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 year ended December 31, 2011 Commission File Number: 001-31965

TASEKO MINES LIMITED

(Exact name of Registrant as specified in its charter)

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

15th Floor – 1040 West Georgia Street
Vancouver, British Columbia
Canada V6E 4H8
(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: **196,504,895 Common Shares as of December 31, 2011**

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[ ]

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, 2011;
- the Company's Audited Consolidated Financial Statements as at December 31, 2011, December 31, 2010, and January 1, 2010 and for the years ended December 31, 2011 and 2010, and the notes thereto; and
- the Company's Amended Management Discussion and Analysis for the year ended December 31, 2011.

The Company's Audited Consolidated Financial Statements that are incorporated by reference into this Registration Statement have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB").

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are defined in Rule 13a-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. See "Internal Controls Over Financial Reporting and Disclosure Controls and Procedures" on page 29 of Exhibit 99.7, Management Discussion and Analysis of the Company.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The disclosure provided under "Management's Report on Internal Control Over Financial Reporting" on page 3 of Exhibit 99.6, Audited Consolidated Financial Statements, is incorporated by reference herein.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

The Company is required to provide an attestation report of the Company's registered public accounting firm on internal control over financial reporting for the fiscal year ended December 31, 2011. In this report, the Company's 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, 2011. 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 which is included in Exhibit 99.6.

AUDIT AND RISK COMMITTEE

The disclosure provided under “Composition of Audit and Risk Committee” on page 55 of Exhibit 99.5, Annual Information Form of the Company, is incorporated by reference herein. The Company’s Board of Directors has established a separately-designated Audit and Risk Committee of the Board in accordance with Section 3(a)(58)(A) of the Exchange Act.

AUDIT AND RISK COMMITTEE FINANCIAL EXPERT

The Company’s Board of Directors has determined that Richard Mundie and Alex Morrison, members of the Audit and Risk Committee of the Board, are audit committee financial experts (as that term is defined in Item 407 of Regulation S-K under the Exchange Act) and are independent directors under applicable laws and regulations and the requirements of the NYSE Amex Equities Exchange.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under “Principal Accountant Fees and Services” on page 56 of Exhibit 99.5, Annual Information Form of the Company, is incorporated by reference herein.

AUDIT AND RISK COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The disclosure provided under “Audit and Risk Committee Pre-Approval Policies and Procedures” on page 56 of Exhibit 99.5, Annual Information Form of the Company, is incorporated by reference herein.

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 disclosures provided under “Commitments and contingencies” on page 17 of Exhibit 99.7, Management’s Discussion and Analysis, is incorporated by reference herein.

CODE OF ETHICS

The disclosure provided under “Code of Ethics” on page 55 of Exhibit 99.5, Annual Information Form of the Company, is incorporated by reference herein.

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. The Company does not meet this requirement and has been granted relief from this listing standard.

The Company's common shares are listed for trading on the NYSE Amex Equities Exchange. 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.

The Company's governance practices also differ from those followed by U.S. domestic companies pursuant to NYSE Amex listing standards in the following manner:

Board Meetings

Section 802 (c) of the NYSE Amex Company Guide requires that the Board of Directors hold meetings on at least a quarterly basis. The Board of Directors of the Company is not required to meet on a quarterly basis under the laws of the Province of British Columbia.

Solicitation of Proxies

NYSE Amex requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies shall be solicited pursuant to a proxy statement that conforms to applicable SEC proxy rules. The Company is a foreign private issuer as defined in Rule 3b-4 under the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the equity securities of the Company are accordingly exempt from the proxy rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. The Company solicits proxies in accordance with applicable rules and regulations in Canada.

Shareholders Approval for Dilutive Private Placement Financings

Section 713 of the NYSE Amex Company Guide requires that the Company obtain the approval of its shareholders for share issuances equal to 20 percent or more of presently outstanding shares for a price which is less than the greater of book or market value of the shares. This requirement does not apply to public offerings. There is no such requirement under British Columbia law or under the Company's home stock exchange rules (Toronto Stock Exchange) unless the dilutive financing results in a change of control. The Company will seek a waiver from NYSE Amex's section 713 requirements should a dilutive private placement financing trigger the NYSE Amex shareholders' approval requirement in circumstances where the same financing does not trigger such a requirement under British Columbia law or under the Company's home country stock exchange rules.

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, 2012.

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, 2011
99.6	Audited consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2011 and December 31, 2010, including the notes thereto and report of the Company's independent registered public accounting firm thereon
99.7	Amended management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2011
99.8	Consent of KPMG LLP
99.9	Consent of Scott Jones, P. Eng.
99.10	Consent of Ronald G. Simpson, P. Geo

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, 2012

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, 2012

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, 2011 (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, 2012

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, 2011 (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, 2012

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 YEAR ENDED DECEMBER 31, 2011

AS AT MARCH 29, 2012

TABLE OF CONTENTS

TABLE OF CONTENTS 1
INTRODUCTORY NOTES 2
Forward-Looking Statements 2
Documents Incorporated by Reference 3
Currency and Metric Equivalents 3
Resource Category (Classifications) Used in this AIF 5
CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF RESERVES AND MEASURED, INDICATED AND INFERRED RESOURCES 6
CORPORATE STRUCTURE 6
GENERAL DEVELOPMENT OF THE BUSINESS 7
Gibraltar Mine 7
New Prosperity 7
Aley Project 8
Corporate 8
DESCRIPTION OF BUSINESS 9
Gibraltar Mine 11
New Prosperity Project 20
Aley Project 26
Harmony Project 29
RISK FACTORS 31
DIVIDENDS 37
DESCRIPTION OF CAPITAL STRUCTURE 37
Share Capital 37
Senior Notes 38
Ratings 38
MARKET FOR SECURITIES 39
DIRECTORS AND OFFICERS 39
Committees of the Board of Directors 41
Principal Occupations and Other Information 41
Cease Trade Orders, Bankruptcies, Penalties or Sanctions 51
Potential Conflicts of Interest 51
LEGAL PROCEEDINGS AND REGULATORY ACTIONS 51
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 51
TRANSFER AGENT AND REGISTRAR 52
MATERIAL CONTRACTS 52
INTERESTS OF EXPERTS 53
ADDITIONAL INFORMATION 54
AUDIT AND RISK COMMITTEE 54
Composition of Audit and Risk Committee 54
Relevant Education and Experience 54
Code of Ethics 55
Principal Accountant Fees and Services 55
Pre-Approval Policies and Procedures 55

FIGURES

FIGURE 1: LOCATION OF THE TASEKO'S PROPERTIES 11

TABLES

Table 1: Mineral Tenures – Gibraltar Mine 12
Table 2: Gibraltar Mine Mineral Reserves at 0.20% Copper Cut-off 17
Table 3: Gibraltar Mine Mineral Resources at0.20% Copper Cut-off 17
Table 4: Gibraltar Mine – Oxide Mineral Reserves at 0.10% ASCu Cut-off 17
Table 5: Gibraltar Production (100% basis) 20
Table 6: New Prosperity Mineral Reserves at CDN$5.50 NSR/t Pit-Rim Cut-off 24
Table 7: New Prosperity Mineral Resources at 0.14% Copper Cut-off 24
Table 8: Aley Mineral Resources as at March 28, 2012 29

APPENDIX A

Audit and Risk Committee Charter

INTRODUCTORY NOTES

Forward-Looking Statements

This Annual Information Form ("AIF"), 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 our expectations in respect of future financial position, business strategy, future production, reserve potential, exploration drilling, exploitation activities, events or developments that we expect 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 our 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 New 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 AIF under the heading “Description of Business” and in the Management’s Discussion and Analysis for the year ended December 31, 2011.

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 AIF are the audited consolidated financial statements and Management’s Discussion and Analysis for Taseko Mines Limited (the “Company” or “Taseko”) for the year ended December 31, 2011 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 International Financial Reporting Standards (“IFRS”) 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.

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

The disclosure in this AIF, 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 AIF 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 AIF 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, certain mineral reserve estimates contained in this AIF may not qualify as "reserves" under SEC standards, unless expressly stated to so qualify.

In addition, this AIF 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 AIF 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 AIF 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.

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 us . Our registered office is located at Suite 1500, 1055 West Georgia, Vancouver, British Columbia, V6E 4N7, and our operational head office is located at Suite 1500, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H8.

The Company has one active material wholly-owned subsidiary, Gibraltar Mines Ltd., 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. On March 31, 2010, we established a joint venture with Cariboo Copper Corp. ("Cariboo") over the Gibraltar mine, whereby Cariboo acquired a 25% interest in the Gibraltar mine and we retained a 75% interest.

GENERAL DEVELOPMENT OF THE BUSINESS

Gibraltar Mine

Our principal business activity for the past three years has been the operating and expanding the capacity of the Gibraltar mine which constitutes the majority of our assets and activity. Over this period, we 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 was completed in May 2011 which eliminated the secondary crusher and fine ore delivery system bottleneck. The tie-in has allowed Gibraltar to move towards optimum mill throughput rates and mitigated throughput issues experienced historically in the winter months. In 2011, we continued the expansion with Gibraltar Development Plan 3 (GDP3). GDP3 includes the construction of a new concentrator to complement the existing 55,000 tpd facility, increasing annual production capacity to over 180 million pounds of copper. A new molybdenum recovery facility is also planned to increase annual molybdenum production to over two million pounds. On March 31,2010, the Gibraltar mine was contributed into a joint venture arrangement with Cariboo as discussed further in this AIF.

New Prosperity

Over the past three years, we 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, we were advised that the federal government would not proceed with permitting on the Prosperity project as proposed. We have revised our plans for the project and have developed 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 concerns identified during the federal review process and in February 2011, we submitted a new project description to the Federal Government. The Federal Government accepted the project description for New Prosperity during the third quarter 2011.

On November 7, 2011, the Company was advised that a 'Notice of Commencement' had been posted by the Canadian Environmental Assessment Agency ("CEAA") related to the New Prosperity project. The Notice of Commencement confirmed that the project description had met all criteria required for an environmental assessment and that a panel review would be conducted by the Federal Review Agency. The Minister of the Environment indicated that CEAA will complete this review in not more than 12 months and that CEAA would use information gathered in the previous environmental assessment.

Subsequent to the Notice of Commencement from CEAA in November 2011, the Company reported that it had been unlawfully obstructed from conducting work on the New Prosperity site. Court proceedings followed in December 2011 where the our work permits were suspended for 90 days in order to allow the courts to hear a provincial judicial review regarding the adequacy of consultation by the BC Government prior to providing the Company with the necessary work permits. On February 27, 2012, we reported that the suspension order has been vacated by the court. On February 28, 2012, we commenced a reduced scope of work that will be undertaken for the sole purposes of obtaining information required for the federal environmental assessment of the proposed New Prosperity project. On this basis, the parties have agreed not to further pursue existing legal actions.

The environmental assessment announced by CEAA remains in process under the timeline identified in their November 7, 2011 press release. The public comment period on the draft terms of reference and environmental impact statement commenced on January 23, 2012 and was completed on February 22, 2012. On March 16, 2012, the EIS guidelines were finalized by the Minister of the Environment and issued to Taseko. Issuance of the terms of reference for the review panel is anticipated in April.

Aley Project

In 2010, we completed a successful exploration program at the Aley niobium project. The program consisted of geological mapping and diamond drilling in 23 holes, 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.

We announced a mineral resource estimate for the Aley project in September 2011. The in-pit Inferred Resource estimate was based on assay results from the central zone obtained through to July 31, 2011 and totaled 159 million tonnes grading 0.43% Nb2O5 using a base case cut-off of 0.2% Nb2O5.

The 2011 exploration program included a total of 17,100 metres of additional drilling in 70 holes in the central zone. This drilling was targeted to provide sufficient infill drill density to achieve a measured and indicated status for the resource and to investigate those areas in which the resource is open to expansion.

