30, 2007, the Company extended the life of the Gibraltar mine resulting in a revision to the timing of the expected reclamation activities and ultimately in a reduction of the site closure and reclamation cost liability. For Canadian GAAP purposes, an income inclusion of $4,570 was recognized as a result of this change in estimate as the decrease in the site closure and reclamation cost liability exceeded the carrying value of the associated asset included in property, plant and equipment. For U.S. GAAP purposes, an amortization of $44 was recorded prior to the mine life extension and the remaining unamortized balance of the asset included in the property, plant and equipment, being $4,538, was reduced to $Nil as a result of the reduction of the site closure and reclamation cost liability.

**(c) Mineral property interests**

Under US GAAP, through to March 31, 2004, mineral properties without proven and probable reserves were classified as intangible assets, subject to amortization over the earlier of their useful life or the expiry of the mineral claim (without consideration of any renewal periods). Accordingly, the Harmony Property and the Prosperity Property were being amortized over ten years. This resulted in additional amortization expense of $1,556 in 2003 being recorded under US GAAP. Effective April 1, 2004, pursuant to EITF 04-2 *"Whether Mineral Rights are Tangible or Intangible Assets"*, the Company reclassified its mineral properties as tangible assets and ceased amortizing them.

Under Canadian GAAP, mineral properties may be classified as capital assets and amortized once the mineral property is put into operation, or written off to operations when the property is abandoned or allowed to lapse, when the carrying value exceeds its fair value, or if there is little prospect of further exploration work being carried out. As such, for Canadian GAAP, no amortization of mineral properties was recorded for any year presented.

**(d) Exploration costs**

US GAAP requires mineral property exploration and land use costs to be expensed as incurred until commercially recoverable deposits are determined to exist within a particular property, as cash flows cannot be reasonably estimated prior to such determination. In fiscal 2001 and prior years, mineral property exploration costs were capitalized for Canadian GAAP purposes. As a result of the Company capitalizing mineral property exploration costs for Canadian GAAP purposes, $13,251 of mineral property exploration costs included in the book value of the Harmony Gold Property at the date of its purchase by Taseko in fiscal 2001 would have been previously expensed for US GAAP purposes. Accordingly, for US GAAP purposes, these costs would have been excluded from the value allocated to the tracking preferred shares of the Company (note 8) upon the acquisition of the Harmony Gold Property.

Under Canadian GAAP, exploration costs incurred subsequent to determination of the feasibility of mining operations, which either increase production or extend the life of existing production,

are capitalized. Under US GAAP, exploration costs are expensed as incurred, while development costs may be capitalized.

For US GAAP purposes, the Company has capitalized costs which results in an increase in economically mineable reserves and relate to a separate ore body not yet in production. These costs meet the definition of an asset, namely that (a) there is a probable future benefit, (b) the Company can obtain the benefit and control access to it, and (c) the transaction or event giving rise to it has already occurred.

During the fiscal period ended December 31, 2008, the Company capitalized $6,736 (2007 -$7,436; 2006 - $2,625) of mine development costs for both Canadian and US GAAP purposes.

**(e) Long-lived assets**

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"* ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. SFAS 144 also broadens the definition of discontinued operations to include all distinguishable components of an entity that will be eliminated from ongoing operations. The Company adopted SFAS 144 on October 1, 2002, on a prospective basis, and there are no material differences between the treatment under Canadian and US GAAP.

As the Company had not conducted significant exploration or development on the Harmony Gold Property in the last several years the property was written down to a nominal value of $1 during the year ended September 30, 2004. Although the treatment for the impairment of long-lived assets is the same for Canadian and US GAAP, as a result of a lower initial carrying value, and the accumulated amortization of the Harmony Gold Property for US GAAP purposes, the Harmony Gold Property had different carrying values for Canadian and US GAAP prior to its impairment. Consequently, the write down of the Harmony Gold Property was $12,447 in 2004 for US GAAP purposes. For Canadian GAAP the write down was $28,810 in 2004.

**(i) Overburden Removal Costs**

In March 2005, the EITF issued EITF 04-6, " *Accounting for Stripping Costs in the Mining Industry*". The consensus indicated that costs of removing overburden and waste materials ("stripping costs") after production begins, represent variable production costs and should be considered a component of mineral inventory cost subject to the guidance in Chapter 4 of Accounting Research Bulletin No. 43, *"Restatement and Revision of Accounting Research Bulletins".* EITF 04-6 is effective for fiscal years beginning after December 15, 2005 and upon

adoption, can be applied by either retroactively restating prior periods or using a cumulative catch-up adjustment.

Under Canadian GAAP, overburden removal costs in certain circumstances may be considered a betterment and consequently, capitalized and amortized over future periods typically using the units of production method.

Under US GAAP, the Company capitalizes overburden removal costs relating to economically mineable pits which have not yet entered the production phase. Once a pit enters the production phase, no further overburden removal costs are capitalized, and the amounts previously capitalized are amortized on a units of production basis over the expected life of the pit.

During the fiscal period ended December 31, 2008, the Company capitalized $19,586 (2007 -$32,664; 2006 – $285) in overburden removal costs for both Canadian and US GAAP purposes. In addition, the Company has begun amortizing the overburden removal costs during the period for both Canadian and US GAAP purposes.

**(g) Fair value of investments**

During the prior fiscal years, the Company's investment in Continental is carried at the lower of cost and estimated realizable value under Canadian GAAP. Under US GAAP, the Company's investment in Continental contained an embedded derivative which required separation from the host contract and was measured at fair value. Consequently, a mark-to-market adjustment of $307 was recorded at September 30, 2006.

During the fiscal year of 2008 and 2007, this difference in accounting treatment has been eliminated due to the Company's adoption of the new accounting standards pertaining to financial instruments in fiscal 2009 (note 3d).

**(h) Impact of recently adopted United States accounting pronouncements**

(i) SFAS No. 157: *Fair Value Measurements,* defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. There was no material impact from the Company's adoption of this standard during fiscal 2008. The fair value of financial instruments are discussed in note 6.

