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, 2010 Commission File Number: 001-31965

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: **187,497,853 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 [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes [ ] 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 year ended December 31, 2010;
- the Company's Audited Consolidated Financial Statements as at December 31, 2010 and 2009 and for years ended December 31, 2010 and 2009, and the fifteen months ended December 31, 2008 (for a reconciliation of important differences between Canadian and U.S. GAAP, see Note 23 to the Company's Audited Consolidated Financial Statements); and
- the Company's Management Discussion and Analysis for the year ended December 31, 2010.

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

Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- delays or inability to successfully complete the environmental assessment review process for the Prosperity Project;
- the potential for increase in the cash cost of production;
- lack of mineral reserves at the Harmony Project and Aley Project;
- the estimates of mineral resources is a subjective process, the accuracy of which is a function of the quantity and quality of available data and the assumptions made and judgment used in the engineering and geological interpretation, which may prove to be unreliable, and may be subject to revision based on various factors;
- fluctuation of metal prices and currency rates;
- uncertain project realization values;
- current global economic conditions;
- changes in mining legislation adversely affecting our operations;
- inability to obtain adequate financing on acceptable terms;
- inability to obtain necessary exploration and mining permits and comply with all government requirements including environmental, health and safety laws;
- inability to attract and retain key personnel; and
- other risks detailed from time-to-time in the Company's filings with securities regulators.

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.

Readers are referred to the section entitled "Risk Factors" in the Company's Annual Information Form for a more detailed discussion of such risks and other important factors that could cause our actual results to differ materially from those in such forward-looking statements. Except as required by law, 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 investors that while those terms are recognized and required by Canadian regulations, the SEC does not recognize them. 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, 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" in respect of resources that do not qualify as reserves is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report reserves in ounces and requires other mineralized material to be reported 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 ("U.S. 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 Note 23 to our audited consolidated financial statements included herein which provides a reconciliation of the significant measurement differences between Canadian GAAP and U.S. GAAP.

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, 2010.

On March 31, 2010, the Company entered into a Joint Venture Formation Agreement (the "JVFA") with Cariboo Copper Corp. Please refer to Note 4 of the accompanying financial statements. In connection with the JVFA, the Company has updated its internal controls over financial reporting, as necessary, to reflect additional processes and controls. Other than the joint venture, there are no significant changes in internal controls over financial reporting that occurred during the year ended December 31, 2010, that could 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, 2010. 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, 2010. KPMG LLP has audited the Company's internal controls over financial reporting 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 David Elliott, Wayne Kirk and Richard Mundie.

AUDIT COMMITTEE FINANCIAL EXPERT

The Company's Board of Directors has determined that Richard Mundie, 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:

Services:	Year ended December 31, 2010	Year ended December 31, 2009
Audit Fees	$ 532,942	$ 502,100
Audit Related Fees	29,750	19,500
Tax Fees	–	–
All Other Fees	–	–
Total	$ 562,692	$ 521,600

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 and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

Audit-related fees include services that are traditionally performed by the auditor. For the year ended December 31, 2010, audit-related services include fees billed for services rendered in connection with the Company's sale of 25% of the Gibraltar mine, the opening balance sheet audit of the Gibraltar Joint Venture and the Company's reversal of uncertain tax position. For the year ended December 31, 2009, the audit-related services include fees billed for services rendered in connection with the Company's IFRS conversion project.

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 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, including interest payments (in thousands of Canadian dollars) at December 31, 2010.

Contractual obligations	Payments due by period in thousands of Canadian dollars				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations	19,918	5,942	11,365	2,611	-
Capital Lease Obligations	22,881	6,452	11,085	5,344	-
Operating Lease Obligations	-	-	-	-	-
Purchase Obligations	-	-	-	-	-
Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP [1, 2]	-	-	-	-	-
Total	42,799	12,394	22,450	7,955	

1 The Company's royalty obligations and deferred revenue have been excluded as there are no cash requirements for the settlement of these obligations. Refer to Note 16 of the accompanying financial statements.

2 The Company's income tax and site closure and reclamation obligations have been excluded as the amount and timing of the related future payments cannot be reasonably estimated.

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. 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 29, 2011.

TASEKO MINES LIMITED

/s/ Peter Mitchell

By: _____

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 year ended December 31, 2010
99.6	Audited consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations and comprehensive income (loss), shareholders' equity, and cash flows the years ended December 31, 2010 and 2009, and the fifteen months ended December 31, 2008, 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 year ended December 31, 2010
99.8	Consent of KPMG LLP
99.9	Consent of Scott Jones, P. Eng.

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

I, Russell E. Hallbauer, certify that:

(1) I have reviewed this annual report on Form 40-F of Taseko Mines Limited;

(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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) 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

(d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the 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 29, 2011

By: /s/ R. Hallbauer

Name: Russell E. Hallbauer
Title: Chief Executive Officer

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

I, Peter C. Mitchell, certify that:

(1) I have reviewed this annual report on Form 40-F of Taseko Mines Limited;

(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 officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) 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

(d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the 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 29, 2011

By: /s/ P. Mitchell

Name: Peter C. 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 E. 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, 2010 (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 E. Hallbauer
Title: Chief Executive Officer

Date: March 29, 2011

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 C. 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, 2010 (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 C. Mitchell
Title: Chief Financial Officer

Date: March 29, 2011

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 YEAR
ENDED DECEMBER 31, 2010

AS AT MARCH 28, 2011

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INTRODUCTORY NOTES

Forward Looking Statements

The Annual Information Form, including the documents incorporated by reference, contain forward-looking statements and forward-looking information (collectively referred to as “forward-looking statements”) which may not be based on historical fact, including without limitation statements regarding the Company’s expectations in respect of future financial position, business strategy, future production, reserve potential, exploration drilling, exploitation activities, events or developments that the Company expects to take place in the future, projected costs and plans and objectives. Often, but not always, forward-looking statements can be identified by the use of the words “believes”, “may”, “plan”, “will”, “estimate”, “scheduled”, “continue”, “anticipates”, “intends”, “expects”, and similar expressions.

Such statements reflect the Company’s current views with respect to future events and are subject to risks and uncertainties and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company’s actual results, performance or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, among others:

- delays or inability to successfully complete the environmental assessment review process at the Prosperity project;
- the potential for increase in the cash cost of production;
- lack of mineral reserves at the Harmony Project and Aley Project;
- the estimates of mineral resources is a subjective process, the accuracy of which is a function of the quantity and quality of available data and the assumptions made and judgment used in the engineering and geological interpretation, which may prove to be unreliable, and may be subject to revision based on various factors;
- fluctuation of metal prices and currency rates;
- uncertain project realization values;
- current global economic conditions;
- changes in mining legislation adversely affecting our operations;
- inability to obtain adequate financing on acceptable terms;
- inability to obtain necessary exploration and mining permits and comply with all government requirements including environmental, health and safety laws; and
- inability to attract and retain key personnel.

Such information is included, among other places, in the Annual Information Form under the heading “Description of Business” and in the Management’s Discussion and Analysis for the year ended December 31, 2010.

These factors should be considered carefully and readers are cautioned not to place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of risk factors is not exhaustive and it is recommended that prospective investors consult the more complete discussion of risks and uncertainties facing the Company included in the Annual Information Form. See “Risk Factors” for a more detailed discussion of these risks.

Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on the information available to it on the date such statements were made, no assurances can be given as to future results, approvals or achievements. The forward-looking statements contained in the Annual Information Form and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The Company disclaims any duty to update any of the forward-looking statements after the date of the Annual Information Form to conform such statements to actual results or to changes in the Company’s expectations except as otherwise required by applicable law.

Documents Incorporated by Reference

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 ended December 31, 2010 and the fiscal year ended December 31, 2009 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.

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 capitalized terms have the defined meanings set forth below:

NYSE Amex	The NYSE Amex Equities, formerly known as the American Stock Exchange, being one of the two stock exchanges (together with the TSX) on which the Common Shares are listed.
BQ	A letter name specifying the dimensions of bits, core barrels, and drill rods in the B-size and Q-group wireline diamond drilling system having a core diameter of 47.6 mm and a hole diameter of 59.9mm.
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 kilometre 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.
NSR	Net smelter return, a general proxy for the gross value of metals derived from concentrates delivered to a smelter for refining.
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, and 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 their issuance 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 Business Corporations* Act which is now the corporate law statute that governs Taseko. Taseko has one active material subsidiary, Gibraltar Mines Ltd. ("Gibraltar"), a second active but not yet material subsidiary, Aley Corporation, and two wholly-owned non-material, inactive subsidiaries, 688888 BC Ltd. and Taseko Acquisitionsub Ltd. Taseko owns 100% of the common shares of Gibraltar but none of Gibraltar's issued tracking preferred shares. On March 31, 2010, the Company established a joint venture with Cariboo Copper Corp. ("Cariboo") over the Gibraltar mine, whereby Cariboo acquired a 25% interest in the mine and Gibraltar retained a 75% interest. For more information on the joint venture see Item 4 below.

The head office of Taseko is located at Suite 300, 905 West Pender Street, Vancouver, British Columbia, Canada V6C 1L6, telephone (778) 373-4533, facsimile (778) 373-4534. The Company's legal registered office is in care of its Canadian attorneys McMillan LLP, 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 operating and expanding the capacity of the Gibraltar mine which constitutes the majority of the assets and 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		
Balance Sheets	**2010**	**2009**	**2008**
Current assets	$ 281,300	$ 92,316	$ 41,283
Mineral properties	27,737	32,631	32,610
Plant and equipment	283,024	305,205	292,390
Other assets	95,551	104,943	111,962
Total assets	$ 687,612	$ 535,095	$ 478,245
Current liabilities	$ 66,686	$ 75,179	$ 112,053
Other liabilities	151,025	163,223	131,285
Shareholders' equity	469,951	296,693	234,907
Total liabilities & shareholders' equity	$ 687,612	$ 535,095	$ 478,245

	Year ended December 31	Year ended December 31	Fifteen months ended December 31
Statements of Operations	**2010**	**2009**	**2008**
Revenue	$ 278,460	$ 188,902	$ 231,678
Cost of sales	142,674	132,434	196,261
Depletion, depreciation and amortization	10,336	8,150	7,363
Operating profit	125,450	48,318	28,054
Accretion of reclamation obligation	860	968	1,451
Asset retirement obligation change of estimates	–	–	(6,917)
Change in fair market value of financial instruments	(319)	–	886
Exploration	10,090	3,407	11,864
Foreign exchange loss (gain)	2,650	(8,800)	4,032
Gain on convertible bond repurchase	–	(1,630)	–
General and administration	13,853	8,382	11,896
Gain on sale of marketable securities	(4,087)	(188)	(1,034)
Interest accretion on convertible debt	–	1,260	2,938
Interest and other income	(18,275)	(7,402)	(9,701)
Interest expense	4,542	8,265	8,284
Loss on prepayment of credit facility	834	–	–
Premium paid on the redemption of royalty obligation	1,302	–	–
Realized (gain) loss on derivative instruments	(3,575)	11,330	–
Stock-based compensation	10,409	5,696	6,442
Earnings (loss) before other items	$ 107,166	$ 27,030	$ (2,087)
Other items:			
Gain on contribution to the Joint Venture	95,114	–	–
Unrealized loss on derivative instruments	(6,898)	15,775	–
Earnings (loss) before income taxes:	195,382	11,255	$ (2,087)
Current income tax expense (recovery)	4,106	669	(2,151)
Future income tax expense (recovery)	44,678	25	(3,446)
Earnings for the year	$ 148,598	$ 10,561	$ 3,510
Other comprehensive income (loss):			
Unrealized gain (loss) on reclamation deposits	(118)	(1,040)	1,859
Unrealized gain (loss) on marketable securities/investments	6,117	14,263	(11,295)
Reclassification of realized gain on sale of marketable securities	(4,087)	(188)	(1,152)
Tax effect	(239)	(1,779)	1,570
Other comprehensive income (loss)	$ 1,673	$ 11,256	$ (9,018)
Total comprehensive income (loss)	$ 150,271	$ 21,817	$ (5,508)
Basic earnings per share	$ 0.80	$ 0.06	$ 0.02
Diluted earnings per share	$ 0.73	$ 0.06	$ 0.02
Basic weighted average number of common shares outstanding	186,103	173,170	142,062
Diluted weighted average number of common shares outstanding	203,006	180,835	156,928

Taseko's business is focused on enhancing the production of copper and molybdenum from the Gibraltar mine and on permitting its Prosperity gold and copper project ("Prosperity"). 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 has two additional properties located in British Columbia, including the exploration stage gold property known as the Harmony project, and the exploration stage niobium project known as the Aley project ("Aley"). 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. Aside from the joint venture established with Cariboo, Taseko and its subsidiaries currently own all of their projects outright.

Taseko believes that there will continue to be demand for copper, molybdenum, gold, and niobium for the foreseeable future, and there will be a continuing need to replace depleted reserves from existing mines. Copper prices have benefited from Chinese demand growth and declining inventory levels. Additionally, the expectation of continued demand from Asia, global economic growth, limited availability of scrap and constrained sources of new supply should continue to lend support to prices. Molybdenum price strength is anticipated due to demand supported by global economic growth and new uses, as well as constrained new and existing mine supply. Gold continues to benefit from price supportive macroeconomic factors (quantitative easing, sovereign debt concerns, current account deficits) as well as an expected decrease in global mine supply in years to come. The demand for niobium is supported by overall growth in the global steel industry and also from the increasing use of higher-quality steels. Based on this expected demand profile, the Company sees value in projects for which economics have not yet been determined.

During fiscal 2008-2010, total production at the Gibraltar mine was 41.6 million tons milled, producing 239.5 million lb. of copper in concentrate and cathode, and 2.4 million lb. of molybdenum. Over this period, Taseko expanded the ore concentrator and made other production improvements at the Gibraltar mine. Construction of the Phase 1 mill expansion was completed in February 2008. The majority of the construction schedule of a Phase 2 expansion program, designed to increase concentrator throughput from 46,000 tpd to 55,000 tpd, was completed in 2010, as well as installation of the in-pit crusher and conveyor. The Semi-Autogenous Grinding ("SAG") mill direct feed system is scheduled for completion in the second quarter of 2011.

In 2011, the Company plans to continue the expansion with the Gibraltar Development Plan 3 (GDP-3). GDP-3 will include construction of a new concentrator to complement the existing 55,000 tpd facility, increasing annual production capacity to over 180 million pounds of copper. Capacity for the new facilities is based on an engineering scoping study completed by a third party in 2008, and subsequent internal engineering analysis. A new molybdenum recovery facility is also planned to increase annual molybdenum production to over two million pounds. The estimated capital cost for the concentrator facility is approximately $235 million and approximately $90 million for the additional mining equipment. The capital cost estimates are based on recent purchases at Gibraltar, estimates provided by consultants, and direct quotations from suppliers. The $325 million total estimated capital cost represents 100% of the outlays required. Gibraltar's share will be 75% of that amount, and proceeding with GDP-3 will require the consent of Cariboo which has a consent right over expansions of 30% or more from the mine plan.

The Prosperity project was the subject of a feasibility study completed in September 2007 for a 70,000 tonnes per day operation. In 2008, the Company worked with various consultants to investigate value engineering opportunities, energy efficiency, and operating ease in various areas of the concentrator and support infrastructure and, in 2009, incorporated different long-term prices for copper and gold prices from those assumed in 2007. This work resulted in an increase in anticipated mine life to 33 years.

During 2008-2010, Taseko also continued to advance the Prosperity project through the provincial and federal environmental assessment processes. On January 14, 2010, the Company received the environmental assessment certificate from the British Columbia Provincial Ministry of Environment. On November 2, 2010, the Company was advised that the federal government would not proceed with permitting on the Prosperity project as proposed. The Company has reviewed and revised its plan and has put forth a new design proposal, which adds construction costs and life of mine operating expenditures of approximately $300 million to the original design. The new plan responds to the concerns identified during the federal review process, and on February 21, 2011 the Company submitted the new project description for the Prosperity project to the federal government, where it remains under review.

Work on the Harmony and Aley projects was curtailed in 2008 and 2009. In 2010 the Company completed a successful exploration program at the Aley project. The program consisted of geological mapping and diamond drilling in 23 holes at the Aley project, intersecting excellent grades of niobium mineralization across an area measuring 900 metres east-west and 350 metres north-south; mineralized intercepts range up to 200 metres in length and were continuous and close to the surface. The Company plans to accelerate work on the Aley project in 2011, with activities including engineering, core drilling and collection of data for site design and metallurgical testwork. Also in 2010, the Company initiated project assessment work on the Harmony project, and is considering further technical studies.

Consistent with the Company's existing strategy to manage its operating margins effectively in volatile copper markets, the Company has entered into producer put options for a portion of its targeted copper concentrate production during 2011. The 2011 contracts are for approximately 53.4 million pounds with a price range of US$3.00 – US$4.00 per pound. During 2010, approximately 50% of the copper production, from January 2010 to December 2010, was hedged at a price range of US$2.00 - US$3.95 per pound.

During 2010, the Company prepaid its US$50 million credit facility with Credit Suisse and Investec Bank PLC without penalty. The Company also issued 1,556,355 of its common shares to redeem and cancel a copper royalty previously sold for $6.5 million.

The Gibraltar mine became an unincorporated (or ‘contractual’) joint venture between the Company and Cariboo on March 31, 2010. The Company and Cariboo hold 75% and 25% beneficial interests in the Joint Venture, respectively. Under the Joint Venture Formation Agreement (“JVFA”), the Company contributed to the Joint Venture certain assets and obligations pertaining to the Gibraltar mine with a deemed net fair value of $747 million as of March 31, 2010, and Cariboo paid the Company US$187 million to obtain its 25% interest in the Joint Venture. The Company continues to be the operator of the Gibraltar mine under the Joint Venture Operating Agreement which is filed at www.sedar.com. Cariboo is a Japanese consortium jointly owned by Sojitz Corporation (50%), Dowa Metals & Mining Co., Ltd. (25%) and Furukawa Co., Ltd. (25%).

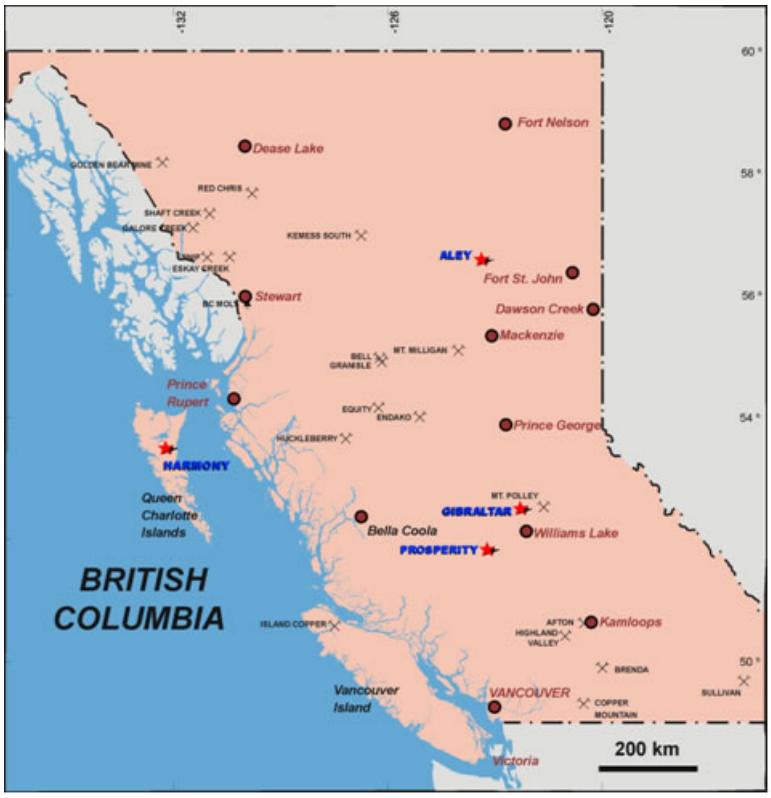
Aside from the above, the Company has not made any significant acquisitions or dispositions since January 2006.

ITEM 5. DESCRIPTION OF BUSINESS

Taseko is a mining company that generally seeks to acquire, develop, and operate large tonnage mineral deposits which, under conservative metals forward price assumptions, are potentially capable of supporting a mine for 10 years or 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 at www.sedar.com and updated with production and development results since that time. Mr. Jones is employed by the Company as Vice-President, Engineering.

Property Description and Location

The Gibraltar mine site covers approximately 113 square kilometres, located at latitude 52°30'N and longitude 122°16'W in the Granite Mountain area, approximately 65 kilometres by road north of the City of Williams Lake in south-central British Columbia, Canada. The Gibraltar mine property consists of 250 tenures held as summarized in Table 1 below.

Table 1: Mineral Tenures – Gibraltar Mine

Tenure Type	Number	Area (ha)
Claims	220	14,184.14
Leases	30	1,889.68
Total	250	16,073.82

There are 30 mining leases at the Gibraltar mine 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 use the surface accompany each mining lease. Additionally all mining claims at the Gibraltar mine are valid until August 15, 2012 with the exception of four claims that have expiry dates on May 19, 2011, June 12, 2011, July 24, 2011 and October 19, 2011. 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 the Gibraltar mine (L3728) on which the plant site is located and annual taxes are paid. In addition the Gibraltar mine holds four other land parcels: DL9170, DL9483, DL 9497 and DL588.

The Gibraltar mine has operated for most of the active life of the mine 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 kilometres north of the mill.

A mill expansion completed in 2008 included commissioning of a new 34' diameter 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 high volume current technology flotation cells. The cleaner and regrind circuit capital projects were completed and expected copper recovery improvements were being realized by the end of 2009.

With the completion of the in-pit crusher and conveyor, tailings handling systems, concentrate filter/dryer circuit upgrade (mid 2010) and the SAG Direct Feed System (schedule completion: early 2011), the rated capacity of the operation has increased from 36,000 tons per day to 55,000 tons per day.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Gibraltar mine mineral claims cover an area of gentle topography; local relief is in the order of 200 metres. The plant site is located at an elevation of approximately 1,100 metres 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.

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 kilometres.

The Canadian National Railway has rail service to facilitate the shipping of copper concentrates through to the Pacific Ocean port Vancouver Wharves, located in North Vancouver, BC. A rail siding and storage shed for the shipment of concentrate is located 26 kilometres 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 2010 was 455 individuals.

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 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 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 $17.0 million 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 $3.6 million in lieu of issuing the remaining 694,422 common shares as full and final settlement to NVI and accordingly the debenture has been discharged.

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

On 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% copper at a 0.10% acid soluble copper cut-off. The Gibraltar restart decision was based on the initial four years of the 12-year mine plan and mining operations recommenced that year. Copper cathode production at the SX/EW plant did not recommence until January 2006.

The Gibraltar mine became an unincorporated joint venture between Taseko and Cariboo on March 31, 2010. The Company and Cariboo hold 75% and 25% beneficial interests in the Joint Venture, respectively. The assets and liabilities contributed by the Company into the Joint Venture were primarily mineral property interests, plant and equipment, inventory, prepaid expenses, reclamation deposits, equipment loans, and capital lease obligations and the site closure and reclamation obligation.

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 $67.4 million (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 six separate mineralized zones. Five of these – Pollyanna, Granite, Connector, Gibraltar, and Gibraltar Extension – occur within the Granite Mountain batholith in a broad zone of shearing and alteration. A sixth copper mineralized body, the Sawmill zone, lies about six kilometres 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 deposit is essentially a system of interconnected Sunset zones, which create a large body of uniform grade. The Gibraltar Extension deposit is 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 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 and Drilling

From 1999-2004, Taseko geologists and engineers explored for additional mineralized material and to better define known resources. 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.

The 2008 exploration program was conducted on the southern and eastern margins of the Gibraltar 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. Holes drilled in the Gibraltar West pit area were incorporated into the 2008 reserve estimate for the new Gibraltar Extension Pit.

The 2010 program was conducted on the northern and western margins of the Gibraltar pit, and one hole on the southwest margin. The objective was to define the ultimate limit of the Gibraltar pit to the north and west. The 2010 drilling program met the objective of delineating mineralization to the north and west of the Gibraltar pit. The holes encountered 79 intercepts at a 0.2 % TCu cutoff ranging in length from 20 to 260 feet and grading from 0.2 % to 1.2 % TCu. Additionally, a hole drilled on the south edge of Gibraltar pit encountered, as anticipated, significant ≥ 0.20 % copper mineralization.

A total of 28,129 feet (8,574 metres) was drilled in 34 drill holes in 2010 averaging 827 feet (252 metres) in length. The 2,710 half core samples taken in 2010 by Gibraltar personnel averaged 10.4 feet (3.2 metres) in length.

Exploration drilling is planned at Gibraltar in 2011 to upgrade material classification within resource and reserve categories and to test areas of the deposit to the east, west, and at depth.

Sampling and Analytical Procedures

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, BC.

The 2010 sample preparation was performed by Eco Tech Laboratory Stewart Group, Kamloops. The entire sample was dried, and jaw-crushed to 70% passing 10 mesh (<2 mm). A 500 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 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 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.

Gibraltar Mine Reserves and Resources

The Gibraltar mine mineral reserves are based on the published reserves at December 31, 2008 and reduced for ore production from the Granite pit in 2009 and 2010.

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 C$1=US$0.82. The estimates for the balance of the reserves used September 2007 NI 43-101 estimates reduced by actual 2008 and 2009 mining with long term metal prices of US$1.50/lb for copper, US$10/lb for molybdenum and a foreign exchange of C$1=US$0.80.

The proven and probable reserves as of December 31, 2010 are tabulated in Table 2 below and are NI 43-101 and SEC Guide 7 compliant.

Table 2: 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	Proven	66.8	0.286	0.008
	Probable	33.3	0.285	0.013
	Subtotal	**100.1**	**0.286**	**0.010**
Granite	Proven	163.4	0.323	0.009
	Probable	21.6	0.319	0.009
	Subtotal	**185.0**	**0.322**	**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		445.0	0.314	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 SEC 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 3 below:

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

Category	Tons (millions)	Cu (%)	Mo %)
Measured	583.0	0.301	0.008
Indicated	361.0	0.290	0.008
Total	**944.0**	**0.297**	**0.008**

There are also oxide reserves, identified in both the PGE Connector and Gibraltar pits as shown in Table 4 below. These oxide reserves are in addition to the sulphide reserves stated in Table 2 and are contained within the resources contained in Table 3.

Table 4: Gibraltar Mine – Oxide Mineral Reserves at 0.10% ASCu cut-off

Pit	Tons (millions)	Cu (%)	ASCu (%)
Connector	12.7	0.349	0.151
Gibraltar	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 material 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.

A phased expansion of the mill has been underway since 2007. Phase 1 mill construction was completed in February 2008, followed by ramp up to the rated processing capacity of 46,000 tons per day ("tpd"). The majority of the construction schedule of a Phase 2 expansion program, designed to increase the concentrator throughput from 46,000 tpd, to 55,000 tpd, was completed in 2010, as well as the installation of an in-pit crusher and conveyor with completion of the SAG mill direct feed system scheduled for the second quarter of 2011.

The new in-pit 60-inch by 89-inch crusher and overland conveyor system was completed and commissioned mid-2010. The system is designed to reduce operating costs and improve mine productivity by replacing the original Gibraltar crusher and supplanting approximately three diesel-powered haulage trucks with an electrically driven overland conveyor belt.

Replacement of the single-line tailings system with a two line system and substitution of the natural gas fired concentrate dryer with a filter press was completed in 2010. This equipment reduces operating cost and provides a more stable operating platform, and will be able to manage increased volume as mill throughput increases.

Construction of the SAG Direct Feed System was started in the fourth quarter of 2010. The system is designed to improve mill availability, increase throughput and reduce costs by eliminating the complicated secondary crusher and fine ore feed system. The new direct feed system will also allow larger mill feed more appropriate for autogenous grinding than can be achieved with the current system. The new system is scheduled for commissioning in the second quarter of 2011.

In 2011, the Company plans to move forward with an expansion at Gibraltar. The GDP-3 project will include construction of a new concentrator to complement the existing 55,000 tpd facility, increasing annual production capacity to over 180 million pounds of copper. Capacity for the new facilities is based on an engineering scoping study completed by a third party in 2008, and subsequent internal engineering analysis. A new molybdenum recovery facility is also planned to increase annual molybdenum production to over two million pounds. The estimated capital cost for the concentrator facility is approximately $235 million and approximately $90 million, for additional mining equipment. The capital cost estimates are based on recent purchases at Gibraltar, estimates provided by consultants, and direct quotes from suppliers. The $325 million total capital cost represents 100% of the outlays required. Gibraltar's share will be 75% of that amount, and proceeding with GDP-3 will require the consent of Cariboo which has a consent right over expansions of 30% or more from the mine plan.