We announced an updated mineral resource estimate for the Aley project on March 28, 2012. The in-pit mineral resource estimate was based on assay results from the central zone obtained through to March 1, 2012 and totaled 286 million tonnes with an average grade of 0.37% Nb2O5 at a 0.2% Nb2O5 cutoff plus an additional 144 million tonnes of Inferred Resources with an average grade of 0.32% Nb2O5.

Corporate

Consistent with the Company's strategy to manage its operating margins effectively in volatile copper markets, we have entered into producer put options for a portion of our targeted copper concentrate production during 2012. Currently we have 90% of our estimated share of 2012 Gibraltar production (approximately 68.8 million pounds) hedged at $3.50 per pound. The puts were partially financed by selling calls for an equivalent amount of copper, for a net cost of US $0.10 per pound.

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%).

Subsequent to the 2011 year end, the Company was advised by its auditors, KPMG LLP, that the Public Company Accounting Oversight Board (PCAOB) communicated to the auditors that based on their inspection results, that an alternative accounting treatment might be more appropriate for the Company's 2010 joint venture transaction with Cariboo. Pursuant to that transaction, Cariboo purchased a 25% joint venture interest in the Gibraltar mining operations for $187 million. This transaction implied a total value for the Gibraltar mining operations of approximately $748 million and in the Company's annual reconciliation of accounts from Canadian generally accepted accounting principles (GAAP) to United States GAAP, it recognized a gain calculated as 100% of the difference between the Company's carrying cost of the Gibraltar mining operations of $338 million and its implied value, for a reported gain of $360 million. Under US GAAP, 100% of the gain is recognized if the Company no longer controls the joint venture. The accounting identified by the PCAOB is dependent on whether a change of control of the Gibraltar mining operations occurred as a result of the joint venture transaction.

Depending on the outcome of anticipated discussions with the PCAOB and possibly the SEC, it is possible that the Company may have to reverse the gain recognition for US GAAP purposes on 100% of the Gibraltar mining operations and recognize a gain only on the 25% actually sold or potentially recognize the gain as an equity transaction rather than through income. This would necessitate related restatements to the carrying value of the Gibraltar mining operations and the presentation of Cariboo's minority interest but would have no effect on cash flows in 2010 or thereafter. Based on the review of PCAOB's comments to date, the Company believes that the accounting approach taken on the joint venture transaction and subsequent accounting were and continue to be appropriate.

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

In April 2011, the Company completed a public offering of US$200 million in senior notes due in 2019, bearing interest at an annual rate of 7.75% .

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.

Our business is focused on enhancing the production of copper and molybdenum from the Gibraltar mine and on permitting the New Prosperity gold and copper project ("New Prosperity"). A feasibility study has been completed for the New Prosperity project, demonstrating mineral reserves as defined under Canadian Securities regulations under NI 43-101. As no permits are in place, the New Prosperity project does not have reserves under US SEC Guide 7 Standards. Both the Gibraltar mine and the New Prosperity project are located in central British Columbia, Canada.

We have two additional properties located in British Columbia: Aley, an exploration niobium project, and Harmony,an exploration stage gold property,. Aside from the joint venture established with Cariboo, Taseko and its subsidiaries currently own all of their projects outright.

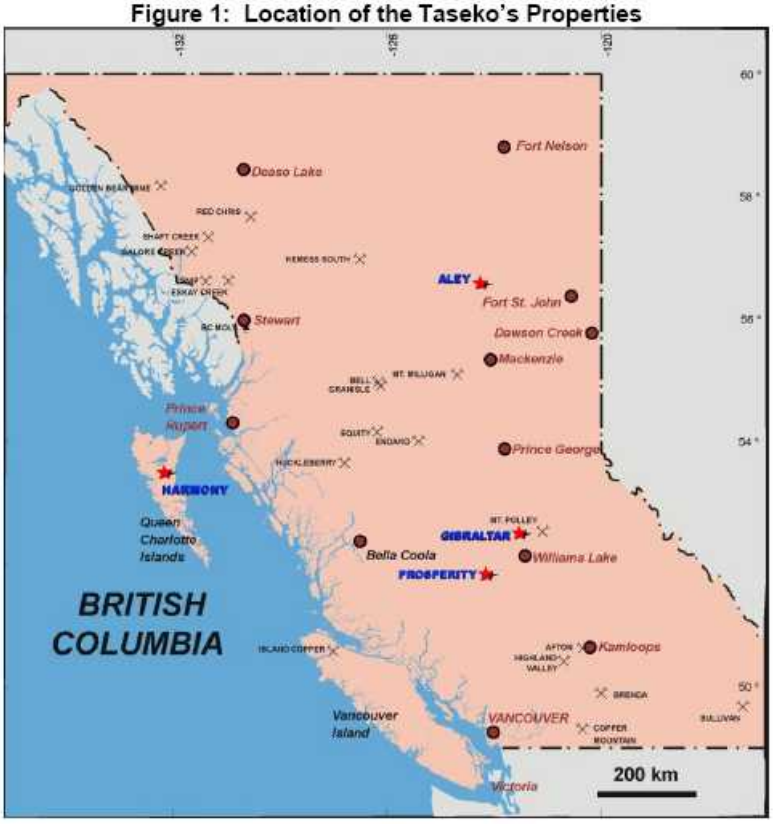
Taseko believes that there will continue to be demand for copper, molybdenum, gold, and niobium for the foreseeable future, and there will be a continuing need to replace depleted reserves from existing mines. Copper prices have benefited from Chinese demand growth and declining inventory levels. Additionally, 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.

Copper markets demonstrated strong pricing during 2011 with significant volatility. This volatility was evidenced by record average prices for 2011 overall combined with significant declines in the last four months of 2011. China and other emerging economies provided strong demand for copper in 2011, which supported copper prices through much of the year. Concerns regarding European debt and a slowing economy in the United States and elsewhere provided the impetus for significant volatility in financial and commodity markets particularly in the latter part of 2011. While copper prices have recovered to date in 2012, substantial risk in the form of volatility in financial and commodity markets will likely continue. This volatility can cause rapid declines in our copper prices which can have a significant effect on our profitability.

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.

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

Figure 1: Location of the Taseko's Properties



Gibraltar Mine

Unless stated otherwise, information of a technical or scientific nature related to the Gibraltar mine contained in this AIF (including documents incorporated by reference herein) is summarized or extracted from a technical report entitled "Technical Report on the 357 Million Ton Increase in Mineral Reserves at the Gibraltar Mine" dated June 24, 2011 (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 260 tenures held as summarized in Table 1 below.

Table 1: Mineral Tenures – Gibraltar Mine

Tenure Type	Number	Area (ha)
Claims	230	16,933.68
Leases	30	1,889.68
Total	260	18,823.36

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 due for expiry in August 2012 with the exception of two claims that have an expiry dates on July 24, 2012, and February 7, 2013. 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 in 2010 and the SAG direct feed system in May 2011, the rated capacity of the operation increased from 36,000 tpd to 55,000 tpd.

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 Gibraltar mine had approximately 500 active personnel at the end of December 2011.

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 re-start 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”), 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, 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, 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”) , 688888 has an option to, directly or indirectly, re-acquire 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 the Company reaches a pre-determined aggregate level of revenues less defined operating costs and expenditures and, as at December 31, 2011, this threshold has not yet been met.

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. 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 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.

The 2011 program was aimed at identifying mineralization down-dip of the Gibraltar and Granite deposits. 5 holes totaling 12,229 feet (3,727 metres) were drilled. A deep zone of anomalous copper ± molybdenum mineralization encountered in drillhole 2011-003 extends from approximately 2600 to 3700 feet and consists of intermittent intercepts grading up to 1.3% TCu and 0.4% Mo. Further examination of the results is required to assess the potential for classification as reserve or resource.

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 2011 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 March 31, 2011 and reduced for ore production from the Granite pit between March 31, 2011 and December 31, 2011.

The reserve estimates use long-term metal prices of US$2.25/lb for copper and US$14.00/lb for molybdenum and a foreign exchange of C$1=US$0.85.

The proven and probable reserves as of December 31, 2011 are tabulated in Table 2 below.

Table 2: Gibraltar Mine Mineral Reserves at 0.20% Copper Cut-off

Pit	Category	Tons (millions)	Cu (%)	Mo (%)
Connector	Proven Probable	45.1 30.5	0.299 0.284	0.012 0.010
	Subtotal	**75.6**	**0.293**	**0.011**
Gibraltar	Proven Probable	143.6 71.6	0.276 0.267	0.008 0.010
	Subtotal	**215.2**	**0.273**	**0.009**
Granite	Proven Probable	206.3 30.8	0.320 0.325	0.010 0.005
	Subtotal	**237.2**	**0.321**	**0.009**
Gibraltar Extension	Proven Probable	72.6 31.1	0.356 0.301	0.002 0.002
	Subtotal	**103.7**	**0.340**	**0.002**
Pollyanna	Proven Probable	106.6 51.2	0.291 0.279	0.009 0.010
	Subtotal	**157.8**	**0.287**	**0.009**
Total		**789.5**	**0.301**	**0.008**

The table below 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. 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	659.5	0.305	0.008
Indicated	278.7	0.290	0.008
Total	**938.2**	**0.301**	**0.008**

There are also oxide reserves, identified in: Connector, Gibraltar, Gibraltar Extension and Pollyanna 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 stated in Table 3.

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

Pit	Category	Tons (millions)	ASCu (%)
Connector	Proven Probable	9.5 1.3	0.14 0.12
	Subtotal	**10.8**	**0.14**

Pit	Category	Tons (millions)	ASCu (%)
Gibraltar	Proven	1.6	0.14
	Probable	0.6	0.14
	Subtotal	**2.3**	**0.14**
Gibraltar Extension	Proven	0.1	0.12
	Probable	0.1	0.13
	Subtotal	**0.2**	**0.12**
Pollyanna	Proven	0.4	0.12
	Probable	0.0	0.10
	Subtotal	**0.4**	**0.11**
Total		**13.7**	**0.14**

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 tpd. The Phase 2 expansion program, designed to increase the concentrator throughput from 46,000 tpd to 55,000 tpd was completed in 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 and completed mid-2011. 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 allows larger mill feed more appropriate for autogenous grinding.

In 2011, we continued the expansion with GDP3. GDP3 includes the construction of a new concentrator to complement the existing 55,000 tpd facility, increasing annual production capacity to over 180 million pounds of copper. A new molybdenum recovery facility is also planned to increase annual molybdenum production to over two million pounds.

The total GDP3 capital cost is estimated at $325 million and, to date, commitments have been made for approximately 70% of the project capital requirements. Engineering Procurement and Construction Management (EPCM) activities on the $237 million infrastructure portion of the project continue to progress as planned. Major equipment purchases for the concentrator, molybdenum plant and infrastructure are complete and detailed engineering activities for the project structural, mechanical and electrical systems continue. Orders and contracts for over 62% of the infrastructure portion of the project budget have been placed and, as reported previously, all of the major mining equipment has been purchased. Long lead items continue to ship and the main transformers have now been received at the site. The first two shipments of grinding mill components are in transit and will arrive in Vancouver in April.

Construction activities are proceeding as planned. The #2 Concentrator building foundation, the grinding mill foundations and the civil concrete works for the mill feed conveyors have been completed as has the erection of the Molybdenum Plant building. Erection of the #2 Concentrator building is well underway and the contractor has mobilized to begin the erection of the first conveyor systems.

The project remains on time and on budget. Commissioning of the facilities is scheduled to commence in December 2012.

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, 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. 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 following table is a summary of the operating statistics for the year ending December 31, 2011. All mining during 2011 took place in the Granite pit.

Table 5: Gibraltar Production (100% basis)

Total tons mined (millions) [1]	57.5
Tons of ore milled (millions)	15.2
Stripping ratio	2.8
Copper grade (%)	0.304
Molybdenum grade (%Mo)	0.012
Copper recovery (%)	87.7
Molybdenum recovery (%)	36.7
Copper production (millions lb) [2]	82.9
Molybdenum production (thousands lb)	57.5
Total tons mined (millions) [1]	15.2

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.