(ii) SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* – included an amendment of SFAS No. 115 . This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement applies to all entities, including not-for-profit organizations. Most of the provisions of this Statement apply only to entities that elect the fair value option. The Company

adopted this standard during the period but did not change the financial instruments recorded at fair value.

(iii) Under Canadian GAAP, future tax assets and liabilities may be recorded at substantively enacted tax rates. Under US GAAP, deferred tax assets and liabilities are recorded at enacted tax rates. There were no significant differences between enacted and substantively enacted tax rates for the periods presented.

FASB Interpretation ("FIN") No. 48: *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No.109, was adopted by the Company during the period. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that the Company recognize the impact of a tax position in the financial statements if the position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. In accordance with the provisions of FIN 48, any cumulative effect resulting from the change in accounting principle is to be recorded as an adjustment to the opening balance of deficit. The adoption of FIN 48 did not result in a material impact on the Company's consolidated financial position or results of operations.

**(i) United States accounting pronouncements to be adopted**

(i) In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations,* ("SFAS 141(R)"). SFAS 141(R) amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. It expands the definition of a business and a business combination; requires recognition of assets acquired, liabilities assumed, and contingent consideration at their fair value on the acquisition date; requires acquisition-related expenses and restructuring costs to be recognized separately from the business combination and expensed as incurred; requires in-process research and development to be capitalized at fair value as an intangible asset; and requires that changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period be recognized as a component of provision for taxes. SFAS 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141(R) is effective for the Company's 2009 fiscal year. Therefore, Company will apply SFAS 141(R) prospectively to all business combinations subsequent to January 1, 2009.

(ii) In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements — an amendment of Accounting Research Bulletin No. 51* ("SFAS 160"). SFAS 160 establishes accounting and reporting standards

for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the controlling and non-controlling interests and requires the separate disclosure of income attributable to controlling and non-controlling interests. SFAS 160 is effective for the Company's 2009 fiscal year. The Company is currently evaluating the impact that the adoption of SFAS 160 will have on its consolidated financial statement but does not expect adoption to have a material impact on results of operations, cash flows or financial position.

(iii) In February 2008, the FASB issued FASB Staff Position ("FSP") SFAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP SFAS 157-2"). FSP SFAS 157-2 delays the effective date of SFAS No. 157, "Fair Value Measurements" ("SFAS 157") to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. As a result of adoption of FSP SFAS 157-2, the Company will adopt SFAS 157 for nonfinancial assets and nonfinancial liabilities in fiscal 2009. Although the Company will continue to evaluate the application of SFAS 157 to nonfinancial assets and nonfinancial liabilities, the Company does not expect the adoption of SFAS 157 with respect to nonfinancial assets and nonfinancial liabilities to have a material impact on its consolidated results of operations, cash flows or financial position

(iv) In March 2008, the FASB issued S *FAS No. 161, "Disclosure about Derivative Instruments and Hedging Activities" ("FAS 161").* FAS 161 changes the disclosure requirements for derivative instruments and hedging activities by requiring enhanced disclosures about how and why an entity uses derivatives instruments, how derivative instruments and related hedged items affect an entity's operating results, financial position, and cash flows. FAS 161 is effective for the Company's 2009 fiscal year. The Company is currently reviewing the provisions of FAS 161 and has not yet adopted the statement. However, the Company does not believe the adoption of FAS 161 will have a material impact on its consolidated results of operations, cash flows or financial position.

(v) In May 2008, the FASB issued FSP Accounting Principles Board ("APB") 14-1 "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability and equity components of those instruments by allocating the proceeds from the issuance between the liability component and the embedded conversion option. This standard is effective for the Company's 2009 fiscal year. The Company is currently reviewing the provisions of this standard.

(vi) In May 2008, the FASB issued *SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles ("SFAS No. 162")* . The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for

nongovernmental entities. SFAS No. 162 is effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The Company is currently evaluating the impact of adoption of SFAS No. 162 but does not expect adoption to have a material impact on results of operations, cash flows or financial position.

(vii) In June 2008, the FASB issued Staff Position No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities ("FSP EITF 03-6-1"). FSP EITF 03-6-1 provides that unvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and should be included in the computation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for the Company's 2009 fiscal year. The Company is currently reviewing the provisions of this standard but does not expect the adoption of FSP EITF 03-6-1 to have a material effect on its consolidated results of operations, cash flows or financial position

(viii) In June 2008, the FASB issued EITF 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF 07-5"). EITF 07-5 provides guidance in assessing whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock for purposes of determining whether the appropriate accounting treatment falls under the scope of SFAS 133, "Accounting For Derivative Instruments and Hedging Activities" and/or EITF 00-19, "Accounting For Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock". EITF 07-5 is effective for financial statements issued for the Company's 2009 fiscal year not permitted. The Company is currently reviewing the provisions of this standard but does not expect the adoption of FSP EITF 03-6-1 to have a material effect on its consolidated results of operations, cash flows or financial position.

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of Taseko Mines Limited

We consent to the inclusion in this annual report on Form 40-F of:

- our auditors' report dated March 27, 2009 on the consolidated balance sheets of Taseko Mines Limited ("the Company") as at December 31, 2008 and September 30, 2007 and the consolidated statements of operations and comprehensive income (loss), shareholders equity and cash flows for the fifteen month period ended December 31, 2008 and for the years ended September 30, 2007 and 2006;
- our Comments by Auditors for US Readers on Canada-US Reporting Differences, dated March 27, 2009;
- our Report of Independent Registered Public Accounting Firm on the supplemental note entitled “Reconciliation with United States Generally Accepted Accounting Principles” dated March 27, 2009; and
- our Report of Independent Registered Public Accounting Firm dated March 27, 2009 on the Companys internal control over financial reporting as of December 31, 2008,

each ofwhich is containedinthis annual report on Form 40-F of the Company for the fiscal year ended December 31, 2008. Our Comments for US Readers refers to changes in accounting policies described in note 4 to the consolidated financial statements.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 27, 2009

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

*Building wealth through developing and operating major copper & gold mines*

March 30, 2009

VIA EDGAR

United States Securities and Exchange Commission

Re: Taseko Mines Limited (the "**Company**")
Annual Report on Form 40-F
Consent of Expert

This letter is provided in connection with the Company's Form 40-F annual report for the year ended December 31, 2008 (the " **Annual Report**") to be filed by the Company with the United States Securities and Exchange Commission (the "SEC"). The Annual Report incorporates by reference the Annual Information Form of the Company for the year ended December 31, 2008.