The $235 million to be spent on the concentrator facility consists of approximately $39 million on crushing, conveying, stockpile & reclaim; $80 million for the grinding circuit; $44 million for the flotation and regrind circuits; $28 million on tailings; $11 million for the molybdenum separation facility; and $34 million of site infrastructure and other. Approximately $50 million of this capital is expected to be spent in 2011, with the majority of the remainder expected to be spent in 2012.

The additional mining equipment required consists of approximately $25 million for a shovel; $7 million for a drill; $50 million to expand the haul truck fleet; and the purchase of some ancillary equipment. Timing of the acquisition of the mining equipment is driven by the mining schedule and will be effected over the period 2011 – 2013.

Production in 2010

The following table is a summary of the operating statistics for the year ending December 31, 2010. All mining during fiscal 2010 took place in the Granite pit.

Table 5: Gibraltar Production

Total tons mined (millions) [1]	52.3
Tons of ore milled (millions)	15.0
Stripping ratio	2.5
Copper grade (%)	0.338
Molybdenum grade (%Mo)	0.012
Copper recovery (%)	89.2
Molybdenum recovery (%)	25.5
Copper production (millions lb) [2]	92.3
Molybdenum production (thousands lb)	941

1 Total tons mined includes sulphide 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.

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"), for the treatment and refining of certain copper concentrate from the Gibraltar mine. Under the terms of the MRI sales agreement, the Company has secured long-term and fixed rates for processing copper concentrate until December 31, 2014. The Company has the right to price payable copper within the concentrate based on a quotational period, declared prior to, and covering each ensuing calendar year. Although two-thirds of Gibraltar's copper concentrate is currently sold to MRI, in the event that MRI is unable to purchase Gibraltar's copper concentrate as provided in the MRI sales agreement, a liquid market exists.

On March 31, 2010, the Company entered into the JVFA with Cariboo Copper Corp. As part of the JVFA, the Company entered into an off-take agreement with Cariboo for the treatment and refining of certain copper concentrate from the Gibraltar mine.

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 London Metal Exchange, 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.

Production Forecast

The current life-of-mine plan, taking into consideration GDP-3, covers a period of 17 years ending in 2027. The plan calls for the mining and processing of 445 million tons of ore from four pits: Granite, Gibraltar, Connector and Gibraltar Extension. The average grade is estimated to be 0.314% copper and 0.008% molybdenum. The average strip ratio over the life of the plan is 3.2:1. The concentrator is forecast to produce 2,742 million pounds of copper in concentrate and 37.6 million pounds of molybdenum in concentrate. The SX/EW plant is expected to produce approximately 50.8 million pounds of copper in cathode form over the life of the 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 in 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 based on a five-year mine plan. Closure costs were estimated to be $28 million, and the Gibraltar mine currently has $30 million held into a Qualified Environmental Trust fund and an irrevocable standby letter of credit for $10 million in favour of the Province of British Columbia.

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 line 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, on the 344 million tonne increase in mineral reserves at the Prosperity Gold – Copper Project” dated December 17, 2009 (the “Prosperity Technical Report”), prepared by Scott Jones, P. Eng. filed on Taseko’s profile on SEDAR at www.sedar.com. Mr. Jones is 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 kilometres southwest of the City of Williams Lake, British Columbia, and consists of a mineral lease (number 787863) and 37 mineral claims covering the mineral rights for approximately 94.9 square kilometres. All claims are in good standing until April 2018. The claims are 100% owned by Taseko and are not subject to any royalties or carried interests.

On May 12, 2010, the Company entered into a gold stream transaction with Franco-Nevada Corporation (“Franco-Nevada”), under which Franco-Nevada will purchase gold equal to 22% of the life of mine gold produced at the project. Staged cash deposits aggregating US$350 million will be paid during mine construction, and two million Franco-Nevada warrants will be issued on the date of the first advance of the cash payment. For each ounce of gold delivered to Franco-Nevada, Taseko will receive a further cash payment of US$400/oz (subject to an inflationary adjustment) or the prevailing market price, if lower. The deposit will be credited with the difference between US$400/oz and the market price of gold for each ounce delivered until the deposit is fully credited. Each warrant is exercisable to purchase one Franco-Nevada common share at a price of $75.00 until June 16, 2017 and will be listed under the same terms as the warrants listed on TSX under the symbol FNV.WT.A. The conditions to funding the gold stream include obtaining full financing of the project, receipt of all material permits to construct and operate Prosperity, and securing marketing arrangements for the majority of the concentrate. Franco-Nevada may terminate this agreement on ten business days’ written notice to Taseko.

As this is a greenfield project, there are no existing environmental liabilities on the property and there has been no development at the site. When additional site work is required, permit applications will be made. The Company does not hold any surface rights.

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 192 kilometres. 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 kilometres east of the Prosperity project, a natural gas transmission pipeline is situated 112 kilometres 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 metres and 1,600 metres 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, totalling approximately 27,100 metres. This work helped define the Prosperity project mineralization to a depth of 200 metres, and outlined a copper-gold mineralized zone approximately 850 metres in diameter.

In 1969, Taseko acquired the Prosperity project and drilled 12 percussion holes totalling 1,265 metres and six diamond drill holes totalling 1,036 metres immediately to the south of the area previously 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 metres of core drilling in 4 holes before returning the property to Taseko. In 1972, Taseko tested the property with two additional diamond drill holes totalling 156 metres. Quintana Minerals Corporation optioned the property from Taseko in 1973 and completed a 23-hole diamond drill program totalling 4,705 metres during 1973-74.

Bethlehem Copper Corp. optioned the Prosperity project in 1979 and by 1981 had completed 3,225 metres of percussion drilling in 36 holes and 10,445 metres 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 metres of percussion drilling in 19 holes and 3,707 metres of diamond drilling in 29 holes over the period 1982 to 1989.

Cominco work programs also included 50 line kilometres of IP, magnetic and soil geochemical surveys. The IP survey outlined a 2 by 3 kilometre 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 kilometres 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 kilometres, 125 to 175 kilometres or 115 kilometres. 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 totalling approximately 27,100 metres. This work helped define the Prosperity project mineralization to a depth of 200 metres, and outlined a gold-copper mineralized zone approximately 850 metres in diameter.

In 1991 Taseko drilled 10 holes totalling 7,506 metres in a “cross” pattern to test the core of the deposit on the Prosperity project over a north-south distance of 550 metres. All of the holes intersected continuous significant copper and gold grades and extended the mineralization to 810 metres 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. In the same year 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 totalling 60,558 metres had been drilled, expanding the deposit to 1400 metres east-west, 600 metres north-south and to 850 metres below surface.

Subsequent to 1993, the Company completed a 12-hole (4,605 metres) 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 metres) were drilled to investigate geotechnical conditions in the proposed Prosperity project development areas.

In 1996 and 1997, an additional 107 holes (49,465 metres) were completed in order to upgrade the confidence limits of the deposit. Of this total, 20 holes (2,203 metres) were drilled vertically and 87 holes (47,262 metres) 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 metres has been drilled in 452 holes on the Prosperity project. Of this total, 273 holes (83,453 metres) were drilled vertically and 174 holes (71,178 metres) were inclined. Sizes of cored holes have included BQ, HQ, and NQ totalling 148,322 metres, with an average drill spacing of 70 metres. The balance of 6,309 metres 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. In late 2009 and 2010 additional metallurgical testing and geotechnical investigations were undertaken in support of detailed engineering. No exploration drilling activity is planned for Prosperity in 2011.

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 samples were taken with an average length of three metres. From 1991 – 1998, 58,580 core samples were taken for assay with an average length of two metres 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.

Samples are shipped by commercial carriers to the analytical facilities. Coarse rejects from analytical work are retained in Taseko's secure warehouse in Surrey, BC.

Reserves and Resources

Cautionary Note to US 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" and "contained pounds" is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report reserves in ounces and pounds, and requires reporting of mineralization that does not qualify as reserves as in place tonnage and grade without reference to unit measures.

The Company and its consultants carried out progressive engineering, metallurgical and environmental studies over the period 1998 to 2010, including a feasibility level study of the project in 2000, and a mill redesign and project cost review in 2006.

In 2007 a feasibility study update incorporated the 2000 Feasibility Study, 2006 Mill Redesign, additional revisions to the processing plant and infrastructure, updates to the tailings facility design and pit geotechnical analysis, and revisions to the design and scheduling of the open pit.

In 2008 Taseko worked with various consultants to investigate value engineering opportunities, energy efficiency, and operating ease in various areas of the concentrator and support infrastructure.

In 2009 Taseko incorporated different long term prices for copper and gold prices from those assumed in 2007 and re-evaluated the reserves on the basis of $1.65/lb Cu and $650/oz Au. The resulting mineral reserves are shown in Table 6.

Table 6: Prosperity Mineral Reserves
at CDN$5.50 NSR/t Pit-Rim Cut-off

Category	Tonnes (millions)	Gold (g/t)	Copper (%)	Recoverable Gold Ounces (millions)	Recoverable Copper Pounds (billions)
Proven Probable	481 350	0.46 0.35	0.26 0.18	5.0 2.7	2.4 1.2
Total	831	0.41	0.23	7.7	3.6

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 SEC 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 to reserves.**

The mineral resources shown in Table 7 include the mineral reserves shown in Table 6. Resource estimates were based on a copper cut-off of 0.14% .

Table 7: Prosperity Mineral Resources
at 0.14% copper cut-off – September 2009

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

In 2010 Taseko worked with various consultants to advance project engineering to the detailed phase and to advance various permit applications. Taseko temporarily suspended work on detailed engineering and permitting in November 2010 following the federal cabinet's decision on the environmental assessment.

Planned Mining Operations

The proposed 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 mined from the open pit over years 1 - 31 averages 170,000 tonnes per day at a life-of-mine strip ratio of 1.5:1. A declining net smelter return cut-off is applied to the mill feed, which defers lower grade ore for later processing. The stockpiled ore is processed in the final years of the mine plan.

The Prosperity processing plant has been designed with a nominal capacity of 70,000 tonnes per day. The plant consists of a single 12-metres diameter SAG mill, two 7.9 -metre diameter ball mills, followed by processing steps that include bulk rougher flotation, regrinding, cleaner flotation, thickening and filtering to produce a copper-gold concentrate. Expected life-of-mine metallurgical recovery is 87% for copper and 69% for gold, with annual production averaging 110 million pounds copper and 234,000 ounces gold over the 33-year mine life.

The copper-gold concentrate will be hauled with highway trucks to an expanded load-out facility at the Gibraltar Mines Ltd.'s existing facility near Macalister for rail transport to various points of sale, but primarily through the Port of Vancouver for shipment to smelters/refineries around the world.

Power would be supplied via a new 124 kilometre long, 230 kV transmission line from Dog Creek on the BC Hydro Grid. Infrastructure would also include the upgrade of sections of the existing road to the site, construction of a short spur to the minesite, an on-site camp, equipment maintenance shop, administration office, concentrator facility, warehouse, and explosives facilities.

Based on this update, the project would employ up to 460 permanent hourly and staff personnel. In addition, approximately 60 contractor personnel would be employed in areas including catering, concentrate haulage, explosives delivery, and bussing.

Environmental Assessment

The Ministry of Environment of British Columbia accepted Taseko's Environmental Assessment report on March 13, 2009 and proceeded with an Environmental Assessment Office ("EAO") led review of this Project in a coordinated manner with the Canadian Environmental Assessment Agency ("CEAA") on their respective provincial and federal environmental assessment processes.

On January 14, 2010, Taseko received the environmental assessment certificate for the Prosperity project from the Province.

The federal process conducted by a three-person panel, included six weeks of public hearings in March and April of 2010 as part of the environmental review. The panel's findings were essentially the same as the conclusions reached in the Provincial Environmental Assessment but they were not mandated to assess economic and social value generated by the project. In July, the panel submitted its final report to the federal government for their approval.

In November, the federal Minister of Environment announced that the Prosperity mine project, as proposed, would not be granted federal authorizations to proceed. Taseko suspended work on detailed engineering and permitting after the federal announcement. The Company has reviewed and revised its plan and has put forth a new design proposal, which adds construction costs and life of mine operating expenditures of approximately $300 million to the original design. The new plan responds to the concerns identified during the federal review process and on February 21, 2011 the Company submitted the new project description for the Prosperity project to the federal government where it remains under review.

The Provincial Mines Act permit application was submitted to the Ministry of Energy, Mines, and Petroleum Resources in June 2010 but was put in abeyance following the November federal decision.

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 tracking 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, 2010 audited financial statements.

As there had 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. The Company is considering further technical studies of Harmony.

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 kilometres.

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 metres in 231 holes by 1984. In 1981, 465 metres 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 metres, and completed 117.6 metres 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 metres, eastwards from the fault at least 200 metres and to a depth of at least 240 metres. 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 SEC 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 to reserves.**

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 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.

Exploration and Development

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 Company plans to carry out additional work on the project in 2011.

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 $1.5 million and 894,730 common shares then valued at $2.9 million. Taseko purchased the residual net smelter royalty for a total cash consideration of $0.3 million and the issuance of units having a value at the time of $0.8 million (consisting of 240,000 common shares and 120,000 warrants).

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. Ninety percent of niobium enters the market as ferro-niobium (FeNb); 10% of all steel produced worldwide contains FeNb, a number that may increase to 20% in the near future. The increase in demand for FeNb has resulted largely from the overall growth in the global steel industry and also from the increasing use of higher-quality steels, which often contain FeNb. Ferro-niobium is currently selling for $40/kg and demand has grown at approximately 10% per annum in recent years. Currently, 90% of the world's niobium is supplied by three mines: The CBMM (Companhia Brasileira de Metalurgia e Mineração), Anglo American of South America Ltda mines in Brazil and the Niobec mine operated by Iamgold in Quebec, Canada,

Location, Access and Infrastructure

The property is located in the Omineca Mining Division in British Columbia, Canada, centred at latitude 56°27'N and longitude 123°13'W. 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 kilometres from the Ospika Camp and is currently accessed via helicopter.

Property Description

The Aley project consists of 104 contiguous mineral claims that cover 43,316 hectares.

Aley Project History

A previous operator identified six zones from surface exploration, which included mapping, sampling and trenching. Twenty holes, totalling 3,058 metres 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 benchmark 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, 4.4 -kilometre diameter carbonatite complex 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 occasional 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 exploration results to date have been derived from the Central Zones.

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 or 2009.

Taseko completed a significant exploration program on the Aley project in the summer of 2010, comprising geological mapping and 4,460 metres of diamond drilling in 23 holes in the central zone. These holes intersected excellent grade niobium mineralization across an area measuring over 900 metres east-west and 350 metres north-south. Mineralized drill intercepts range up to over 200 metres in length. Niobium mineralization intersected is highly continuous and close to surface. The extensive body of niobium mineralization indicated by the 2010 drilling is wide open to expansion in at least three directions and to depth.

Composite assay results from all core holes received to date are listed below.

Drill Hole Number	Azimuth (degrees)	Dip (degrees)	From (metres)	To (metres)	Intercept[2] (metres)	Nb_2O_5 %	Ferro Niobium[1] kg/tonne
2010-012	20	-55	9.1	134.4	125.3	0.53	3.41
2010-012 Incl.			70.7	96.4	25.7	0.69	4.40
2010-013	20	-55	7.1	27.5	20.4	0.51	3.26
2010-013			42.7	126.5	83.8	0.42	2.68
2010-014	20	-55	14.6	91.5	76.9	0.67	4.28
2010-014 Incl.			41.2	74.6	33.4	0.87	5.52
2010-015	20	-55	18.9	104.8	85.9	0.53	3.41
2010-015 Incl.			18.9	35.2	16.3	0.87	5.56
2010-015 Incl.			68.6	86.2	17.6	0.64	4.07
2010-016	20	-55	6.1	80.4	74.3	0.60	3.82
2010-016 Incl.			17.9	52.6	34.7	0.83	5.31
2010-016			106.1	119.4	13.3	0.64	4.07
2010-017	20	-55	6.1	30.5	24.4	0.74	4.74
2010-017 Incl.			6.1	21.4	15.3	1.00	6.36
2010-017			61.1	87.4	26.3	0.58	3.71
2010-020	20	-55	3.7	70.2	66.5	0.55	3.49
2010-020 Incl.			31.1	55.5	24.4	0.82	5.24
2010-020			79.4	116.6	37.2	0.45	2.85
2010-020			144.5	164.4	19.9	0.43	2.77
2010-020			180.1	193.8	13.7	0.51	3.24
2010-021	20	-55	6.3	140.4	134.1	0.70	4.48
2010-021 Incl.			6.3	27.4	21.1	0.98	6.27
2010-021 Incl.			51.5	62.3	10.8	1.00	6.40
2010-021 Incl.			119.7	137.7	18.0	0.85	5.45
2010-022	20	-55	6.7	150.8	144.1	0.57	3.64
2010-022 Incl.			21.3	49.7	28.4	0.82	5.24
2010-022 Incl.			90.2	103.5	13.3	0.82	5.24
2010-023	20	-55	4.6	146.3	141.7	0.82	5.23
2010-023 Incl.			12.2	106.3	94.1	1.01	6.42
2010-023			169.4	196.5	27.1	0.43	2.77
2010-023	30	-55	202.5	213.4	10.9	1.61	10.27

Drill Hole Number	Azimuth (degrees)	Dip (degrees)	From (metres)	To (metres)	Intercept[2] (metres)	Nb_2O_5 %	Ferro Niobium [1] kg/tonne
2010-024			7.3	111.6	104.3	0.44	2.78
2010-027	30	-45	3.5	46.1	42.6	0.36	2.28
2010-027			105.3	135.6	30.3	0.91	5.78
2010-027 Incl.			110.2	125.1	14.9	1.31	8.37
2010-029	30	-45	4.5	115.2	110.7	0.45	2.85
2010-030	30	-45	45.1	198.3	153.2	0.52	3.31
2010-030 Incl.			101.0	138.5	37.4	0.79	5.01
2010-031	30	-45	20.0	42.3	22.3	0.84	5.39
2010-031 Incl.			23.7	39.1	15.4	1.06	6.73
2010-031			66.7	199.1	132.4	0.48	3.05
2010-031 Incl.			123.6	136.0	12.4	0.81	5.19
2010-032	60	-50	3.1	33.5	30.4	0.67	4.29
2010-032 Incl.			18.0	33.5	15.5	0.89	5.70
2010-032			67.6	146.1	78.5	0.38	2.42
2010-033	30	-45	6.1	213.4	207.3	0.66	4.20
2010-033 Incl.			6.1	35.7	29.6	0.90	5.74
2010-033 Incl.			61.1	123.4	62.3	0.87	5.55
2010-033 Incl.			139.5	155.8	16.3	0.99	6.32
2010-034	60	-50	2.5	162.6	160.1	0.35	2.21

Note 1: Ferro niobium (FeNb) content is calculated assuming 60% recovery and 5% conversion loss (Nb2O5 x 6.38) .
Note 2: True thicknesses of reported intervals have yet to be established.
Note 3: No significant intersections in Holes 2010-018, 2010-019, 2010-025. Assays pending Holes 2010-026 and 2010-028.

Sampling and Analysis

Sample preparation and analysis for the Aley project is done at Inspectorate laboratories in Richmond,BC. All samples are assayed for niobium by HF-HCl-H_3PO_4digestion with an induced Coupled Plasma-Mass Spectrometry (ICP-MS) finish.

As part of a comprehensive Quality Control/Quality Assurance program, one standard is inserted into the sample stream in each group of 20 samples, as well as one or more field blanks in each analytical batch. One sample in each group of 20 is a duplicate, analyzed by Inspectorate, and also by Acme Analytical Laboratories in Vancouver.

The 2010 drill core samples were transported by helicopter from drill sites on the Aley Project to the nearby Ospika Camp where the core was logged and samples laid out by company personnel. Cores from the first six drill holes were split at Ospika and cores from the remaining 17 drill holes were split at the Gibraltar Mine, all under supervision of Company personnel. The 2010 drill cores and split samples were trucked to the Gibraltar Mine by commercial carrier. Samples for assay were shipped by commercial transport to Inspectorate Laboratory in Richmond, BC, for sample preparation and assay analysis. Remaining core samples are stored at the Gibraltar Mine site. Coarse rejects and pulp samples are stored at the Hunter Dickinson warehouse facility in Surrey, BC.

Exploration and Development

The Company plans to accelerate work on the project in 2011, with a comprehensive work program planned including approximately 18,000 metres of exploration and geotechnical drilling, metallurgical test work, and environmental baseline studies.

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.

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.

Taseko's Prosperity Project Risks

On January 14, 2010, Taseko received the environmental assessment certificate for the Prosperity project from the British Columbia Provincial Ministry of Environment. Applications for provincial permits were submitted in June 2010 but were put in abeyance following the November federal decision. In November, the federal Minister of Environment announced that the Prosperity mine project, as proposed, would not be granted federal authorizations to proceed. The Company submitted a new project description to the federal government in February 2011. Failure to obtain certificates and permits 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 gold stream, debt and equity financing. An agreement has been entered into with Franco-Nevada on May 12, 2010, whereby the Company may receive funding in staged deposits totalling US $350 million. The investment by Franco-Nevada is subject to certain conditions precedent which Taseko may not be able to satisfy. Franco-Nevada may terminate this agreement on ten business days' written notice to Taseko if the conditions for funding advances have not yet been met, within two years after the date of the agreement. There can be no assurance that gold stream, 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 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 an 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 primarily because permits to develop the project are not in-hand.

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 denominated 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

On a regular basis the Company 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.

The Effects of the Company's Commodity Hedging Program to Mitigate the Impact of Copper Price Volatility are Uncertain and may Limit the Price that the Company may Realize on Copper Sales.

The Company has an ongoing copper hedging program. However, there is no assurance that a commodity hedging program designed to reduce the risk associated with fluctuations in metal prices will be successful. Hedging may not protect adequately against declines in the price of the hedged metal. Although hedging may protect Taseko from a decline in the price of the metal being hedged, it may also prevent Taseko from benefiting fully from price increases.

The Company's ongoing copper hedging program could expose it to certain inherent risks including: (a) credit risk - the risk that the creditworthiness of a counterparty may adversely affect its ability to perform its payment and other obligations under its agreement with Taseko or adversely affect the financial and other terms the counterparty is able to offer Taseko; (b) market liquidity risk – the risk that Taseko has entered into a hedging position that cannot be closed out quickly, by either liquidating such hedging instrument or by establishing an offsetting position; and (c) unrealized mark-to-market risk – the risk that, in respect of certain hedging products, an adverse change in market prices for commodities, currencies or interest rates will result in Taseko incurring an unrealized mark-to-market loss in respect of such hedging products.

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 Company's projects, 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, the Prosperity Project in particular.

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 Company's projects will increase the likelihood that 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 and adverse geological or ground conditions, adverse weather conditions, potential labour problems, and availability and cost of equipment procurement and repairs can impact operations.

Certain Mineralized Material Qualifying as a Reserve in Canada is Not Considered a Reserve in the U.S.

Certain mineralized material at our Prosperity Project qualifies under Canadian mining disclosure standards as a proven and probable reserve. However, it is not considered to be a reserve under SEC standards. 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.

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's shares have ranged between $0.36 and $20.00 in the last 18 years and between approximately $0.66 and $7.27 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 the 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 fluctuations 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 that Taseko's shares will continue to be volatile.

Environmental Considerations

The estimation of the existing reclamation liability related to the Gibraltar Mine 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 12,721,967 share purchase options in-the-money at March 28, 2011. In addition, there are also approximately 6.277 million common shares to be issued in 2011 on the conversion of Gibraltar's class of tracking preferred shares issued in 2001 to acquire the Harmony project. All of the foregoing may likely act as an upside constraint on the trading price of Taseko's shares.

Taseko may fail to maintain the adequacy of internal control over financial reporting in breach of the Sarbanes-Oxley Act and National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

The Company documented and tested during its most recent fiscal year, its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act ("SOX") National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). SOX requires an annual assessment by management and an independent assessment by the Company's independent auditors of the effectiveness of the Company's internal control over financial reporting. Similarly, NI 52-109 requires annual evaluations by management of the effectiveness of the Company's internal control over financial reporting and it also requires issuers to disclose, on an annual and quarterly basis, changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company may fail to achieve and maintain the adequacy of its internal control over financial reporting as such standards are modified, supplemented, or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal controls over financial reporting in accordance with Section 404 of SOX or NI 52-109. The Company's failure to satisfy the requirements of Section 404 of SOX or NI 52-109 on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company's business and negatively impact the trading price of its Common Shares or market value of its other securities. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's operating results or cause it to fail to meet its reporting obligations.

There can be no assurance that the Company will be able to remediate material weaknesses, if any, identified in future periods, or maintain all of the controls necessary for continued compliance, and there can be no assurance that the Company will be able to retain sufficient skilled finance and accounting personnel, especially in light of the increased demand for such personnel among publicly traded companies. Future acquisitions of companies, if any, may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company. No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. The effectiveness of the Company's controls and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to expand, the challenges involved in implementing appropriate internal controls over financial reporting will increase and will require that the Company continue to improve its internal controls over financial reporting. Although the Company intends to devote substantial time and incur costs, as necessary, to ensure ongoing compliance, the Company cannot be certain that it will be successful in complying with Section 404 of SOX and NI 52-109.

Impact of March 2011 Disaster in Japan on Demand for Copper Concentrate from Gibraltar

On March 11, 2011, Japan experienced a severe earthquake, followed by a series of tsunamis, that devastated large parts of Japan and have effectively shut down significant elements of Japan's economy. The degree to which these events will disrupt the Japanese and global economies remains uncertain at this time, but is seems likely that the volume of imports to and exports from Japan may decline significantly in the immediate future, which could negatively affect the demand for production from the Gibraltar mine. Furukawa Co., Ltd. and Dowa Metals & Mining Co., Ltd., each an owner of a 25% interest in the Cariboo joint venture, purchase copper concentrate produced at Gibraltar, for processing at Japanese smelters. Demand for production from the Gibraltar mine may be negatively affected by reduced smelter capacity.

Risks Associated With Joint Ventures

Taseko participates in certain of its projects through joint ventures with third parties (such as the joint venture with Cariboo with respect to the Gibraltar mine). Taseko may enter into more joint ventures in the future. There are risks associated with joint ventures, including, for example:

- disagreement with a venture partner about how to develop, operate or finance a project;
- that a venture partner may at any time have economic or business interests or goals which are, or which become, inconsistent with our business interests or goals;
- that a venture partner may not comply with a joint venture agreement;
- the possibility that a venture partner in an investment might become bankrupt;
- that such venture partner may be in a position to take action contrary to Taseko's instructions or requests or contrary to Taseko's policies or objectives, including the inability to obtain Cariboo's consent regarding the expansion at Gibraltar mine;
- possible litigation between joint venture partners about joint venture matters;
- the inability to exert control over decisions related to a joint venture that Taseko does not have a controlling interest in; or
- the possibility that Taseko may not be able to sell its interest in the joint venture if it desires to exit the joint venture.

These risks could result in legal liability, affect our ability to develop or operate a project under a joint venture, or have a material and adverse effect on our earnings, cash flows, financial condition or results of operations.

The Risk of Capital Costs Increasing at GDP-3

Capital costs with respect to the expansion at the Gibraltar mine are inherently uncertain, particularly beyond one year, and could change materially over time. Capital costs may increase significantly beyond what we or others in the mining industry anticipate. Capital costs may vary from estimates for a variety of reasons, including, among others:

- failure to obtain and maintain the necessary regulatory and partner approvals
- natural phenomena, such as inclement weather conditions or floods
- labour shortages or strikes
- delay or lack of success completing construction activities
- delays, interruption or reduction in production or construction activities due to fires, failure of critical equipment, shortage of supplies, underground floods, earthquakes, tailings dam failures, lack of tailings capacity, ground movements and cave-ins, or other difficulties.

ITEM 6. DIVIDENDS

The Company has paid no dividends in any of the three fiscal years ending December 31, 2010. 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 187,497,853 common shares without par value were issued and outstanding as fully paid and non-assessable as of December 31, 2010. As of March 28, 2011, there were 189,153,687 common shares issued and outstanding as fully paid and non-assessable (201,875,654 fully diluted excluding Gibraltar Preferred Shares).

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 however an acquisition of control of Taseko by a non-Canadian would be subject to a review by the Canadian government under its foreign investment laws.

Taseko does not have any outstanding debt securities.