For 2012, the Gibraltar mine is expected to operate close to its current production capacity of 55,000 tpd, increasing to 85,000 tpd once GDP3 is fully commissioned sometime in 2013.

There have been no material environmental non-compliance incidents since the mine reopened in 2004.

New 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, 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 New 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 New 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 New 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 New 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 New 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 New 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 New 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 New 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 New 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.

Sampling and Analysis

Details of sampling and analysis of drill cores are described in the December 17, 2009 technical report, “Technical Report on the 344 Million Tonne Increase in Mineral Reserves at the Prosperity Gold-Copper Project”. Sample pulps are stored in the Company’s warehouse at Port Kells, BC. Coarse rejects from analytical work are retained in Taseko’s secure warehouse in Surrey, BC.

Reserves and Resources

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: New 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

The table below 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. 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: New 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.

In early 2012 Taseko initiated a geotechnical field investigation to support the design and environmental assessment of the relocated tailings facility at New Prosperity.

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 New 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 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 a project description for the New Prosperity project to the federal government.

On November 7, 2011 the CEAA announced that the New Prosperity Gold-Copper Mine project would undergo an environmental assessment by a federal review panel. In announcing the decision the Minister of the Environment indicated that the time for the Agency to complete these activities and for the panel to conduct its review, including holding public hearings and preparing its report, is to be no more than 12 months, in total.

On January 23, 2012 the Agency released draft environmental impact statement (EIS) guidelines and the draft terms of reference for the review panel for a 30 day public comment period. On March 16, 2012 the EIS guidelines were finalized by the Minister of the Environment and issued to Taseko. Issuance of the terms of reference for the review panel is anticipated in April. Taseko will submit the EIS in compliance with the finalized guidelines.

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.

Aley 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); 15% 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 intensity of use in steels. Demand for ferro-niobium has grown at approximately 10% per annum in recent years and Taseko anticipates that growth to continue over the next 10 years. Ferro-niobium is currently selling for $40/kg Nb and Taseko expects prices to increase to $50/kg by 2015 and $60/kg by 2020. 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 43,3 square kilometres. All claims are in good standing until January 2021. The claims are 100% owned by us and are not subject to any royalties or carried interests.

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 results obtained compared favorably to the operating results at Niobec.

Geology

The Aley project hosts a carbonatite complex that intrudes Cambrian to Ordovician sedimentary rocks of the Kechika (limestone), Skoki (dolomite to volcaniclastics), and Road River Group formations (clastic sedimentary rocks). The intrusion is ovoid in plan with a diameter of approximately 2 km surrounded for up to 500m by a fenite (quartz-albite syenite) aureole. . The fenite comprises massive units and occasional breccias. The carbonatite is predominantly composed of dolomite carbonatite with minor calcite carbonatite. 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 Zone.

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 subsequent 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 ranged up to over 200 metres in length. Niobium mineralization intersected was highly continuous and close to surface. The extensive body of niobium mineralization indicated by the 2010 drilling was open to expansion in at least three directions and to depth.

In 2011 a drill program completed 17,094 metres over 70 holes in the central zone. The objective of the drill program was the delineation of the continuity and extent of Nb mineralization in the Central Zone with infill drilling. The program also sought to establish a better understanding of the deposit geometry and the continuity and extent of Nb mineralization.

Sampling and Analysis

Details of sampling and analysis of drill cores are described in the March 28 2012 technical report, “Technical Report Aley Carbonatite Niobium Project”. Sample pulps are stored in the Company’s warehouse at Port Kells, BC. Drill core is stored at the Company’s warehouse in MacKenzie.

Estimates of Mineralization

The 2010 drilling program resulted in the establishment of an inferred resource of 158 million tonnes grading 0.43% Nb $_2O_5$ for the Central Zone at a 0.2% Nb_2O_5 cut-off grade as documented in the October 26, 2011 technical report, “Technical Report Aley Carbonatite Niobium Project”.

The inclusion of the data from the 2011 drill program resulted in an increased and upgraded in-pit mineral resource for the Central Zone. The resource as documented in the March 29, 2012 technical report, “Technical Report Aley Carbonatite Niobium Project”is summarized in Table 8 for a range of cut-off grades with the base case of 0.2% Nb_2O_5 in boldface. Table 8 uses the terms ‘measured resources’, ‘indicated resources’ and ‘inferred resources’. The Company advises investors that while those terms are recognized and required by Canadian regulations, the SEC does not recognize them.

Table 8: Aley Mineral Resources as at March 1, 2012

COG % Nb2O5	MEASURED		INDICATED		MEASURED+INDICATED	
	Tonnes 000's	% Nb2O5	Tonnes 000's	% Nb2O5	Tonnes 000's	% Nb2O5
0.10	137,373	0.36	215,145	0.31	352,518	0.33
0.15	126,769	0.38	197,767	0.33	324,536	0.35
0.20	**112,651**	**0.41**	**173,169**	**0.35**	**285,820**	**0.37**
0.25	96,183	0.44	131,999	0.39	228,182	0.41
0.30	81,377	0.47	102,966	0.42	184,343	0.45

COG % Nb2O5	INFERRED	
	Tonnes 000's	% Nb2O5
0.10	177,350	0.29
0.15	168,733	0.30
0.20	**144,216**	**0.32**
0.25	97,891	0.37
0.30	68,976	0.41

The resource is constrained by a 45°wall slope Lerchs-Grossman pit assuming a metal price of US$50/kg Nb with process recovery of 50%. General & administration, processing and ore mining costs were assumed to be $30/tonne. Base waste mining costs were assumed to be $1.50/tonne.

Exploration and Development

The Company plans to continue work on the project in 2012. Field work will be focused on geotechnical investigation of pit, plant site and tailings facility as well as environmental studies. Engineering is progressing with respect to pit design, metallurgical test work, site facilities, and infrastructure requirements.

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. The tracking preferred shares were exchanged for Taseko common shares in 2011.

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. All claims are in good standing until July 2012. The claims are 100% owned by Taseko and are not subject to any royalties or carried interests.

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

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 at 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 has initiated a review of the metallurgical flow sheet and prior mine development planning to establish further work programs.

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.

Changes in the market price of copper, gold and other metals, which are volatile and have fluctuated widely, affect the profitability of our operations and financial condition.

Our profitability and long-term viability depend, in large part, upon the market price of copper, gold and other metals and minerals produced from our mineral properties. The market price of copper, gold and other metals is volatile and is affected by numerous factors beyond our control, including:

- expectations with respect to the rate of inflation;
- the relative strength of the U.S. dollar and certain other currencies;
- interest rates;
- global or regional political or economic conditions, including interest rates and currency values;
- supply and demand for industrial products and jewelry containing metals; and
- sales by central banks and other holders, speculators and producers of copper, gold and other metals in response to any of the above factors.

A decrease in the market price of copper, gold and other metals could affect our ability to finance the development of the New Prosperity Project and the exploration and development of our other mineral properties, including the Gibraltar Mine, which could have a material adverse effect on our financial condition and results of operations. Copper and gold prices are near a historical high and there can be no assurance that the market price of copper and other metals will remain at current levels or that such prices will improve. There is no assurance that if commercial quantities of copper, gold and other metals are discovered, that a profitable market may exist or continue to exist for a production decision to be made or for the ultimate sale of the metals.

Mining is inherently dangerous and subject to conditions or events beyond our control, which could have a material adverse effect on our business.

Mining involves various types of risks and hazards, including:

- environmental hazards;
- industrial accidents;
- metallurgical and other processing problems;
- unusual or unexpected rock formations;
- structural cave-ins or slides;
- flooding;
- fire;
- metals losses; and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury, environmental damage, delays in mining, increased production costs, monetary losses, and possible legal liability. We may not be able to obtain insurance to cover these risks at economically feasible premiums. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to us or to other companies within the mining industry. We may suffer a material adverse impact on our business if we incur losses related to any significant events that are not covered by its insurance policies.

Lack of infrastructure could delay or prevent us from developing advanced projects.

Completion of the development of our advanced projects is subject to various requirements, including the availability and timing of acceptable arrangements for power, water and transportation facilities. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay development of our advanced projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that:

- the development of our projects will be commenced or completed on a timely basis, if at all;
- the resulting operations will achieve the anticipated production volume; or
- the construction costs and ongoing operating costs associated with the development of our advanced projects will not be higher than anticipated.

We are subject to significant governmental regulation.

Our operations and exploration and development activities in Canada are subject to extensive federal, provincial, territorial and local laws and regulations governing various matters, including:

- environmental protection;
- management and use of toxic substances and explosives;
- management of tailings and other wastes generated by our operations;
- management of natural resources;
- exploration and development of mines, production and post-closure reclamation;
- exports;
- price controls;
- taxation;
- regulations concerning business dealings with First Nations groups;
- labour standards and occupational health and safety, including mine safety; and
- historic and cultural preservation.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining or curtailing operations or requiring corrective measures, installation of additional equipment or remedial actions, any of which could result in the Company incurring significant expenditures. We may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or a more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of our operations and delays in the development of our properties.

There are risks associated with the New Prosperity Project.

On January 14, 2010, Taseko received an 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 2010 Federal decision. In November 2010, the Federal Minister of Environment announced that the Prosperity Project, as proposed, could 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 New Prosperity Project, which could negatively affect the Company.

Furthermore, the feasibility of the Prosperity Project 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 these prices, which are 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 New Prosperity Project will require substantial financing, including a possible combination of debt and equity financing. On May 12, 2010, the Company entered into a gold stream transaction agreement with Franco-Nevada Corporation ("Franco-Nevada"), whereby the Company may receive funding in staged deposits totalling US $350 million. The investment by Franco-Nevada is subject to (among other conditions) the condition precedent that the New Prosperity project plan that we had agreed with them must receive appropriate governmental approval. Because our revised New Prosperity project plan is not the one we agreed with Franco-Nevada in 2010, this condition will not be satisfied, and so Franco-Nevada may currently terminate this agreement on ten business days' written notice to Taseko. However, we believe Franco-Nevada currently has no economic incentive to do so and is awaiting the outcome of our new proposal to the Canadian federal environmental authorities. If our revised mine proposal is ultimately accepted by the authorities, we intend to seek Franco-Nevada agreement to reconfirm the terms of our gold stream transaction with them, but there is no assurance that Franco-Nevada will agree to provide such reconfirmation. Until then, Franco-Nevada could terminate the agreement. There is also a risk that Franco-Nevada will be unable to fund its obligations at the time we receive the necessary approvals. The investment by Franco-Nevada is also subject to certain other conditions precedent which the Company may not be able to satisfy. There can be no assurance that gold stream, debt 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.

We are subject to risks associated with joint ventures.

Taseko participates in a joint venture with Cariboo with respect to the Gibraltar Mine. Taseko may enter into more joint ventures in the future with other third parties. There are risks associated with joint ventures, including, for example:

- disagreement with a venture counterparty about how to develop, operate or finance a project;
- that a venture counterparty 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 counterparty may not comply with a joint venture agreement;
- the possibility that a venture counterparty in an investment might become bankrupt;
- that such venture counterparty may be in a position to take action contrary to Taseko's instructions or requests or contrary to Taseko's policies or objectives,
- possible litigation between joint venture counterparty 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.

We are currently dependent on the Gibraltar Mine and suspension of production at that mine may materially adversely affect our business.

We are in the process of developing the Prosperity Project, the Harmony Project and the Aley Project. Therefore, until these other mines are developed and operational and are beginning to have revenue, we are dependent upon the Gibraltar Mine for revenues. If the Gibraltar Mine were to cease production for any reason, it would have a material adverse effect on our results of operations, business and financial position.

Our future success depends upon our ability to develop our existing reserves.