I hereby consent to the use of my name in connection with reference to my involvement in the preparation of the following technical reports (the "**Technical Reports**"):

- "Technical Report Executive Summary Feasibility Study of the Prosperity Gold-Copper Project, British Columbia, Canada," dated October 15, 2007; and
- "Technical Report on the 105 million ton increase in the Mineral Reserves at the Gibraltar Mine, British Columbia" dated January 23, 2009.

and to references to the Technical Reports, or portions thereof, in the Annual Report and to the inclusion and incorporation by reference of the information derived from the Technical Reports in the Annual Report.

Yours truly,

/s/ S. Jones

**Scott Jones, P.Eng., Vice President, Engineering**

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Tel 604 684-6365 Fax 604 684-8092 Toll Free 1 800-667-2114
www.tasekomines.com

**CORPORATE SERVICES AGREEMENT**

This Corporate Services Agreement (the "Agreement") is made as of the 1 st day of June, 2008

BETWEEN:

**HUNTER DICKINSON INC.** (to be renamed Hunter Dickinson Services Inc.), a company incorporated under the federal laws of Canada

(hereinafter referred to as "**HD Services**"),

OF THE FIRST PART

**TASEKO MINES LIMITED,** a company incorporated under the laws of British Columbia

(hereinafter referred to as "**TKO**"),

OF THE SECOND PART

(collectively, HD Services and TKO are the " **Parties**" and each is a "**Party**")

WHEREAS:

A. HD Services is a company established to provide technical, geological, corporate communications, administrative and management services for public companies involved in the acquisition, exploration and development of natural resource properties; and

B. TKO and HD Services have agreed that HD Services will provide technical, geological, corporate communications, administrative and management services as more particularly described herein.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which consideration each Party acknowledges, the Parties agree as follows:

## ARTICLE 1 - ENGAGEMENT

### 1.01 Engagement

During the term of this Agreement, which shall be determined in accordance with Article 7 (the " **Term**"), HD Services shall, subject to the terms and conditions hereof, supply technical, geological, corporate communications, administrative and management services as more particularly described in sections 1.02, 1.03 and 1.04 (the "**Corporate Services**") to TKO.

**1.02 Program Services**

Subject to receipt of a written request by TKO in accordance with section 1.05, HD Services shall together with TKO management and such other consultants as TKO chooses to involve, review the resource property portfolio of TKO with a view to making recommendations for the design and implementation of programs of exploration and/or development ("**Programs**") for the mineral properties of TKO. Such recommendations shall be accompanied by reasonable details of the proposed Program, including scheduling, description of activities and budgets. Upon written mutual acceptance of such Program(s) by TKO and HD Services (with or without variations that the Parties may agree, and where acceptance is in the sole discretion of each Party), HD Services shall carry out each Program and shall generally:

(a) provide and/or retain the necessary technical and support staff;

(b) negotiate third party service contracts for execution by TKO, or subject to the agreed terms of implementation of the Program(s), execute such contracts as agent for TKO. Such third party contracts may include (without limitation) geophysical and geochemical surveys, sampling, line cutting, diamond drilling, engineering, environmental, independent analyses and reporting and such other work as has been agreed in respect of such Program;

(c) apply for necessary regulatory permits and licences;

(d) provide field staff to supervise and oversee the work of HD Services staff and subcontractors;

(e) obtain appropriate insurance and assist in making application and relevant filings pertaining to the maintenance of titles to the property as well as filing of assessment work respecting exploration work carried out; and

(f) provide general administration of the Program including accounting, payment of third party invoices and reporting thereon,

(collectively, the "**Program Services**").

**1.03 General Corporate Services**

Subject to receipt of a written request by TKO in accordance with section 1.05 which is agreeable to HD Services, HD Services shall also:

(a) perform general corporate services for TKO as required in relation to, but not limited to other matters such as administration, accounting, legal, regulatory reporting, management information and information technology services and personnel, but excluding corporate finance, funding and treasury functions.

(b) provide incidental assistance with corporate communications programs, including investor relationship management, HD Services website services, and corporate brochures regarding TKO; provided that these services shall not constitute

professional investor relations services as defined by the TSX Venture Exchange, if applicable, or other regulatory policies.

**1.04 Other Services**

Subject to receipt of a written request by TKO in accordance with section 1.05 which is agreeable to HD Services, HD Services shall also provide to TKO services within its expertise in addition to those described in sections 1.02 and 1.03. Services referred to in section 1.02, 1.03 and 1.04 are herein "**Corporate Services**".

**1.05 Requested Corporate Services to be Evidenced in Writing**

The Corporate Services to be provided by HD Services to TKO shall generally be agreed on an annual basis and shall be initiated by TKO in a written communication and indicate TKO's requirements and expectations in reasonable detail, including required timing. HD Services shall promptly respond to this request with a written proposal and shall mutually agree with TKO upon the level, degree and cost of contracted Corporate Services for the next twelve months, such agreement to be evidenced by a document in writing signed by the CEO of TKO and the CEO of HD Services. The Parties shall use their commercially reasonable efforts to develop and agree upon such Corporate Services at least three months in advance of the annual renewal period of this Agreement.

**1.06 Standard of Care**

HD Services shall provide the Program Services and the Corporate Services (together the "Services") in a proper and workmanlike and efficient manner, in accordance with accepted mining industry standards and practices and shall exercise the degree of care and skill that a reasonably prudent advisor would exercise in comparable circumstances. HD Services shall comply with the terms of TKO's licences, permits, contracts and other agreements pertaining to the material mineral properties of TKO and applicable laws.