Gibraltar Tracking Preferred Shares (Exchangeable for Taseko Common Shares)

In October 2001, the Company and its subsidiary, Gibraltar, completed the acquisition of the Harmony property and related assets from Continental Minerals Corporation (“Continental”), for 12,483,916 series "A" non-voting tracking preferred shares of Gibraltar and $2.2 million cash.

On December 20, 2010, Continental announced that it had signed a formal “Arrangement Agreement” to implement the proposed acquisition plan announced in September, through a process which will be subject to the terms and conditions of the Arrangement Agreement. Completion of the Arrangement Agreement is targeted for the second quarter of 2011. The Gibraltar class of tracking preferred shares are redeemable for 6,277,000 of the Company’s common shares which is at the ratio of 0.5028 per Company’s common share to a Continental preferred share (6.277 million common shares total). If the Arrangement is not completed as expected, the preferred Shares will need to be redeemed by October 16, 2011 in any event.

Credit Suisse Term Facility

During 2009 the Company entered into and drew upon a US$30 million 36-month term facility agreement (the "Facility") with Credit Suisse. In September 2009, the Company and Credit Suisse, as Facility Agent, and Investec Bank plc ("Investec") amended the Facility to increase the existing Facility by an additional US$20 million and the Company drew upon the additional US$20 million. Under the amended facility agreement, the US$50 million Facility was repayable commencing April 2010 and every second month thereafter in equal installments until February 2012. The Facility bore interest at LIBOR plus 5 percent.

During 2010, the Company repaid the Facility. A loss of $0.8 million was recorded in the Company's net earnings (loss) as a result of the early pre-payment of the Facility.

Loan Obligations

(a) Capital Lease Obligations

Included in property, plant and equipment are mining equipment that the Company acquired pursuant to capital lease agreements.

Capital lease obligations as detailed above are secured by plant and equipment and are repayable in monthly installments with fixed interest rates. The capital lease obligations bear fixed interest rates ranging from 5.93% to 8.80% per annum.

(b) Equipment Loans

The Company has entered into various equipment loan agreements ranging from three to five years. These loans are secured by the underlying equipment at the Gibraltar Mine. The loans are repayable in monthly installments and bear fixed interest rates ranging from 5.349% to 8.63%.

Financings

During 2010, the Company obtained a receipt in respect of the final short-form base shelf prospectus from regulatory authorities. The shelf registration will, subject to securities regulatory requirements, allow the Company to make offerings of common shares, warrants, subscription receipts, debt securities, or any combination of such securities up to an aggregate offering price of $300 million during the 25 month period that the final short-form base shelf prospectus, including any amendments thereto, remains effective.

The Company also entered into an At the Market Issuance Agreement, with a third party, under which the Company may, at its discretion, from time to time sell up to a maximum of 18.6 million of its common shares through "at-the-market" ("ATM") issuance. The third party will act as sales agent for any sales made under the ATM. The common shares will be sold on NYSE Amex or other trading markets in the United States at market prices prevailing at the time of a sale. The Company is not required to sell any of the reserved shares at any time during the term of the ATM, which extends until November 1, 2012, and there are no fees for having established the arrangement. The ATM Issuance Agreement does not prohibit the Company from conducting other financings. Subsequent to 2010 year end, the Company issued 1.0 million common shares under the ATM agreement for gross proceeds of $6.1 million and net proceeds of $5.9 million.

In May 2010, the Company entered into a gold production stream transaction with Franco-Nevada Corporation ("Franco-Nevada") under which Franco-Nevada purchased a gold stream covering 22% of the life-of-mine gold to be produced by the Company from its proposed Prosperity gold and copper mine. Commencing with the construction of the Prosperity mine, the Company is to receive from Franco-Nevada funding in staged deposits totaling US$350 million (the "Deposit"). Upon delivery of gold to Franco-Nevada once the Prosperity mine is in production, fixed price payments are to be made to the Company equal to the lesser of US$400 per ounce and the spot price at the time of sale (subject to certain adjustments).

Under the terms of the agreements with Franco-Nevada, the unpaid amount of the Deposit will remain refundable until it is reduced to nil. The Deposit will be reduced by an amount equal to the difference between the spot price of gold and the US$400 per ounce fixed price, multiplied by the total ounces of gold delivered to Franco-Nevada. If, at the end of the initial 40–year term of the arrangement, the Deposit has not been reduced to nil, the Company is to refund the outstanding portion of the Deposit to Franco-Nevada

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 $67.3 million cash. These funds were 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 $70.2 million to secure its royalty obligations under the agreements.

Pursuant to the agreements, the Company received an aggregate of $10.5 million in fees and interest for services performed in relation to the Red Mile transaction, of which $5.2 million was received in each of September and December of 2004, and included in interest and other income. The amount of $5.2 million received in September 2004 included $1.7 million 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 $656 (2009 – $831) remaining as deferred as at December 31, 2010, of which $175 (2009 – $175) is classified as current.

Annual royalties are 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 latter of (i) December 2014 and (ii) five years after the end of commercial production from the mine. 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 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 preemptive 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 has been paid to date.

Other Financings

During 2009, the Company entered into an agreement with an unrelated investment partnership, Gibraltar Royalty Limited Partnership ("GRLP"), whereby Gibraltar sold to GRLP a royalty for $6.5 million.

Annual royalties were payable by Gibraltar to GRLP at rates ranging from $0.003/lb to $0.004/lb of copper produced during the period from September 1, 2009 to December 31, 2030 (the “Royalty Period”). These royalty payments were to be recognized as an expense during the period.

The Company classified the principal balance of the royalty obligation as a financial liability to be settled in a future period. The Company had a pre-emptive option to repurchase ("call") the royalty obligation by acquiring the GRLP partnership units after March 1, 2010 to December 31, 2012 in consideration of a payment equal to the funds received by the Company plus a 20% premium payable in the Company’s shares or cash. GRLP also had a right to sell ("put") its GRLP partnership units to the Company at fair value after April 1, 2010 to December 31, 2012. However, this “put” right was subject to the Company's pre-emptive right to exercise the "call" in advance of any "put" being exercised and completed.

In the first quarter of 2010, the Company exercised its “call” option through the issuance of 1,556,355 shares of the Company and recognized an expense of $1.3 million related to a premium on early redemption.

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 2011 (to March 28)	6.22	5.13	620,600
Feb-11	6.31	5.67	854,300
Jan-11	6.10	4.84	1,089,400
Dec-10	5.34	4.51	492,100
Nov-10	6.72	4.13	1,457,500
Oct-10	7.27	4.58	1,240,900
Sep-10	5.55	4.44	858,900
Aug-10	4.85	4.07	516,700
Jul-10	4.49	3.27	936,400
Jun-10	5.54	4.50	539,400
May-10	6.17	4.67	1,314,600
Apr-10	6.19	5.33	945,000
Mar-10	5.36	4.74	807,100
Feb-10	5.03	4.16	1,173,700
Jan-10	5.84	4.28	1,843,300

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 2011 (to March 28)	6.38	5.18	2,220,800
Feb-11	6.37	5.69	3,330,300
Jan-1	6.08	4.85	4,063,900
Dec-10	5.29	4.43	2,883,500
Nov-10	6.62	4.02	6,105,000
Oct-10	7.23	4.58	4,549,500
Sep-10	5.40	4.28	1,898,900
Aug-10	4.71	3.90	1,467,100
Jul-10	4.36	3.31	2,241,200
Jun-10	5.28	4.22	1,879,300
May-10	6.05	4.35	3,692,600
Apr-10	6.21	5.25	2,171,900
Mar-10	5.25	4.59	1,746,200
Feb-10	4.74	3.87	2,774,800
Jan-10	5.65	4.10	4,268,900

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 Surrey, British Columbia	Since May 2006
Brian Battison, Vice President Corporate Affairs Tsawassen, British Columbia	Since September 2007
T. Barry Coughlan, Director Vancouver, British Columbia	Since February 2001
Scott D. Cousens, Director Vancouver, British Columbia	Since December 1995
Robert A. Dickinson, Director Lions Bay, British Columbia	Since January 1991
David Elliott, Director Vancouver, British Columbia	Since July 2004
Russell E. Hallbauer, President, Chief Executive Officer and Director West Vancouver, British Columbia	Since July 2005
Scott Jones, Vice President, Engineering North Vancouver, British Columbia	Since December 2007
Wayne Kirk, Director Orcas, WA , USA	Since July 2004
John W. McManus, Senior Vice President, Operations West Vancouver, British Columbia	Since October 2005
Peter Mitchell, Chief Financial Officer West Vancouver, British Columbia	Since September 2008
Richard Mundie, Director Vancouver, British Columbia	Since December 2009
Ronald W. Thiessen, Chairman of the Board and Director West Vancouver, British Columbia	Since October 1993
Trevor Thomas, Secretary Vancouver, British Columbia	Since July 2008
David Rouleau, Vice President, Operations Vancouver, British Columbia	Since June 2010

At the annual general meeting held in June 2010 all the 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 2011. Some of the directors serve together on a number of boards of other publicly listed companies.

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 July 2, 2010. HDSI is a private company which until recently was owned equally by eight public companies, one of which was 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 "Material Contracts").

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 was responsible for the evaluation of potential acquisitions and divestitures. He was also responsible for the company's mineral reserves and resources. During his career with Cominco Ltd., and Teck Cominco Ltd., Mr. Armstrong was 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
Compania Minera El Brocal	Director	January 2001	February 2007
Hansa Resources Ltd.	Director	August 2008	Present
Taseko Mines Limited	Director	May 2006	Present

BARRY COUGHLAN, B.A. – Director

Barry Coughlan is a self-employed businessman and financier who has been involved in the financing and management of publicly traded companies for over 25 years. His principal occupation is President and Director of TBC Ventures 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
Amarc Resources Ltd.	Director	February 2009	Present
Continental Minerals Corporation	Director	May 2006	December 2006
Farallon Mining Ltd.	Director	March 1998	January 2011

Company	Positions Held	From	To
Great Basin Gold Ltd.	Director	February 1998	Present
ICN Resources Ltd. (formerly Icon Industries Ltd.)	President, CEO and Director	September 1991	Present
Quadro Resources Ltd. (formerly Tri- Gold Resources Corp.)	President and Director	June 1986	Present
Quartz Mountain Resources Ltd.	Director	January 2005	Present
Rathdowney Resources Ltd.	Director	March 2011	Present
Taseko Mines Limited	Director	February 2001	Present

SCOTT COUSENS – Director

Scott Cousens provides management, technical and financial services to a number of publicly-traded Hunter Dickinson 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. He is a director of and employed by Hunter Dickinson Services Inc. (and Hunter Dickinson Inc.), a company providing management and administrative services to several publicly-traded companies (including Taseko), and focuses on directing corporate development and financing activities.

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
Amarc Resources Ltd.	Director	September 1995	Present
Anooraq Resources Corporation	Director	September 1996	June 2009
Continental Minerals Corporation	Director	June 1994	Present
Curis Resources Ltd.	Director	November 2010	Present
Farallon Mining Ltd.	Director	December 1995	April 2007
Great Basin Gold Ltd.	Director	March 1993	November 2006
Heatherdale Resources Inc.	Director	November 2009	Present
	Chairman	November 2009	Present
Northern Dynasty Minerals Ltd.	Director	June 1996	Present
Rockwell Diamonds Inc.	Director	November 2000	November 2008
Taseko Mines Limited	Director	October 1992	Present

ROBERT 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 whom Hunter Dickinson Services Inc. (formerly 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 and employed by Hunter Dickinson Services Inc. (and Hunter Dickinson Inc.), a company providing management and administrative services to several publicly-traded companies (including Taseko), and focuses on directing corporate development and financing activities. 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**
Amarc Resources Ltd.	Director	April 1993	Present
	Chairman	April 2004	Present
Anooraq Resources Corporation	Director	November 1990	September 2004
	Director	October 2004	June 2009
	Chairman	April 2004	September 2004
	Co-Chairman	October 2004	June 2009
Continental Minerals Corporation	Director	June 2004	Present
	Chairman	June 2004	January 2006
	Co-Chairman	January 2006	December 2006
Curis Resources Ltd.	Director	November 2010	Present
Detour Gold Corporation	Director	August 2006	February 2009
Farallon Mining 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
	Chairman	April 2004	December 2005
	Co-Chairman	December 2005	November 2006
Heatherdale Resources Inc.	Director	November 2009	Present
Northern Dynasty Minerals Ltd.	Director	June 1994	Present
	Chairman	April 2004	Present
Quartz Mountain Resources Ltd.	Director	December 2003	Present
Rathdowney Resources Ltd.	Director	March 2011	Present
	Chairman	March 2011	Present
Rockwell Diamonds Inc.	Director	November 2000	September 2006
	Chairman	November 2000	September 2006
Taseko Mines Limited	Director	January 1991	Present
	Chairman	April 2004	July 2005
	Co-Chairman	July 2005	May 2006

RONALD 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 a director of and employed by Hunter Dickinson Services Inc. (and Hunter Dickinson Inc.), a company providing management and administrative services to several publicly-traded companies (including Taseko), and focuses on directing corporate development and financing activities.

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**
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
Curis Resources Ltd.	Director	December 2010	Present
Detour Gold Corporation	Director	July 2006	Present
	Chairman	July 2006	March 2009
Farallon Mining Ltd.	Director	August 1994	January 2011
	President and Chief Executive Officer	September 2000	September 2004
	Co-Chairman	September 2004	December 2005
	Chairman	December 2005	January 2011
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
Heatherdale Resources Ltd.	Director	November, 2009	Present
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	November 2000	September 2006

Company	Positions Held	From	To
	Executive Officer		
	Chairman	September 2006	September 2007
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
Quadro Resources Ltd. (formerly Tri- Gold Resources Corp.)	Director	July 1992	December 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 Great Basin Gold Ltd., and a director of both Northern Dynasty Minerals Ltd. and Taseko Mines Limited.

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
Great Basin Gold Ltd.	Director	July 2004	Present
Northern Dynasty Minerals Ltd.	Director	July 2004	Present
Taseko Mines Limited	Director	July 2004	Present

RUSSELL HALLBAUER, P.Eng. – Director, President & CEO

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 the Province. 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 a director of Hunter Dickinson Services Inc. (and Hunter Dickinson Inc.), a company providing management and administrative services to several publicly-traded companies (including Taseko), and focuses on directing corporate development and financing activities.

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
Curis Resources Ltd.	Chairman	November 2010	Present
	Director	November 2010	Present
Heatherdale Resources Ltd.	Director	November 2009	Present
Northern Dynasty Minerals Ltd.	Director	April 2008	Present
Taseko Mines Limited	President/CEO/Director	July 2005	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.

Company	Positions Held	From	To
Taseko Mines Limited	Vice President, Engineering	December 2007	Present

WAYNE KIRK, LLB – Director

Wayne Kirk is a retired attorney and professional consultant. With over 35 years professional experience Mr. Kirk also has over 9 years senior executive experience in the mining industry.

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, a director of the following public companies:

Company	Positions Held	From	To
Anooraq Resources Corporation	Director	July 2005	Present
Gabriel Resources Ltd.	Director	June 2008	Present

Company	Positions Held	From	To
Great Basin Gold Ltd.	Director	July 2004	Present
Northern Dynasty Minerals Ltd.	Director	July 2004	Present
Taseko Mines Limited	Director	July 2004	Present

RICHARD MUNDIE, CA – Director

Richard Mundie was born in Vancouver and graduated from the University of British Columbia in 1963 with a Bachelor of Commerce degree. He obtained his Chartered Accountancy designation in 1966. He has held a number of senior leadership positions in key organizations in British Columbia and overseas. From 2005 to 2007, he was Vice President, Asia Affairs and Chief Representative (China), for TeckCominco. In this role, he was active in the international mining community and participated in several joint programs to build stronger relationships with the Chinese Government. Prior to this appointment, Mr Mundie held the position of Vice President – Commercial for a period of ten years with TeckCominco. In this role, he was responsible for marketing the company's commercial mineral products, gaining invaluable experience in Europe, South America, United States, Japan, Korea, and Taiwan. Among his accomplishments, he successfully renegotiated North East British Columbia's coal marketing agreements, including transportation and port agreements as well as annual commercial contracts. Richard Mundie joined Teck Corporation in 1995 as Assistant to the President where his main responsibilities were corporate development. Between 1983 and 1995, he held a number of financial and leadership positions with Cominco and in 1992, he assumed the role of Director of Business Development with wide responsibilities for mergers, acquisitions and divestitures. His role also involved feasibility studies and international business relationships. This role included international experience in Japan and Korea for copper and zinc; a seat on the Board of Directors of Cominco Binani Zinc in India; acquisition of nickel ore in New Caledonia, including negotiations with the French Territorial Government for export permits, marketing of copper concentrates in the early stages of Highland Valley Copper and the large Antamina Mine in Peru. He was responsible for the divestiture of the Mitsubishi/Cominco Lead Smelter in Japan, and Cominco Binani Zinc refinery in India, the acquisition and divestiture of Carmaquilla Zinc Smelter in Peru, and the divestiture of Cominco Engineering. Earlier career positions included a number of finance related roles in the resources sector, transport and public accounting with Pricewaterhouse Coopers.

Company	Positions Held	From	To
Far West Mining Ltd.	Director	August 2010	Present
Mundoro Capital Inc.	Director	May 2010	December 2010
Panoro Minerals Ltd.	Director	March 2010	Present
Taseko Mines Limited	Director	January 2010	Present

JOHN McMANUS, P. Eng – Senior Vice-President, Operations

John 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 over 30 years where he gained experience in mine operations, mine engineering and environmental management. Prior to joining

Taseko in 2005, he was the General Manager, Coal Mountain Operations at Elk Valley Coal Corporation. Before 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 the 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
European Nickel PLC	Director	August 2010	Present
Taseko Mines Limited	Vice President, Operations	October 2005	December 2007
	Senior Vice President, Operations	December 2007	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.

Company	Positions Held	From	To
Taseko Mines Limited	Vice President, Corporate Affairs	September 2007	Present

PETER MITCHELL, CA – Chief Financial Officer

Peter Mitchell is a Chartered Accountant with degrees in Economics (BA) from the University of Western Ontario and Business Administration (MBA) from the University of British Columbia. Prior to his role with Taseko, Mr. Mitchell held executive positions with several private equity portfolio companies. He was most recently President of Florida Career College, a portfolio investment of Greenhill Capital and Abrams Capital. Prior to this position he was President and CEO of Vatterott Education Holdings which was owned by Wellspring Capital.

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

DAVID ROULEAU, P. Eng – Vice-President, Operations

Dave Rouleau holds a Bachelor of Science Mine Engineering Degree from the South Dakota School of Mines and a Mining Technology Diploma from Haileybury School of Mines.

Prior to joining Taseko, Mr. Rouleau was a key member of Canadian Natural Resources senior management team developing the $10 billion Horizon Oil Sands Project in Fort McMurray, Alberta. Mr. Rouleau was responsible for all aspects of the 200 million tonne per year mining operation supporting 110,000 barrels per day of synthetic crude oil production. Mr. Rouleau's background also includes 17 years with Teck Cominco in various mine operations and engineering roles.

Company	Positions Held	From	To
Taseko Mines Limited	Vice President, Operations	June 2010	Present

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 general counsel for Hunter Dickinson Inc. Prior to joining Hunter Dickinson Inc. he served as in-house legal counsel with Placer Dome Inc.

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

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Secretary	February 2008	Present
Amarc Resources Ltd.	Secretary	February 2008	Present
Anooraq Resources Corporation	Asst Secretary	November 2007	March 2011
Continental Minerals Corporation	Secretary	February 2008	Present
Farallon Mining Ltd.	Secretary	December 2007	January 2011
Heatherdale Resources Inc.	Secretary	November 2009	September 2010
Rathdowney Resources Ltd.	Secretary	March 2011	Present
Rockwell Diamonds Inc.	Secretary	February 2008	Present
Taseko Mines Limited	Secretary	August 1, 2008	Present

As at March 28, 2011, the directors and executive officers of Taseko, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 3,389,835 common shares, representing less than two percent of the total number of common shares outstanding before giving effect to the exercise of options or warrants to purchase common shares held by such directors and executive officers. The statement as to the number of common shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of Taseko as a group is based upon information furnished by the directors and officers.

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 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 security holdings 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 plaintiff 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. The likelihood of any recovery from this claim cannot be ascertained at this time.

A lawsuit was commenced against Taseko on January 6, 2009 in the Vancouver Registry of the Supreme Court of British Columbia. The plaintiff is Marilyn Baptiste, on behalf of the "Tsilhqot'in Nation", and names the provincial and federal governments as defendants with Taseko. No damages are sought against Taseko, but the relief claimed in the lawsuit includes an interim, interlocutory and permanent injunction to prevent the Prosperity project from going ahead, or receiving any necessary approvals to go ahead.

The claim is based on the allegation that the Prosperity project would cause harm to the point of extinguishment of the claimed aboriginal right to fish in Fish Lake, as well as infringing on other asserted aboriginal rights. The Company intends to defend the claim and believes the claim is unlikely to prevent the Prosperity project from proceeding.

Beginning in early 2011, articles have appeared in some newspapers relating to efforts by a Canadian lawyer, to solicit support for a possible class action suit based on unusual trading in the Company's shares on October 14, 2010. Taseko is not aware of the cause for the unusual trading activity that day, nor is it aware of any basis for a claim against Taseko or any of its officers or directors relating to that trading activity. None of Taseko's officers or directors was in possession of any material undisclosed information or traded any shares on October 14, 2010. Taseko has no reason to believe any class action suit, if pursued, will adversely affect the Company.

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.

HDSI is a private company with certain directors in common with the Company and which provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of the Company and its subsidiaries. On July 2, 2010, the HDSI services agreement was modified and services are now provided based on annually set hourly rates. Transactions with HDSI are reflected in the Company's statement of operations and comprehensive income (loss) and are measured at the exchange amount based on the agreement. The services are rendered at no more than fair market value.

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) Corporate Services Agreement dated July 2, 2010 between Hunter Dickinson Services Inc. (“HDSI”) and the Company, pursuant to which HDSI agreed to provide technical, geological, corporate communications, administrative and management services to the Company;

(c) 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”);

(d) Joint Venture Formation Agreement dated March 18, 2010 between the Company, Gibraltar and Cariboo, pursuant to the formation of the Gibraltar Joint Venture;

(e) Joint Venture Operating Agreement with Cariboo, dated March 18, 2010 whereby the Gibraltar mine is operated in a 75:25 joint venture with Cariboo; and

(f) Off-Take Agreement dated March 18, 2010 between the Company, Gibraltar and Cariboo, pursuant to which the Gibraltar Joint venture sells copper concentrate to Cariboo (see “Description of Business - The Gibraltar Mine” – “Mining Operations” – “Contracts and Markets”).

(g) At the Market Issuance Agreement, dated October 18, 2010, with McNicoll, Lewis & Vlak LLC (“MLV”), pursuant to which the Company may, at its discretion, from time to time sell up to a maximum of 18,600,000, of its common shares through "at-the-market" ("ATM") issuance.

(h) Purchase and Sale Agreement dated May 12, 2010 between Franco-Nevada Corporation and the Company, pursuant to which Franco-Nevada will purchase gold equal to 22% of the life- of-mine gold to be produced by Taseko from its proposed Prosperity gold-copper mine.

(i) Share Exchange Agreement dated December 17, 2010 among 0896097 B.C. Ltd., Continental Minerals Corporation, the Company and Gibraltar, pursuant to which the Gibraltar tracking preferred shares will be exchanged for the Company’s common shares (see “Description of Capital Structure” – “Gibraltar Tracking Preferred Shares (Exchangeable for Taseko Common Shares)”).

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 16, 2011 in respect of the Company's consolidated financial statements as at December 31, 2010 and for the fiscal year ended December 31, 2010 and the Company's internal control over financial reporting as at December 31, 2010;

(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 on the 344 million tonne increase in mineral reserves at the Prosperity Gold – Copper Project" dated December 17, 2009.

To our knowledge, Scott Jones does not hold, directly or indirectly, more than 1% of our issued and outstanding common shares. KPMG are the auditors of the Company and have confirmed that they are independent of the Company within the meaning of the 'Rules of Professional Conduct' of the Institute of Chartered Accountants of B.C.

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, MD&A, 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 2010 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, the Company's management has concluded that internal control over financial reporting was effective as of December 31, 2010.

On March 31, 2010, the Company entered into the Joint Venture Formation Agreement with Cariboo Copper Corp. In connection with the JVFA, the Company has updated its internal controls over financial reporting, as necessary, to reflect additional processes and controls. Other than the joint venture, there are no significant changes in internal controls over financial reporting that occurred during the year ended December 31, 2010, 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, 2010, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company 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, the Company's 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, 2010 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 Richard Mundie, Wayne Kirk and David Elliott, 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. Mundie, 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 Audit 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

- 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:	Year ended December 31, 2010	Year ended December 31, 2009
Audit Fees	$ 532,942	$ 502,100
Audit Related Fees (1)	29,750	19,500
Tax Fees	–	–
All Other Fees	–	–
Total	$ 562,692	$ 521,600

Note:

(1) "Audit-Related Fees" include services that are traditionally performed by the auditor. For the year ended December 31, 2010, audit-related services include fees billed for services rendered in connection with the Company's sale of 25% of the Gibraltar mine, the opening balance sheet audit of the Gibraltar Joint Venture and the Company's reversal of uncertain tax position. For the year ended December 31, 2009 the audit-related services include fees billed for services rendered in connection with the Company's IFRS conversion project.

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 Auditor.***

(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 auditor, 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 over financial reporting, 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 the Committee members 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 required CEO and CFO annual certifications.

(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.

(x) The Committee shall recommend to the Nominating and Governance Committee the qualifications and criteria for membership on the Committee.

(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 Services Inc.

2. STRUCTURE AND MEMBERSHIP

(f) **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 NI 52-110 and the rules of the Toronto Stock Exchange and the NYSE Amex. At least one member of the Committee shall be a "financial expert" as defined in Item 407 of SEC Regulation S-K.

(g) **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.

(h) **Independence**. All of the members of the Committee shall be "independent" as required for audit committees by National Instrument NI 52-110, the rules of the Toronto Stock Exchange and the NYSE Amex, and SEC Rule 10A-3.

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

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

(k) **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

(l) **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.

(m) **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.

(n) **Reports to the Board**. The Committee shall regularly report to the Board 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.

(o) **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.

(p) **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.

(q) **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.

(r) **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, FINANCIAL LITERACY AND FINANCIAL EXPERT REQUIREMENTS

A. Independence

(s) See Appendix 2 of the Company's Corporate Governance Overview and Guidelines.

B. Financial Literacy and Financial Expert 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 803(B)(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 407(d)(5)(ii) of Regulation S-K is presumed to qualify as financially sophisticated."

ITEM 407(d)(5)(ii) 0F REGULATION S-K, DEFINITION OF FINANCIAL EXPERT

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

(A) An understanding of generally accepted accounting principles and financial statements;

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

(C) 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;

(D) An understanding of internal control over financial reporting; and

(E) An understanding of audit committee functions.

A person shall have acquired such attributes through:

(A) 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;

(B) Experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

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

(D) Other relevant experience.



CONSOLIDATED FINANCIAL STATEMENTS

FISCAL PERIODS ENDED
DECEMBER 31, 2010, 2009 and 2008

(Expressed in thousands of Canadian Dollars)

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Taseko Mines Limited

We have audited the accompanying consolidated balance sheets of Taseko Mines Limited (the "Company") and subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for the years ended December 31, 2010 and 2009 and the fifteen-month period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with 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 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and subsidiaries as of December 31, 2010 and 2009 and their consolidated results of operations and their consolidated cash flows for the years ended December 31, 2010 and 2009 and the fifteen-month period ended December 31, 2008 in conformity with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from US generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in Note 23 to the consolidated financial statements.

As discussed in Note 3(a) to the consolidated financial statements, the Company has adopted CICA Handbook Section 3055, *Interests in Joint Ventures*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 28, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

//**s**// **KPMG LLP**

Chartered Accountants

March 28, 2011
Vancouver, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Taseko Mines Limited

We have audited Taseko Mines Limited (the “Company")’s internal control over financial reporting as of December 31, 2010 based on the criteria established in Internal Control—Integrated 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 on 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 is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, 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 and subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for the years ended December 31, 2010 and 2009 and the fifteen-month period ended December 31, 2008, and our report dated March 28, 2011 expressed an unqualified opinion on those consolidated financial statements.