We have not yet received the permits necessary to mine all of our proven and probable reserves that are economically recoverable. In order to develop our proven and probable reserves, we must receive various governmental permits. We make no assurances that we will be able to obtain the governmental permits that we would need to continue developing our proven and probable services. Furthermore, we may not be able to mine all of our proven and probable reserves as profitably as we do at our current operations.

Our mining operations are conducted on properties owned or leased by us. We may not be able to negotiate new leases or obtain contracts for properties containing surface, underground or subsidence rights necessary to develop any of our proven and probable reserves. Additionally, we may not be able to maintain our leasehold interest in properties on which mining operations are not commenced during the term of the lease.

Our mines, which are still under development, may not achieve anticipated productive capacity, may experience unanticipated costs or may be delayed or not completed at all.

Our mines are still under development. The development of a mine is a complex and challenging process that may take longer and cost more than predicted, or not be completed at all. In addition, anticipated productive capacity may not be achieved. We may encounter unforeseen geological conditions or delays in obtaining required construction, environmental or operating permits or mine design adjustments. Construction delays cause reduced production and cash flow while certain fixed costs, such as minimum royalties, must still be paid on a predetermined schedule.

As our existing copper and molybdenum supply agreements expire, our revenues and operating profits could be negatively impacted if we are unable to extend existing agreements or enter into new agreements due to competition, changing copper and molybdenum purchasing patterns or other variables.

As our copper and molybdenum supply agreements at the Gibraltar Mine expire, we will compete with other copper and molybdenum suppliers to renew these agreements or to obtain new sales. To the extent our other mines in operation do not have contracts for copper and molybdenum or if we cannot renew these copper and molybdenum supply agreements with our customers or find alternate customers willing to purchase our copper and molybdenum, our revenue and operating profits could suffer.

Our customers may decide not to extend existing agreements or enter into new long-term contracts or, in the absence of long-term contracts, may decide to purchase less copper and molybdenum than in the past or on different terms, including under different concentrate pricing terms. To the degree that we operate outside of long-term contracts, our revenues are subject to pricing in the concentrate spot market that can be significantly more volatile than the pricing structure negotiated through a long-term copper and molybdenum concentrate supply agreement. This volatility could adversely affect the profitability of our operations if conditions in the spot market pricing for copper and molybdenum concentrate are unfavourable.

Our business requires substantial capital expenditures.

Our business is capital intensive due to construction of new mines and infrastructure and maintenance of existing operations. Specifically, the exploration, permitting and development of reserves, mining costs, the maintenance of machinery and equipment and compliance with applicable laws and regulations require substantial capital expenditures. While a significant amount of the capital expenditures required to build-out our mine has been spent, we must continue to invest capital to maintain or to increase the amount of reserves that we develop and the amount of metal that we produce. We cannot assure you that we will be able to maintain our production levels or generate sufficient cash flow, or that we will have access to sufficient financing to continue our production, exploration, permitting and development activities at or above our present levels and we may be required to defer all or a portion of our capital expenditures. Our business, results of operations and financial condition may be adversely affected if we cannot make such capital expenditures.

We operate our mines with a limited and efficient work force. Our ability to operate our company efficiently could be impaired if we lose key personnel or fail to continue to attract qualified personnel.

We manage our business with a number of key personnel at each location, including key contractors, the loss of a number of whom could have a material adverse effect on us. In addition, as our business develops and expands, we believe that our future success will depend greatly on our continued ability to attract and retain highly-skilled and qualified personnel and contractors. We cannot be certain that key personnel will continue to be employed by us or that we will be able to attract and retain qualified personnel and contractors in the future. Failure to retain or attract key personnel could have a material adverse effect on us.

Any change in consumption patterns of copper could affect our ability to sell the copper we produce.

The copper market is volatile and cyclical and consumption of copper is influenced by global economic growth, trends in industrial production and conditions in the housing and automotive industries and economic growth in China, which is the largest consumer of refined copper in the world. Should demand weaken and consumption patterns change, in particular, if consumers seek out lower cost substitute materials, the price of copper could be adversely affected, which could negatively affect our results of operations.

Capital costs may increase at the GDP3 expansion project.

Capital costs with respect to GDP3 expansion 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; or
- 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.

Increased competition could adversely affect our ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing copper, gold or other metals. We may be at a competitive disadvantage in acquiring additional mining properties because we must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than we do. We may also encounter increasing competition from other mining companies in our efforts to hire experienced mining professionals. Competition for exploration resources at all levels is currently very intense. Increased competition could adversely affect our ability to attract necessary capital funding, or to acquire it on acceptable terms, or acquire suitable producing properties or prospects for mineral exploration in the future.

Recent increases in copper, gold and molybdenum prices have encouraged increases in mining exploration, development and construction activities, which have resulted in increased demand for and cost of contract exploration, development and construction services and equipment. Increased demand for and cost of services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increased potential for scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs, result in project delays, or both.

DIVIDENDS

The Company has paid no dividends in any of the three years ending December 31, 2011. The Company has no plans to pay a dividend in the foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

Taseko's share capital consists of an unlimited number of no par value common shares. As of March 28, 2012, there were 194,894,935 common shares issued and outstanding as fully paid and non-assessable.

The holders of Taseko's common shares are entitled to one vote for each share on all matters submitted to a vote of shareholders.

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.

Senior Notes

The Company has US$200 million aggregate principal amount of publicly-traded senior notes ("Notes") due in 2019, bearing interest at an annual rate of 7.75% . The Company may redeem some or all of the Notes at any time on or after April 15, 2015 at redemption prices ranging from 103.875% to 100%, plus accrued and unpaid interest to the date of redemption. Prior to April 15, 2015, all or part of the Notes may be redeemed at 100% plus a make-whole premium, plus accrued and unpaid interest to the date of redemption. In addition, until April 15, 2014, the Company may redeem up to 35% of the principal amount of Notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 107.75%, plus accrued and unpaid interest to the date of redemption. The Notes are guaranteed on a senior unsecured basis by two of the Company's existing subsidiaries, and future subsidiaries of the Company other than immaterial subsidiaries. The subsidiary guarantees are, in turn, guaranteed by the Company.

Ratings

The following table sets out the ratings of Taseko's senior notes by the rating agencies indicated as at March 28, 2012:

	Rating Agency	
	Standard & Poor's Rating Services	**Moody's Investor Services**
Senior Notes	B	B3
Trend/Outlook	Stable	Stable

Standard & Poor's Rating Services' ("S&P") credit ratings are on a long-term rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. S&P has assigned Taseko a corporate credit rating of B and a credit rating of B on the senior notes. According to the S&P, this rating generally means the relevant issue currently has the capacity to meet its finance commitments, but that adverse business, financial, or economic conditions will likely impair the relevant issuer's capacity or willingness to meet its financial commitments. S&P adds that an issuer or obligation rated 'B' should be able to withstand a mild level of stress and still meet its financial obligations. The ratings from AAA to D may be modified by the addition of a plus (+) or a minus (-) sign to show relative standing within the major categories. In addition, S&P may add a rating outlook of "positive", "negative" or "stable" which assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years).

Moody's Investor Services' ("Moody's") credit ratings are on a long-term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. Moody's has assigned Taseko a corporate family credit rating of B3and a credit rating of B3 on the senior notes. According to Moody's, this rating generally means that the obligations are considered speculative and are subject to high credit risk. Moody's appends numerical modifiers 1, 2 and 3to each generic rating classification from AA through C. The modifier 1 indicates that the security ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of the generic category.

We understand that the credit ratings accorded to the senior notes by S&P and Moody's are not recommendations to purchase, hold or sell the senior notes as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

MARKET FOR SECURITIES

Taseko's common shares are listed on the Toronto Stock Exchange (TSX) and the NYSE Amex Equities Exchange under the symbols TKO and TGB, respectively. The following table shows the price ranges and volume traded by month in 2011, based on trading information published by each Exchange.

	Toronto Stock Exchange			NYSE Amex Equities Exchange		
2011	High (C$)	Low (C$)	Average Daily Share Volume	High (US$)	Low (US$)	Average Daily Share Volume
December	3.22	2.55	457,900	3.18	2.50	879,000
November	3.90	2.81	419,300	3.82	2.70	1,016,300
October	3.82	2.45	608,500	3.85	2.30	1,307,000
September	4.00	2.60	459,400	4.09	2.50	1,424,900
August	4.31	3.20	743,300	4.61	3.23	2,104,700
July	4.95	4.23	344,600	5.08	4.41	1,253,500
June	5.05	4.09	504,600	5.18	4.16	1,373,900
May	5.23	4.62	494,900	5.44	4.72	1,404,700
April	5.84	4.95	414,200	6.08	5.20	1,426,700
March	6.22	5.13	619,500	6.38	5.18	2,276,700
February	6.31	5.67	854,300	6.37	5.69	3,330,300
January	6.10	4.84	1,089,400	6.08	4.85	4,066,600

DIRECTORS AND OFFICERS

As at March 28, 2012, the directors and executive officers of Taseko, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 3,582,008 common shares, representing less than two percent of the total number of common shares outstanding before giving effect to the exercise of options 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.

Name, Position and Office, and Province or State and Country of Residence	Period a Director and/or Officer of Taseko
Directors	
William Armstrong, Director Surrey, British Columbia, Canada	Since May 2006

Name, Position and Office, and Province or State and Country of Residence	Period a Director and/or Officer of Taseko
T. Barry Coughlan, Director Vancouver, British Columbia, Canada	Since February 2001
Scott D. Cousens, Director Vancouver, British Columbia, Canada	Since October 1992
Robert A. Dickinson, Director Lions Bay, British Columbia, Canada	Since January 1991
Russell E. Hallbauer, President, Chief Executive Officer and Director West Vancouver, British Columbia, Canada	Since July 2005
Wayne Kirk, Director Orcas, Washington, USA	Since July 2004
Alex Morrison, Director Bellingham, Washington, USA	Since April 2011
Richard Mundie, Director Vancouver, British Columbia, Canada	Since January 2010
Ronald W. Thiessen, Chairman of the Board and Director West Vancouver, British Columbia, Canada	Since October 1993
Executive Officers	
Brian Battison, Vice President Corporate Affairs Tsawwassen, British Columbia, Canada	Since September 2007
Scott Jones, Vice President, Engineering North Vancouver, British Columbia, Canada	Since December 2007
John W. McManus, Senior Vice President, Operations West Vancouver, British Columbia, Canada	Since October 2005
Peter Mitchell, Chief Financial Officer West Vancouver, British Columbia, Canada	Since September 2008
David Rouleau, Vice President, Operations Vancouver, British Columbia, Canada	Since June 2010
Trevor Thomas, Secretary Vancouver, British Columbia, Canada	Since August 2008

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.

At the annual general meeting held in June 2011 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 2012. 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.

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.

Committees of the Board of Directors

Audit Committee
The Audit Committee is comprised of Richard Mundie (Chairman), Wayne Kirk, and Alex Morrison.

Compensation Committee
The Compensation Committee is comprised of T. Barry Coughlan (Chairman), William P. Armstrong, and Richard A. Mundie.

Nominating and Governance Committee
The Nominating and Governance Committee is comprised of Wayne Kirk (Chairman), T. Barry Coughlan and Alex Morrison.

Investment Committee
The Investment Committee consisting is comprised of Russell Hallbauer (Chairman), William P. Armstrong, Ronald W. Thiessen, and Wayne Kirk.

Executive Committee
The Executive Committee is comprised of Russell Hallbauer (Chairman), William P. Armstrong, T. Barry Coughlan and Ronald W. Thiessen.

Environmental, Health and Safety Committee
The Environmental, Health and Safety Committee is comprised of William P. Armstrong (Chairman), Alex Morrison and Richard A. Mundie.