**1.07 Independent Contractor**

In the performance of the Services HD Services, shall act as an independent contractor, and as agent of TKO only to the extent expressly mandated in the agreed written Program or Corporate Services implementation. Nothing herein shall constitute or be construed to be or create a partnership or joint venture between HD Services and TKO and/or its affiliates. All debts and liabilities to third persons incurred by HD Services in the course of providing the Services in accordance with this Agreement shall be deemed to be the debts and obligations of TKO only and HD Services and its affiliates shall be indemnified by TKO in respect of such debts and liabilities to such third parties. HD Services shall inform third parties with whom it deals on behalf of TKO that it does so on behalf of TKO, and may take any other reasonable steps to carry out the intent of this section 1.07. For purposes of administration of any Program, the status of TKO as manager or operator of any of TKO's joint venture and other operating agreements in respect of which it is manager or operator is not intended to be in any way affected by this Agreement. HD Services' role in relation to any such Program shall solely be as an independent contractor providing advice and services to TKO.

## ARTICLE 2 - PAYMENTS TO HD SERVICES

### 2.01 Program Budget

The fees payable by TKO to HD Services for the Program Services in accordance with Article 2 shall be included in the budget forming part of any Program approved by TKO in accordance with section 1.02. HD Services shall promptly notify TKO of any material departure from the budget of an adopted Program (a "**material departure**" for such purposes being an increase above budgeted costs of more than 10% (ten percent)). Amendments to a Program must be agreed to in writing by TKO and HD Services, including amendments to the budget, failing which TKO may terminate the relevant Program. Notwithstanding the foregoing, HD Services shall not be required to itself bear the cost of any material departures. Nothing contained in this Agreement shall oblige HD Services, in the absence of express agreement to the contrary, to incur any indebtedness for or on behalf of, or advance any credit to TKO.

### 2.02 Monthly Fee

TKO shall pay a monthly fee to HD Services for those Corporate Services provided to TKO (the " **Monthly Fee**"). The Monthly Fee shall be calculated on the basis of the time spent by HD Services employees and other staff providing such Corporate Services and based on the rates set out in the HD Services Charge-Out Rates Schedule attached hereto as Annexure A, which rates may be amended from time to time by HD Services by providing to TKO, on not less than 30 days advance notice, an updated HD Services Charge-Out Rate Schedule. HD Services acknowledges and agrees that such rate currently, and shall be amended from time to time to reflect the actual costs of providing such services. The Monthly Fee, with reference to the rates in Annexure A, shall be invoiced by HD Services monthly on a cost recovery basis. In addition, TKO shall pay directly or reimburse HD Services in respect of third party expenditures incurred by HD Services in respect of the Corporate Services and Programs and such expenditures will be invoiced by HD Services monthly on a cost recovery basis. For greater certainty, the Parties acknowledge and agree that HD Services shall operate on a not-for-profit basis. HD Services shall provide TKO with such further information as it may reasonably request in relation to any amount shown on any such invoice, including reasonably satisfactory evidence of any reimbursable costs. All invoices shall be payable no later than five (5) business days after presentation. The aggregate annual salaries of the principals of HD Services directly or indirectly paid by TKO and those other corporations that HD Services provides services to will be provided to TKO by HD Services prior to execution hereof.

### 2.03 Invoices

TKO agrees to promptly pay HD Services invoices and also agrees to advance funds against written cash calls (in the form of invoices) for reasonably immediate expenditure requirements of HD Services such as to pay for or secure services, to secure equipment, contractors, deposits and the like and to honour all agreements which HD Services enters into in good faith on behalf of TKO with third parties in the course of performing the Corporate Services.

**2.04 Sales Taxes, No Set-offs**

The amounts to be billed by HD Services for Corporate Services and third party costs under this Article 2 are subject to any GST or other general sales tax, value added tax or any like service or sales tax which may be payable from time to time. All amounts payable under this Agreement shall be paid by TKO free and clear of any deductions or claims for set-offs. If any amounts are required to be withheld by applicable law, TKO shall be obliged to pay an additional amount over the amount invoiced as will leave HD Services receiving the same net amount as HD Services invoiced for. Any such additional amount paid for withholding by TKO will be refunded if recovered by HD Services and HD Services will promptly apply to recover or reduce any such withholding amounts.

**2.05 Interest**

If either Party defaults in the payment when due of any sum payable under this Agreement (howsoever determined) the liability of such Party shall be increased to include interest on such sum from the date when such payment is due until the date of actual payment (as well after as before judgment) at the rate of LIBOR plus 4% (four percent). Such interest shall accrue from day to day. For such purposes, "**LIBOR**" means the interest rate per annum for deposits in US dollars for a ninety (90) day period which appears on the Reuters LIBO page (or such other page or pages as may replace that page or pages on that service for the purpose of displaying offered rates of leading banks for London interbank deposits in US dollars) at or about 11:00 a.m. London time on the business day in London before and for value on the first day of such period, provided that, if two or more such offered rates are indicated on such display, LIBOR shall be the rate that equals the arithmetic mean (expressed as a decimal fraction to five decimal places) of such offered rates, and provided further that if such period is not equal to any period shown on such page, LIBOR shall be the rate determined by interpolation from the rates for the next longer and next shorter periods shown on such page, using the number of days as the basis for the interpolation, expressed as a decimal fraction to five decimal places.

**2.06**

[Deleted Text: Provision related to the granting of stock options by TKO.]

## ARTICLE 3 - NON EXCLUSIVITY AND OPPORTUNITIES

**3.01 Non Exclusive Services**

The Corporate Services provided by HD Services to TKO hereunder are not intended by either Party to be exclusive. TKO reserves the right to appoint additional advisors to render similar or other services and HD Services shall be free to render similar or other services to other parties on such terms and conditions as it may agree; provided, however, such terms and conditions are no more favourable to the third party recipient than those contained in this Agreement.