//**s**// **KPMG LLP**

Chartered Accountants

March 28, 2011
Vancouver, Canada

TASEKO MINES LIMITED
Consolidated Balance Sheets
(Expressed in thousands of Canadian Dollars)

	December 31 2010	December 31 2009
ASSETS		
Current assets		
Cash and equivalents	$ 211,793	$ 35,082
Restricted cash (note 13)	–	3,153
Marketable securities and investments (note 7)	18,521	11,856
Accounts receivable	20,154	12,505
Inventory (note 5)	21,286	21,792
Prepaid expenses	534	2,112
Advances for equipment	–	1,119
Advances to Joint Venture (note 4)	1,764	–
Current portion of promissory note (note 16(a))	7,248	4,697
	281,300	92,316
Advances for equipment	1,726	2,122
Reclamation deposits (note 17)	23,266	29,421
Promissory note (note 16(a))	70,559	73,400
Mineral property interests, plant and equipment (note 10)	310,761	337,836
	$ 687,612	**$ 535,095**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 22,983	$ 14,821
Amounts due to a related party (note 11)	154	13
Current portion of long-term credit facility (note 14)	–	21,896
Current portion of long-term loan obligations (note 12)	10,315	5,782
Current portion of deferred revenue (note 16)	175	175
Current portion of royalty obligations (note 16)	7,248	11,208
Liability under derivative instruments (note 15)	225	18,935
Income taxes payable	24,528	370
Current portion of future income taxes (note 18)	1,008	1,979
	66,636	75,179
Income taxes (note 18)	2,500	32,299
Royalty obligations (note 16)	51,645	57,621
Deferred revenue (note 16)	481	656
Credit facility (note 14)	–	29,609
Loan obligations (note 12)	28,018	16,916
Site closure and reclamation obligation (note 17)	8,178	9,807
Future income taxes (note 18)	60,203	16,315
	217,661	238,402
Shareholders' equity		
Share capital (note 20)	338,911	323,734
Tracking preferred shares (note 8)	26,642	26,642
Contributed surplus	28,128	20,318
Accumulated other comprehensive income	6,249	4,576
Retained earnings (deficit)	70,021	(78,577)
	469,951	296,693
Commitments (note 21)		
Subsequent event (notes 8 and 20(b))		
	$ 687,612	**$ 535,095**

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors

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

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

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

	Year Ended December 31, 2010	Year Ended December 31, 2009	Fifteen Months Ended December 31, 2008
Revenue			
Copper	$ 265,804	$ 180,115	$ 209,784
Molybdenum	12,656	8,787	21,894
	278,460	188,902	231,678
Cost of sales	142,674	132,434	196,261
Depletion, depreciation and amortization	10,336	8,150	7,363
Operating profit	125,450	48,318	28,054
Expenses (income)			
Accretion of reclamation obligation (note 17)	860	968	1,451
Asset retirement obligation change of estimates (note 17)	–	–	(6,917)
Change in fair value of financial instruments	(319)	–	886
Exploration	10,090	3,407	11,864
Foreign exchange loss (gain)	2,650	(8,800)	4,032
Gain on convertible bond repurchase (note 19)	–	(1,630)	–
General and administration	13,853	8,382	11,896
Interest accretion on convertible debt (note 19)	–	1,260	2,938
Interest and other income	(18,275)	(7,402)	(9,701)
Interest expense	4,542	8,265	8,284
Gain on sale of marketable securities	(4,087)	(188)	(1,034)
Loss on prepayment of credit facility (note 14)	834	–	–
Premium paid on the redemption of royalty obligation (note 16(b))	1,302	–	–
Realized (gain) loss on derivative instruments (note 15)	(3,575)	11,330	–
Stock-based compensation (note 20(c))	10,409	5,696	6,442
	18,284	21,288	30,141
Earnings (loss) before other items	107,166	27,030	(2,087)
Other items			
Gain on contribution to the Joint Venture (note 4)	95,114	–	–
Unrealized loss on derivative instruments (note 15)	(6,898)	(15,775)	–
Earnings (loss) before income taxes	195,382	11,255	(2,087)
Current income tax expense (recovery) (note 18)	4,106	669	(2,151)
Future income tax expense (recovery) (note 18)	42,678	25	(3,446)
Net earnings for the year	$ 148,598	$ 10,561	$ 3,510
Other comprehensive income (loss)			
Unrealized gain (loss) on available-for-sale reclamation deposit	(118)	(1,040)	1,859
Unrealized gain (loss) on available-for-sale marketable securities	6,117	14,263	(11,295)
Reclassification of realized gain sale of marketable securities	(4,087)	(188)	(1,152)
Tax effect	(239)	(1,779)	1,570
Other comprehensive income (loss)	$ 1,673	$ 11,256	$ (9,018)
Total comprehensive income (loss)	$ 150,271	$ 21,817	$ (5,508)
Earnings per share			
Basic	$ 0.80	$ 0.06	$ 0.02
Diluted	$ 0.73	$ 0.06	$ 0.02
Weighted average number of common shares outstanding (expressed in thousands)			
Basic	186,103	173,170	142,062
Diluted	203,006	180,835	156,928

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)

	Year ended December 31, 2010		Year ended December 31, 2009		Fifteen Months Ended December 31, 2008	
Common shares	**Number of shares**		**Number of shares**		**Number of shares**	
Balance at beginning of the year	182,924,664	$ 323,734	153,187,116	$ 285,690	130,580,538	$ 205,040
Share purchase options at $1.00 per share	1,073,500	1,074	893,750	894	–	–
Share purchase options at $1.15 per share	1,286,667	1,480	66,333	76	–	–
Share purchase options at $1.71 per share	100,667	172	33,666	58	–	–
Share purchase options at $1.90 per share	–	–	7,000	13	–	–
Share purchase options at $2.07 per share	20,000	41	50,000	103	30,000	62
Share purchase options at $2.17 per share	31,000	67	–	–	–	–
Share purchase options at $2.18 per share	82,000	179	100,000	218	145,500	317
Share purchase options at $2.68 per share	–	–	–	–	7,500	20
Share purchase options at $3.07 per share	35,000	108	11,000	34	78,500	241
Share purchase options at $4.03 per share	60,000	242	–	–	–	–
Share purchase options at $4.09 per share	–	–	–	–	3,600	15
Share purchase options at $4.50 per share	67,000	302	–	–	5,000	23
Share purchase options at $4.77 per share	36,000	172	–	–	–	–
Fair value of stock options allocated to shares issued on exercise	–	2,599	–	2,108	–	514
Shares issued for the purchase of royalty interest (note 16(b))	1,556,355	7,813	–	–	1,000,000	5,220
Shares issued for donation	225,000	928	–	–	–	–
Shares issued for debt conversion (note 19)	–	–	–	–	2,612,971	21,318
Equity financings at $5.20 per share, net of issue costs (note 20(b))	–	–	–	–	9,637,792	46,945
Equity financings at $0.70 per share, net of issue costst (note 20(b))	–	–	–	–	9,085,715	5,975
Equity financings at $1.45 per share, net of issue costs (note 20(b))	–	–	19,490,084	26,817	–	–
Warrants exercised (note 20(b))	–	–	9,085,715	7,723	–	–
Balance at end of the year	187,497,853	338,911	182,924,664	323,734	153,187,116	285,690
Equity component of convertible debt						
Balance at beginning of the year		–		3,832		13,655
Repurchase of convertible bond (note 19)		–		(3,832)		–
Convertible debenture conversion adjustment (note 19)		–		–		(9,823)
Balance at end of the year		–		–		3,832
Tracking preferred shares						
Balance at beginning and end of the year		26,642		26,642		26,642
Contributed surplus						
Balance at beginning of the year		20,318		14,561		8,633
Stock-based compensation (note 20(c))		10,409		5,696		6,442
Repurchase of convertible bond (note 19)		–		2,169		–
Fair value of stock options allocated to shares issued on exercise		(2,599)		(2,108)		(514)
Balance at end of the year		28,128		20,318		14,561
Accumulated other comprehensive income (loss)						
Balance at beginning of the year		4,576		(6,680)		2,338
Unrealized gain (loss) on reclamation deposits		(118)		(1,040)		1,859
Unrealized gain (loss) on available-for-sale marketable securities		6,117		14,263		(11,295)
Reclassification of realized gain on sale of marketable securities		(4,087)		(188)		(1,152)
Tax effect		(239)		(1,779)		1,570
Balance at end of the year		6,249		4,576		(6,680)
Retained earnings (deficit)						
Balance at beginning of the year		(78,577)		(89,138)		(92,648)
Net earnings for the year		148,598		10,561		3,510
Balance at end of the year		70,021		(78,577)		(89,138)
TOTAL SHAREHOLDERS' EQUITY		$ 469,951		$ 296,693		$ 234,907

See accompanying notes to consolidated financial statements.

TASEKO MINES LIMITED
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian Dollars)

	Year Ended December 31, 2010	Year Ended December 31, 2009	Fifteen Months Ended December 31, 2008
Operating activities			
Net earnings for the year	$ 148,598	$ 10,561	$ 3,510
Items not involving cash			
Accretion of reclamation obligation	860	968	1,451
Change in fair value of financial instruments	(319)	–	886
Depreciation, depletion and amortization	10,336	8,150	7,363
Unrealized foreign exchange loss (gain)	(1,760)	(8,839)	6,334
Future income taxes	42,678	25	(3,446)
Gain on contribution to the Joint Venture (note 4)	(95,114)	–	–
Gain on convertible debt repurchase (note 19)	–	(1,630)	–
Gain on sale of marketable securities	(4,087)	(188)	(1,034)
Interest accretion on convertible debt	–	1,260	2,938
Interest accretion on long-term credit facility	213	512	–
Loss on prepayment of credit facility (note 14)	834	–	–
Non cash donation expense (note 22)	928	–	–
Premium paid on the redemption of royalty obligation (note 16(b))	1,302	–	–
Reclamation obligation change in estimate	–	–	(6,917)
Site closure and reclamation expenditures (note 17)	(91)	(1,590)	(183)
Stock-based compensation	10,409	5,696	6,442
Realized loss (gain) on derivative instruments (note 15)	(15,775)	–	–
Unrealized loss (gain) on derivative instruments (note 15)	6,898	15,775	–
Changes in non-cash operating working capital			
Accounts payable and accrued liabilities	8,162	(38,216)	22,603
Accounts receivable	(7,649)	(7,899)	7,415
Accrued interest expense on royalty obligation	(3,425)	(2,039)	(1,060)
Accrued interest income on promissory note	291	(1,029)	(2,632)
Amounts due to a related party	141	(1,759)	2,579
Deferred revenue	(175)	(175)	(219)
Income taxes payable	(5,641)	(6,261)	2,358
Inventory	(4,730)	(1,452)	(2,282)
Advances to Joint Venture (note 4)	(1,764)	–	–
Asset/liability under derivative instruments (note 15)	(2,502)	3,160	–
Prepaid expenses	1,194	(1,784)	741
Cash provided by (used for) operating activities	89,812	(26,754)	46,847
Investing activities			
Accrued interest income on reclamation deposits	(1,293)	(1,919)	(2,032)
Funds released from reclamation deposits	–	3,900	5,000
Funds released from restricted cash	3,153	1,247	–
Advance payments for equipment	–	–	(6,381)
Investment in derivative asset	(7,331)	–	–
Investment in marketable securities	(16,678)	(4,421)	(254)
Proceeds from contribution to the Joint Venture (note 4)	186,811	–	–
Proceeds from sale of marketable securities	16,449	9,966	3,360
Purchase of property, plant and equipment	(55,303)	(17,019)	(134,186)
Reclamation deposits	–	(45)	(109)
Cash provided by (used for) investing activities	125,808	(8,291)	(134,602)
Financing activities			
Capital lease payments	(3,320)	(3,199)	(1,061)
Common shares issued for cash, net of issue costs	3,837	35,937	53,599
Principal repayment of loan obligations	(2,712)	(345)	–
Proceeds (repayment) of bank indebtedness	–	(5,737)	5,737
Proceeds from loan obligations (note 12(b))	14,076	9,054	–
Proceeds from royalty obligation (note 16(b))	–	6,511	–
Proceeds (repayment) of long term credit facility (note 14)	(50,790)	56,997	–
Re-purchase of convertible debt (note 19)	–	(33,678)	(3,569)
Cash provided by (used for) financing activities	(38,909)	65,540	54,706
Increase (decrease) in cash and equivalents	176,711	30,495	(33,049)
Cash and equivalents, beginning of year	35,082	4,587	37,636
Cash and equivalents, end of year	**$ 211,793**	**$ 35,082**	**$ 4,587**

Supplemental cashflow information (note 22)

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Taseko Mines Limited (the "Company") is engaged in mining and mine development. The Company operates the Gibraltar copper-molybdenum mine and holds the Prosperity gold-copper project, the Harmony gold project and the Aley niobium property.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

These consolidated financial statements include the accounts of the Company and its subsidiaries. Interests in joint ventures are accounted for using the proportionate consolidation method. Under this method, the Company includes in its accounts the Company's proportionate share of assets, liabilities, revenues, and expenses. These consolidated financial statements include the Company's 75% interest in the Gibraltar Joint Venture since its formation on March 31, 2010 (note 4).

All material intercompany accounts and transactions have been eliminated.

2. 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, 2010, of the $211,793 cash and equivalents held by the Company, $142,154 (US$142,926) was held in United States dollar denominated cash and equivalents (December 31, 2009 – $30,719 (US$29,228)). Cash and equivalents excludes cash subject to restrictions (note 13).

(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 of ownership 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 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 average 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 three months after the month of shipment for molybdenum. Revenues are recorded under these contracts when title passes to the buyer and are based on the forward price for the expected settlement period. The contracts, in certain cases, provide for a provisional payment based upon provisional assays and quoted metal prices. 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 until the date of final pricing.

(c) Inventory

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

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

Previous write-downs to net realizable value are reversed when there is a subsequent increase in the value of the inventory.

(d) Financial Instruments

All financial instruments, including derivatives, are included on the Company's balance sheet and measured either at fair value or amortized cost. Changes in fair value are recognized in the net earnings (loss) 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) or if an impairment is determined to be other than temporary.

- 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).

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, except for derivative instruments	Available for Sale	Fair Value
Accounts receivable	Loans and Receivables	Amortized cost
Advances to Joint Venture	Loans and Receivables	Amortized cost
Reclamation deposits	Available for Sale	Fair Value
Promissory note	Loans and Receivables	Amortized cost
Accounts payable and accrued liabilities	Other Financial Liability	Amortized cost
Amounts due to a related party	Other Financial Liability	Amortized cost
Loan obligations	Other Financial Liability	Amortized cost
Credit facility	Other Financial Liability	Amortized cost
Royalty obligation	Other Financial Liability	Amortized cost
Derivative instruments	Held-for-Trading	Fair Value

(e) 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. During 2008, 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 stripping costs are amortized using the units of production basis to cost of sales over the life of the mineral deposit reserves.

(f) 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 which increase production or extend the life of operations are capitalized.

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 incurred subsequent to the determination of the feasibility of the processing technology will be capitalized and amortized over the life of the related plant.

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

(g) 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. 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 net earnings (loss).

(h) 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 in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(i) 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.

(j) Stock-based compensation

The Company has a share option plan which is described in note 20(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.

(k) 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 income 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.

(l) Functional currency and foreign currency translations

The Company's functional currency is the Canadian dollar as it 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, labour, and services are denominated in Canadian dollars. All of the business operations of the Company are located in Canada.

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 net earnings (loss).

(m) Earnings (loss) per common share

Basic earnings (loss) per common share is 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.

(n) 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, plant and equipment, reclamation liability, income taxes, valuation allowances for future income tax assets, rates for depletion, depreciation and amortization, assumptions used in computing stock-based compensation, receivables from sales of concentrate and valuation of concentrate inventory, the determination of mineral reserves and mine life and the estimation of the fair value of derivative liabilities. Actual results could differ from these estimates.

(o) 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.

3. CHANGES IN ACCOUNTING POLICIES

(a) New Accounting Standards Adopted:

As a result of the Company's joint venture over the Gibraltar mine (note 4) on March 31, 2010, the Company has adopted the following standard on a prospective basis.

CICA 3055 – "Interests in Joint Ventures"

The Company's interests in jointly controlled assets are accounted for using proportionate consolidation. The Company combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's financial statements. The Company recognizes the portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other venturers. The Company does not recognize its share of profits or losses from the joint venture that result from the Company's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

(b) New Accounting Standards Not Yet Adopted:

(i) International Financial Reporting Standards ("IFRS")

The Accounting Standards Board ("AcSB") has announced its decision to replace Canadian generally accepted accounting principles ("Canadian GAAP") with 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, 2010. Therefore, the IFRS adoption will require the restatement for comparative purposes of amounts reported by the Company for the year ending December 31, 2010. The Company has already established a formal project plan, allocated internal resources and engaged expert consultants, monitored by a steering committee to manage the transition from Canadian GAAP to IFRS reporting.

(ii) Business Combinations, Consolidated Financial Statements, and Non-Controlling Interests

The AcSB issued CICA Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which superseded current Sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*. These new Sections replace existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These Sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these Sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently.

The Company did not elect to early adopt this standard and will adopt IFRS 3 *Business Combinations* in accordance with IFRS effective January 1, 2011.

4. GIBRALTAR JOINT VENTURE

On March 31, 2010 (the "Effective Date"), the Company entered into a Joint Venture Formation Agreement (the "JVFA") with Cariboo Copper Corp. ("Cariboo") to establish an unincorporated joint venture, the Gibraltar Joint Venture (the "Joint Venture"), over the Gibraltar mine. The Company and Cariboo (the "Venturers") hold a 75% and a 25% beneficial interest in the Joint Venture, respectively.

Under the JVFA, the Company contributed certain assets and liabilities of the Gibraltar mine with a deemed fair value of $747,245 to the Joint Venture on the Effective Date. Cariboo paid the Company $186,811 to acquire a 25% interest in the Joint Venture. The Company continues to be the operator of the Gibraltar mine under a Joint Venture Operating Agreement.

The assets and liabilities contributed by the Company to the Joint Venture were mineral property interests, plant and equipment, inventory, prepaid expenses, reclamation deposits, capital lease obligations, and site closure and reclamation obligations.

As part of the JVFA, the Company and Cariboo have votes equal to their interest in the Joint Venture. However, certain key strategic, operating, investing and financing policies of the Joint Venture require unanimous approval from the Venturers such that neither of the Venturers is in a position to exercise unilateral control over the Joint Venture.

The total gain on the Company's contribution to the Joint Venture was $389,528, of which $95,114 (net of purchase price allocation adjustments) was recognized based on the 25% investment by Cariboo. The remaining 75% of the gain related to the Company's interest in the Joint Venture has been eliminated upon consolidation.

The Company's 75% interest in the assets and liabilities of the Joint Venture as at December 31, 2010 are as follows:

		December 31, 2010
Assets		
Current assets	$	97,713
Advances for equipment		1,188
Reclamation deposits		22,977
Mineral property interests, plant and equipment, net		301,219
Liabilities		
Current liabilities	$	29,538
Long-term liabilities		28,019
Site closure & reclamation obligation		8,178

Included within the Company's statement of operations and comprehensive income (loss) for the year ended December 31, 2010 is the Company's 75% interest in the operations of the Joint Venture since inception on March 31, 2010. This 75% interest is summarized as follows:

		Year ended December 31, 2010
Revenues	$	194,370
Operating expenses		97,461
Depreciation and depletion		7,092
Other expenses		4,867
Other comprehensive loss		39
Total comprehensive income	**$**	**84,911**

Included within the cash flows of the Company for the year ended December 31, 2010, is the Company's 75% interest in the cash flows of the Joint Venture. This 75% interest is summarized as follows:

		Year ended December 31, 2010
Operating activities	$	93,103
Investing activities		(44,496)
Financing activities		8,270

During the period, the Company advanced to the Joint Venture $7,055 to fund operations of the Gibraltar mine. These amounts were not recovered from the Venturers as part of the routine monthly cash calls. The Company is currently reporting a receivable at December 31, 2010, of $1,764 (25%) from the Joint Venture in its consolidated financial results.

5. INVENTORY

	December 31 2010	December 31 2009
Metal in concentrate - copper	$ 7,515	$ 5,830
Ore in-process	1,514	1,897
Copper cathode	982	178
Metal in concentrate - molybdenum	53	70
Materials and supplies	11,222	13,817
	$ 21,286	**$ 21,792**

The amount of inventory recognized as an expense for the years ended December 31, 2010 and 2009 is represented by the amount of cost of sales before reversals of inventory write-downs. There have been no write-downs of inventory during the years ended December 31, 2010 and 2009.

6. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Capital Management Objectives

The Company's primary objective when managing capital is to ensure that the Company is able to continue its operations and that it has sufficient ability to satisfy its capital obligations and ongoing operational expenses, as well as to have sufficient liquidity available to fund suitable business opportunities as they arise.

The Company considers the components of shareholders' equity, as well as its cash and equivalents, credit facilities, and long-term loans obligations 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.

In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the Board of Directors. Management also actively monitors its financial covenants to ensure compliance.

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 and that are readily convertible to known amounts of cash.

There were no changes to the Company's approach to capital management during the year ended December 31, 2010.

(b) Carrying Amounts and Fair Values of Financial Instruments

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.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of accounts receivable, advances for equipment, advances to Joint Venture, accounts payable and accrued liabilities and income taxes payable approximate carrying values due to the short-term nature of these items.

The fair values of the tracking preferred shares are not readily determinable with sufficient reliability due to the lack of availability of appropriate market information. It is not practicable to determine the fair value of 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 value of the promissory note is 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 instruments mentioned above, the following table illustrates the classification of the Company's financial instruments recorded at fair value within the fair value hierarchy as at December 31, 2010 and 2009:

	Financial assets at fair value			
	Level 1	**Level 2**	**Level 3**	**December 31, 2010**
Cash and equivalents	$ 211,793	$ –	$ –	$ 211,793
Restricted cash (note 13)	–	–	–	–
Warrants held in other public company (note 7)	–	599	–	599
Held-for-trading	211,793	599	–	212,392
Marketable securities and investments (note 7)	17,922	–	–	17,922
Reclamation deposits	23,266	–	–	23,266
Available-for-sale financial assets	41,188	–	–	41,188
Total financial assets at fair value	$ 252,981	$ 599	$ –	$ 253,580

	Financial liabilities at fair value			
	Level 1	Level 2	Level 3	December 31, 2010
Liability under derivative financial instruments (note 15)	$ –	$ 225	$ –	$ 225

	Financial assets at fair value			
	Level 1	Level 2	Level 3	December 31, 2009
Cash and equivalents	$ 35,082	$ –	$ –	$ 35,082
Restricted cash (note 13)	3,153	–	–	3,153
Held for trading	38,235	–	–	38,235
Marketable securities and investments (note 7)	11,856	–	–	11,856
Reclamation deposits	29,421	–	–	29,421
Available for sale financial assets	41,277	–	–	41,277
Total financial assets at fair value	$ 79,512	$ –	$ –	$ 79,512

	Financial liabilities at fair value			
	Level 1	Level 2	Level 3	December 31, 2009
Liability under derivative financial instruments (note 15)	$ –	$ 18,935	$ –	$ 18,935

(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 a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its receivables and marketable securities and investments. In general, the Company manages its credit exposure by transacting only with reputable counterparties. The Company monitors the financial condition of its customers and counterparties to contracts.

(ii) Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they become due. The company manages liquidity risk by holding sufficient cash and cash equivalents and scheduling long-term obligations in the future based on estimated cash inflows.

During the year, the Company entered into long-term equipment loans for $14,076 (note 12(b)). The Company also entered into a $12,923 5-year capital lease agreement for mobile equipment.

The following are the principal contractual maturities of financial liabilities:

As at December 31, 2010	Contractual Obligations	2011	2012	2013	Over 3 years
Accounts payable and accrued liabilities	$ 22,983	$ 22,983	$ –	$ –	$ –
Amounts due to a related party (note 11)	154	154	–	–	–
Long-term equipment loan (note 12(b))	18,020	4,961	6,828	3,672	2,559
Total liabilities	$ 41,157	$ 28,098	$ 6,828	$ 3,672	$ 2,559

As at December 31, 2009	Contractual Obligations	2010	2011	2012	Over 3 years
Accounts payable and accrued liabilities	$ 14,821	$ 14,821	$ –	$ –	$ –
Amounts due to a related party	13	13	–	–	–
Long-term credit facility (note 14)	52,550	21,896	26,275	4,379	–
Long-term equipment loan (note 12(b))	10,112	2,701	2,701	4,710	–
Total liabilities	$ 77,496	$ 39,431	$ 28,976	$ 9,089	$ –

(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

During the year, the Company entered into producer put option contracts with Credit Suisse AG (“Credit Suisse”) and Goldman Sachs (“Goldman”) for a portion of its targeted copper production to June 2011 from its Gibraltar mine (note 15).

A 10% strengthening or weakening of copper and molybdenum prices during the periods ended December 31, 2010, December 31, 2009 and December 31, 2008 would have affected net earnings by the amounts shown below. This analysis assumes that all other variables remain constant.

	December 31, 2010	December 31, 2009	December 31, 2008
Net Earnings before income taxes	$ 27,514	$ 16,180	$ 23,168

(b) Foreign Exchange Risk

The Company had no foreign currency hedges in place during the year.

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

Carrying value	December 31, 2010	December 31, 2009
Cash and equivalents	$ 142,154	$ 30,719
Restricted cash	–	3,153
Accounts receivable	16,811	10,802
Total financial assets	$ 158,965	$ 44,674

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

Carrying value	December 31, 2010	December 31, 2009
Accounts payable and accrued liabilities	$ 1,200	$ 705
Derivative liability (note 15)	225	18,935
Long-term credit facility (note 14)	-	51,505
Total financial liabilities	$ 1,425	$ 71,145

The following exchange rates applied during the years ended December 31, 2010 and December 31, 2009:

	Annual Average rate		Year end spot rate	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
CAD vs. USD	1.0301	1.1420	0.9946	1.0510

All of the Company's revenues are denominated in US dollars. A 10% weakening or strengthening of the Canadian dollar against the US dollar during the periods presented below would have affected net earnings by the amounts shown below. This analysis assumes that all other variables remain constant.

	December 31, 2010	December 31, 2009	December 31, 2008
Net earnings before income taxes	$ 29,385	$ 13,276	$ 12,613

(c) Interest Rate Risk

The long-term equipment loans (note 12(b)) carry fixed interest rates ranging between 5.35% and 8.63% per annum and as such are not subject to fluctuations in interest rates.

The exposure of the Company's financial assets to interest rate risk as at December 31, 2010 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	$	211,793	0.70	N/A
Financial assets subject to fixed interest rates		101,073	5.91	5.85
Equity investments		18,521	N/A	N/A
Accounts receivables		20,154	N/A	N/A
Total financial assets	$	351,541		

The exposure of the Company's financial assets to interest rate risk as at December 31, 2009 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	$	35,082	0.32	N/A
Financial assets subject to fixed interest rates		107,518	6.22	6.44
Equity investments		11,856	N/A	N/A
Trade and other receivables		12,505	N/A	N/A
Total financial assets	$	166,961		

The exposure of the Company's financial liabilities to interest rate risk at December 31, 2010 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	$	–	N/A	N/A	N/A
Financial liabilities subject to fixed interest rates		18,020	7.50	2.37	2.37
Derivative liability		225	N/A	N/A	N/A
Other liabilities		23,136	N/A	N/A	N/A
Total financial liabilities	$	41,381			

The exposure of the Company's financial liabilities to interest rate risk at December 31, 2009 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	$ 51,505	6.92	N/A	2.09
Financial liabilities subject to fixed interest rates	15,221	7.49	2.62	2.62
Derivative liability	18,935	N/A	N/A	N/A
Other liabilities	14,834	N/A	N/A	N/A
Total financial liabilities	$ 100,495			

A 10% increase or decrease of the LIBOR rate for the periods ended December 31, 2010, December 31, 2009 and December 31, 2008 would have affected net earnings by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	December 31, 2010	**December 31, 2009**	**December 31, 2008**
Net earnings before income taxes	**$ 89**	**$ 86**	**$ 142**

7. MARKETABLE SECURITIES AND INVESTMENTS

	As at December 31, 2010		
Available-for-sale investments	Cost	Unrealized gain	Fair value
Continental Minerals Corporation – common shares	$ 5,657	$ 5,995	$ 11,652
Investment in other public companies	5,405	865	6,270
	11,062	6,860	17,922
Held for trading investments			
Warrants held in other public company	280	319	599
	$ 11,342	$ 7,179	$ 18,521

	As at December 31, 2009		
	Cost	Unrealized gain	Fair value
Continental Minerals Corporation – common shares	$ 7,026	$ 4,830	$ 11,856

At December 31, 2010, The Company held 4,481,526 (December 31, 2009 – 5,566,126) common shares of Continental Minerals Corporation ("Continental") representing less than 3% of the Continental common shares. During the year, the Company sold 1,084,600 shares of Continental for total proceeds of $2,400 with a net realized capital gain of $1,031.