Principal Occupations and Other Information

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

Company	Positions Held	From	To
Euromax Resources Ltd.	Director	October 2011	February 2012
Hansa Resources Ltd.	Director	August 2008	April 2010
Taseko Mines Limited	Director	May 2006	Present

T. 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
Creso Exploration Inc.	Director	July 2010	October 2010
Farallon Mining Ltd.	Director	March 1998	January 2011
Great Basin Gold Ltd.	Director	February 1998	Present
ICN Resources Ltd. (formerly Icon Industries Ltd.)	President and CEO	September 1991	November 2009
	Director	September 1991	January 2010
Northcliff Resources Ltd.	Director	June 2011	Present
Quadro Resources Ltd. (formerly Tri-Gold Resources Corp.)	President, CEO and Director	June 1986	Present
Quartz Mountain Resources Ltd.	Director	January 2005	December 2011
Rathdowney Resources Ltd.	Director	March 2011	Present
Taseko Mines Limited	Director	February 2001	Present
Vatic Ventures Corporation	Director	January 2011	Present

Scott D. 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	April 2011
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 Ltd.	Director	November 2009	Present
	Chairman	November 2009	Present
Northern Dynasty Minerals Ltd.	Director	June 1996	Present
Northcliff Resources Ltd.	Director	June 2011	February 2012
	Director Capital Markets	February 2012	Present
Rathdowney Resources Ltd.	Director	June 2011	Present
Rockwell Diamonds Inc.	Director	November 2000	November 2008
Taseko Mines Limited	Director	October 1992	Present

Robert A. Dickinson, B.Sc., M.Sc. - Director

Robert Dickinson is an economic geologist who serves as a member of management of several mineral exploration companies, primarily those for whom Hunter Dickinson Services Inc. (provides services. He holds a Bachelor of Science degree (Hons. Geology) and a Master of Science degree (Business Administration - Finance) from the University of British Columbia. Mr. Dickinson has also been active in mineral exploration over 40 years. He is a director of Hunter Dickinson 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	April 2011
	Chairman	June 2004	January 2006
	Co-Chairman	January 2006	December 2006
Curis Resources Ltd.	Director	November 2010	Present
	Chairman	November 2010	December 2010
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 Ltd.	Director	November 2009	Present
Northcliff Resources Ltd.	Director	June 2011	Present
	Chairman	June 2011	Present
Northern Dynasty Minerals Ltd.	Director	June 1994	Present
	Chairman	April 2004	Present
Quartz Mountain Resources Ltd.	Director	December 2003	Present
	Chairman	December 2011	Present

Company	Positions Held	From	To
Rathdowney Resources Ltd.	Director	March 2011	December 2011
	Chairman	March 2011	December 2011
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

Russell E. 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	December 2010	Present
	Director	November 2010	Present
Northern Dynasty Minerals Ltd.	Director	April 2008	Present
Taseko Mines Limited	President/CEO/Director	July 2005	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 within the past five years was, a director of the following public companies:

Company	Positions Held	From	To
Anooraq Resources Corporation	Director	July 2005	September 2011
Gabriel Resources Ltd.	Director	June 2008	Present
Great Basin Gold Ltd.	Director	July 2004	January 2012
Northern Dynasty Minerals Ltd.	Director	July 2004	Present
Taseko Mines Limited	Director	July 2004	Present

Alex Morrison, CA - Director

Alex Morrison is a mining executive and chartered accountant with over 25 years of experience in the mining industry.

Mr. Morrison is a citizen of the United States and is a resident of the state of Washington.

Mr. Morrison has held senior executive positions at a number of mining companies, most recently serving as Vice President and Chief Financial Officer of Franco-Nevada Corporation from 2007 to 2010. From 2002 to 2007, Mr. Morrison held increasingly senior positions at Newmont Mining Corporation, including Vice President, Operations Services and Vice President, Information Technology. Prior to that, Mr. Morrison was Vice President and Chief Financial Officer of NovaGold Resources Inc., Vice President and Controller of Homestake Mining Company and held senior financial positions at Phelps Dodge Corporation and Stillwater Mining Company. Mr. Morrison began his career with PricewaterhouseCoopers LLP after obtaining his Bachelor of Arts in Business Administration from Trinity Western University.

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

Company	**Positions Held**	**From**	**To**
Detour Gold Corporation	Director	May 2010	Present
Franco-Nevada Corporation	Chief Financial Officer	January 2008	April 2010
Taseko Mines Limited	Director	April 2011	Present

Richard Mundie, CA – Director

Richard Mundie is a Chartered Accountant with a Bachelor of Commerce degree from the University of British Columbia. Mr. Mundie has held a number of senior leadership positions in the mining sector for over 25 years in key organizations in British Columbia and overseas. From 2005 to 2007, he was Vice President, Asia Affairs and Chief Representative (China), for Teck Cominco Limited. 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.

Mr. Mundie also held the position of Vice President – Commercial for a period of ten years with Teck Cominco. 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.

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. Earlier career positions included a number of finance related roles in the resources sector, transport and public accounting with PricewaterhouseCoopers LLP.

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

Company	**Positions Held**	**From**	**To**
Far West Mining Ltd.	Director	August 2010	June 2011
Mundoro Capital Inc.	Director	May 2010	December 2010
Panoro Minerals Ltd.	Director	March 2010	Present
Taseko Mines Limited	Director	January 2010	Present

Ronald W. Thiessen, CA – Chairman of the Board and Director

Ronald Thiessen is a Chartered Accountant with professional experience in finance, taxation, mergers, acquisitions and re-organizations. Since 1986, Mr. Thiessen has been involved in the acquisition and financing of mining and mineral exploration companies. Mr. Thiessen is 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. 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	June 2011
	President and Chief Executive Officer	September 2000	August 2007
Continental Minerals Corporation	Director	November 1995	April 2011
	President and Chief Executive Officer	September 2000	January 2006
	Co-Chairman	January 2006	April 2011
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

Company	Positions Held	From	To
Northern Dynasty Minerals Ltd.	Director	November 1995	Present
	President and Chief Executive Officer	November 2001	Present
Quartz Mountain Resources Ltd.	Director	December 2011	Present
	President and Chief Executive Officer	December 2011	Present
Rockwell Diamonds Inc.	Director	November 2000	September 2007
	President and Chief Executive Officer	November 2000	September 2006
	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

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

Scott Jones, P.Eng. – Vice President, Engineering

Scott Jones has 30 years of experience in the mining industry. Prior to joining Taseko in 2006, he was 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

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	December 2011
Taseko Mines Limited	Vice President, Operations	October 2005	December 2007
	Senior Vice President, Operations	December 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
Northcliff Resources Ltd.	Director	June 2011	Present
Northern Dynasty Minerals Ltd.	Director	May 2011	Present
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 within the past five years was, an officer and or director of the following public companies:

Company	Positions Held	From	To
Amarc Resources Ltd.	Secretary	February 2008	Present
Anooraq Resources Corporation	Asst Secretary	November 2007	July 2011
Continental Minerals Corporation	Secretary	February 2008	April 2011
Farallon Mining Ltd.	Secretary	December 2007	January 2011
Heatherdale Resources Ltd.	Secretary	November 2009	September 2010
Northcliff Resources Ltd.	Secretary	June 2011	Present
Northern Dynasty Minerals Ltd.	Secretary	February 2008	Present
Rathdowney Resources Ltd.	Secretary	March 2011	Present
Rockwell Diamonds Inc.	Secretary	February 2008	Present

Taseko Mines Limited	Secretary	August 1, 2008	Present

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

Potential 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 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.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no potentially material legal proceedings to which Taseko is a party.

The Company has not been subject to any regulatory actions

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.

TRANSFER AGENT AND REGISTRAR

The Company's registrar and transfer agent for its common shares is Computershare Trust Company of Canada, located in Vancouver, BC.

MATERIAL CONTRACTS

Taseko's material contracts are as follows:

(a) Red Mile Royalty Sale Agreements dated September 29, 2004:

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 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, pursuant to which Gibraltar sells copper concentrate to MRI;

(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;

(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;

(g) At the Market Issuance Agreement, dated October 18, 2010, with McNicoll, Lewis & Vlak LLC, 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" 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; and

(i) Indenture, dated as of April 15, 2011, between the Company, as issuer and Parent Guarantor, Gibraltar Mines Ltd., as Subsidiary Guarantor, and Aley Corporation, as Subsidiary Guarantor, and The Bank of New York Mellon, as U.S. trustee, and BNY Trust Company of Canada, as Canadian Co-Trustee.

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, 2012 in respect of the Company's consolidated financial statements as at December 31, 2011 and 2010 and January 1, 2010 and for the years ended December 31, 2011 and 2010 and the Company's internal control over financial reporting as at December 31, 2011;

(b) Scott Jones, P. Eng. authored the "Technical Report on the 357 Million Ton Increase in Mineral Reserves at the Gibraltar Mine" dated June 24, 2011; 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.

(d) Ronald G. Simpson, authored the "Technical Report Aley Carbonatite Niobium Project" dated October 26, 2011 and the "Technical Report Aley Carbonatite Niobium Project" dated March 29, 2011.

To our knowledge, Scott Jones and Ronald Simpson do 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.

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 2011 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.

AUDIT AND RISK COMMITTEE

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

Composition of Audit and Risk Committee

The Audit and Risk Committee, consisting of Richard Mundie, Wayne Kirk and Alex Morrison, 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 and Risk Committee are required to meet consistent with National Instrument 52-110 *Audit Committees* and other applicable regulatory requirements. The Audit and Risk 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 and Risk Committee member is an independent director and is financially literate. Mr. Mundie is the Audit and Risk Committee's chairman.

Relevant Education and Experience

Disclosure respecting the education and experience of the Audit and Risk 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.

Code of Ethics

The Company has adopted a code of ethics that applies to all directors, officers and employees of the Company, including the Chief Executive Officer, Chief Financial Officer and other senior finance staff. 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 years for professional services rendered by the Company's audit firm for various services.

Services:	**Year ended December 31, 2011**	**Year ended December 31, 2010**
Audit Fees	$ 727,100	$ 532,942
Audit Related Fees (1)	–	29,750
Tax Fees	–	–
All Other Fees	–	–
Total	$ 727,100	$ 562,692

(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.

Pre-Approval Policies and Procedures

Management of the Company requests approval from the Audit and Risk Committee for all audit and non-audit services to be provided by the Company's auditors. The Audit and Risk Committee pre-approves all such services with set maximum dollar amounts for each itemized service. During such deliberations, the Audit and Risk 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. No audit-related fees, tax fees or other non-audit fees for such "prohibited services" were approved by the Audit and Risk Committee.

APPENDIX A

Audit and Risk Committee Charter

1. PURPOSE: RESPONSIBILITIES AND AUTHORITY

The Audit and Risk Committee (the "Audit Committee" or "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; provided that the Committee Chairman may approve services to be performed by the independent auditors and the fee therefor between Committee meetings if the amount of the fee does not exceed $50,000, provided that any such approval shall be reported to the Committee at the next meeting thereof.. 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.

(xi) The Committee shall oversee the implementation by management of appropriate information technology systems for the Company, including as required for proper financial reporting and compliance.

(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, and regularly review the top risks identified by management and the policies and practices adopted by the Company to mitigate those risks.

(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 oversee the preparation of reports relating to the Audit Committee required under applicable laws, regulations and stock exchange requirements.

(x) The Committee shall exercise oversight with respect to anti-fraud programs and controls

(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.

(f) ***Additional duties.*** The Committee shall perform the following additional duties:

(i) The Committee shall review and recommend hedging and dividend policies.

(ii) The Committee shall oversee the Company's insurance program and approve insurance policy limits.

(iii) The Committee shall review the appointment of senior financial personnel and make recommendations to the Board of Directors regarding the appointment of the Chief Financial Officer.

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

2. STRUCTURE AND MEMBERSHIP

(a) **Number and qualification**. The Committee shall consist of three persons unless the Board should from time to time otherwise determine. All members of the Committee shall meet the experience and financial literacy requirements of National Instrument 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.

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

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

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

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

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

3. PROCEDURES AND ADMINISTRATION

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

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

(c) **Reports to the Board**. The Committee shall 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.