**3.02 Opportunities, Conflicts of Interest and Confidentiality**

The Services to be provided by HD Services are intended to be limited to mineral properties in which TKO holds an interest as of the date hereof or in which it may later acquire an interest.

Accordingly, TKO acknowledges that HD Services shall not have any obligation to provide any information or advice to TKO respecting other resource property prospects or like opportunities ("**Opportunities**") which come to the attention of HD Services, except that for purposes hereof certain Opportunities shall be deemed to be "**Prohibited Opportunities**" as follows:

(a) Opportunities that are derived by HD Services from Confidential Information (as defined below) belonging to TKO as a consequence of Confidential Information either being provided to HD Services or being generated by HD Services on behalf of TKO, in connection with providing the Services to TKO;

(b) Opportunities that are presented to HD Services by any third party for the express benefit of or for the specific attention of TKO;

(c) Opportunities which can be demonstrated to have been discovered by HD Services directly as a result of the provision of Services to TKO;

(d) Opportunities which are known to HD Services to relate to properties that TKO is actively investigating or negotiating for, whether that involves obtaining advice from HD Services or not;

(e) Properties which are located within a 50 kilometre radius, or such lesser or greater geographic limits as the parties may establish from time to time, of an existing TKO property whether or not HD Services is providing any Services in connection with such TKO property.

For the purposes of this Section 3.02, Prohibited Opportunities shall be deemed to include Opportunities that are obtained by HD Services' directors, officers, employees and other servants within the context of Section 3.02(a) to 3.02(e) . HD Services shall promptly notify TKO of any Prohibited Opportunities obtained or discerned during the Term, but nothing herein shall be deemed to be negligence on the part of HD Services if some Prohibited Opportunity is overlooked, it being the intention only to prevent HD Services from appropriating Prohibited Opportunities. An Opportunity which is acquired or pursued by HD Services more than two years after the Term shall in no event be deemed to be a Prohibited Opportunity.

TKO agrees it has no interest whatsoever in any Opportunities which come to the attention of HD Services, other than Prohibited Opportunities or Opportunities which TKO elects in writing not to pursue. Except as set out in this Section 3.02, HD Services is not under any fiduciary or like duty to TKO which will prevent or impede it from participating in, or enjoying the benefits of competing endeavours of a nature similar to the business of TKO and the legal doctrines of "corporate opportunity" or "business opportunity" shall have no application in respect of this Agreement, except as expressly provided above. HD Services shall take all reasonable steps to ensure compliance by its directors, officers, employees, associates and agents with the requirements of this Section 3.02.

**3.03 Services Through Agents or Affiliates**

HD Services shall have the right to provide the Corporate Services, or portions thereof, through agents, affiliates or independent contractors; provided that HD Services shall ensure that such

agents, affiliates or independent contractors comply with the terms and conditions of this Agreement that are relevant to the performance of their assigned tasks. HD Services shall ensure that such agents, affiliates or independent contractors contractually are legally responsible for their conduct under the standards applicable to HD Services pursuant to this Agreement.

## ARTICLE 4 - INDEMNITY AND LIMIT ON LIABILITY

### 4.01 TKO Indemnity

Subject to section 4.02, TKO hereby indemnifies and saves harmless HD Services and any of its directors, officers, employees, contractors and agents (each, an "**HD Indemnified Person**") from and against any loss, liability, claim, demand, damage and expense (including reasonable legal fees) (each a "**Claim**" and collectively "**Claims**") in connection with the provision of Corporate Services.

### 4.02 Exclusion

The indemnity in section 4.01 shall not extend or apply to any Claim arising out of the fraud, wilful misconduct or negligence of the HD Indemnified Person as the case may be; provided that "negligence" shall be deemed not include any act or omission of the HD Indemnified Person done or omitted to be done, if resulting from:

(a) the direction of, or with the knowledge and concurrence, of TKO; or

(b) an action taken in good faith by the HD Indemnified Person to protect life or property.

### 4.03 Limitation of Liability

Notwithstanding anything to the contrary contained in this Agreement, the liability of TKO to HD Services arising out of any Claims against HD Services or the indemnity set out in section 4.01 shall be limited to an amount equal to the aggregate of the amounts actually paid to or accrued in favour of HD Services in accordance with Article 2, save for reimbursable costs in accordance with section 2.03, during the year in which such Claims arise.

### 4.04 HD Indemnity

HD Services hereby indemnifies and saves harmless TKO and any of its directors, officers, employees, contractors and agents (each, a " **TKO Indemnified Person**") for any Claim arising out of the fraud, wilful misconduct or negligence of HD Services as the case may be; provided that "negligence" shall be deemed not include any act or omission of the HD Indemnified Person done or omitted to be done, if resulting from:

(a) the direction of, or with the knowledge and concurrence, of TKO; or

(b) an action taken in good faith by the HD Indemnified Person to protect life or property.

**4.05 Consequential Losses**

Neither party shall be liable to the other for any indirect or consequential loss or damages arising out of a breach of this Agreement.

**4.06 Limitation of Liability**

Notwithstanding anything to the contrary contained in this Agreement, the liability of HD Services to TKO arising out of any Claims against TKO or the indemnity set out in section 4.04 shall be limited to an amount equal to the aggregate of the amounts actually paid to or accrued in favour of HD Services in accordance with Article 2, save for reimbursable costs in accordance with section 2.03, during the year in which such Claims arise.

**4.07 Claims**

(1) In the event that any action, suit or proceeding is brought against either HD Services or TKO (in this Section, an " **Indemnified Party**") in respect of which indemnity may be sought against the other party (in this Section, an " **Indemnifying Party**") in accordance with section 4.01, the Indemnified Party will give the Indemnifying Party prompt written notice of any such action, suit or proceeding of which the Indemnified Party has knowledge and the Indemnifying Party will undertake the investigation and defence thereof on behalf of the Indemnified Party, including employment of counsel acceptable to such Indemnified Party, and make payment of all expenses.

(2) No admission of liability and no settlement of any action, suit or proceeding shall be made without the consent of the Indemnifying Party and the Indemnified Parties affected, such consent not to be unreasonably withheld.