The Company invests from time-to-time in public companies that may provide long term strategic opportunities. At December 31, 2010, the Company held investments in four public companies with the Company's ownership all being less than 2.9 %.

8. TRACKING PREFERRED SHARES

In October 2001, the Company and its subsidiary Gibraltar Mines Ltd. ("Gibraltar") completed the acquisition of the Harmony Gold Property ("Harmony") 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 Harmony and will be redeemed for common shares of the Company upon a realization event, such as a sale of Harmony to a third party or commercial production at Harmony 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.

The initial paid-up amount for the Gibraltar tracking preferred shares is $62,770, subject to reduction prior to redemption for certain stated events. The amount will be reduced to the extent that the actual net proceeds of disposition of Harmony is less than $62,770, or to the extent that the fair market value of Gibraltar's interest in a mine at Harmony is determined to be less than $62,770. The paid-up amount (as adjusted) will be increased in the event Gibraltar receives consideration by way of granting an option to a third party which forfeits such option and also, in the event of any reduction of the paid-up amount (as adjusted), such amount will be credited to the account should the proceeds of disposition exceed the reduced paid-up amount (as adjusted) by an amount greater than the reduction. In no event will the paid-up amount (as adjusted) exceed $62,770 nor be less than $20,000. Net proceeds of disposition shall mean the fair value of all consideration received by Gibraltar as a consequence of a sale of Harmony, net of Gibraltar's reasonable costs of disposition, costs incurred by Gibraltar after the effective date in connection with Harmony, and a reasonable reserve for Gibraltar's taxes arising in consequence of the sale or other disposition of Harmony.

On the occurrence of a realization event (as mentioned above), Gibraltar must redeem the Gibraltar tracking preferred shares by distributing that number of the Company's common shares equal to the paid-up amount (as adjusted) divided by a deemed price per common share, which will vary dependent on the timing of such realization event. The tracking preferred shares are redeemable at specified prices per common share of the Company starting at $3.39 and escalating by $0.25 per year, currently at $5.64 (as of December 31, 2010).

If a realization event does not occur on or before October 16, 2011, Gibraltar has the right to redeem the tracking preferred shares for the Company's common shares at a deemed price equal to the greater of the then average 20 day trading price of the common shares of the Company and $10.00. The Company's 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 transaction.

If the unrelated third party's acquisition of Continental (the "Acquisition") announced September 17, 2010 proceeds, it is planned, subject to ongoing negotiations with Continental, that the redemption of the tracking preferred shares for the Company's common shares be accelerated to occur just before closing of the Acquisition.

On December 20, 2010, Continental announced that it had signed a formal "Arrangement Agreement" to implement the proposed acquisition plan announced in September, through a process which will be subject to the terms and conditions of the Arrangement Agreement. Completion of the Arrangement Agreement is targeted for the end of the first quarter of 2011. The tracking preferred shares will be exchanged for the Company's common shares on the ratio of 0.5028 per Company's common share to a Continental preferred share, and the Company's common shares will not be subject to any hold periods by Continental.

9. MINERAL PROPERTY INTERESTS

	December 31 2010	December 31 2009
Gibraltar Copper Mine	$ 13,752	$ 16,766
Prosperity Gold-Copper Property	1	1
Harmony Gold Property	1	1
Aley Niobium Property	8,343	8,343
Oakmont Royalty Interest	5,640	7,520
	$ 27,737	$ 32,631

(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 included plant and equipment and supplies inventory of the Gibraltar mine, and $8,000 of funds for future reclamation. 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.

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. 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, was completed in 2010, as well as installation of the in-pit crusher and conveyor.

On March 31, 2010, the Company entered into a Joint Venture agreement with Cariboo Copper Corporation to establish an unincorporated joint venture, under which the Company continues in its capacity as operator of the Gibraltar mine, under the terms of the Joint Venture Operating Agreement (note 4).

(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.

Taseko received the environmental assessment certificate from the British Columbia Provincial Ministry of Environment on January 14, 2010. Following hearings from March to May 2010 under the federal process, the Panel submitted their findings and the Federal Minister of Environment announced in November 2010 that the Prosperity mine project, as proposed, could not be granted Federal authorizations to proceed. The Company submitted a revised project description to the Federal Government in February 2011.

(c) Harmony Gold Property

The Company acquired a 100% interest in the Harmony gold property in fiscal 2002. The Company has undertaken property maintenance and environmental monitoring activities at Harmony since acquiring the project.

(d) 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).

During the year, the Company completed an exploration program which comprised geological mapping and diamond drilling and is continuing to assess the potential development of the project.

(e) 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 Oakmont mineral property interests now form part of the Joint Venture (note 4).

10. MINERAL PROPERTY INTERESTS, PLANT AND EQUIPMENT

	December 31, 2010		
	Cost	Accumulated amortization	Net book value
Buildings and equipment	$ 2,872	$ 1,695	$ 1,177
Mine equipment	127,056	12,421	114,635
Plant and equipment	97,776	7,649	90,127
Vehicles	3,079	1,640	1,439
Computer equipment	2,543	2,445	98
Social assets	301	–	301
Deferred pre-stripping costs	39,401	6,650	32,751
Construction in progress	15,254	–	15,254
Assets under capital lease	26,589	706	25,883
Asset retirement costs	163	–	163
	$ 315,034	$ 33,206	$ 281,828
Other equipment and leasehold improvements	1,720	524	1,196
Total mineral property interests (note 9)			27,737
Mineral property interest, plant and equipment			**$ 310,761**

	December 31, 2009		
	Cost	Accumulated amortization	Net book value
Buildings and equipment	$ 3,646	$ 2,807	$ 839
Mine equipment	90,632	11,265	79,367
Plant and equipment	104,000	6,824	97,176
Vehicles	2,744	1,593	1,151
Computer equipment	3,390	3,130	260
Social assets	402	–	402
Deferred pre-stripping costs	52,535	5,307	47,228
Construction in progress	60,616	–	60,616
Assets under capital lease	18,222	333	17,889
Asset retirement costs	62	–	62
	$ 336,248	$ 31,259	$ 304,989
Other equipment and leasehold improvements	423	207	216
Total mineral property interests (note 9)			32,631
Mineral property interest, plant and equipment			**$ 337,836**

11. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions	**Twelve months ended December 31**		
	2010	2009	2008
Joint Venture – Management fee income (note 11(b))	$ 648	$ -	$ -
Hunter Dickinson Services Inc. (note 11(a)) – Services rendered to the Company and reimbursement of third party expenses	$ 2,958	$ 2,709	$ 8,934

Due to (from) related parties:	**December 31, 2010**	**December 31, 2009**
Joint Venture (Note 4)	**$ (1,764)**	**-**
Hunter Dickinson Services Inc	**$ 154**	**$ 13**

(a) Hunter Dickinson Services Inc. ("HDSI")

HDSI is a private company which until recently was owned equally by eight public companies, one of which was Taseko. During the first quarter, the Company sold its interest in HDSI for nominal value. 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 July 2, 2010, the HDSI services agreement was modified and services are now provided based on annually set hourly rates. Transactions with HDSI are reflected in the Company's statement of operations and comprehensive income (loss) and are measured at the exchange amount based on the agreement.

(b) Management Fee

Under the terms of the Joint Venture Operating Agreement, the Joint Venture pays a management fee to the Company for services rendered by the Company to the Joint Venture as operator of the Gibraltar mine. During the year ended December 31, 2010, the Company earned management fees of $648 net in relation to the Joint Venture.

12. LOAN OBLIGATIONS

Future obligations under capital leases and equipment loans are as follows:

As at December 31, 2010	Capital Lease Obligations (a)	Equipment Loans (b)	Total Loan Obligations
2011	$ 6,452	$ 5,942	$ 12,394
2012	6,144	7,449	13,593
2013	4,941	3,916	8,857
2014	2,983	2,611	5,594
2015	2,361	–	2,361
Total payments	22,881	19,918	42,799
Less: interest portion	(2,568)	(1,898)	(4,466)
Present value of obligations	20,313	18,020	38,333
Current portion	(5,354)	(4,961)	(10,315)
Non-current portion	$ 14,959	$ 13,059	$ 28,018

As at December 31, 2009	Capital Lease Obligations (a)	Equipments Loans (b)	Total Loan Obligations
2010	$ 4,543	$ 2,701	$ 7,244
2011	4,266	2,701	6,967
2012	4,215	4,710	8,925
Thereafter until 2013	2,612	–	2,612
Total payments	15,636	10,112	25,748
Less: interest portion	(1,648)	(1,402)	(3,050)
Present value of obligations	13,988	8,710	22,698
Current portion	(3,750)	(2,032)	(5,782)
Non-current portion	$ 10,238	$ 6,678	$ 16,916

(a) Capital Lease Obligations

Included in mineral property interests, plant and equipment are mining equipment that the Company acquired pursuant to capital lease agreements.

Capital lease obligations as detailed above are secured by plant and equipment and are repayable in monthly installments with fixed interest rates. The capital lease obligations bear fixed interest rates ranging from 5.93% to 8.80% per annum.

(b) Equipment Loans

The Company has entered into various equipment loan agreements ranging from three to five years. These loans are secured by the underlying equipment at the Gibraltar mine. The loans are repayable in monthly installments and bear fixed interest rates ranging from 5.349% to 8.63% .

13. RESTRICTED CASH

During 2009, the Company had pledged $3,153 (US$3,000) as cash collateral in favour of Credit Suisse to obtain a waiver on a certain clause in the term facility agreement with Credit Suisse. During the first quarter of 2010, these funds were released from restriction due to the prepayment of the term facility (note 14).

14. CREDIT FACILITY

In February 2009, the Company entered into and drew upon a US$30,000 36-month term facility agreement (the "Facility") with Credit Suisse. In September 2009, the Company and Credit Suisse, as Facility Agent, and Investec Bank plc ("Investec") amended the Facility to increase the existing Facility by an additional US$20,000 and the Company drew an additional US$20,000. Under the amended facility agreement, the US$50,000 Facility was repayable commencing April 2010 and every second month thereafter in equal installments until February 2012. The Facility bore interest at LIBOR plus 5 percent.

During the year, the Company repaid the Facility. A loss of $834 was recorded in the Company's net earnings (loss) as a result of the early pre-payment of the Facility.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Consistent with the Company's strategy to manage its operating margins effectively in volatile copper markets, the Company entered into the following producer put option contracts.

The Company purchased a series of put options for 15,600 metric tonnes of copper for the period January to June, 2011 at a strike price of US $3.00 per pound, with a premium per option ranging between $0.1994 and $0.2114.

Contract Period	Strike Price US$/lb	Premium per Contract US$	Purchased metric tonnes (mt) of copper
January to June 2011	$ 3.00	$ 5,275	12,000
January to June 2011	$ 3.00	$ 1,678	3,600

The strike price sets the gross minimum price that the Company seeks to realise for its copper production. These put options are only exercised if the spot price declines below the set put strike price. The Company participates in the full upside price increases and is protected from price decreases.

For accounting purposes, the Company determined that these contracts are derivative financial instruments that should be measured at fair value at each reporting date with all changes in fair value included in the net earnings (loss) in the period in which they arise. During the year ended December 31, 2010, the Company recorded a mark-to-market net gain of $3,575 (2009 - $11,330 loss) on contracts that settled during the year. The Company recorded an unrealized loss of $6,898 (2009 - $15,775) on the mark-to-market of outstanding contracts at fiscal year-end.

The fair value of contracts and amount payable to settle the derivative liability at December 31, 2010 is as follows:

Option	Strike Price US$/lb	Notional Quantity mt of copper	Due Date	Fair Value (Liability)/Asset US$
Call option [1]	$ 3.95	2,250	Dec 31, 2010	$ (662)
Put option	$ 3.00	15,600	Jun 30, 2011	$ 436
		Total Fair Value of Contracts (in US)		$ (226)
		Total Fair Value of Contracts (in CAD)		$ (225)

(1) Amount payable for December 2010 settlement of call option, which settled in January, 2011.

16. ROYALTY OBLIGATIONS

	December 31, 2010	December 31, 2009
Royalty Agreement – Red Mile No. 2 LP	$ 58,893	$ 62,318
Gibraltar Royalty LP	–	6,511
Total royalty obligations	**$ 58,893**	**$ 68,829**

(a) Royalty Agreement – Red Mile No. 2 LP (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. These funds were 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, 2010, the promissory note amounted to $77,807 (2009 – $78,097).

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 $656 (2009 – $831) remaining as deferred as at December 31, 2010, of which $175 (2009 – $175) is classified as current.

Annual royalties are 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 latter of (i) December 2014 and (ii) five years after the end of commercial production from the mine. For the year ended December 31, 2010, Gibraltar owes a royalty to Red Mile in the amount of $7,248 (2009 – $4,697) at an average rate of $0.08007 (2009 – $0.0686) per pound of copper produced. 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 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 was payable at December 31, 2010 and 2009.

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.

(b) Gibraltar Royalty LP

During 2009, the Company entered into an agreement with an unrelated investment partnership, Gibraltar Royalty Limited Partnership ("GRLP") whereby Gibraltar sold to GRLP a production royalty for $6,511 cash.

Annual royalties were payable by Gibraltar to GRLP at rates ranging from $0.003 per pound to $0.004 per pound of copper produced during the period from September 1, 2009 to December 31, 2030 (the "Royalty Period"). For the twelve months ended December 31, 2010, Gibraltar paid $65 to GRLP. The royalty payments were recognized as an expense during the period.

The Company classified the principal balance of royalty obligation as a current financial liability to be settled in a future period. The Company had a pre-emptive option to repurchase ("call") the royalty obligation by acquiring the GRLP partnership units during the period from March 1, 2010 to December 31, 2012 in consideration of a payment equal to the funds received by the Company plus a 20% premium payable in the Company's shares or cash. GRLP also had a right to sell ("put") its GRLP partnership units to the Company at fair value during the period from April 1, 2012 to December 31, 2012. However, this "put" right was subject to the Company's pre-emptive right to exercise the "call" in advance of any "put" being exercised and completed.

On March 24, 2010, the Company exercised its "call" option through the issuance of 1,556,355 shares of the Company. The 1,556,355 shares were recorded at $7,813 in the Company's accounts to settle the carrying value of royalty obligation in the amount of $6,511. A premium of $1,302 was recorded in the Company's statement of operations as a result of the exercise of the call option. Consequently, at December 31, 2010, no amounts were owed to GRLP (December 31, 2009 – $6,511).

17. RECLAMATION OBLIGATION AND RECLAMATION DEPOSITS

The continuity of the provision for site closure and reclamation costs related to the Gibraltar mine is as follows:

Balance, September 30, 2007	$	17,441
Changes during fiscal, 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
Changes during fiscal 2009:		
Reclamation incurred		(1,590)
Accretion expense		968
Additional site closure and reclamation obligation recognized		63
Balance, December 31, 2009	$	9,807
Changes during fiscal 2010:		
Reclamation incurred		(91)
Accretion expense		860
Additional site closure and reclamation obligation recognized		195
Less: JV 25% portion of the March 31/10 total reclamation obligation		(2,593)
Balance, December 31, 2010	$	8,178

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 were:

- an increase to asset retirement costs included in mineral property interests, plant and equipment and corresponding increase to reclamation obligation as at December 31, 2008 of $366
- a decrease as at December 31, 2008 of $1,426 in asset retirement costs included in mineral property interests, plant and equipment
- a decrease as at December 31, 2008 of $8,709 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

The new estimated total amount of the reclamation costs, adjusted for estimated inflation at 2.5% per year, in 2032 dollars, as at December 31, 2010 was $91,000 (2009 – $90,300) 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 are 7.1% to 10%, which results in the net present value of the obligation for the Company as at December 31, 2010 of $8,178 (2009 – $9,807). The accretion for the year ended December 31, 2010 of $860 (2009 –$968) is charged to the statement of operations.

As required by regulatory authorities, at December 31, 2010, the Company had reclamation deposits totaling $23,266 (2009 – $29,421) comprised of $22,977 (2009 – $29,132) for the Gibraltar mine, $75 (2009 – $75) for the Prosperity project**,** $175 (2009 – $175) for the Harmony project and $39 (2009 – $39) for the Aley project. These deposits are invested in government bonds and treasury bills and bear interest at rates ranging from 1.5% to 4.7% per annum. In addition, the Company has issued an irrevocable standby letter of credit for $10,000 in favour of the Province of British Columbia for the Gibraltar mine.

18. TAX AND INTEREST RECOVERIES

Income tax expense (recovery) differs from the amount which would result from applying the statutory Canadian income tax rates (2010 – 28.5%, 2009 – 30.0%, 2008 – 31.4%) for the following reasons:

	2010	2009	2008
Earnings (loss) before income taxes	$ 195,382	$ 11,255	$ (2,087)
Expected tax expense based on statutory rates	55,684	3,376	(657)
Permanent differences	(20,387)	1,141	6,790
Mineral tax	14,293	981	606
Future tax rate differences	(3,637)	(3,674)	1,215
Recognition of previously unrecognized tax assets	–	–	(13,613)
Other	831	(1,130)	62
Tax expense (recovery) for the year	$ 46,784	$ 694	$ (5,597)
Presented as:			
Current income tax expense (recovery)	$ 4,106	$ 669	$ (2,151)
Future income tax expense (recovery)	42,678	25	(3,446)
	$ 46,784	$ 694	$ (5,597)

As at December 31, 2010 and December 31, 2009, the estimated tax effect of the significant components within the Company's future tax assets were as follows:

	2010	2009
Loss carry forwards	$ 89	$ 8,985
Royalty obligation	12,911	16,343
BC mining taxes	–	1,952
Copper hedge and other tax pools	651	6,210
Future income tax assets	13,651	33,490
Partnership deferral	–	(5,820)
Reclamation obligation	(3,760)	(4,800)
Plant and equipment	(46,662)	(20,323)
BC Mining taxes	(9,531)	–
Mineral properties and deferred stripping	(13,973)	(19,436)
Unrealized foreign exchange gain	(43)	(751)
Unrealized gain recorded in comprehensive income	(893)	(654)
Net future income tax liability	$ (61,211)	$ (18,294)
Current portion – future income tax liability	$ (1,008)	$ (1,979)
Long term future income tax liability	(60,203)	(16,315)
Net future income tax liability	**$ (61,211)**	**$ (18,294)**

At December 31, 2010 the Company's tax attributes included capital losses totaling $Nil (2009 –$3,525) which are available indefinitely to offset future taxable capital gains, and resource tax pools totaling approximately $2,910 (2009 – $2,022) which are available indefinitely to offset future taxable income. The Company also has non-capital losses of $319 (2009 – $40,981) to offset future taxable income which expire in 2028 and 2029 respectively.

The Company has accrued a long-term tax provision of $2,500 (2009 – $32,299) related to various tax pools.

During the year ended December 31, 2010, provisions for certain long term income tax liabilities and associated interest relating to historical tax estimates for the 2004 fiscal year for one of the Company's subsidiaries were reversed. Management believes the probability of these provisions being paid would be unlikely. Consequently, the Company recognized a reversal of income tax in the amount of $22,523 (2009 – $nil) and interest in the amount of $8,098 (2009 – $nil).

19. CONVERTIBLE DEBT

(a) Convertible Bonds

On August 29, 2006 the Company issued US$30,000 of five-year convertible bonds due in 2011 (the "Bonds") to qualified institutional buyers (the "Bondholders"). The Bonds were convertible into the Company's common shares. The Bonds constituted direct, unsubordinated, unsecured, general and unconditional obligations of the Company. The Bonds were issued at 100% and, if not converted, could be redeemed at maturity at 101%. The Bonds carried coupon interest rates of 7.125% per annum. The Bonds also had a "put" right in August 2009 to be redeemed at 100.6% .

During 2009, the Company repurchased US$20,000 of the Bonds from its Bondholders for the purpose of cancellation. The remaining Bondholders exercised the "put" right on the remaining US$10,000 in August 2009. The Company allocated the consideration paid on the extinguishment of the bonds to the liability and equity elements of the security based on their relative fair values at the date of the transaction. A gain of $1,630 which was attributed to the liability portion was recorded in the Company's statement of operations as a result of the convertible bond redemptions. A gain of $2,169 which was attributed to the equity portion was recorded in contributed surplus as a result of the convertible bond redemptions.

(b) Convertible Debenture

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"), 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 common shares 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 2,612,971 shares were recorded at $21,318 in the Company's accounts to settle the carrying value of the liability and equity portion of the Debenture as at April 2, 2008.

20. SHARE CAPITAL

(a) Authorized

Authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) Equity Issued

Fiscal year ending December 31, 2010

During the year, the Company obtained a receipt in respect of the final short-form base shelf prospectus from regulatory authorities. The shelf registration will, subject to securities regulatory requirements, allow the Company to make offerings of common shares, warrants, subscription receipts, debt securities, or any combination of such securities up to an aggregate offering price of $300,000 during the 25-month period that the final short-form base shelf prospectus, including any amendments thereto, remains effective.

The Company also entered into an At the Market Issuance Agreement, with a third party, under which the Company may, at its discretion, from time to time sell up to a maximum of 18.6 million of its common shares through "at-the-market" ("ATM") issuance. The third party will act as sales agent for any sales made under the ATM. The common shares will be sold at market prices prevailing at the time of a sale. The Company is not required to sell any of the reserved shares at any time during the term of the ATM, which extends until November 1, 2012, and there are no fees for having established the arrangement. The ATM Issuance Agreement does not prohibit the Company from conducting other financings.

Subsequent to year-end the Company issued 1 million common shares under the ATM agreement for gross proceeds of approximately $6,104.

Fiscal year ending December 31, 2009

In 2009, the Company completed a “bought deal” for 15,862,069 common shares at a price of $1.45 per common share, resulting in aggregate gross proceeds to the Company of $23,000.

The Company also completed a private placement financing of 3,628,015 shares at $1.45 per common share for gross proceeds of $5,261.

The Company incurred $1,444 in financing fees related to the issuance, for net proceeds of $26,817.

During 2009, 9,085,715 warrants issued in December 2008 were exercised for total proceeds of $7,723.

Fiscal period ending December 31, 2008

In December 2008, the Company completed a private placement financing of 8,571,429 units with each unit consisting of one common share and one warrant, at the issue price of $0.70 per unit for gross proceeds of $6,000. Each warrant entitled 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.

(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:

The following table summarizes information about share purchase options outstanding at December 31, 2010:

	2010		2009		2008	
	Number of shares	Average Price	Number of shares	Average Price	Number of shares	Average Price
Opening balance	10,384,635	1.40	7,817,718	1.33	5,707,334	$ 2.60
Granted during the year	3,708,500	4.63	3,983,500	1.50	8,472,050	2.19
Exercised during the year	(2,791,834)	1.37	(1,161,749)	1.20	(270,100)	2.48
Expired/cancelled during year	(187,500)	1.62	(254,834)	2.14	(6,091,566)	3.67
Closing balance	11,113,801	$ 2.47	10,384,635	$ 1.40	7,817,718	$ 1.33
Average contractual remaining life (years)		2.68		3.17		3.47
Range of exercise prices		$1.00 – $5.39		$1.00 - $4.50		$1.00 - $5.45

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at December 31 2010	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31 2010	Weighted average exercise price
$1.00 to $1.15	5,205,634	2.61 years	$ 1.06	4,480,636	$ 1.04
$1.71 to $2.18	1,732,167	2.82 years	$ 1.79	1,186,333	$ 1.82
$2.63 to $3.07	205,000	0.97 years	$ 2.98	205,000	$ 2.98
$4.03 to $4.49	2,090,000	3.98 years	$ 4.34	756,665	$ 4.41
$4.50 to $5.39	1,881,000	2.82 years	$ 4.78	832,999	$ 4.74
	11,113,801	2.90 years	$ 2.47	7,461,633	$ 1.97

The following table summarizes information about share purchase options outstanding at December 31, 2009:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at December 31 2009	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31 2009	Weighted average exercise price
$1.00 to $1.15	7,711,801	3.11 years	$ 1.06	5,937,535	$ 1.08
$1.71 to $2.18	1,979,834	3.68 years	$ 2.17	874,169	$ 1.91
$2.63 to $3.07	240,000	1.71 years	$ 3.00	240,000	$ 3.00
$4.03 to $4.09	225,000	3.53 years	$ 4.11	125,000	$ 4.08
$4.50	228,000	1.74 years	$ 4.50	228,000	$ 4.50
	10,384,635	3.17 years	$ 1.39	7,404,704	$ 1.40

The fair value of the options that vested during the year is $10,409. The following are the weighted average assumptions used to estimate the fair value of options during the periods ended:

	2010	2009	2008
Risk-free interest rate	2.37%	1.9%	2.4%
Expected life	4.37 years	3.17 years	3.52 years
Volatility	78%	74%	65%
Expected dividends	nil	nil	nil

d) Share purchase warrants

The continuity of share purchase warrants during the year ended December 31, 2009 is as follows:

Expiry dates	Exercise price	Outstanding December 31, 2008	Issued	Exercised	Expired	Outstanding December 31 2009
December 17, 2010	$ 0.85	9,085,715	–	9,085,715	–	–

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	–

e) Earnings per share

The following table sets forth the computation of diluted earnings per share:

	2010	2009	2008
Earnings available to common shareholders	$ 148,598	$ 10,561	$ 3,510
Effect of assumed conversions:			
Royalty payments to GRLP (note 16(b))	65	130	–
Tax effect on interest on convertible bonds	–	(45)	–
Earnings available to common shareholders including assumed conversions:	148,663	10,646	3,510
Basic weighted-average number of shares outstanding (in 000's)	186,103	173,170	142,062
Effect of dilutive securities (in 000's):			
Stock options	10,626	3,244	5,142
Warrants	–	–	7,060
Potential shares issued in settlement of GRLP Royalty	–	1,757	–
Tracking preferred shares	6,277	2,664	2,664
Diluted weighted-average number of shares outstanding (in 000's)	203,006	180,835	156,928
Earnings per share			
Basic	$ 0.80	$ 0.06	$ 0.02
Diluted	$ 0.73	$ 0.06	$ 0.02

The following table lists the stock options and shares 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):

	2010	2009	2008
Stock options	488	7,141	2,626
Shares issuable under convertible bonds	–	–	8,956

21. COMMITMENTS

(a) Treatment and refining agreement

The Company has an agreement with MRI Trading AG, a Swiss-based metal trading company, for the treatment and refining of certain copper concentrate from the Gibraltar mine. Under the terms of the agreement, the Company has secured long-term and fixed rates for processing copper concentrate until December 31, 2014. The Company has the right to price payable copper within the concentrate based on a quotational period, declared prior to, and covering each ensuing calendar year.

(b) Off-Take Agreement

As part of the JVFA, the Company entered into an off-take agreement with Cariboo for the treatment and refining of certain of copper concentrate from the Gibraltar mine. Under the terms of the off-take agreement, the Company has secured long-term and fixed rates for processing copper concentrate. The Company has the right to price payable copper within the concentrate based on a quotational period, declared prior to, and covering each ensuing calendar year

(c) Franco-Nevada Gold Stream Transaction

In May 2010, the Company entered into a gold production stream transaction with Franco-Nevada Corporation ("Franco-Nevada") under which Franco-Nevada purchased a gold stream covering 22% of the life-of-mine gold to be produced by the Company from its proposed Prosperity gold and copper mine. Commencing with the construction of the Prosperity mine, the Company is to receive from Franco-Nevada funding in staged deposits totaling US$350,000 (the "Deposit"). Upon delivery of gold to Franco-Nevada once the Prosperity mine is in production, fixed price payments are to be made to the Company equal to the lesser of US$400 per ounce and the spot price at the time of sale (subject to certain adjustments).

Under the terms of the agreements with Franco-Nevada, the unpaid amount of the Deposit will remain refundable until it is reduced to nil. The Deposit will be reduced by an amount equal to the difference between the spot price of gold and the US$400 per ounce fixed price, multiplied by the total ounces of gold delivered to Franco-Nevada. If, at the end of the initial 40–year term of the arrangement, the Deposit has not been reduced to nil, the Company is to refund the outstanding portion of the Deposit to Franco-Nevada.