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

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

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

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

4. ADDITIONAL POWERS

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

5. LIMITATION OF 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. COMMITTEE MEMBER INDEPENDENCE, FINANCIAL LITERACY AND FINANCIAL EXPERT REQUIREMENTS

A. Independence

(a) 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
December 31, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements, the notes thereto and other financial information contained in the Management's Discussion and Analysis have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of Taseko Mines Limited. The financial information presented elsewhere in the Management's Discussion and Analysis is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgment of management.

In order to discharge management's responsibility for the integrity of the financial statements, the Company maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, establishing policies and procedures, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility.

The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review financial reporting issues.

The consolidated financial statements have been audited by KPMG LLP, the Company's independent registered chartered accountants, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States).

/s/ Russell Hallbauer

Russell Hallbauer
Chief Executive Officer

/s/ Peter Mitchell

Peter Mitchell
Chief Financial Officer

Vancouver, British Columbia
March 9, 2012

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended (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 International Financial Reporting Standards. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- 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
- 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.

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act as of December 31, 2011. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2011, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by KPMG LLP, the Company's independent registered chartered accountants, as stated in their report immediately preceding the Company's audited consolidated financial statements for the years ended December 31, 2011 and 2010.

/s/ Russell Hallbauer

Russell Hallbauer
Chief Executive Officer

/s/ Peter Mitchell

Peter Mitchell
Chief Financial Officer

Vancouver, British Columbia
March 9, 2012

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

INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Taseko Mines Limited

We have audited the accompanying consolidated financial statements of Taseko Mines Limited, which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Taseko Mines Limited as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Taseko Mines Limited's internal control over financial reporting as of December 31, 2011, 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 29, 2012 expressed an unqualified opinion on the effectiveness of Taseko Mines Limited's internal control over financial reporting.

\\s\\ KPMG LLP

Chartered Accountants

March 29, 2012
Vancouver, Canada

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, 2011 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, 2011, 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, 2011, December 31, 2010 and January 1, 2010 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and our report dated March 29, 2012 expressed an unqualified opinion on those consolidated financial statements.

\\s\\ KPMG LLP

Chartered Accountants

March 29, 2012
Vancouver, Canada

TASEKO MINES LIMITED
Consolidated Statements of Comprehensive Income
(Cdn$ in thousands, except per share amounts)

	Note	For the years ended December 31, 2011	2010
Revenues	4	$ 251,866	$ 278,460
Cost of sales	5	(165,565)	(157,759)
Gross profit		86,301	120,701
General and administrative		(21,100)	(19,057)
Exploration and evaluation		(10,411)	(10,090)
Other operating income (expenses)	7	5,175	(2,675)
Gain (loss) on contribution to joint venture	3	(3,987)	98,157
		55,978	187,036
Finance expenses	8	(22,492)	(10,747)
Finance income	9	17,270	19,572
Earnings before income taxes		50,756	195,861
Income tax expense	10	(23,782)	(46,504)
Net earnings for the year		**$ 26,974**	**$ 149,357**
Other comprehensive income (loss):			
Unrealized gains (losses) on available-for-sale financial assets, net of tax		(2,401)	5,249
Realized gains on available-for-sale financial assets, net of tax		(5,246)	(3,576)
Total other comprehensive income (loss) for the year		**$ (7,647)**	**$ 1,673**
Total comprehensive income for the year		**$ 19,327**	**$ 151,030**
Earnings per share			
Basic		$ 0.14	$ 0.80
Diluted		$ 0.14	$ 0.74
Weighted-average shares outstanding (thousands)			
Basic		193,213	186,103
Diluted		197,748	203,006

The accompanying notes are an integral part of these consolidated financial statements.

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows
(Cdn$ in thousands)

	Note	For the years ended December 31, 2011	2010
Operating activities			
Net earnings for the year		$ 26,974	$ 149,357
Adjustments for:			
Depreciation		12,827	12,973
Income tax expense	10	23,782	46,504
Income tax paid		(38,660)	(1,911)
Share-based compensation		8,215	9,260
Unrealized gain on derivatives	7	(22,944)	(8,877)
Finance expenses		18,164	7,403
Finance income		(13,963)	(5,018)
Gain on contribution to joint venture	3	-	(98,157)
Other operating activities	24	9,617	837
Net change in non-cash working capital	24	(12,348)	(18,293)
Cash provided by operating activities		11,664	94,078
Investing activities			
Purchase of property, plant and equipment		(63,915)	(55,303)
Purchase of financial assets		(235,595)	(24,009)
Interest received		7,093	2,629
Proceeds from sale of financial assets		169,515	16,449
Proceeds from contribution to joint venture	3	-	186,811
Other investing activities	24	(1,066)	1,860
Cash provided by (used for) investing activities		(123,968)	128,437
Financing activities			
Repayment of debt		(10,729)	(56,823)
Interest paid		(10,121)	(3,118)
Common shares issued for cash		8,420	3,837
Proceeds from debt issuance	19	192,020	14,077
Debt issuance costs		(6,052)	-
Cash provided by (used for) financing activities		173,538	(42,027)
Effect of exchange rate changes on cash and equivalents		4,765	(3,777)
Increase in cash and equivalents		65,999	176,711
Cash and equivalents, beginning of year		211,793	35,082
Cash and equivalents, end of year		**$ 277,792**	**$ 211,793**

The accompanying notes are an integral part of these consolidated financial statements.

TASEKO MINES LIMITED

Consolidated Balance Sheets
(Cdn$ in thousands)

	Note	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
Current assets				
Cash and equivalents	24a	$ 277,792	$ 211,793	$ 35,082
Accounts receivable	11	39,909	21,918	12,505
Other financial assets	12	86,147	26,202	21,634
Inventories	13	23,290	21,286	21,792
Current tax receivable		7,437	–	–
Prepaids		2,348	534	2,112
		436,923	281,733	93,125
Other financial assets	12	111,641	93,825	102,821
Property, plant and equipment	14	440,565	341,098	366,299
Intangible assets	15	5,438	5,438	5,438
Prepaids		165	–	–
		$ 994,732	**$ 722,094**	**$ 567,683**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	16	$ 36,289	$ 23,796	$ 17,993
Current portion of long-term debt	19	13,753	10,315	27,678
Other financial liabilities	17	10,797	7,248	28,911
Current tax liabilities		–	24,528	370
Deferred revenue - royalty obligation	17a	175	175	175
		61,014	66,062	75,127
Long-term debt	19	218,502	28,018	46,525
Other financial liabilities	17	45,980	54,144	89,921
Provision for environmental rehabilitation	18	96,022	53,129	50,700
Deferred tax liabilities	10	76,091	59,518	16,880
Deferred revenue - royalty obligation	17a	306	481	656
		497,915	261,352	279,809
EQUITY				
Share capital	20a	378,393	365,553	350,376
Contributed surplus		33,040	26,193	19,532
Accumulated other comprehensive income (loss) ("AOCI")		(1,398)	6,249	4,576
Retained earnings (deficit)		86,782	62,747	(86,610)
		496,817	460,742	287,874
		$ 994,732	**$ 722,094**	**$ 567,683**
Commitments and contingencies	23			
Subsequent events	28			

The accompanying notes are an integral part of these consolidated financial statements.

TASEKO MINES LIMITED

Consolidated Statements of Changes in Equity
(Cdn$ in thousands)

	Note	Share capital	Contributed surplus	AOCI	Retained earnings (deficit)	Total
Balance at January 1, 2010		$ 350,376	$ 19,532	$ 4,576	$ (86,610)	$ 287,874
Exercise of options		6,436	(2,599)	–	–	3,837
Shares issued		8,741	–	–	–	8,741
Share-based compensation	21	–	9,260	–	–	9,260
Total comprehensive income for the year		–	–	1,673	149,357	151,030
Balance at December 31, 2010		**$ 365,553**	**$ 26,193**	**$ 6,249**	**$ 62,747**	**$ 460,742**
Balance at January 1, 2011		$ 365,553	$ 26,193	$ 6,249	$ 62,747	$ 460,742
Exercise of options		4,228	(1,368)	–	–	2,860
Preferred shares redemption	20b	(26,642)	–	–	(2,939)	(29,581)
Shares issued	20b	35,254	–	–	–	35,254
Share-based compensation	21	–	8,215	–	–	8,215
Total comprehensive income for the year		–	–	(7,647)	26,974	19,327
Balance at December 31, 2011		**$ 378,393**	**$ 33,040**	**$ (1,398)**	**$ 86,782**	**$ 496,817**

The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Taseko Mines Limited (the Company) is a corporation governed by the *British Columbia Business Corporations Act*. The consolidated financial statements of the Company as at and for the year ended December 31, 2011 comprise the Company, its subsidiaries and its 75% interest in the Gibraltar joint venture since its formation on March 31, 2010. The Company is principally engaged in the production and sale of metals, as well as related activities including exploration and mine development, within the province of British Columbia. Seasonality does not have a significant impact on the Company's operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are the Company's first consolidated financial statements prepared in accordance with IFRS and IFRS 1, *First Time Adoption of International Financial Reporting Standards* has been applied.

Note 27 provides an explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company.

These consolidated financial statements were authorized for issue by the Board of Directors on March 9, 2012.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for fair-value- through-profit-or-loss, available-for-sale and derivative financial instruments which are measured at fair value.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Non-Canadian dollar monetary assets and liabilities are translated into Canadian dollars at the closing exchange rate as at the balance sheet date. Non-monetary assets and liabilities, revenues and expenses are translated in Canadian dollars at the prevailing rate of exchange on the dates of the transactions. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise noted.

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas where judgment is applied include reserve and resource estimation; asset valuations and the measurement of impairment charges or reversals; finished and in-process inventory quantities; plant and equipment lives; tax provisions; provisions for environmental rehabilitation; valuation of derivative instruments; assessment of joint control in business combinations and share-based compensation. Key estimates and assumptions made by management with respect to these areas have been disclosed in the notes to these consolidated financial statements as appropriate.

The accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions made and judgment used in the engineering and geological interpretation, and may be subject to revision based on various factors. Changes in reserve and resource estimates may impact the carrying value of property, plant and equipment; the calculation of depreciation expense; the capitalization of stripping costs incurred during production; and the timing of cash flows related to the provision for environmental rehabilitation.

Changes in forecast prices of commodities, exchange rates, production costs and recovery rates may change the economic status of reserves and resources. Forecast prices of commodities, exchange rates, production costs and recovery rates, and discount rates assumptions, either individually or collectively, may impact the carrying value of derivative financial instruments, inventory, property, plant and equipment, and intangibles, as well as the measurement of impairment charges or reversals.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company, either directly or indirectly. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances, transactions, income and expenses are eliminated in preparing the consolidated financial statements.

Joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e., when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Joint venture arrangements that involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture are referred to as jointly controlled assets (JCA). The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits through its share of the JCA.

The Company reports its interests in a JCA using the proportionate consolidation method. The Company combines its proportionate 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 consolidated financial statements. Unrealized income and expenses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

(d) Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred and the amount of revenue is reasonably determinable. These conditions are generally satisfied when title passes to the customer. Cash received in advance of meeting these conditions is recorded as deferred revenue.

Under the terms of the Company's concentrate and cathode sales contracts, the final sales amount is based on final assay results and quoted market prices in a period subsequent to the date of sale. Revenues for these sales are recorded at the time of shipment, which is also when the risks and rewards of ownership transfer to the customer, based on an estimate of metal contained using initial assay results and forward market prices on the expected date that final sales prices will be fixed. The period between provisional pricing and final settlement can be between one and four months. This provisional pricing mechanism represents an embedded derivative. The embedded derivative is recorded at fair value each reporting period by reference to forward market prices until the date of final pricing, with the changes in fair value recorded as an adjustment to revenue.

(e) Cash and equivalents

Cash and equivalents consist of cash and highly-liquid investments having terms of three months or less from the date of acquisition and that are readily convertible to known amounts of cash. Cash and equivalents exclude cash subject to restrictions.