(3) Notwithstanding that the Indemnifying Party will undertake the investigation and defence of any action, suit or proceeding, an Indemnified Party will have the right to employ separate counsel in any such action, suit or proceeding and participate in the defence thereof, but the fees and expenses of such counsel will be at the expense of the Indemnified Party unless:

(a) employment of such counsel has been authorised by the Indemnifying Party;

(b) the Indemnifying Party has not assumed the defence of the action, suit or proceeding within a reasonable period of time after receiving notice thereof;

(c) the named parties to any such action, suit or proceeding include both the Indemnifying Party and the Indemnified Party and the Indemnified Party shall have been advised by counsel that there may be a conflict of interest between the Indemnifying Party and the Indemnified Party; or

(d) there are one or more legal defences available to the Indemnified Party which are different from or in addition to those available to the Indemnifying Party.

(4) It is the intention of the parties to constitute each other as trustee for each other's directors, officers, employees, contractors and agents under this Article 4 and each party agrees to

accept such trust and to hold and enforce such covenants on behalf of its own directors, officers, employees, contractors and agents.

(5) For the purposes of this Article 4:

(a) "**action, suit or proceeding**" shall include every action, suit or proceeding, civil, criminal, administrative, investigative or other; and

(b) the right of indemnification conferred hereby shall extend to any threatened action, suit or proceeding.

(6) The foregoing rights of indemnification shall not be exclusive of any other rights to which the Indemnified Parties may be entitled as a matter of law or which may be lawfully granted to such Indemnified Parties and the provisions of this Article 4 are severable, and if any provision hereof shall for any reason be determined invalid or ineffective, the remaining provisions of this Article 4 shall not be affected thereby.

(7) The indemnities set out in section 4.01 and 4.04 shall remain in full force and effect notwithstanding the termination of this Agreement.

## ARTICLE 5 - CONFIDENTIALITY

(1) HD Services acknowledges that the business carried on by TKO is an extremely competitive business, that during the Term HD Services will be exposed to confidential information belonging to TKO and its affiliates and that disclosure of any such confidential information to third parties could irreparably damage and place TKO at a competitive disadvantage. Such confidential information shall encompass TKO or its affiliates' proprietary or confidential information disclosed or entrusted to HD Services or developed or generated by HD Services in the performance of their services pursuant to this Agreement, including information relating to TKO or its affiliates' mineral properties, exploration results, exploration developments, research data, organizational structure, operations, business plans and affairs, technical projects, pricing data, business costs, inventions, trade secrets, names of joint venture partners or other work produced or developed by or for TKO or any of its affiliates, ("**Confidential Information**"). HD Services shall:

(a) diligently take commercially reasonable efforts to protect the integrity and security of the Confidential Information within its control and to ensure that only authorized personnel of HD Services are provided with Confidential Information. HD Services shall limit access to Confidential Information respecting exploration developments to its own staff on a need-to-know basis and shall ensure that its personnel acknowledge the need to protect the confidentiality of the Confidential Information and that they are made aware that they are in a "special relationship" with TKO as contemplated by securities legislation;

(b) not use the Confidential Information for any purpose other than in connection with the provision of Corporate Services to TKO and not disclose any of the Confidential Information to third parties without the prior written consent of TKO, provided that such consent shall not be required where the Confidential Information is disclosed:

(i) to the employees, officers, representatives and agents of HD Services and affiliates of HD Services and professional advisors of HD Services, to enable such persons to assist HD Services in providing Corporate Services to TKO; and provided further that all such persons acknowledge the need to preserve and protect the confidential nature of the Confidential Information and to use such information only in connection with the provision of Corporate Services to TKO; and provided further that HD Services shall be liable for any breach of confidentiality by such persons;

(ii) to the employees, officers, agents or professional advisors of TKO;

(iii) pursuant to legal process, but only after TKO has received notice of such process to the extent possible and been given an opportunity to contest or resist the process where possible and appropriate.

(2) Section Article 5(1) shall not apply to any information in the possession of HD Services which, at the relevant time:

(a) through no act or omission of HD Services is or becomes generally known or part of the public domain;

(b) is furnished to others by TKO without restriction on disclosure; or

(c) is lawfully furnished to HD Services by a third party without HD Services' knowledge of a breach of any restriction owed to TKO.

(3) All business, technical, and like records and information received or generated by HD Services during the term of this Agreement in relation to TKO or its affiliates shall be delivered to TKO, or destroyed by HD Services upon request by TKO, at any time during the Term and upon its termination. TKO shall continue to own all rights in such Confidential Information.

(4) In the event that a Party wishes to refer to the other Party hereunder or its engagement with the other Party in any public statement, news release, shareholder communication or otherwise, it must first seek the other Party's consent (such consent not to be unreasonably withheld or delayed), in all cases, prior to the release of such reference. During the Term, when referring to HD Services in any promotional or marketing materials, TKO shall use such name or trade names of HD Services, or its affiliates or its associates, and describe HD Services and its affiliates and associates, only as permitted by HD Services. Upon termination of this Agreement, each Party shall immediately cease referring to the other Party and any of its affiliates or associates and shall, unless otherwise required by law, amend, update or withdraw any offering documents, promotional and marketing material or other literature then in use that refers to any agreement or arrangement with the other Party.

(5) HD Services acknowledges that it will likely be necessary for TKO to disclose this Agreement to stock exchanges, or other regulatory authorities or otherwise make it pursuant to applicable securities laws and policies. In such instance, TKO acknowledges that disclosure of the commercial terms of this Agreement would be to the detriment of HD Services because of the competitive nature of the advisory business and so TKO will use all reasonable efforts consistent

with stock exchange and regulatory requirements and securities laws and policies to remove any commercially sensitive fee information relating to this Agreement before filing or otherwise making this Agreement or its terms public.