22. 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 2010	December 31 2009	December 31 2008
Acquisition of assets under capital lease	$ 12,923	$ 765	$ 17,484
Conversion of convertible debenture (note 14(b))	–	–	21,318
Decrease 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
Shares issued for finders fee	–	–	360
Shares issued for the purchase of royalty interest (note 16(b))	7,813	–	–
Shares issued for donation	928	–	–
Fair value of stock options transferred to share capital from contributed surplus on exercise of options	2,599	2,108	514
Supplemental cash flow information			
Cash paid during the year for			
Interest	$ 2,696	$ 4,461	$ 2,844
Taxes	$ 1,911	$ 98	$ 315

23. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Taseko 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"). Had the Company followed US GAAP, certain items on the consolidated statements of operations and comprehensive income (loss) and balance sheets would have been reported as follows:

Consolidated Statements of Operations and Comprehensive Income (Loss)	Year ended December 31 2010	Year ended December 31 2009	15 months ended December 31 2008
Earnings for the period under Canadian GAAP	$ 148,598	$ 10,561	$ 3,510
Adjustments under US GAAP			
Interest accretion on convertible debt (a)	–	(898)	2,938
Amortization of deferred financing costs (a)	–	(312)	(580)
Foreign exchange gain (loss) on convertible debt (a)	–	2,977	(363)
Reduction of gain on convertible bond repurchase (a)	–	(3,707)	–
Adjustment to gain recognized on Joint Venture (b)	285,342	–	–
Adjustment to future income taxes related to gain (b)	(71,336)	–	–
Additional depreciation and depletion (b)	(6,006)	–	–
Tax effect of additional depreciation (b)	1,502	–	–
Earnings for the period under US GAAP	$ 358,100	$ 8,621	$ 5,505
Other comprehensive income (loss) under Canadian and US GAAP – no differences	$ 1,673	$ 11,256	$ (9,018)
Total comprehensive income (loss) under US GAAP	$ 359,773	$ 19,877	$ (3,513)
Earnings per share			
Earnings per share for the period under US GAAP	$ 1.92	$ 0.05	$ 0.04
Diluted earnings per share for the period under US GAAP	$ 1.76	$ 0.05	$ 0.04
Weighted average number of common shares outstanding (in thousands)			
Basic	186,103	173,170	142,062
Diluted	203,006	180,835	156,928

Consolidated Balance Sheets	As at December 31 2010	As at December 31 2009
Total assets under Canadian GAAP	$ 687,612	$ 535,095
Adjustments under US GAAP		
Fair value adjustment to mineral property interests, plant and equipment, net of depreciation (b)	279,336	–
Total assets under US GAAP	$ 966,948	$ 535,095
Total liabilities under Canadian GAAP	$ 217,661	$ 238,402
Adjustments under US GAAP		
Additional future income tax liabilities recognized (b)	69,834	–
Total liabilities under US GAAP	$ 287,495	$ 238,402
Total shareholders' equity under Canadian GAAP	$ 469,951	$ 296,693
Adjustments under US GAAP		
Fair value adjustment to mineral property interests, plant and equipment, net of depreciation and income taxes.	209,502	–
Total shareholders' equity under US GAAP	$ 679,453	$ 296,693

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 19 of the consolidated financial statements required the bifurcation of its equity and debt components whereas under US GAAP, there was no requirement to bifurcate the instrument. Therefore, under US GAAP, all of the value was 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 was charged to operations. Under US GAAP, no such accretion was required.

Under US GAAP, effective on January 1, 2009 (“Effective Date”), a convertible instrument’s underlying unit (“conversion feature”) is not considered to be indexed to the Company’s own shares if it is denominated in a currency other than the Company’s functional currency. If the conversion feature is considered not to be indexed to the Company’s shares, it must be separated from the host contract and accounted for as a derivative instrument under the new guidance.

Since the US$30,000 Convertible Bond’s (the “Bonds”) (note 19(a)) conversion share price was stated in US dollars and the Company’s functional currency is the Canadian dollar, the Company separated and accounted for the conversion feature as a separate derivative instrument to comply with the new guidance.

As a result, the Company has determined the value of the derivative liability related to the conversion feature and the revised value of the debt under US GAAP as at the Effective Date. The guidance requires retrospective application without restatement. Therefore, a cumulative adjustment has been recorded to opening deficit to reflect the impact of the adoption of this guidance on prior period earnings. The amounts recognized in the consolidated balance sheet under US GAAP are determined based on the amounts that would have been recognized if the guidance had been applied from August 29, 2006, the original issuance date of the Bonds ("Issuance Date").

Accordingly, the following cumulative adjustments were recorded as at the Effective Date for US GAAP purposes:

- the fair value of the conversion feature in the amount of $21 was bifurcated from the Bonds and reflected as a derivative liability;
- a net $1,649 decrease to the Bonds to reflect the reduced carrying value of the Bonds under US GAAP; and
- a cumulative adjustment to reduce opening deficit by $1,628.

During the year ended December 31, 2009, all of the Bonds were repurchased or redeemed. Under Canadian GAAP, the Company allocated the consideration paid on the extinguishment of the Bonds to the liability and equity elements of the security based on their relative fair values at the date of the transaction. A gain of $1,630 which was attributed to the liability portion was recorded in the Company's statement of operations in 2009 as a result of the convertible bond redemptions. A gain of $2,169 which was attributed to the equity portion was recorded in contributed surplus in 2009 as a result of the convertible bond redemptions.

For US GAAP purposes in 2009, the Company reversed $3,707 of the total gain on settlement of the Bonds and the derivative liability related to the conversion feature. In addition, the Company recognized a foreign exchange gain of $2,977 on the repurchase of the Bonds under US GAAP.

In 2009, accretion expense of $1,260 (2008 – $2,938) and interest expense of $1,490 (2008 -$nil) was recorded under Canadian GAAP has been reversed for US GAAP purposes. This reversal was offset by the additional $3,648 (2008 -$nil) in accretion expense recognized during the year under US GAAP resulting in a net adjustment to interest accretion on convertible debt of $898 (2008 -$2,938).

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 $312 in 2009 was recorded for the year under US GAAP (2008 – $580).

(b) Gibraltar Joint Venture

During the year, the Company entered into a joint venture over the Gibraltar mine as disclosed in note 4 to the consolidated financial statements. Under US GAAP, the disposition of the controlling financial interest in the group of assets that comprises the net assets contributed to the joint venture are accounted for as a disposition at fair value in accordance with ASU 2010-02, *Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification.* Under this guidance, the Company's gain on disposition of its controlling financial interest is calculated as the difference between the fair value of the consideration received, including the fair value of the retained non-controlling 75% interest in the Gibraltar Joint Venture, and the carrying value of the net interest deemed to have been disposed on March 31, 2010. Accordingly, under US GAAP the full gain of $380,456 has been recognized on contribution to the Joint Venture resulting in a net increase of $285,342 to the gain recognized under Canadian GAAP of $95,114. The Company has recorded additional income taxes of $71,336 under US GAAP relating to the additional gain recognized under US GAAP. The allocation of the fair value resulted in an adjustment to the Company's 75% interest in mineral property interests, plant and equipment of $285,342 as at March 31, 2010.

Summarized information in respect of the Company's 75% interest in the Joint Venture that has been proportionately consolidated by the Company is included in note 4 to the consolidated financial statements as at December 31, 2010 and year then ended, except that:

(i) the carrying value of the mineral property interest and total assets is increased by $279,336;

(ii) additional depreciation and depletion under US GAAP relating to the Company's 75% interest in the Joint Venture's mineral property interests, plant and equipment for the year ended December 31, 2010 is $6,006 offset by $1,502 in income tax recovery; and

(iii) included in the Company's statement of operations under US GAAP for the year ended December 31, 2010 are the Company's 75% interest in the Joint Venture's gross profit, net income and total comprehensive income of $85,312, $80,445 and $80,406 respectively.

There are no material differences between Canadian GAAP and US GAAP in respect of the Company's 75% interest in the Joint Venture's cash flows from operating activities, investing activities and financing activities.

(c) Current assets

Balance Sheets

For Canadian GAAP purposes, the Company combines all accounts receivables on the consolidated balance sheets. The form and content of financial statements as presented in Regulation S-X, Rule 5-02 requires segregation of current assets based on their nature and materiality. The information with respect to receivables as required by US GAAP at December 31, 2010 and December 31, 2009 is as follows:

	December 31, 2010	December 31, 2009
Trade receivables	$ 17,519	$ 10,802
GST/HST receivables	2,305	1,377
Other receivables	330	326
Total accounts receivable	$ 20,154	$ 12,505

Statements of Cash Flows

Cash flows from receivables are included in aggregate in the consolidated statement of cash flows as a component of changes in operating working capital. The detailed cash flows are as follows:

	2010	2009	2008
Decrease (increase) in trade receivables	$ (6,716)	$ (10,802)	$ 6,909
Decrease (increase) in GST/HST receivable	(928)	(218)	2,207
Decrease (increase) in other receivables	(5)	3,121	(1,701)
Total decrease (increase) in accounts receivable	$ (7,649)	$ (7,899)	$ 7,415

(d) Current Liabilities

Balance Sheets

For Canadian GAAP purposes, the Company combines accounts payable and accrued liabilities on the consolidated balance sheets. The form and content of financial statements as presented in Regulation S-X, Rule 5-02 requires segregation of payables and other current liabilities based on their nature and materiality. The information with respect to current payables and accrued current liabilities as required by US GAAP at December 31, 2010 and December 31, 2009 is as follows:

	December 31, 2010	December 31, 2009
Trade payables	$ 10,151	$ 5,008
Accrued liabilities	9,869	7,685
Payroll liabilities	2,819	2,034
Other payables	144	94
Total accounts payable and accrued liabilities	$ 22,983	$ 14,821

Statements of Cash Flows

Cash flows from accounts payables and accrued liabilities are included in aggregate in the consolidated statement of cash flows as a component of changes in operating working capital. The detailed cash flows are as follows:

	2010	2009	2008
Increase (decrease) in concentrate payable	$ -	$ (18,260)	$ 18,260
Increase (decrease) in trade payables	5,142	(10,420)	2,973
Increase (decrease) in accrued liabilities	2,184	(8,328)	(931)
Increase (decrease) in payroll liabilities	785	(1,262)	2,264
Increase (decrease) in other payables	51	54	37
Total increase (decrease) in accounts payable and accrued liabilities	$ 8,162	$ (38,216)	$ 22,603

(e) Shareholders' Equity

Regulation S-X, Rule 5-02 requires various details related to common shares be disclosed on the face of the balance sheet. This includes the title of issue and number of shares authorized, the par value of authorized shares, and the number of shares issued or outstanding. For Canadian GAAP purposes, the title of issue and number of shares authorized are disclosed in note 20 of the consolidated financial statements for the year ended December 31, 2010. The number of shares outstanding is reported in the consolidated statement of shareholders' equity.

(f) Significant Risks and Uncertainties

US GAAP requires the disclosure of concentrations of labour subject to collective bargaining agreements ("CBA"). All hourly employees at the Gibraltar Mine are members of the National Automobile, Aerospace, Transportation and General Workers Union of Canada (CAW-Canada), Local 3018 who are covered by a CBA and account for 77% of Gibraltar employees. On June 1, 2007, a new five-year collective agreement was ratified, replacing the previous three-year deal which expired May 31, 2008. In total, 73 % of Taseko's employees are subject to the CBA.

(g) Accounting for Uncertain Tax Positions and Reconciliations of Unrecognized Tax Benefits:

FASB ASC topic 740, Income Taxes (ASC 740) 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. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. In accordance with the provisions of ASC 740, any cumulative effect resulting from the change in accounting principle is to be recorded as an adjustment to the opening balance of deficit.

The Company has evaluated all uncertain tax positions and has determined that the unrecognized tax benefits at December 31, 2010 were $2,500 (2009 — $32,299). These unrecognized tax benefits, if recognized, would affect the Company's effective tax rate. The Company recognizes potential interest and penalties related to income tax matters as part of income taxes payable. As at December 31, 2010, the Company has accrued $7,540 (2009 — $8,137) for interest and penalties. Tax years ranging from 2006 to 2010 remain subject to examination in Canada.

Reconciliation of unrecognized tax benefit

	Year ended December 31, 2010	Year ended December 31, 2009
Unrecognized tax benefits, opening balance	$ 32,299	$ 30,685
Reclassifications within tax provision:		
Gross increases (decreases) — tax positions in prior period	158	(167)
Gross increases — tax positions in current period	264	1,781
Amounts derecognized during period	(30,221)	—
Unrecognized tax benefits, ending balance	$ 2,500	$ 32,299

(h) Share Purchase Option Plan

The Company has a share purchase option compensation plan (the "Plan") as described in note 20(c) to the consolidated financial statements for the year ended December 31, 2010.

Additional disclosures in respect of the aggregate intrinsic value of options required under US GAAP are as follows:

Aggregate intrinsic value as at	December 31, 2010	December 31, 2009	December 31, 2008
Closing balance of options outstanding at period end	$ 30,326	$ 31,774	$ —
Options exercisable at period end	$ 24,085	$ 17,818	$ —

The weighted average remaining contractual term of options exercisable at December 31, 2010 is 2.67 years (2009 – 2.71 years, 2008 – 2.88 years).

The weighted average grant date fair value of options granted during the year was $4.63 per option (2009 -$0.75, 2008 -$1.11) . The total intrinsic value of options exercised during the year was $10,442 (2009 -$2,438, 2008 - $670).

i) Unrecognized Stock Compensation

As of December 31, 2010, there was $2,013 of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements. The cost is expected to be recognized over a weighted average period of approximately 1.04 years.

ii) Stock Option Modification

On December 10, 2008, the Company granted 5,460,050 options to its employees, management, and service providers with an exercise price of $1.00, vesting over 3 years from the grant date and expiring over 3 to 5 years from the grant date. On December 11, 2008, the Company issued letters to directors, employees, and service providers requesting the cancellation of 5,902,500 stock options effective December 19, 2008. The options were cancelled to make room in the stock option plan for the annual grant for the directors of the Company.

The issuance and subsequent cancellation of stock options in December 2008 was treated as a modification for accounting purposes under both Canadian and US GAAP. This treatment resulted in the recognition of only the incremental fair value of the new grant over the fair value of the existing options at the date of cancellation in the amount of $462 during the year ended December 31, 2008. Further, the remaining grant-date fair value relating to the cancelled options in the amount of $893 continued to be recognized over the original vesting period during the year ended December 31, 2009.

(i) Recently Adopted US GAAP Accounting Pronouncements

(i) Measuring Fair Value of Liabilities

In August 2009, FASB issued a new standard related to measuring fair values of liabilities, which is effective prospectively in the Company's 2010 fiscal year. The new standard requires that the fair value of liabilities be measured under the assumption that the liability is transferred to a market participant. It provides further clarification that the fair value measurement of a liability should assume transfer to a market participant as of the measurement date without settlement with the counterparty. Therefore, the fair value of the liability shall reflect non-performance risk, including but not limited to a reporting entity's own credit risk.

The adoption of the new standard did not have a material effect on the Company's consolidated results of operations, cash flows or financial position.

(ii) Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities

In December 2008, FASB issued guidance for the purpose of improving the transparency of transfers of financial assets and an enterprise's involvement with variable interest entities ("VIEs"), including qualifying special-purpose entities ("QSPEs"). The impact on the Company's financial reporting requirements is limited to the new VIE disclosures.

These statements eliminate the concept of a qualifying special-purpose entity, establish new criteria for the consolidation of VIEs, and create more stringent conditions for the treatment of transfers of financial assets. The statements are significant for entities that have interests in potential VIEs or engage in transfers of financial assets.

Additional disclosure requirements are intended to assist financial statement users in understanding the significant judgments and assumptions made in determining whether a company must consolidate and/or disclose information about its involvement with a VIE.

The statements are effective for the Company's 2010 fiscal year, and for subsequent interim and annual reporting periods. The adoption of the new standard did not have a material effect on the Company's consolidated results of operations, cash flows or financial position since the Company has determined that it is not the primary beneficiary of certain variable interest entities in which the Company holds a variable interest. Therefore, it is not required to consolidate any of such entities.

(j) Future US GAAP Accounting Policy Changes

The Company has not identified any changes in US GAAP that may have a significant impact on the Company's future financial statements. With the transition to reporting under IFRS in 2011, new US GAAP pronouncements effective from 2011 onwards will not impact the 2011 financial statements for which the Company will prepare IFRS based financial statements.

Taseko Mines Limited

YEAR ENDED DECEMBER 31, 2010
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 years ended December 31, 2010, December 31, 2009, and the fifteen months ended December 31, 2008, prepared in accordance with Canadian generally accepted accounting principles, and publicly available on SEDAR at www.sedar.com.

This MD&A is prepared as of March 28, 2011. 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.**

Cash Cost of Production

This management discussion uses the term cash cost of production which is a non-GAAP measure intended to provide additional information to investors and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP (see 1.16.5). Cash cost of production is a common performance measure in the copper industry and includes direct cost of operations and related costs through to refined metal, excluding amortization.

Taseko's 75% (effective March 31, 2010) owned Gibraltar Mine is located north of the City of Williams Lake in south-central British Columbia. Sales and production volumes from the Gibraltar Mine (the "Gibraltar Joint Venture" or the "Joint Venture") reflected in this MD&A are on a 100% basis unless otherwise indicated.

1.2 Overview

Taseko is a mining and mine development company with one operating mine, two advanced stage projects and one exploration property, all located in British Columbia, Canada. These are the Gibraltar copper-molybdenum mine, the Prosperity gold-copper project, the Harmony gold project and the Aley niobium project.

During the year ended December 31, 2010, Taseko has continued to focus on completing capital upgrade projects in order to increase throughput and metal recovery at its Gibraltar mine and on advancing engineering, permitting and financing for the Prosperity project.

On March 31, 2010, the Gibraltar mine became a joint venture with Cariboo Copper Corp. ("Cariboo"). Taseko and Cariboo now hold 75% and 25% interests, respectively, in the mine and Taseko continues to be the operator.

Taseko had an operating profit of $125.5 million and earnings before tax and other items of $107.2 million for the year ended December 31, 2010, compared to an operating profit of $48.3 million and earnings before tax and other items of $27.0 million for the year ended December 31, 2009. Other items included a gain on the sale of the 25% interest in the Gibraltar mine (to the Joint Venture) in the amount of $95.1 million and an unrealized (non-cash) marked-to-market loss attributable to derivative instruments of $6.9 million.

Net earnings were $148.6 million or $0.80 per share for the year ended December 31, 2010 as compared to net earnings of $10.6 million or $0.06 per share for the year ended December 31, 2009. Net earnings for the year were higher than the prior year due to increases in Gibraltar's production capacity, the significant impact of increased sales volumes, as well as continued strength in the metals markets, resulting in much higher average prices realized in fiscal 2010. In addition, the gain realized on the sale of the 25% interest in the Gibraltar mine in the amount of $95.1 million contributed to the higher earnings.

During the year ended December 31, 2010, the Gibraltar mine produced 92.3 million pounds of copper and 941,000 pounds of molybdenum. Total cash costs for the year averaged US$1.70 per pound of copper produced.

In the quarter ended December 31, 2010, the Gibraltar mine produced 23.4 million pounds of copper and 276,000 lbs of molybdenum.

A number of major capital projects were undertaken during the year. These included the in-pit crusher and conveyor system, upgrades to the concentrate filter/dryer circuits and tailings handling system, and the Semi Autogenous Grinding (SAG) mill direct feed system that is scheduled to be commissioned in early 2011.

During the year, the Company prepaid its US$50 million credit facility with Credit Suisse and Investec Bank PLC without penalty. The Company also exercised its “call” option to redeem the Gibraltar Royalty Limited Partnership ("GRLP") royalty obligation through the issuance of 1,556,355 shares of the Company.

In 2011, the Company plans to move forward with a further expansion at Gibraltar. Gibraltar Development Plan 3 (GDP-3) will include construction of a 30,000 ton per day (“tpd”) concentrator to complement the existing 55,000 tpd facility, increasing annual production capacity to 180 million pounds of copper. A new molybdenum recovery facility is also planned to increase annual molybdenum production to more than two million pounds. The capital cost for infrastructure related to the increased production capacity is expected to be $235 million, with an additional mining equipment requirement of approximately $90 million.

Taseko has also submitted a new Project Description to the Federal Government to advance permitting for the Prosperity project. The Company also plans delineation drilling and engineering at the Aley Project.

1.2.1 Gibraltar Mine

The Gibraltar mine is located north of the City of Williams Lake in south-central British Columbia. The following sales and production volumes and prices are on a 100% basis.

Three-Month Sales

- Copper-in-concentrate sales for the three months ended December 31, 2010 were 32.7 million pounds compared to 16.2 million pounds sold during the three months ended December 31, 2009.
- There were 0.9 million pounds of copper cathode sold in the three months ended December 31, 2010 compared to 0.6 million pounds sold in the three months ended December 31, 2009.
- The average price realized for sales of copper during the three months ended December 31, 2010 was US$4.12 per pound, compared to US$3.10 per pound realized in the three months ended December 31, 2009. The realized price included adjustments on final invoices related to prior quarters.
- Molybdenum-in-concentrate sales for the three months ended December 31, 2010 were 261,000 pounds compared to 97,000 pounds sold in the three months ended December 31, 2009.
- The average price realized for sales of molybdenum for the three months ended December 31, 2010 was US$16.24 per pound, compared to US$12.01 per pound realized in the three months ended December 31, 2009.

Twelve-Month Sales

- Copper-in-concentrate sales increased to 84.8 million pounds for the year ended December 31, 2010 from the 65.9 million pounds sold during the year ended December 31, 2009.
- Copper cathode sales decreased in the year ended December 31, 2010 to 1.5 million pounds compared to 2.2 million pounds in the year ended December 31, 2009.
- The average price realized for sales of copper in the year ended December 31, 2010 was US$3.66 per pound, compared to US$2.31 per pound realized in the year ended December 31, 2009.
- Molybdenum-in-concentrate sales increased to 924,000 pounds in the year ended December 31, 2010 from 692,000 pounds sold in the year ended December 31, 2009.
- The average price realized for sales of molybdenum for the year ended December 31, 2010 was US$16.32 per pound, compared to US$11.02 per pound realized in the year ended December 31, 2009.

Year-end Inventory

- Copper-in-concentrate inventory at December 31, 2010 was 5.0 million pounds compared to 3.8 million pounds at December 31, 2009.
- Copper cathode inventory at December 31, 2010 was 0.5 million pounds compared to 0.1 million pounds at December 31, 2009.
- Molybdenum-in-concentrate inventory at December 31, 2010 was 33,000 pounds compared to 16,000 pounds at December 31, 2009.

Gibraltar Mine Production and Cost Performance

The following table is a summary of operating statistics (100%):

	Year ended December 31, 2010	Year ended December 31, 2009	Three months ended December 31, 2010	Three months ended December 31, 2009
Total tons mined (millions)[1]	52.3	34.9	15.6	11.3
Tons of ore milled (millions)	15.0	13.0	3.9	3.2
Stripping ratio	2.5	1.8	2.9	2.2
Copper grade (%)	0.338	0.319	0.333	0.319
Molybdenum grade (%)	0.012	0.011	0.012	0.010
Copper recovery (%)	89.2	82.3	89.1	84.1
Molybdenum recovery (%)	25.5	24.4	29.8	20.9
Copper production (millions lb) [2]	92.3	70.3	23.4	17.4
Molybdenum production (thousands lb)	941	629	276	113
Foreign exchange ($C/$US)	1.03	1.14	1.01	1.06
Copper production costs, net of by-product credits [3], per lb of copper	US$1.34	US$1.24	US$1.38	US$1.67
Off-property costs for transport, treatment & marketing per lb of copper	US$0.36	US$0.30	US$0.49	US$0.31
Total cash costs of production per lb of copper[4]	US$1.70	US$1.54	US$1.87	US$1.98

1 Total tons mined includes sulphide 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 By-product credit is calculated on actual period sales.
4 See Section 1.16.5.

Total tons mined in 2010 were higher than in 2009 in order to meet the increased processing capacity of the mill and to operate closer to the deposit average strip ratio based on continued strength in the price of copper. The Gibraltar concentrator continued to perform well on copper recovery while throughput steadily increased toward the targeted 55,000 tons per day level. Copper and molybdenum production levels have been increasing throughout the year, due to the completion of concentrator capital projects, increased mill throughput, and an increase in the copper head grade and recovery.

Total per pound cash costs of production for the year ended December 31, 2010 were higher than the same period 2009 as a result of increased stripping ratio (US$0.17), strengthening Canadian dollar against the US dollar (US$0.17), higher prices for fuel, reagents and grinding media (US$0.05), and increased off property transportation costs (US$ 0.06) for the year. These increased costs were partially offset by lower mining and milling costs realized from new equipment (US$0.23) and increased molybdenum by-product value (US$0.06) ..

Gibraltar Joint Venture

The Gibraltar mine became an unincorporated joint venture between Taseko and Cariboo (a Japanese consortium) on March 31, 2010. The Company and Cariboo hold 75% and 25% beneficial interests in the Joint Venture, respectively. Under the Joint Venture Agreement, the Company contributed certain assets and liabilities pertaining to the Gibraltar mine with a deemed fair value of $747 million to the Joint Venture at March 31, 2010, and Cariboo paid the Company US$187 million to obtain a 25% interest in the Joint Venture. The Company continues to be the operator of the Gibraltar mine.

The assets and liabilities contributed by the Company into the Joint Venture were primarily mineral property interests, plant and equipment, inventory, prepaid expenses, reclamation deposits, equipment loans, and capital lease obligations and the site closure and reclamation obligation.

The Company's 75% interest in the assets and liabilities of the Joint Venture as at December 31, 2010, are as follows:

($ in thousands)	**December 31, 2010**
Assets	
Current assets	$ 97,713
Advances for equipment	1,188
Reclamation deposits	22,977
Mineral property interests, plant and equipment, net	301,219
Liabilities	
Current liabilities	$ 29,538
Long-term liabilities	28,019
Site closure & reclamation obligation	8,178

Included within the Company's statement of operations and comprehensive income (loss) for the year ended December 31, 2010 is the Company's 75% interest in the operations of the Joint Venture for the period from March 31, 2010 (inception of the Joint Venture) to December 31, 2010 and its 100% interest in the Gibraltar mine for the period January 1, 2010 through March 31, 2010. The 75% interest is summarized as follows:

($ in thousands)	**From March 31, 2010 to December 31, 2010**
Revenues	$ 194,370
Operating expenses	97,461
Depreciation and depletion	7,092
Other expenses	4,867
Other comprehensive loss	39
Total comprehensive income	**$ 84,911**

Included within the cash flows of the Company for the year ended December 31, 2010 are the Company's 100% interest for the period in the Gibraltar mine for the period January 1, 2010 through March 31, 2010 and its 75% interest in the cash flows of the Joint Venture for the period from March 31, 2010 to December 31, 2010. This 75% interest is reflected as follows:

($ in thousands)	**From March 31, 2010 to December 31, 2010**
Operating activities	$ 93,103
Investing activities	(44,496)
Financing activities	8,270

Infrastructure and Mining Fleet Upgrades

The new in-pit 60-inch by 89-inch crusher and overland conveyor system was completed and commissioned mid-2010. The system is designed to reduce operating costs and improve mine productivity by replacing the original Gibraltar crusher and supplanting approximately three diesel-powered haulage trucks with an electrically driven overland conveyor belt.

Replacement of the single-line tailings system with a two-line system and substitution of the natural gas-fired concentrate dryer with a filter press was completed in 2010. This equipment reduces operating costs and provides a more stable operating platform, and will be able to manage increased volume as mill throughput increases.

Construction of the SAG direct feed system was started in the third quarter of 2010. The system is designed to improve mill availability, increase throughput and reduce costs by eliminating the complicated secondary crusher and fine ore feed system. The new direct feed system will also allow larger mill feed more appropriate for autogenous grinding than can be achieved with the current system. The direct feed system is scheduled to be commissioned during the second quarter of 2011.

The Gibraltar mine has continued to invest in the mining fleet during the year, purchasing four new 320 ton capacity haulage trucks all of which have been delivered to the mine. Two of the trucks were assembled and put into operation in October and the second two became operational in December. Also, the construction of a new Bucyrus 495 cable shovel was completed and the machine was commissioned in October 2010.

Copper production for the year ended December 31, 2010 (92.3 million pounds) was 31% higher than in 2009 (70.3 million pounds) as a result of the investments and operational improvements which have occurred at Gibraltar.

Labour

The number of active personnel at the site at the end of December 2010 was 455, compared to 377 personnel at the end of December 2009.

Mineral Reserves

The Gibraltar mine mineral reserves are based on the published reserves at December 31, 2008 and depleted for ore production from the Granite pit in 2009 and 2010.

The proven and probable reserves as of December 31, 2010 are tabulated in the table below and are NI 43-101 and SEC Guide 7 compliant.