(f) Financial instruments

Financial assets and liabilities are recognized on the balance sheet when the Company becomes party to the contractual provisions of the instrument. The classification of financial instruments dictates how these assets and liabilities are measured subsequently in the Company's financial statements.

Financial instruments at fair value through profit or loss (FVTPL)

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of selling in the near term. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVTPL. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for the period. Financial assets in this category include dual currency deposits and derivatives.

The Company may enter into derivative financial instruments to manage exposure to commodity price fluctuations (primarily copper) and to improve the returns on its cash assets. These instruments are non-hedge derivative instruments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Accounts receivable are assessed for evidence of impairment at each reporting date, with any impairment recognized in earnings for the period. Financial assets in this category include cash, accounts receivable and the promissory note.

Available-for-sale financial assets

Marketable securities, except for those marketable securities that are derivative instruments, capped floating rate notes and reclamation deposits are designated as available-for-sale and recorded at fair value. Unrealized gains and losses are recognized in other comprehensive income until the securities are disposed of or when there is evidence of impairment in value. If impairment in value has been determined, it is recognized in earnings for the period.

Financial liabilities

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company has accounted for accounts payable and accrued liabilities, debt and the royalty obligation under this method.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(g) Exploration and evaluation

Exploration and evaluation expenditures relate to the initial search for a mineral deposit and the subsequent evaluation to determine the economic potential of the mineral deposit. The exploration and evaluation stage commences when the Company obtains the legal right or license to begin exploration. This stage ends when management determines that there is sufficient evidence to support probability of future mining operations of economically recoverable reserves, and requires significant judgment on the part of management.

Exploration and evaluation expenditures are recognized in earnings in the period in which they are incurred. Once it is expected that expenditures can be recovered by future exploitation or sale, they are considered development costs and capitalized as part of mineral properties within property, plant and equipment.

Exploration activities primarily consist of expenditures relating to drilling programs and include: researching and analyzing existing exploration data; conducting geological mapping studies; and taking core samples for analysis. Evaluation activities include: examination and testing of extraction methods and metallurgical/treatment processes; studies related to assessment of transportation and infrastructure requirements; market and finance studies; and detailed economic evaluations to determine whether development of the reserves is commercially justifiable, including the preparation of scoping, preliminary feasibility and final feasibility studies.

(h) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes direct labour and materials; non-capitalized stripping costs; depreciation; freight; and overhead costs. Net realizable value is determined with reference to relevant market prices, less applicable variable selling costs and estimated remaining costs of completion to bring the inventory into its saleable form.

Work in process represents stockpiled ore and metals in the processing circuits that have not yet completed the production process, and are not yet in a saleable form. Finished goods inventory represents metals in saleable form that have not yet been sold. Materials and supplies inventories represent consumables used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

The quantity of recoverable metal in stockpiled ore and in the processing circuits is an estimate which is based on the tons of ore added and removed, expected grade and recovery. The quantity of recoverable metal in concentrate is an estimate using initial assay results.

(i) Property, plant and equipment

Land, buildings, plant and equipment

Land, buildings, plant and equipment are recorded at cost, including all expenditures incurred to prepare an asset for its intended use.

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

Depreciation is based on the cost of the assets less residual value. Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items and depreciated separately. Depreciation commences when an asset is available for use. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The depreciation rates of the major asset categories are as follows:

Land	Not depreciated
Buildings	Straight-line basis over 10-25 years
Plant and equipment	Units-of-production basis
Mining equipment	Straight-line basis over 5-20 years
Light vehicles and other mobile equipment	Straight-line basis over 2-5 years
Furniture, computer and office equipment	Straight-line basis over 2-3 years

Mineral properties

Mineral properties consist of the cost of acquiring and developing mineral properties. Once in production, mineral properties are amortized on a units-of-production basis.

Acquisition costs arise either as an individual asset purchase or as part of a business combination, and may represent a combination of either proven and probable reserves, resources, or future exploration potential. The estimated fair values attributable to proven and probable reserves and resources are recorded as mineral properties within property, plant and equipment. Exploration potential is recorded as an intangible asset.

Mineral property development costs include: stripping costs incurred in order to provide initial access to the ore body; stripping costs incurred during production that generate a future economic benefit by increasing the productive capacity or extending the productive life of the mine; capitalized exploration and evaluation costs; and capitalized interest.

Construction in progress

Construction in progress includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Construction in progress includes advances on long-lead items. Construction in progress is not depreciated. Once the asset is complete and available for use, the costs of construction are transferred to the appropriate category of property, plant and equipment, and depreciation commences.

Capitalized interest

Interest is capitalized for qualifying assets. Qualifying assets are assets that require a substantial period of time to prepare for their intended use. Capitalization ceases when the asset is substantially complete or if construction is interrupted for an extended period. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

Leased assets

Leased assets in which the Company receives substantially all the risks and rewards of ownership of the asset are capitalized as finance leases at the lower of the fair value of the asset or the estimated present value of the minimum lease payments. The corresponding lease obligation is recorded within debt on the balance sheet. Assets under operating leases are not capitalized and rental payments are included in earnings.

Impairment

The carrying amounts of the Company's non-financial assets are reviewed for impairment whenever circumstances suggest that the carrying value may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

The recoverable amount of an asset or cash generating unit (CGU) is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or CGU's. If the recoverable amount of an asset or its related CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and the impairment loss is recognized in earnings for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not to an amount that exceeds the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in earnings.

(j) Intangible assets

Mineral property acquisition costs arise either as an individual asset purchase or as part of a business combination, and may represent a combination of either proven and probable reserves, resources, or future exploration potential. When management has not made a determination that there is probable future economic benefit and the property is not imminently expected to move into development, the entire amount is considered acquired exploration potential and is classified as an intangible asset. When such property moves into development, the acquired exploration intangible asset is transferred to non-depreciable mineral properties within property, plant and equipment.

(k) Income taxes

Income tax on the earnings for the periods presented comprises current and deferred tax. Income tax is recognized in earnings except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Income tax is calculated using tax rates enacted or substantively enacted at the reporting date applicable to the period of expected realization or settlement.

Current tax expense is the expected tax payable on the taxable income for the year, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is determined using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities acquired (not in a business combination) that affect neither accounting nor taxable profit on acquisition; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they are not probable to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

(l) Share-based compensation

The fair-value method of accounting is used for the Company's share option plan. Fair value is measured at grant date using the Black-Scholes option pricing model and is recognized in earnings on a graded amortization basis over the option vesting period, with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(m) Provisions

Environmental rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to retire an asset in the period in which the obligation occurs. Environmental rehabilitation activities include facility decommissioning and dismantling; removal and treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; and related costs required to perform this work and/or operate equipment designed to reduce or eliminate environmental effects. The provision for environmental rehabilitation (PER) is adjusted each period for new disturbances, and changes in regulatory requirements, the estimated amount of future cash flows required to discharge the liability, the timing of such cash flows and the pre-tax discount rate specific to the liability. The unwinding of the discount is recognized in earnings as a finance cost.

When a PER is initially recognized, the corresponding cost is capitalized by increasing the carrying amount of the related asset, and is amortized to earnings on the same basis as the related asset. Costs are only capitalized to the extent that the amount meets the definition of an asset and represents future economic benefits to the operation.

Significant estimates and assumptions are made in determining the provision for environmental rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimation of the extent and cost of rehabilitation activities; timing of future cash flows that are impacted by changes in discount rates; inflation rate; and regulatory requirements.

Other provisions

Other provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Where the effect is material, the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The accretion expense is included in finance expense.

(n) Finance income and expenses

Finance income comprises interest income on funds invested, gains on the disposal of marketable securities, and changes in the fair value of derivatives included in cash and equivalents and marketable securities. Interest income is recognized as it accrues in earnings, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on the disposal of marketable securities, changes in the fair value of derivatives included in cash and equivalents and marketable securities, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in earnings using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise preferred shares and share options granted.

(p) New accounting standards

Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* and IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows. IFRS 10 and IFRS 12 supersede IAS 27, *Consolidated and Separate Financial Statements* and SIC-12, *Consolidation – Special Purpose Entities*.

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of these standards on its financial statements.

Joint Arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*, which provides guidance on accounting for joint arrangements. If an arrangement has joint control, IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved.

A joint operation is an arrangement where the jointly controlling parties have rights to the assets and obligations in respect of the liabilities relating to the arrangement. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues and expenses. A joint venture is an arrangement where the jointly controlling parties have rights to the net assets of the arrangement. A joint venture is accounted for using the equity method. Proportionate consolidation is no longer permitted.

This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is currently assessing the impact that IFRS 11 will have on its consolidated financial statements.

Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement, so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This standard is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company is currently assessing the impact of this standard on its financial statements.

Other Comprehensive Income

In June 2011, the IASB and FASB issued amendments to standards to align the presentation requirements for other comprehensive income (OCI). The IASB issued amendments to IAS 1, *Presentation of Financial Statements* to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The amendments to IAS 1 set out in *Presentation of Items of Other Comprehensive Income* are effective for fiscal years beginning on or after July 1, 2012. The Company is currently assessing the impact of these amendments on its financial statements.

Production Stripping Costs

In October 2011, the IASB issued International Financial Reporting Interpretation Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation requires the capitalization and depreciation of stripping costs from the production phase of a mine if an entity can demonstrate that it is probable that future economic benefits will be realized, that costs can be reliably measured, and that the component of the ore body for which access has been improved can be identified. This interpretation is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of this interpretation on its financial statements.

3. INTEREST IN JOINT VENTURE

On March 31, 2010, the Company entered into an agreement with Cariboo Copper Corp. (Cariboo) whereby the Company contributed certain assets and liabilities of the Gibraltar mine into an unincorporated joint venture and Cariboo paid the Company $186,811 to acquire a 25% interest in the joint venture. The Company recognized a gain on contribution to the joint venture of $98,157 in 2010.

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. Certain key strategic, operating, investing and financing policies of the joint venture require unanimous approval such that neither venturer is in a position to exercise unilateral control over the joint venture. The Company continues to be the operator of the Gibraltar mine.

During 2011, the construction of the SAG direct feed system was completed. Under the terms of agreement with Cariboo, the Company assumed 100% of the capital costs in excess of the capital budget for the SAG direct feed system at the joint venture formation. The Company recognized a net loss on contribution to the joint venture of $3,987 during 2011 as a result of funding Cariboo's portion of the SAG direct feed system project costs above the 2010 budgeted amount.

Summary financial information for the joint venture on 100% basis:

		December 31, 2011		December 31, 2010
Current assets	$	99,957	$	130,284
Non-current assets	$	991,166	$	862,962
Current liabilities	$	59,095	$	46,440
Non-current liabilities	$	156,153	$	108,197

		Year ended December 31, 2011		From Inception on March 31, 2010 to December 31, 2010
Revenues	$	335,822	$	259,160
Expenses	$	244,735	$	157,167
Net income	$	91,087	$	101,993

4. REVENUE

		Years ended December 31, 2011		2010
Copper concentrate	$	227,140	$	258,932
Copper cathode		6,936		3,987
Total copper sales	$	234,076	$	262,919
Molybdenum concentrate		14,317		12,656
Silver contained in copper concentrate		3,473		2,885
	$	251,866	$	278,460

As a result of the formation of a joint venture on March 31, 2010 (note 3), the 2010 comparatives include 100% of the Gibraltar mine's results through to March 31, 2010 and 75% of the Gibraltar mine's results thereafter.

5. COST OF SALES

		Years ended December 31, 2011		2010
Direct mining costs	$	125,536	$	120,810
Depreciation		12,145		12,655
Treatment and refining costs		11,632		11,563
Transportation costs		13,108		16,275
Changes in inventories of finished goods and work in process		3,144		(3,544)
	$	165,565	$	157,759

As a result of the formation of a joint venture on March 31, 2010 (note 3), the 2010 comparatives include 100% of the Gibraltar mine's results through to March 31, 2010 and 75% of the Gibraltar mine's results thereafter.