## ARTICLE 6 - OTHER RIGHTS AND DUTIES OF TKO

### 6.01 Access to TKO Properties and Records

For the sole purpose of enabling HD Services to perform the Corporate Services and only to the extent required to enable such performance, TKO shall allow HD Services, its employees and authorized agents reasonable access on notice to the properties and premises where the business of TKO is conducted and shall make available to them all assets owned by TKO or which TKO is entitled to use, which relate to, or form part of, such business and provide access to all information, books, records and data which relate to such business. TKO shall ensure that its employees, and any contractors, consultants, advisors or auditors engaged by it, co-operate fully with HD Services in its performance of the Corporate Services.

### 6.02 Access to HD Services Records

Any authorized representative of TKO shall at all reasonable times have full access to all of the records or information of HD Services pertaining to the affairs of TKO. Such access shall be extended to the auditors and other professional advisors of TKO.

### 6.03 Audit

TKO shall have the right on reasonable notice of not less than 30 days in any event, to have an independent audit of the relevant business records of HD Services as they relate to the Services provided by HD Services to TKO in order to satisfy itself that the Monthly Fees for Corporate Services and other amounts charged to TKO represent a reasonable allocation of the general costs associated with providing Corporate Services on a cost recovery basis. TKO shall not have the right to audit records and accounts of HD Services related to transactions or operations more than twenty-four (24) months after the calendar year during which the Corporate Services were provided. Any audit conducted on behalf of TKO shall be made during HD Services' normal business hours and shall not interfere with its operations.

In the event that the Parties are unable to agree on the conclusions of the audit, the matter shall be referred for dispute resolution under Article 8. If that process results in a refund of more than 5% of amounts invoiced by HD Services then HD Services shall not only pay the amount but shall pay for the audit. A 1% to 5% refund adjustment shall result in the audit cost being shared equally and a less than 1% adjustment shall result in TKO paying for the audit. All written exceptions to and claims upon or by HD Services for discrepancies disclosed by such audit shall be made not more than three (3) months after completion and delivery of such audit, or they shall be deemed waived by TKO or HD Services, as the case may be.

### 6.04 Non Solicitation

TKO undertakes that is shall not directly or indirectly, for the Term and for 12 months after the date of termination of this Agreement, solicit any HD Services employee or contractor for the

purposes of offering employment, unless expressly approved by HD Services in writing. HD Services undertakes that is shall not directly or indirectly, for the Term and for 12 months after the date of termination of this Agreement, solicit any TKO employee or contractor for the purposes of offering employment, unless expressly approved by TKO in writing.

## ARTICLE 7 - TERM AND TERMINATION

### 7.01 Term

The initial term of this Agreement shall be for a period of two years from the date of this Agreement, following which this Agreement shall automatically renew for successive one year terms unless earlier terminated as provided in section 7.02.

### 7.02 Termination

(1) This Agreement may be terminated without cause at any time by either Party giving sixty (60) days notice in writing to the other Party, except that where a TKO is engaged in a material mine construction or expansion program such period shall be extended to one hundred and eighty (180) days notice. Such termination shall not affect obligations of TKO under agreed Programs for any third party commitments made by HD Services.

(2) Notwithstanding section 7.02(1), TKO may terminate this Agreement with immediate effect for cause, which shall include:

(a) HD Services becoming involved in any fraud or dishonest or serious misconduct in circumstances that would, in the reasonable opinion of TKO, make HD Services unsuitable to act on behalf of TKO;

(b) HD Services being in material breach of this Agreement and within thirty (30) days of receipt of notice thereof from TKO either:

(i) such breach is not remedied; or

(ii) if such breach is incapable of being remedied, either within such thirty (30) day period or at all, HD Services has not paid reasonable monetary compensation in lieu of remedying the breach; provided that the breach is not of such a fundamental nature as to significantly impair the value to TKO of the Agreement;

(c) the dissolution, liquidation, bankruptcy, insolvency or winding-up or the making of any assignment for the benefit of creditors of HD Services; or

(d) the appointment of a trustee, receiver and manager or liquidator of HD Services.

(3) Notwithstanding section 7.02(1), HD Services may terminate this Agreement with immediate effect for cause, which shall include:

(a)

TKO having been determined to have acted dishonestly in connection with HD Services or TKO becoming involved in any fraud or dishonest or serious misconduct in circumstances that would, in the reasonable opinion of HD Services, make representation of TKO by HD Services unsuitable;

(b)

TKO being in material breach of this Agreement and within thirty (30) days of receipt of notice thereof from HD Services either:

(i)

such breach is not remedied; or

(ii)

if such breach is incapable of being remedied, either within such thirty (30) day period or at all, TKO has not paid reasonable monetary compensation acceptable to HD Services in lieu of remedying the breach; provided always that the breach is not of such a fundamental nature as to significantly impair the value to HD Services of the Agreement;

(c)

the dissolution, liquidation, bankruptcy, insolvency or winding-up or the making of any assignment for the benefit of creditors of TKO;

(d)

the appointment of a trustee, receiver and manager or liquidator of TKO; or

(e)

TKO not retaining HD Services to provide Services as contemplated under Article 1 for a period of 90 days.

(4) if this Agreement is terminated:

(a)

all rights and obligations under this Agreement (except those in Articles 3 and 5 and this section 7.02(4)) shall terminate;

(b)

for any reason other than the circumstances described section 7.02(2)(a) and 7.02(2)(b), HD Services shall be entitled to receive, and TKO shall pay to HD Services, any outstanding fees and any reimbursable expenses pursuant to Article 2 up to and including the date of termination;

(c)

during the course of implementation of any Program, the Parties shall negotiate in good faith to minimize any interruption of such Program and to ensure that the costs related thereto are duly discharged by TKO;

(d)

notwithstanding such termination, TKO shall continue to be bound by any agreements contracted for or on its behalf by HD Services in accordance with this Agreement prior to such termination; and

(e)

HD Services will have the right (the "**Call Option**"), exercisable by the giving of notice to TKO within fifteen (15) business days following the effective date of such termination (the "**Call Option Period**"), to require TKO to sell the one (1) common share of HD Services held by TKO as of the date hereof and any other common shares of HD Services held by TKO as at the date of such termination (collectively, the "**HD Services Share**") for the aggregate amount of $1.00. If HD Services

exercises the Call Option as aforesaid, the transaction of purchase and sale must be completed within twenty (20) business days (or such longer period as may reasonably be required to comply with all applicable statutory and regulatory requirements) of the expiry of the Call Option Period. The transaction will be completed at HD Services' registered office where delivery of the HD Services Share must be made by the TKO with good title, free and clear of by certified cheque or bank draft by HD Services all liens, charges, encumbrances and any other rights of others, against payment of $1.00 cash or cheque.