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	163.4	0.323	0.009
	Probable	21.6	0.319	0.009
	Subtotal	**185.0**	**0.322**	**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		445.0	0.314	0.008

The mineral reserve estimations were completed by Taseko staff under the supervision of Scott Jones, P.Eng., Vice-President, Engineering and a Qualified Person under National Instrument 43-101.

1.2.2 Prosperity Project

Taseko holds a 100% interest in the Prosperity project, located 125 kilometers southwest of the City of Williams Lake. The property hosts a large porphyry gold-copper deposit amenable to open pit mining.

Mineral Reserves and Resources

During 2009, the Company announced the results of a review of the mineral reserves for the Prosperity project. The reserves (tabulated below) are based on a C$5.50 net smelter return (“NSR”) cut-off using gold and copper prices of US$650/oz and US$1.65/lb, respectively.

Prosperity Project Mineral Reserves at C$5.50 NSR/t cut-off							
Category	Tonnes (millions)	Grade		Recoverable Metal		Contained Metal	
		Au (g/t)	Cu (%)	Au (M oz)	Cu (B lb)	Au (M oz)	Cu (B lb)
Proven	481	0.46	0.26	5.0	2.4	7.1	2.8
Probable	350	0.35	0.18	2.7	1.2	3.9	1.4
Total	**831**	**0.41**	**0.23**	**7.7**	**3.6**	**11.0**	**4.2**

Note: Recoveries for Cu and Au are 87% and 69%, respectively.

There are additional estimated measured and indicated resources totaling 180 million tonnes grading 0.37 g/t gold and 0.32% copper, containing 2.1 million ounces of gold and 1.3 billion pounds of copper (assuming 100% recoveries). The mineral resource and reserve estimations were completed by Taseko staff under the supervision of Scott Jones, P.Eng., Vice-President, Engineering and a Qualified Person under National Instrument 43-101. A technical report has been filed on www.sedar.com.

Cautionary regarding differences in US and Canadian Criteria for Reserves

The mineralized material at the Prosperity project is currently classified as measured and indicated resources, and a portion of it qualifies under Canadian mining disclosure standards as proven and probable reserves. 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 and project financing would be required in order to classify the project's mineralized material as an economically exploitable reserve.

In early June, the British Columbia Provincial Government granted Taseko a long-term, renewable, 25-year mining lease for the Prosperity gold-copper project, providing the Company with mineral tenure security for the project.

Permitting

On January 14, 2010, the Company received the environmental assessment certificate for the Prosperity project from the British Columbia Provincial Ministry of Environment. The Provincial Mines Act permit application was submitted to the Ministry of Energy, Mines, and Petroleum Resources in June 2010 but was put in abeyance following the November Federal decision as discussed below.

The Canadian Environmental Assessment process, in which public hearings were conducted by a three-person panel ("Federal Panel") operating under defined Terms of Reference, concluded on May 3, 2010. The Federal Panel submitted its findings to the Federal Minister of Environment on July 2, 2010.

Taseko was advised on November 2, 2010, that the Government of Canada would not proceed with permitting on the Prosperity project as proposed. The Company has reviewed and revised its plan and has put forth a new design proposal, which adds construction costs and life of mine operating expenditures of approximately $300 million to the original design. The new plan addresses the concerns identified during the Federal Review process and on February 21, 2011 the Company submitted the new Project Description for the Prosperity gold-copper project to the Government of Canada.

Gold Stream Agreement

In May 2010, the Company entered into a gold stream transaction with Franco-Nevada Corporation ("Franco-Nevada"), under which Franco-Nevada will purchase gold equal to 22% of the life of mine gold produced at the project. Staged cash deposits aggregating US$350 million will be paid during mine construction, and two million Franco-Nevada warrants will be issued on the date of the first advance of the cash payment. For each ounce of gold delivered to Franco-Nevada, Taseko will receive a further cash payment of US$400/oz (subject to an inflationary adjustment) or the prevailing market price, if lower. The deposit will be credited with the difference between US$400/oz and the market price of gold for each ounce delivered until the deposit is fully credited.

Each warrant is exercisable to purchase one Franco-Nevada common share at a price of $75.00 until June 16, 2017 and will be listed under the same terms as the warrants listed on TSX under the symbol FNV.WT.A.

The conditions to funding the gold stream include obtaining full financing of the project, receipt of all material permits to construct and operate Prosperity, and securing marketing arrangements for the majority of the concentrate.

1.2.3 Harmony Project

Taseko holds 100% of the Harmony gold project, located on the Queen Charlotte Island -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. Taseko is considering initiating a pre-feasibility level study of Harmony during 2011 to further evaluate the project.

1.2.4 Aley Project

Taseko holds 100% of the Aley niobium project in northern British Columbia. The Company completed a significant exploration drilling program during the year.

The 2010 exploration program comprised geological mapping and diamond drilling of 23 drill holes, for a total of 4,460 metres. These holes intersected excellent grade niobium mineralization across an area measuring over 900 metres east-west and 350 metres north-south, and drill intercepts range to over 200 metres in length. The niobium mineralization begins close to surface, is highly continuous and is open to expansion in at least three directions and to depth. Examples of key intercepts include 0.52% Nb_2O_3 over 153.1 metres beginning at 45.1 metres depth in hole 030 and 0.82% Nb_2O_3 over 141.7 metres beginning 4.6 metres depth in hole 023. Please see the Company's press release dated January 10, 2011 and our website for futher information on the 2010 core drilling program.

Plans are to accelerate work on the project in 2011, with a comprehensive work program including improved road access, exploration and geotechnical drilling, metallurgical testwork and environmental baseline studies. Management believes that there is a strong market for niobium in steel production and an excellent opportunity for development, if the deposit is confirmed.

1.2.5 Market Trends

Copper prices had an overall upward trend between late 2003 and mid-2008, followed by an unprecedented 70% drop in prices over the final six months of 2008 as a result of uncertainty in global financial markets. The average copper price in 2008 was US$3.15/lb. Prices stabilized in January 2009 and have been on an upward trend since. The average copper price in 2010 and 2009 was US$3.42/lb and $2.34/lb respectively. Price strength has continued into 2011 averaging US$4.38/lb up to the date of this report.

Gold prices were volatile in late 2008, dropping below US$800/oz for a two-week period in September, and again from mid-October through November. The average gold price for 2008 was US$871/oz and US$974/oz in 2009. The average price in 2010 was US$1,226/oz., and the average price in 2011 to the date of this report was US $1,386/oz.

Molybdenum prices increased from US$7.60/lb in 2003 to peak at about US$34.00/lb in 2005. Prices averaged US$25.53/lb in 2006 and US$30.47/lb in 2007. Molybdenum prices dropped significantly in late 2008, but averaged US$28.98/lb during 2008 based on strength earlier in the year. Molybdenum prices continued to drop in 2009 to about US$8.00/lb in early May, but improved after that and averaged US$11.28/lb for the year. The average price of molybdenum was US$15.90/lb for 2010, and US$17.17/lb for 2011 through to the date of this report.

The Company sells its products in United States dollars but its expenses are denominated primarily in Canadian dollars. The twelve-month average to December 31, 2010 for one United States dollar was 1.03 Canadian dollars. At December 31, 2010, one United States dollar was equivalent to 0.9946 Canadian dollars. Current forecasts anticipate continued strengthening in the Canadian dollar.

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.

	As at December 31		
Balance Sheets	**2010**	**2009**	**2008**
Current assets	$ 281,300	$ 92,316	$ 41,283
Mineral properties	27,737	32,631	32,610
Plant and equipment	283,024	305,205	292,390
Other assets	95,551	104,943	111,962
Total assets	$ 687,612	$ 535,095	$ 478,245
Current liabilities	66,636	$ 75,179	$ 112,053
Other liabilities	151,025	163,223	131,285
Shareholders' equity	469,951	296,693	234,907
Total liabilities & shareholders' equity	$ 687,612	$ 535,095	$ 478,245

	Year ended December 31	Year ended December 31	Fifteen months ended December 31
Statements of Operations	**2010**	**2009**	**2008**
Revenue	$ 278,460	$ 188,902	$ 231,678
Cost of sales	142,674	132,434	196,261
Depletion, depreciation and amortization	10,336	8,150	7,363
Operating profit	125,450	48,318	28,054
Accretion of reclamation obligation	860	968	1,451
Asset retirement obligation change of estimates	–	–	(6,917)
Change in fair market value of financial instruments	(319)	–	886
Exploration	10,090	3,407	11,864
Foreign exchange loss (gain)	2,650	(8,800)	4,032
Gain on convertible bond repurchase	–	(1,630)	–
General and administration	13,853	8,382	11,896
Interest accretion on convertible debt	–	1,260	2,938
Interest and other income	(18,275)	(7,402)	(9,701)
Interest expense	4,542	8,265	8,284
Gain on sale of marketable securities	(4,087)	(188)	(1,034)
Loss on prepayment of credit facility	834	–	–
Premium paid on the redemption of royalty obligation	1,302	–	–
Realized loss (gain) on derivative instruments	(3,575)	11,330	–
Stock-based compensation	10,409	5,696	6,442
Earnings (loss) before other items	$ 107,166	$ 27,030	$ (2,087)
Other items:			
Gain on contribution to the Joint Venture	95,114	–	–
Unrealized loss on derivative instruments	(6,898)	(15,775)	–
Earnings before income taxes:	195,382	11,255	$ (2,087)
Current income tax expense (recovery)	4,106	669	(2,151)
Future income tax expense (recovery)	42,678	25	(3,446)
Earnings for the year	$ 148,598	$ 10,561	$ 3,510
Other comprehensive income (loss):			
Unrealized gain (loss) on reclamation deposits	(118)	(1,040)	1,859
Unrealized gain (loss) on marketable securities/investments	6,117	14,263	(11,295)
Reclassification of realized gain on sale of marketable securities	(4,087)	(188)	(1,152)
Tax effect	(239)	(1,779)	1,570
Other comprehensive income (loss)	$ 1,673	$ 11,256	$ (9,018)
Total comprehensive income (loss)	$ 150,271	$ 21,817	$ (5,508)
Basic earnings per share	$ 0.80	$ 0.06	$ 0.02
Diluted earnings per share	$ 0.73	$ 0.06	$ 0.02
Basic weighted average number of common shares outstanding	186,103	173,170	142,062
Diluted weighted average number of common shares outstanding	203,006	180,835	156,928

1.4 Summary of Quarterly Results

The consolidated financial results reported for the periods ending December 31, September 30 , June 30, and March 31, 2010 reflect the Company's 75% interest in the new Joint Venture, which includes the results of operations since April 1, 2010.

Expressed in thousands of Canadian dollars, except per-share amounts.

	Dec 31 2010	Sept 30 2010	Jun 30 2010	Mar 31 2010	Dec 31 2009	Sept 30 2009	June 30 2009	Mar 31 2009
Current assets	281,300	262,581	238,691	249,118	92,316	90,209	75,950	58,357
Mineral properties	27,737	27,588	26.628	26,566	32,631	32,617	32,617	32,619
Plant and equipment	283,024	263,544	235,535	233,672	305,205	303,434	301,891	295,094
Other assets	95,551	96,190	99,851	96,641	104,943	107,686	107,707	112,321
Total assets	**687,612**	**649,903**	**600,705**	**605,997**	**535,095**	**533,946**	**518,165**	**498,391**
Current liabilities	66,636	80,998	53,621	78,468	75,179	58,949	61,503	91,195
Other liabilities	151,025	128,626	112,362	139,077	163,223	183,856	165,341	166,596
Shareholders' equity	469,951	440,279	434,722	388,452	296,693	291,141	291,321	240,600
Total liabilities and shareholders' equity	**687,612**	**649,903**	**600,705**	**605,997**	**535,095**	**533,946**	**518,165**	**498,391**
Revenue	108,959	37,540	56,453	75,508	55,966	40,132	52,632	40,172
Mine site operating costs	38,116	14,743	30,488	31,559	32,160	24,528	26,203	25,454
Transportation and treatment	8,716	4,115	6,678	8,259	5,724	4,554	7,609	6,202
Amortization	4,637	1,217	1,902	2,580	2,421	1,677	2,142	1,910
Operating profit	**57,490**	**17,465**	**17,385**	**33,110**	**15,661**	**9,373**	**16,678**	**6,606**
Expenses:								
Accretion of reclamation obligation	205	202	197	256	250	245	239	234
Change in fair value of financial instruments	(319)	-	-	-	-	-	-	-
Exploration	3,971	3,619	1,519	981	1,519	805	549	534
Foreign exchange loss (gain)	4,042	1,972	(2,774)	(590)	(681)	(3,108)	(7,941)	2,930
General and administration	4,659	3,139	3,270	2,785	2,197	1,752	2,104	2,329
Interest and other income	(3,117)	(2,917)	(10,611)	(1,630)	(1,702)	(1,529)	(1,987)	(2,184)
Interest expense and accretion charges	1,058	652	731	2,101	1,935	2,041	2,765	2,784
Gain on convertible bond repurchase	-	-	-	-	-	(948)	(682)	-
Loss (gain) on sale of marketable securities	-	(2,973)	(765)	(349)	(1,004)	816	-	-
Loss on prepayment of credit facility	-	-	-	834	-	-	-	-
Premium paid on redemption of royalty obligation	-	-	-	1,302	-	-	-	-
Realized loss (gain) on derivative instrument	(15,117)	-	3,881	7,661	7,762	3,568	-	-
Stock-based compensation	2,669	1,176	1,110	5,454	2,385	1,073	1,581	657
	(1,949)	4,870	(3,442)	18,805	12,661	4,715	(3,372)	7,284
Earnings (loss) before other items	59,439	12,595	20,827	14,305	3,000	4,658	20,050	(678)
Other Items:								
Gain (loss) on contribution to the joint venture	1,095	(3,363)	-	97,382	-	-	-	-
Unrealized gain (loss) on derivative instruments	(18,284)	(5,015)	8,910	7,491	(4,237)	(8,829)	(2,709)	-
Earnings (loss) before income taxes	42,250	4,217	29,737	119,178	(1,237)	(4,171)	17,341	(678)
Income tax expense (recovery)	16,919	2,839	(15,703)	42,729	766	(1,822)	5,936	(4,186)
Earnings (loss) for the period	**25,331**	**1,378**	**45,440**	**76,449**	**(2,003)**	**(2,349)**	**11,405**	**3,508**
Earnings (loss) per share – basic	0.14	0.01	0.24	0.42	(0.01)	(0.01)	0.07	0.02
Earnings (loss) per share –diluted	0.12	0.01	0.24	0.40	(0.01)	(0.01)	0.06	0.02

1.5 Results of Operations

The results of operations reported for the year ended December 31, 2010 reflect the Company's 75% interest in the new Joint Venture from the inception date of March 31, 2010 and 100% for the period January 1, 2010 through March 31, 2010. Sales and production volumes reflected below are on a 100% basis unless otherwise indicated.

This management discussion and analysis compares the years ended December 31, 2010 ("2010") and the year ended December 31, 2009 ("2009").

During 2010, Taseko generated operating profit of $125.5 million compared to $48.3 million during 2009 and earnings before tax and other items of $107.2 million for 2010, compared to earnings before tax and other items of $27.0 million for 2009. Other items included a gain on the sale of the 25% interest in the Gibraltar mine in the amount of $95.1 million and an unrealized (non-cash) marked-to-market loss attributable to derivative instruments of $6.9 million (2009 - $15.8 million).

During 2010, Taseko generated cash inflow from continuing operating activities of $89.8 million as compared to an outflow of $26.8 million for 2009. The increase in cash inflows from operating activities in 2010 resulted from the significant increase in sales over 2009, and the higher average realized prices. The Company's revenues are $278.5 million in 2010, compared to $188.9 million in 2009, consisting of copper concentrate sales of $258.9 million (2009 – $172.5 million), molybdenum concentrate sales of $12.7 million (2009 – $8.8 million), silver concentrate sales of $2.9 million (2009 – $2.0 million), and copper cathode sales of $4.0 million (2009 – $5.6 million). The increase in revenue was the result of higher copper shipments in 2010 mainly due to increased production at Gibraltar, as well as a higher average realized copper price. For 2010, 86.3 million pounds of copper (concentrate and cathode) were sold compared to 68.1 million pounds of copper (concentrate and cathode) for 2009. The average price per pound of copper sold increased to US$3.66 per pound for 2010, up from US$2.31 per pound for 2009. Molybdenum sales increased to 0.9 million pounds for 2010 from 0.7 million pounds for 2009 mainly due to the higher molybdenum recovery levels seen over 2009. The average price per pound of molybdenum sold increased to US$16.32 per pound for 2010, up from US$11.02 per pound for 2009.

Cost of sales for 2010 was $142.7 million, compared to $132.4 million for 2009. Cost of sales for 2010 consists of total production cost of $118.4 million (2009 – $109.6 million), an inventory adjustment of $3.5 million (2009 – $1.3 million), and transportation and treatment costs of $27.8 million (2009 – $24.1 million). Cost of sales was higher during 2010 mostly due to increased production levels, increases in the labour force, increases in input costs and an increased strip ratio.

Amortization expense for 2010 was $10.3 million compared to $8.2 million in 2009. The increase was the result of the capital equipment additions as well as the utilization of several new pieces of equipment related to the concentrator expansion and higher production volumes.

Exploration expenses increased to $10.1 million in 2010 compared to $3.4 million in 2009, due to an increased level of activity at the Company's Prosperity project. Higher costs relating to the work carried out on the environmental assessment review, some preliminary detailed engineering work, and the permitting process (see Section 1.2.2) . An exploration drill program was also carried out on the Aley project. Exploration expenses of $1.6 million (2009 – $0.05 million) at Gibraltar were capitalized.

General and administrative ("G&A") costs increased to $13.9 million in 2010 from $8.4 million in 2009, mainly due to higher staffing levels and support costs associated with the planned growth within the Company. Costs were incurred relating to the expansion of the Williams Lake office, and an increase in the staffing levels related to Prosperity and the Gibraltar mill expansion during the comparative period.

Stock-based compensation was $10.4 million in 2010 compared to $5.7 million in 2009. The increase is mainly due to the newly granted options in 2010, combined with the compensation expense of options granted in prior years.

Interest and other income increased to $18.3 million as compared to $7.4 million in 2009. The increase was primarily due to an interest expense recovery of $8.1 million that occurred mid-way through the year, as a result of the reversal of a provision for tax liabilities, as well as higher levels of interest earned on deposits held with Canadian banks. Interest expense decreased to $4.5 million in 2010 compared to $8.3 million in 2009 mainly due to the redemption of the Company's convertible bonds during 2009 and repayment of the credit facility at the end of the first quarter of 2010. The Company recorded a foreign exchange loss of $2.6 million for 2010 compared to a gain of $8.8 million in 2009. The loss was primarily due to the strengthening of the Canadian dollar and the revaluation of the US-dollar receivables at December 31, 2010.

The Company recorded a realized gain of $3.6 million (2009 – loss $11.3 million) and an unrealized loss of $6.9 million (2009 – $15.8 million) on derivative instruments as a result of the decrease in fair value of the producer call and put option contracts which settled during 2010, and the fair valuation of the contracts outstanding at December 31, 2010.

Current income tax expense of $4.1 million (2009 – $0.7 million) and future income taxes expense of $42.7 million (2009 – $0.03 million) were recorded for the year ended December 31, 2010.

1.6 Liquidity

At December 31, 2010, the Company had cash and equivalents of $211.8 million, as compared to $35.1 million at December 31, 2009. In addition, the Company had working capital of $214.7 million, as compared to working capital of $17.1 million at December 31, 2009. The increase in working capital was primarily a result of the proceeds from the sale of the 25% interest in the Gibraltar mine to Cariboo.

Management anticipates that sales from copper and molybdenum concentrate and copper cathode, along with the various financing activities disclosed in Section 1.7 Capital Resources, and cash management strategies will be sufficient to fund current operations and satisfy obligations as they come due. Management continuously monitors all commitments and planned expenditures necessary to maintain operational and capital spending objectives.

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 held in business bank accounts with a major Canadian financial institution and are available on demand for the Company's programs.

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

As at December 31, 2010	Contractual Obligations	2011	2012	2013	Over 3-5 years
Accounts payable and accrued liabilities	$ 22,983	$ 22,983	$ –	$ –	$ –
Amounts due to a related party	154	154	–	–	–
Capital lease obligations	20,313	5,354	5,394	4,511	5,054
Long-term equipment loan	18,020	4,961	6,828	3,672	2,559
Total liabilities	$ 61,470	$ 33,452	$ 12,222	$ 8,183	$ 7,613

The Company also has purchase orders in the normal course of operations for capital equipment. 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 the consolidated financial statements for the year ended December 31, 2010, the Company has no other material commitments for capital expenditures, long-term debt, capital lease obligations, operating leases or any other long-term obligations.

1.7 Capital Resources

The Company's primary sources of liquidity and capital resources are its cash flow provided from operations as well as equity and debt financings.

Debt Financings

In February 2009, the Company entered into and drew down a US$30 million 36-month term facility agreement (the "Facility") with Credit Suisse. During the prior year, the Company and Credit Suisse, as Facility Agent, and Investec Bank plc amended the Facility to increase the existing Facility by an additional US$20 million and the Company drew these additional funds. Under the amended facility agreement, the US$50 million Facility was repayable commencing April 2010 and every second month thereafter in equal installments of US$4.2 million until February 2012. The Facility interest rate was LIBOR plus 5 percent and was due and payable bi-monthly. The long-term credit facility security provided under the terms of the relevant agreement included certain equipment of the Gibraltar mine, a general security pledge, and the treatment and refining off-take agreement in addition to a corporate guarantee.

In Q1 2010, the Company prepaid the Facility without penalty. A loss of $0.8 million was recorded in net earnings as a result of the prepayment of the Facility and the requirement to simultaneously expense deferred financing costs.

During the year, the Company entered into a 5-year capital lease agreement to finance the purchase of four haul trucks for the Gibraltar mine for a total amount of $17.2 million (75% - $12.9 million). The terms of the lease require monthly installments of approximately $0.3 million (75% - $0.2 million) beginning in October 2010 and ending in August, 2015, at an annual interest rate of 5.99% . The Company guaranteed this financing.

Also during the year, the Company entered into a new 48-month term equipment loan to finance the purchase of a new shovel for the Gibraltar mine in the amount of $18.8 million (75% - $14.1 million). The loan is secured by the underlying shovel at the Gibraltar mine. The loan is repayable in monthly installments of approximately $0.4 million (75% - $0.3 million) beginning in September 2010 through to August 2014. The loan bears a fixed interest rate of 5.349% and is guaranteed by the Company and Cariboo.

Equity Financings

During 2010, the Company obtained a receipt in respect of the final short-form base shelf prospectus from regulatory authorities. The shelf registration will, subject to securities regulatory requirements, allow the Company to make offerings of common shares, warrants, subscription receipts, debt securities, or any combination of such securities up to an aggregate offering price of $300 million during the 25 month period that the final short-form base shelf prospectus, including any amendments thereto, remains effective.

The Company also entered into an At the Market Issuance Agreement, with a third party, under which the Company may, at its discretion, from time to time sell up to a maximum of 18.6 million of its common shares through "at-the-market" ("ATM") issuance. The third party will act as sales agent for any sales made under the ATM. The common shares will be sold at market prices prevailing at the time of a sale. The Company is not required to sell any of the reserved shares at any time during the term of the ATM, which extends until November 1, 2012, and there are no fees for having established the arrangement. The ATM Issuance Agreement does not prohibit the Company from conducting other financings. Subsequent to year-end the Company issued 1.0 million common shares under the ATM agreement for gross proceeds of $6.0 million.

Other Financings

During 2009, the Company entered into an agreement with an unrelated investment partnership, Gibraltar Royalty Limited Partnership ("GRLP") whereby Gibraltar sold to GRLP a royalty for $6.5 million. Annual royalties were payable by Gibraltar to GRLP at rates ranging from $0.003/lb to $0.004/lb of copper produced during the period from September 1, 2009 to December 31, 2030. These royalty payments were to be recognized as an expense during the period.

The Company classified the principal balance of the royalty obligation as a financial liability to be settled in a future period. The Company had a pre-emptive option to repurchase ("call") the royalty obligation by acquiring the GRLP partnership units after March 1, 2010 to December 31, 2012 in consideration of a

payment equal to the funds received by the Company plus a 20% premium payable in the Company's shares or cash. GRLP also had a right to sell ("put") its GRLP partnership units to the Company at fair value after April 1, 2010 to December 31, 2012. However, this "put" right was subject to the Company's pre-emptive right to exercise the "call" in advance of any "put" being exercised and completed.

In Q1 2010, the Company exercised its "call" option through the issuance of 1,556,355 shares of the Company and recognized an expense of $1.3 million related to a premium on early redemption.

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 which is owned equally by several public companies, one of which was Taseko. During Q1 2010, the Company sold its interest in HDSI for nominal value. 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. On July 2, 2010, the HDSI services agreement was modified and services are now provided based on annually set hourly rates.

Costs for services rendered and costs incurred on behalf of the Company by HDSI during the year ended December 31, 2010 were $3.0 million, as compared to $2.7 million in 2009.

Under the terms of the Joint Venture Operating Agreement, the Joint Venture pays a management fee to the Company for services rendered by the Company to the Joint Venture as operator of the Gibraltar mine. Since the inception of the Gibraltar Joint Venture, the Company has earned $2.6 million in management fees of which 25% in the amount $0.6 million (2009 – nil) was recorded in the Company's accounts as other income.

1.10 Fourth Quarter

For the three months ended December 31, 2010 ("Q4 2010"), Taseko generated operating profit of $57.5 million compared to $15.7 million during the three months ended December 31, 2009 ("Q4 2009").

Other items in Q4 2010 include an adjustment of $1.1 million to the gain realized on the sale of the 25% interest in the Gibraltar mine and an unrealized (non-cash) mark-to-market loss attributable to derivative instruments related to the copper hedging program in the amount of $18.3 million (Q4 2009 - $4.2 million).

The Company recognized revenues of $109.0 million in Q4 2010, compared to $56.0 million in Q4 2009.

Revenues in Q4 2010 consisted of copper concentrate sales of $102.0 million compared to $52.9 million for Q4 2009. Molybdenum concentrate sales were $3.2 million in the Q4 2010 compared to $0.7 million

for Q4 2009. Silver concentrate sales were $1.3 million for Q4 2010 compared to $0.6 million for Q4 2009 and copper cathode sales were $2.5 million for Q4 2010 compared to $1.8 million for Q4 2009.

Cost of production for Q4 2010 was $38.1 million, compared to $32.2 million in Q4 2009. Cost of production consists of total production cost for Q4 2010 of $29.1 million (Q4 2009 – $31.9 million), plus concentrate inventory adjustment of $8.9 million (Q4 2009 – $0.3 million). Transportation and treatment costs for Q4 2010 amounted to $8.7 million (Q4 2009 – $5.7 million).

Amortization expense of $4.6 million for Q4 2010 was higher compared to $2.4 million in Q4 2009 due to the utilization of new equipment. Mining and milling assets are amortized using the units of production method based on tons mined and milled during the period.

Exploration expenses for Q4 2010 increased to $4.0 million, compared to $1.5 million in Q4 2009, mostly due to some preliminary detailed engineering and permitting work relating to the Prosperity project, as well as an exploration drill program carried out on the Aley project in the latter part of 2010.

General and administrative (“G&A”) expense for Q4 2010 was $4.7 million, compared to $2.2 million in Q4 2009, the increase due to the higher staffing levels and support costs resulting from planned growth within the Company.

Stock-based compensation expense for Q4 2010 was $2.7 million, compared to an expense of $2.4 million in Q4 2009, for options granted in 2010 as well as prior periods.

Interest and other income for Q4 2010 was $2.9 million, compared to $1.7 million in Q4 2009. The increase is mainly due to higher interest earned on the cash balances and income relating to the Joint Venture management fees.

Interest expense and accretion for Q4 2010 was $1.1 million, compared to $1.9 million in Q4 2009, the decrease mostly due to the repayment of the Credit Suisse Term Facility in the first quarter of 2010.

The Company recorded a foreign exchange loss for Q4 2010 of $4.0 million, compared to a gain of $0.7 million in Q4 2009. The Company sales are denominated in US dollars and are therefore impacted by the strengthening of the Canadian dollar and the revaluation of the US receivables at period close. The loss for Q4 2010 was primarily due to the revaluation of the Company’s US bank balances of $3.5 million and the loss due to the revaluation of the US dollar receivables of $0.5 million at December 31, 2010.

The Company recorded a realized gain of $15.1 million, compared to a loss of $7.8 million in Q4 2009, and an unrealized loss of $18.3 million (Q4 2009 – $4.2 million) during Q4 2010 as a result of the decrease in the fair value of the outstanding derivative contracts at December 31, 2010 and the reclassification between realized and unrealized gains and losses for the contracts that settled during the 2010 fiscal year.