(5) If this Agreement is terminated for any reason other than pursuant to Section 7.02(2)(a) or 7.02(2)(b), TKO shall, within 20 business days following the effective date of such termination, pay HD Services the amount of $350,000, representing the Parties' presently agreed bona fide estimate of the *pro rata* share of the estimated contingent liabilities of HD Services related to offering to supply Services under this Agreement.

## ARTICLE 8 - DISPUTE RESOLUTION

### 8.01 Disputes Regarding Reimbursable Costs

Notwithstanding section 8.02, in the event of any dispute arising between the Parties regarding fees or reimbursable costs claimed by HD Services in accordance with Article 2 and such dispute not having been resolved between the Parties within one (1) month from the written notice of such dispute by either Party to the other, such dispute may be referred by either Party to a Chartered Accountant ("**CA**") to be mutually agreed or failing which a third CA appointed by a CA chosen by each of the Parties. Such CA shall act as arbitrator based on the results of the audit work (and such other work as he or she may direct be done) and shall be entitled to make such adjustments as may in the circumstances appear to it to be appropriate and whose decision shall be regarded as the decision of an arbitrator and shall be binding and final upon the Parties. The costs of the CA in deciding such dispute shall be borne by each Party in the same proportion as the cost of the audit in 6.03.

### 8.02 Other Disputes

Any dispute arising under or in connection with any matter relating to or resulting from the performance of obligations under this Agreement, other than as contemplated by section 8.01, which has not been resolved by the Parties within thirty (30) days after the date on which either Party delivers written notice to the other Party of such dispute, which notice shall specify in reasonable detail the matter or matters in dispute, shall:

(a) be referred to the President or the Chief Executive Officer of each Party (or the person who performs like functions), who shall meet (face to face or by telephonic means) within ten (10) days from the expiry of such thirty (30) day period and shall endeavour to resolve such dispute; and

(b) failing such resolution, be referred to and finally resolved by arbitration administered by the British Columbia International Commercial Arbitration Centre (the "**Arbitration Centre**") under its International Commercial Arbitration Rules of

Procedure (the "**Arbitration Rules**"). The place of arbitration shall be Vancouver, British Columbia. The parties agree to use a single arbitrator.

## ARTICLE 9 - MISCELLANEOUS

**9.01 Notices**

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

**To Hunter Dickinson Inc. (to be renamed Hunter Dickinson Services Inc.):**

1020 - 800 West Pender Street
Vancouver, British Columbia
Canada V6C 2V6

Fax: (604) 681 2741

Attention: President

**To Taseko Mines Limited:**

1020 - 800 West Pender Street
Vancouver, British Columbia
Canada V6C 2V6

Fax: (604) 681 2741

Attention: Secretary

or to such other address, individual or electronic communication number as may be designated by notice given by either Party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the third (3rd) business day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the business day during which such normal business hours next occur if not given during such hours on any day. If the Party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system that might affect the delivery of mail, any such demand, notice or other communication may not be mailed but must be given by personal delivery or by electronic communication.

**9.02 Further Assurances**

Each Party will from time to time execute and deliver such further documents and instruments and do all acts and things as the other Party may reasonably require to effectively carry out or better evidence or perfect the terms of this Agreement.

**9.03 Entire Agreement**

Except for those provisions of the Geological, Management and Administration Agreement dated December 31, 1996, between Hunter Dickinson Inc and TKO which are stated to survive the termination of that agreement, this Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Parties other than as expressly set forth in this Agreement.

**9.04 Assignment**

This Agreement may not be assigned by either Party without the prior written consent of the other Party. Any assignment shall require the written agreement of the assignee to be bound by the terms hereof.

**9.05 Amendments and Waivers**

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the Parties. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the Party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

**9.06 Enurement**

This Agreement shall enure to the benefit of the Parties and shall be binding upon their successors and permitted assigns.

**9.07 Ambiguities**

Each of the parties has participated in the drafting of this Agreement and any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not apply to the interpretation of this Agreement.

**9.08 Enforceability**

If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the provisions will remain in full force and effect and will not be affected, impaired or invalidated thereby.

**9.09 Severability**

If a provision of this Agreement shall be found to be wholly or partially invalid, this Agreement shall be interpreted as if the invalid provision had not been a part of this Agreement.

**9.10 Currency**

All dollar figures referred to in this Agreement are Canadian dollars unless specifically noted otherwise.

**9.11 Headings, Etc.**

The division of this Agreement into Articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof’, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and sections are to Articles and sections of this Agreement.

**9.12 Expanded Meanings**

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

(a) the singular of any term includes the plural, and vice versa, the use of any term is equally applicable to any gender and, where applicable, a body corporate, the word “or” is not exclusive and the word “including” is not limiting (whether or not non- limiting language is used with reference thereto);

(b) a reference to a person includes a company or other entity constituting a legal person; and

(c) the words “written” or “in writing” include printing, typewriting or any electronic means of communication capable of being visibly reproduced at the point of reception including telex, telegraph or telecopy.

**9.13 Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

**9.14 Facsimiles**

Delivery of an executed signature page to this Agreement by either Party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such Party.

IN WITNESS WHEREOF the Parties have caused this Agreement to be executed as of the date and year first above written.

**HUNTER DICKINSON INC.**
**(TO BE RENAMED HUNTER DICKINSON SERVICES INC.)**

By: _____
Authorized Signatory

**TASEKO MINES LIMITED**

By: _____
Authorized Signatory

**ANNEXURE A**

[Deleted Text: HD Services Charge-Out Rates Schedule]