1.11 Proposed Transactions

Franco-Nevada Gold Stream Transaction

During the year, the Company announced it had entered into an arrangement (the “Arrangement”) with Franco-Nevada Corporation (“Franco-Nevada”) to sell 22% of the gold to be produced from the Prosperity project.

The conditions to funding the gold stream include obtaining full financing of the project, receipt of all material permits to construct and operate Prosperity and securing marketing arrangements for the majority of the concentrate.

Gibraltar Tracking Preferred Shares

In October 2001, the Company and its subsidiary Gibraltar Mines Ltd. ("Gibraltar") completed the acquisition of the Harmony Gold Property (“Harmony”) and related assets from Continental Minerals Corporation (“Continental”), for 12,483,916 series "A" non-voting tracking preferred shares of Gibraltar and $2.2 million cash. The tracking preferred shares were recorded at $26.6 million, being their then fair value, and are designed to track and capture the value of Harmony and will be redeemed for common shares of Taseko upon a realization event, such as a sale of Harmony to a third party or commercial production at the Harmony 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. The initial paid-up amount for the Gibraltar preferred shares is $62.8 million, subject to reduction prior to redemption for certain stated events.

On the occurrence of a realization event (as mentioned above), Gibraltar must redeem the Gibraltar preferred shares by distributing that number of Taseko common shares equal to the paid-up amount (as adjusted) divided by a deemed price per Taseko common share, which will vary dependent on the timing of such realization event. 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 $5.64 (as of December 31, 2010).

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.

If an unrelated third party’s acquisition of Continental (the “Acquisition”) announced September 17, 2010 proceeds, it is planned, subject to ongoing negotiations with Continental, that the redemption of the tracking preferred shares for Taseko common shares be accelerated to occur just before closing of the Acquisition.

On December 20, 2010, Continental announced that it had signed a formal “Arrangement Agreement” to implement the proposed acquisition plan announced in September, through a process which will be subject to the terms and conditions of the Arrangement Agreement. Completion of the Arrangement

Agreement is targeted for the middle of the second quarter of 2011. The tracking preferred shares will be exchanged for the Company's common shares on the ratio of 0.5028 per Company's common share to a Continental preferred share, and the Company's common shares will not be subject to any hold periods by Continental.

1.12 Critical Accounting Estimates

The Company's significant accounting policies are presented in notes 2 and 3 of the audited consolidated statements for the year ended December 31, 2010. 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:

(a) 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 average 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 three months 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. 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.

In a period of unusual price volatility, as experienced in fiscal 2008, the effect of mark-to-market price adjustments related to the quantity of copper or molybdenum which remains to be settled could be significant. For changes in quantities upon receipt of new information and assay, the provisional sales quantities are adjusted as well.

(b) Asset Retirement Obligations ("ARO")

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. 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 net earnings (loss).

The ARO are based on management's estimates, taking into account various factors such as the reclamation method, legal requirements, and current technology. The estimated amount of the reclamation cost is adjusted for estimated inflation at 2.5% per year, and in 2032 dollars is expected to be spent over a period of approximately three years beginning in 2032. After discounting the estimated reclamation costs to be spent in 2032, a net present value of the ARO was estimated at $8.2 million as at December 31, 2010 using credit-adjusted risk free rates of 7.1% to 10%. These individual assumptions can be subject to change and can materially affect the recognized amount of the liability.

(c) Mineral Resources and Reserves

The mineral reserves and resources in the Company's mineral properties are determined in accordance with *National Instrument 43-101, "Standards of Disclosure for Mineral Projects"*, issued by the Canadian Securities Administrators ("CSA"). Management uses numerous assumptions in estimating mineral reserves and mineral resources. The accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

There are numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operations.

(d) Depletion, Depreciation, Amortization and Impairment

The majority of the Company's plant and equipment are amortized using the units of production method based on tons mined or milled.

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 Company determines that there has been an impairment because its prior estimates of future cash flows have proven to be inaccurate due to reductions in the price of copper and molybdenum, increases in the costs of production, and/or reductions in the amount of reserves expected to be recovered, the Company would be required to write down the recorded value of its mineral property interests, plant and equipment, which would reduce the Company's earnings and net assets.

No impairment was identified for the Gibraltar mine or the Company's other exploration projects for the year ended December 31, 2010.

(e) 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 income 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.

(f) Stock-based Compensation

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. Management uses several assumptions such as the Company's stock price volatility, the risk-free interest rate and the expected life of the options in order to estimate the fair value of the stock-based compensation. These assumptions can be subject to change and can materially affect the recognized amount of stock-based compensation.

(g) Inventory

Finished goods and work-in-process are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in-process inventory include estimates of copper and molybdenum contained in the stockpiles and an assumption of the copper price expected to be realized when the stockpiles are processed into concentrate. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its work-in-process inventory, which would reduce the Company's earnings and working capital.

(h) Copper Hedging Program

The Company's copper hedging contracts are recorded at fair value. Changes in the fair values of the copper hedging contracts are recognized in net earnings (loss) for the period. Several assumptions such as copper's price volatility, the risk-free interest rate and copper forward curves are used in order to estimate the fair value of the copper hedges. These assumptions can be subject to change and can materially affect the recognized amount of both the realized and unrealized gains (losses) on derivative financial instruments reflected in the Company's financial statements.

1.13 Change in Accounting Policies including Initial Adoption

(a) New Accounting Standards adopted:

As a result of the Company's joint venture formation over the Gibraltar mine entered into on March 31, 2010, the Company has adopted the following standard on a prospective basis with no restatement to prior period financial statements:

CICA 3055 – "Interests in Joint Ventures"

The Company's interests in jointly controlled assets are accounted for using proportionate consolidation. The Company combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's financial statements. The Company recognizes the portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other venturers. The Company does not recognize its share of profits or losses from the joint venture that result from the Company's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss.

(b) New Accounting Standards Not Yet Adopted:

Business Combinations/Consolidated Financial Statements/Non-Controlling Interests

The AcSB issued CICA Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which superseded current Sections 1581, *Business Combinations*, and 1600, *Consolidated Financial Statements*. These new Sections replace existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These Sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these Sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently.

The Company did not elect to early adopt this standard and will adopt IFRS 3 *Business Combinations* in accordance with IFRS effective January 1, 2011.

1.14 International Financial Reporting Standards (IFRS)

The Accounting Standards Board confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011, with a transition date of January 1, 2010 (the "Transition Date").

Accordingly, the Company will issue its first IFRS annual consolidated financial statements for the year ended December 31, 2011, with statements of comparative balance sheets as at December 31, 2010 and January 1, 2010 and restatement of earnings for the year ended December 31, 2010. During the year ended December 31, 2011, the Company will issue interim consolidated financial statements prepared in accordance with IAS 34 – *Interim Financial Reporting* ("IAS 34") for the periods ended March 31, 2011, June 30, 2011 and September 30, 2011, with restatement of comparative balance sheets as at December 31, 2010 and January 1, 2010, and statements of earnings for the comparative periods presented.

The Company adopted a formal project plan for its transition to IFRS and allocated internal resources and engaged expert consultants, which was monitored by a Steering Committee to manage the transition from

GAAP to IFRS reporting. The Steering Committee provides regular updates to the Audit Committee and the Board of Directors with the progress of the convergence project through communication and meetings. The Company's auditors have completed certain preliminary audit work on the IFRS opening balance sheet adjustments to be used in determining the opening statement of financial position under IFRS.

The IFRS convergence project instituted consists of three primary phases, which in certain cases will occur concurrently as IFRS is applied to specific areas:

- Phase 1 - Initial Scoping and Impact Assessment Analysis: to isolate key areas that will be impacted by the transition to IFRS.
- Phase 2 - Evaluation and Design: to identify specific changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statements.
- Phase 3 - Implementation and Review: to execute the changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policy changes and training programs across the Company's finance and other staff, as necessary. This will culminate in the collection of financial information necessary to compile IFRS compliant financial statements, including embedding IFRS principles in business processes, and Audit Committee review and approval of the financial statements.

A detailed timetable was prepared to manage the transition and the Company is currently on schedule. At the date of preparing this MD&A, the Company has met the objectives of the project plan. The Company's analysis of IFRS and comparison with GAAP has identified a number of differences which are discussed under the heading "Impact of adoption of IFRS on Financial Reporting" below.

First-time Adoption of International Financial Reporting Standards

IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), sets forth guidance for the initial adoption of IFRS. Commencing for the period ended March 31, 2011 the Company will restate its comparative fiscal 2010 financial statements for annual and interim periods to be consistent with IFRS. In addition, the Company will reconcile equity and net earnings from the previously reported fiscal 2010 GAAP amounts to the restated 2010 IFRS amounts.

IFRS generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 provides for certain mandatory exceptions and optional exemptions to this general principle.

The Company anticipates using the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations,* prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based Payments*, to equity instruments granted which had vested as of the Transition Date;
- to apply the borrowing cost exemption and apply IAS 23, *Borrowing Costs,* prospectively from the Transition Date; and
- to elect not to comply with IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities,* for changes in such liabilities that occurred before the Transition Date.

Changes to estimates previously made are not permitted. The estimates previously made by the Company under GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

Impact of Adoption of IFRS on Financial Reporting

While GAAP is in many respects similar to IFRS, conversion will result in differences in recognition, measurement, and disclosure in the financial statements. Based on a Company's scoping and analysis, the following financial statement areas are expected to be significantly impacted:

Property, Plant and Equipment (PP&E)

Under IAS 16, *Property, Plant and Equipment,* are recognized initially at cost if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Costs include all expenditures directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Under IAS 16, each part of an item of PP&E with a cost that is significant in relation to the total cost of the item shall be depreciated separately. In order to meet this requirement, componentization is generally required. The Company does not currently componentize to the same level as would be required under IFRS. Componentization would be required only to the extent that different depreciation methods or rates are appropriate and those components are material. In addition, major inspections or overhaul costs are identified and accounted for as a separate component under IFRS if that component is used for more than one period. The Company does not currently have a policy for major overhaul costs. Practically, this should be factored into the determination of the components of PP&E.

The Company's componentization analysis determined that the level of componentization of assets under the Company's policies under GAAP also meets the IFRS requirements and therefore there are no GAAP differences.

Income Taxes

IAS 12, *Income Taxes*, requires the recognition of deferred tax assets or liabilities for all deductible and taxable temporary differences except for temporary differences created in a transaction that is:

(a) not a business combination and
(b) at the time of the transaction, affects neither accounting profit nor taxable profit.

Under GAAP, the Company recognizes a deferred tax liability on temporary differences arising on the initial recognition of the Aley mineral property interest and Oakmont net profit interest (where the accounting basis of the asset acquired exceeded its tax basis) in a transaction which was not a business combination and affected neither accounting profit/(loss) nor taxable profit/(loss).

As of the Transition Date, the Company will derecognize all deferred tax liabilities which had been previously recognized on the initial acquisition of the Aley mineral property interest and the Oakmont net profit interest since these transactions are deemed not to be a business combination and affected neither

accounting profit/(loss) nor taxable profit/(loss) with a corresponding reduction in the related asset. As a result, there will be a reduction in the amount of $4.9 million in both mineral property interests and future income tax liabilities as of the Transition Date. For the year ended December 31, 2010, there will be a reduction in the amount of $4.4 million in mineral property interests, a reduction of $4.9 million in future income tax liabilities and an increase of $0.5 million in the gain recognized in the contribution to the Joint Venture. Please refer to the unaudited proforma IFRS reconciliation below.

In addition, a deferred tax asset is recognized to the extent it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Under GAAP, tax assets are recognized if it is more likely than not to be realized. Probable is not defined in IAS 12. However, entities have often used a definition of more likely than not similar to GAAP. However, IAS 12 does not preclude a higher threshold. Accordingly, a difference will not result as long as the Company uses more likely than not as its definition of probable.

Impairment of Assets

Per IAS 36, *Impairment of Assets*, an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity should estimate the recoverable amount of the asset. The indicators of impairment are generally consistent with those of GAAP. An asset should be written down to its recoverable amount if the recoverable amount is less than its carrying value.

The recoverable amount is equal to the higher of the fair value less cost to sell and its value in use. It is not necessary to determine both if one indicates no impairment exists. The value in use is based on a discounted cash flow model. This approach is different than GAAP (i.e. one step model under IFRS compared to two step model under GAAP).

To the extent possible, individual assets should be tested for impairment. However, if it is not possible to determine the recoverable amount of an individual asset, an entity should determine the recoverable amount of the Cash Generating Unit (“CGU”) to which the asset belongs. The definition of a CGU is different from the Canadian definition of an Asset Group. However, no difference between asset groups previously classified under GAAP and CGU’s have been identified.

The Company has in the past written down mineral property balances for certain mineral properties. Under IAS 36, the Company would be required to reconsider whether there is any indication that an impairment loss recognized in a prior period may no longer exist or has decreased on transition and thereafter on an annual basis. If such indicators exist, a new recoverable amount should be calculated and all or part of the impairment charge should be reversed to the extent the recoverable amount exceeds its carrying value. This is different than GAAP where write ups are not permitted.

Based on the Company’s analysis, indicators of impairment that resulted in the impairment loss of $5.9 million recognized for Gibraltar in fiscal 2001 no longer exist and therefore should be reversed. The reversal on the Transition Date resulted into a $4.6 million increase in mineral property interests and shareholders’ equity. For the year ended December 31, 2010, there was a $3.3 million increase in mineral property interests and shareholder’s equity, an increase on $0.1 million in depreciation and amortization

expenses and a decrease of $1.1 million in the gain recognized in the contribution to the Joint Venture for IFRS purposes. Please refer to the unaudited proforma IFRS reconciliation below.

The Company concluded that the historical impairment recognized for Prosperity and Harmony should not be reversed .

Asset Retirement Obligations ("ARO")

Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* , an ARO is recognized when there is a legal or constructive obligation to restore a site for damage that has already occurred, it is probable a restoration expense will be incurred and the cost can be estimated reliably. This is different than GAAP where only legal obligations are considered.

Under IFRS, the amount recognized as a provision shall be the best estimate of the expenditures required to settle the present obligation. This is significantly different from GAAP where third-party costs are required. Under IAS 37, the provision would be based on management's best estimate. This estimate could be a third-party cost if it is management's intention to hire a third-party to complete the work or an internal estimate of the cost if the Company intends to use its own equipment and resources to do this work. The Company's estimate is based on the Company's use of its own equipment and resources, and these estimates are the basis for calculating its ARO under IFRS.

Where the effect of the time value of money is material, the amount of the provision should be the present value of the expenditures expected to be required to settle the obligation. This is consistent with GAAP. The discount rate used under IFRS would be a pre-tax rate specific to the liability rather than the Company's use of the credit-adjusted risk-free rate required under GAAP. The discount rate under IFRS should not reflect risks for which the future cash flow estimates have been adjusted. Unwinding of the discount (i.e. accretion) is included in finance costs under IFRS.

The ARO provision should be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Changes may result from changes in the amount or timing of the cash outflows or changes in discount rates. This is different from GAAP where changes in discount rates alone would not result in a change in the ARO. Accordingly, the Company will need to assess the discount rate applicable to the ARO on an ongoing basis. As the Company has elected to apply the IFRS 1 exemption related to asset retirement obligations, the Company will not retroactively adjust the obligation on transition for changes in discount rate that may have occurred from time to time. As such, the Company has remeasured the rehabilitation liability as at January 1, 2010 under IAS 37, estimated the amount to be included in the related asset by discounting the liability to the date in which the liability arose using best estimates of the historical risk adjusted discount rates, and recalculated the accumulated depreciation and amortization under IFRS.

As a result of the above analysis, asset retirement obligations will be increased by $9.9 million, asset retirement obligation assets will be increased by $8.5 million and shareholders' equity will be reduced by $1.4 million as of the Transition Date. For the year ended December 31, 2010, asset retirement obligations will be increased by $6.1 million, asset retirement obligation assets will be increased by $7.1 million, shareholders' equity will be reduced by $1.0 million, accretion expenses will be reduced by $0.3 million, depreciation and amortization expenses will be increased by $0.15 million and the gain on

contribution to the Joint Venture will be increased by $0.2 million. Please refer to the unaudited proforma IFRS reconciliation below.

Share-based Payments

Currently, the Company measures stock-based compensation related to stock-options at the fair value of the options granted using the Black-Scholes option pricing formula and recognizes this expense over the vesting period of the options. For the purpose of accounting for share-based payment transactions, an individual is classified as an employee when the individual is consistently represented to be an employee under law. The fair value of the options granted to employees is measured on the date of grant. The fair value of options granted to contractors and consultants are measured on the date the services are completed. Forfeitures are recognized as they occur.

IFRS 2, similar to GAAP, requires the Company to measure stock-based compensation related to stock-options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, for options granted to non-employees, IFRS requires that stock-based compensation be measured at the fair value of the services received unless the fair value cannot be reliably measured. For the purpose of accounting for share-based payment transactions an individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. This definition of an employee is broader than that currently applied by the Company and will result in certain contractors and consultants being classified as employees under IFRS.

Based on the IFRS definition of an employee, the Company will reclassify a number of individuals previously classified as non-employees to employees. For the stock options granted to the individuals reclassified, changes in fair value after the grant date previously recognized for GAAP purposes will be adjusted. The effect of the above difference is yet to be finalized.

December 31, 2010 Proforma IFRS Consolidated Balance Sheet and Comprehensive Statement of Income/(Loss) and January 1, 2010 Opening IFRS Balance Sheet: (Unaudited - Expressed in thousands of Canadian Dollars):

The Company has prepared a condensed, unaudited preliminary consolidated opening IFRS reconciliation as at January 1, 2010 with revised comparatives for December 31, 2010 based on known adjustments to date. These adjustments do not necessarily reflect all the adjustments required under IFRS. The preliminary amounts presented below are based on accounting policies the Company expects to apply in preparing its first consolidated IFRS financial statements. The amounts determined for the Company's final consolidated opening IFRS balance sheet as at January 1, 2010 and the December 31, 2010 comparative consolidated balance sheet may differ from these preliminary amounts reported as a result of changes to IFRS from the date of this document to the dates the final consolidated opening IFRS balance sheet as at January 1, 2010 and December 31, 2010 comparative consolidated IFRS statements are issued.

		Dec-31, 2010 *Revised Comparatives*	**Jan-1, 2010** *Opening Balance Sheet at Transition Date*
Total Assets per Canadian GAAP		$ 687,612	$ 535,095
Deferred tax adjustments	- Mineral property interest	(4,374)	(4,862)
Reversal of previous impairments	- Mineral property interest	3,339	(4,574)
Asset retirement obligation adjustments	- Plant, property and equipment	6,126	8,508
Total Assets per IFRS		$ 692,703	$ 543,315
Total Liabilities per Canadian GAAP		$ 217,661	$ 238,402
Deferred tax adjustments	- Mineral property interest	(4,862)	(4,862)
Asset retirement obligation adjustments	- Site closure and reclamation obligation	7,138	9,899
Total Liabilities per IFRS		$ 219,937	$ 243,439
Total Shareholders' Equity per Canadian GAAP		$ 469,951	$ 296,693
Deferred tax adjustments	- Retained deficit	489	-
Reversal of previous impairments	- Retained deficit	3,339	4,574
Asset retirement obligation adjustments	- Retained deficit	(1,013)	(1,391)
Total Shareholders' Equity per IFRS		$ 472,766	$ 299,876
Total Liabilities and Shareholders' Equity		$ 692,703	$ 543,315
Total Comprehensive Income per Canadian GAAP		$ 150,271	
Reversal of previous impairments	- Depletion, depreciation and amortization	(99)	
Asset retirement obligation adjustments	- Finance costs	331	
Asset retirement obligation adjustments	- Depletion, depreciation and amortization	(185)	
Gain on contribution to the joint venture		(415)	
Total Comprehensive Income per IFRS		$ 149,903	

IFRS Impact on Our Organization

The conversion to IFRS will impact the way the Company presents its financial results. The first financial statements prepared using IFRS (i.e. interim financial statements for the three months ended March 31, 2011) will be required to include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies.

The Company has obtained an understanding of IFRS from intensive training of its finance personnel. Further, our finance personnel include employees who have prepared financial statements under IFRS previously.

Based on the analysis and differences identified to date, the Company believes its systems can accommodate the required changes. In addition, the Company's internal and disclosure control processes, as currently designed, will not need significant modifications as a result of its conversion to IFRS.

We have assessed the impacts of adopting IFRS on our contractual arrangements, and have not identified any material compliance issues.

We have considered the impacts that the transition will have on our internal planning process and compensation arrangements and have not identified any significant impacts to date.

1.15 Financial Instruments and Other Instruments

All financial instruments, including derivatives, are included on the Company's balance sheet and are measured either at fair value 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. Please refer to note 2(d) of the accompanying audited consolidated financial statements for the list of the Company's financial instruments and their classifications.

The Company is exposed in varying degrees to financial instrument related risks. The Company's Board of Directors approves and monitors the risk management processes, including treasury policies, counterparty limits, controlling and reporting structures. The Company is exposed to the following risks from its financial instruments:

a.) *Credit Risk* – Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its receivables and marketable securities. In general, the Company manages its credit exposure by transacting only with reputable counterparties. The Company monitors the financial condition of its customers and counterparties to contracts.

b.) *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 cash equivalents. The Company believes that these sources will be sufficient to cover the foreseeable short and long term cash requirements.

c.) *Market Risk* – The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk and commodity price risk. These are discussed further below:

i) Foreign exchange risk

The Company's revenues and treatment and transportation charges are substantially denominated in US dollars, whereas all other expenses are substantially denominated in Canadian dollars. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. The results of the Company's operations are subject to currency transaction risk and currency translation risk. The operating results and financial position of the Company are reported in Canadian dollars in the Company's consolidated financial statements. The fluctuation of the US dollar in relation to the Canadian dollar will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

ii) Interest rate risk

Fluctuations in interest rates impact the return on the cash equivalents and reclamation deposits invested at floating rates of interest.

Equipment loans carry fixed interest rates ranging between 5.349% and 8.6% per annum, and as such are not subject to fluctuations in interest rates. The royalty obligation is offset by a promissory note held by the Company.

iii) *Commodity price risk*

The value of the Company's mineral resource properties is related to the price of gold, copper, molybdenum and niobium and the outlook for these minerals. Gold, copper, molybdenum and niobium prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

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

During 2009, the Company introduced a copper hedging program. The program is a part of the Company's risk management strategy and was conceived due to the copper price variability experienced in fiscal 2008 and the perceived need to mitigate the potential risks to revenue and operating margins.

One strategy used to manage copper price risk is called a “zero cost cap and collar” whereby the Company buys a copper “put” option and simultaneously sells an offsetting “call” option. Another strategy is the purchase of put options that sets a minimum price that the Company will realize for a portion of its copper production. The put options are only exercised if the spot price declines below the put strike price. The Company will continue to review its hedge position from time to time in light of prevailing market and economic conditions.

1.16 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.

1.16.1 Additional Disclosure for Venture Issuers without Significant Revenue

Not applicable. The Company is not a Venture Issuer.

1.16.2 Disclosure of Outstanding Share Data

The following details the share capital structure as at March 28, 2011, 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				189,153,687
Share purchase option	22-Aug-11	$4.09	15,000	
	10-Dec-11	$1.00	858,800	
	24-Feb-12	$3.07	165,000	
	24-Feb-12	$4.50	135,000	
	30-Jul-12	$2.17	26,000	
	15-Jan-13	$4.77	960,000	
	10-Dec-13	$1.00	2,168,000	
	4-Jan-14	$5.13	310,000	
	12-Jan-14	$1.15	1,917,000	
	21-Apr-14	$1.71	1,446,167	
	2-Dec-14	$4.14	100,000	
	5-Jan-15	$4.46	1,925,000	
	15-Jan-15	$4.77	146,000	
	28-Jan-15	$5.00	210,000	
	16-Feb-15	$4.59	120,000	
	6-Apr-15	$5.39	100,000	
	16-Sep-15	$4.61	160,000	
	4-Jan-16	$5.13	1,960,000	
				12,721,967
Preferred shares redeemable into Taseko Mines Limited common shares				12,483,916

1.16.3 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, the Company's management has concluded that internal control over financial reporting was effective as of December 31, 2010 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

On March 31, 2010, the Company entered into a Joint Venture Formation Agreement (the "JVFA") with Cariboo Copper Corp. Please refer to note 4 of the accompanying financial statements. In connection with the JVFA, the Company has updated its internal controls over financial reporting, as necessary, to reflect additional processes and controls. Other than the joint venture, there are no significant changes in internal controls over financial reporting that occurred during the year ended December 31, 2010, that could have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

1.16.4 Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the appropriate time periods and is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

1.16.5 Non-GAAP Measures

This document includes certain non-GAAP performance measures including "cash production costs" 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. The table below provides a reconciliation of the non-GAAP measures to reported GAAP measures.

Cash Production Cost

	Year ending December 31, 2010	Year ending December 31, 2009
GAAP operating costs (in thousands of CAD)	**$ 118,450**	**$ 109,964**
Add: inventory adjustments	(3,544)	(324)
Less: molybdenum credits	(12,656)	(8,786)
Less: silver credits	(2,885)	(2,001)
Net operating costs (in thousands of CAD)	99,365	98,853
Total copper production (in thousands of lbs)	92,348	70,347
Cost per lb (CAD)	1.38	1.41
Average exchange rate	1.03	1.13
Cost per lb (USD)	**$ 1.34**	**$ 1.24**
GAAP treatment and transportation costs (in thousands of CAD)	27,768	24,089
Treatment and transportation per lb of copper (in CAD)	0.37	0.34
Average exchange rate	1.03	1.13
Treatment and transportation cost per lb (in USD)	**0.36**	**0.30**
Total cash cost per lb of copper (in USD)	**$ 1.70**	**$ 1.54**

1.16.6 Risk Factors

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Company 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.

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. 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 the 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.

Taseko's Prosperity Project Risks

On January 14, 2010, Taseko received the environmental assessment certificate for the Prosperity Project from the British Columbia Provincial Ministry of Environment.

The Canadian Environmental Assessment process, conducted by a Federal Review Panel, concluded in May 2010 and the panel submitted their report to the Government of Canada in early July. In November, the Federal Minister of Environment announced that the Prosperity mine project, as proposed, could not be granted federal authorizations to proceed. Taseko suspended work on detailed engineering and permitting and is currently in discussions with both the Federal and Provincial Governments to define the issues and determine solutions so that this mining project can move forward and meet the criteria that the Federal Government deem appropriate. In February 2011, Taseko announced that it had submitted a new project description to the federal government.

Government approvals and permits are required in connection with the development of the Prosperity project. Failure to obtain such approvals and permits 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 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 an 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 denominated 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, assuming all else equal.

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, Aley 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.

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. No assurances can be given that new rules and regulations will not be enacted or that existing rules and regulations will not modified in ways that could adversely affect the Company's financial position and the results of operations.

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, and adverse geological or ground conditions, adverse weather conditions, potential labour problems, and availability and cost of equipment procurement and repairs can impact operations.

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's shares have ranged between $0.36 and $20.00 in the last 18 years and between approximately $7.27 and $0.66 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 the 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 fluctuations 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 suggest that Taseko's shares will continue to be volatile.

Environmental Considerations

The estimation of the existing reclamation liability related to the Gibraltar mine 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 12,721,967 share purchase options in-the-money at March 28, 2011. In addition, Gibraltar's class of tracking preferred shares issued for the Harmony project are redeemable for 6,277,000 common shares. The foregoing may act as an upside constraint on the trading price of Taseko's shares.

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

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 Report of Independent Registered Public Accounting Firm dated March 28, 2011 on the consolidated balance sheets of Taseko Mines Limited (the "Company") and subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for the years ended December 31, 2010 and 2009 and the fifteen-month period ended December 31, 2008; and

- our Report of Independent Registered Public Accounting Firm dated March 28, 2011 on the Company's internal control over financial reporting as of December 31, 2010

each of which is contained in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2010.

We also consent to the incorporation by reference of such reports in the Registration Statement (No. 333-169469) on Form F-10 of the Company.

As discussed in Note 3(a) to the consolidated financial statements, the Company has adopted CICA Handbook Section 3055, *Interests in Joint Ventures*.

//**s**// **KPMG LLP**

Chartered Accountants

March 28, 2011
Vancouver, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

March 29, 2011

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, 2010 (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, 2010.

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 on the 344 million tonne increase in mineral reserves at the Prosperity Gold – Copper Project" dated December 17, 2009
- "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