Cost of sales consists of direct mining costs (which include personnel costs, mine site general & administrative costs, non-capitalized stripping costs, repair & maintenance costs, operating supplies and external services), depreciation, and offsite costs comprised of treatment & refining costs and transportation costs.

6. COMPENSATION EXPENSE

	Years ended December 31, 2011	2010
Wages, salaries and benefits	$ 42,314	$ 39,254
Post-employment benefits	1,135	666
Share-based compensation	8,215	9,260
	$ 51,664	$ 49,180

As a result of the formation of a joint venture on March 31, 2010 (note 3), the 2010 comparatives include 100% of the Gibraltar mine's results through to March 31, 2010 and 75% of the Gibraltar mine's results thereafter.

Compensation expense is presented as a component of cost of sales, general and administrative expense, and exploration and evaluation expense.

7. OTHER OPERATING INCOME (EXPENSES)

	Years ended December 31, 2011	2010
Realized loss on copper derivative instruments	$ (9,910)	$ (12,200)
Unrealized gain on copper derivative instruments	22,944	8,877
Consulting expenses	(6,322)	-
Impairment of plant and equipment	(2,377)	-
Management fee income	840	648
	$ 5,175	$ (2,675)

Consulting expenses are related to the consultants engaged to work with the Gibraltar management team to achieve improvements in operational performance.

Certain plant and equipment was deemed redundant upon completion of the SAG direct feed project during 2011 which resulted in an impairment charge. The Company has also identified other assets for which there are no longer plans to utilize under the current life-of-mine plan, and which were therefore included in the impairment charge.

8. FINANCE EXPENSES

	Years ended December 31, 2011	2010
Interest expense	$ 13,957	$ 4,542
Accretion on PER (note 18)	2,046	1,936
Loss on extinguishment of debt and royalty obligations (note 17b & 19d)	-	2,136
Foreign exchange loss	6,489	2,133
	$ 22,492	$ 10,747

9. FINANCE INCOME

	Years ended December 31, 2011	2010
Interest income	$ 6,859	$ 14,933
Change in fair value of financial instruments	(307)	(25)
Gain on sale of shares	5,995	4,087
Income realized on dual currency deposits	4,275	577
Dividend income	448	-
	$ 17,270	$ 19,572

10. INCOME TAX

(a) Income tax expense

	Years ended December 31, 2011	2010
Current income tax:		
Current period	$ 6,166	$ 3,539
Adjustments recognized for current tax of prior periods	(164)	567
	$ 6,002	$ 4,106
Deferred income tax:		
Origination and reversal of temporary differences	$ 17,906	$ 43,392
Adjustments recognized for deferred tax of prior periods	-	2,621
Reduction in tax rate	(126)	(3,615)
	$ 17,780	$ 42,398
	$ 23,782	$ 46,504

During the year ended December 31, 2011, the Company recognized recoveries of income tax of $907 (2010: $22,523) and interest expense of $208 (2010: $8,098) associated with the reversal of historical tax reserves dating back to 2006 (2010: 2005).

(b) Income tax recognized directly in OCI

	Years ended December 31, 2011	2010
Unrealized gains (losses) on available-for-sale financial assets, before tax	$ (2,744)	$ 5,999
Tax (expense) benefit	343	(750)
Unrealized gains (losses) on available-for-sale financial assets, net of tax	$ (2,401)	$ 5,249
Realized gains (losses) on available-for-sale financial assets, before tax	$ (5,995)	$ (4,087)
Tax (expense) benefit	749	511
Realized gains on available-for-sale financial assets, net of tax	$ (5,246)	$ (3,576)
Total other comprehensive income (loss) for the year	$ (7,647)	$ 1,673

(c) Effective tax rate reconciliation

	Years ended December 31, 2011	2010
Income tax at Canadian statutory rate of 26.5% (2010: 28.5%)	$ 13,450	$ 55,820
Permanent differences	2,335	(20,367)
Mineral tax	7,419	14,180
Future tax rate differences	(126)	(3,615)
Unrecognized tax benefits	1,366	-
Other	(662)	486
Income tax at the effective tax rate of 46.9% (2010: 23.7%)	$ 23,782	$ 46,504

(d) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Property, plant and equipment	$ (98,568)	$ (79,730)	$ (46,617)
Financial instruments at fair value through profit or loss	(7,196)	651	6,210
Available-for-sale financial assets	200	(893)	(654)
Debt	-	-	(751)
Provisions	17,845	7,497	5,423
Other	11,149	12,868	10,523
Tax loss carryforwards	479	89	8,986
	$ (76,091)	$ (59,518)	$ (16,880)

e) Unrecognized deferred tax assets and liabilities

	December 31, 2011	December 31, 2010	January 1, 2010
Deductible temporary differences:			
Debt	$ 1,366	$ -	$ -

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits. There are no unrecognized tax liabilities.

11. ACCOUNTS RECEIVABLE

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	$ 29,891	$ 17,443	$ 10,802
Other receivables due from related parties (note 26)	241	1,764	-
Harmonized sales tax receivable	5,767	1,956	1,378
BC mineral exploration tax credit	2,610	-	-
Other receivables	1,400	755	325
	$ 39,909	$ 21,918	$ 12,505

12. OTHER FINANCIAL ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
Current:			
Dual currency deposits > 3-month term	$ 40,602	$ -	$ -
Copper put option contracts (note 25e)	25,407	433	1,928
Shares – available for sale	11,898	17,922	11,856
Promissory note (note 17a)	8,190	7,248	4,697
Short-term investments	50	-	-
Warrants	-	599	-
Restricted cash	-	-	3,153
	$ 86,147	$ 26,202	$ 21,634
Long-term:			
Capped floating rate notes	$ 20,055	$ -	$ -
Reclamation deposits	24,962	23,266	29,421
Promissory note (note 17a)	66,624	70,559	73,400
	$ 111,641	$ 93,825	$ 102,821

Reclamation deposits are invested in government bonds and treasury bills bearing interest in the range of 1.4% to 4.7% .

13. INVENTORIES

	December 31, 2011	December 31, 2010	January 1, 2010
Work in process	$ 1,154	$ 1,514	$ 1,896
Finished goods			
Copper concentrate	6,063	7,515	5,831
Copper cathode	179	982	178
Molybdenum concentrate	244	53	70
Materials and supplies	15,650	11,222	13,817
	$ 23,290	$ 21,286	$ 21,792

In 2011, materials and supplies inventories was written down by $446 (2010: $536). This writedown is included in cost of sales. The net realizable value of the materials and supplies inventories after the writedown was nil (2010: nil; January 1, 2010: nil).

14. PROPERTY, PLANT & EQUIPMENT

	Mineral properties[1]	Plant and equipment	CIP [4]	Total
Cost				
At January 1, 2010	$ 112,326	$ 229,431	$ 64,671	$ 406,428
Additions	14,641	29,124	36,086	79,851
Contribution to joint venture [2]	(28,127)	(57,409)	(17,896)	(103,432)
Transfers between categories [4]	-	65,271	(65,271)	-
At December 31, 2010	$ 98,840	$ 266,417	$ 17,590	$ 382,847
Additions	44,465	27,778	45,391	117,634
Capitalized interest [3]	-	-	874	874
Impairments	-	(3,673)	-	(3,673)
Transfers between categories [4]	-	13,150	(13,150)	-
At December 31, 2011	$ 143,305	$ 303,672	$ 50,705	$ 497,682
Accumulated depreciation and impairments				
At January 1, 2010	$ 13,969	$ 26,160	$ -	$ 40,129
Depreciation	3,832	9,583	-	13,415
Contribution to joint venture [2]	(3,799)	(7,995)	-	(11,794)
At December 31, 2010	$ 14,001	$ 27,748	$ -	$ 41,749
Depreciation	3,782	12,882	-	16,664
Impairments	-	(1,296)	-	(1,296)
At December 31, 2011	$ 17,783	$ 39,334	$ -	$ 57,117
Carrying amounts				
At January 1, 2010	$ 98,357	$ 203,271	$ 64,671	$ 366,299
At December 31, 2010	$ 84,839	$ 238,669	$ 17,590	$ 341,098
At December 31, 2011	$ 125,522	$ 264,338	$ 50,705	$ 440,565

[1] Mineral properties consists of the cost of acquiring and developing mineral properties. Development costs include capitalized stripping costs, capitalized exploration and evaluation costs, capitalized interest, and rehabilitation cost asset.

[2.] On March 31, 2010, the Company contributed certain assets and liabilities of the Gibraltar mine into an unincorporated joint venture in which the Company retains a 75% interest.

[3] The capitalization rate for the period was 5.77% .

[4.] Construction in process (CIP) is transferred to the relevant category of property, plant and equipment once the asset is available for use.

(a) Leased assets

The Company leases mining equipment under a number of capital lease agreements. Some leases may not be terminated by the Company prior to the end of its term. Most of the leases provide the Company with the option to purchase the equipment at a beneficial price. One lease contains a mandatory purchase provision. Certain rents are based on an annual average usage for the applicable equipment and, if at the end of the term (unless the equipment has been purchased by the Company), the actual annual average usage of such equipment has been greater than the specified usage, the Company must pay an additional amount for each excess hour of actual usage. The leased assets secure the lease obligations (note 19).

At December 31, 2011, the net carrying amount of leased assets was $29,606 (2010: $25,883; January 1, 2010: $17,889).

(b) Change in estimates

Certain items of property, plant and equipment at the Gibraltar mine which management previously expected to remain in production for the life of mine are now expected to be replaced by assets constructed and/or purchased as part of an expansion project at the mine. As a result the expected useful lives of these assets decreased. The estimated effect of these changes on depreciation expense, recognized in cost of sales, in current and future periods is as follows:

	2011	2012	2013	2014	2015	Later
Estimated increase (decrease) in depreciation expense	$ 281	$ 2,937	$ 1,108	$ 405	$ 405	$ (5,136)

15. INTANGIBLE ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
Aley niobium property	$ 5,436	$ 5,436	$ 5,436
Prosperity gold-copper property [1]	1	1	1
Harmony gold property [1]	1	1	1
	$ 5,438	$ 5,438	$ 5,438

[1] Carrying amounts for Prosperity and Harmony represent the original mineral property acquisition costs less historical impairments.

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	$ 31,055	$ 20,628	$ 12,663
Other payables due to related parties (note 26)	44	154	13
Interest payable	3,351	47	124
Other payables [1]	1,839	2,967	5,193
	$ 36,289	$ 23,796	$ 17,993

[1] Includes amounts owing as a result of settlement of copper call option contracts. The balance as at December 31, 2011 was $ nil (2010: $658; January 1, 2010: $3,160).

17. OTHER FINANCIAL LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Current:			
Royalty obligations	$ 8,190	$ 7,248	$ 11,208
Copper call option contracts	2,607	-	17,703
	$ 10,797	$ 7,248	$ 28,911
Long-term:			
Royalty obligations	$ 44,594	$ 51,645	$ 57,621
Income tax obligations (note 10a)	1,386	2,499	32,300
	$ 45,980	$ 54,144	$ 89,921

(a) Red Mile royalty obligations and promissory note

In September 2004, the Company sold a royalty on the Gibraltar mine's copper production to Red Mile Resources No. 2 Limited Partnership (Red Mile), an unrelated investment partnership, for $67,357. The proceeds were invested with a trust company in a promissory note (note 12) and the Company pledged the promissory note, along with interest earned thereon, as security for its royalty obligations.

Pursuant to the agreements, the Company received fees and interest for services performed in relation to the Red Mile transaction, including $1,750 for indemnifying an affiliate of Red Mile from any claims relating to a breach by the Company under the royalty agreement. The indemnification funds received were recorded as deferred revenue and will be recognized as income over the expected remaining life of the royalty agreement.

Annual royalties are payable to Red Mile at rates ranging from $0.01 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. Funds held in the promissory note are released to satisfy the annual royalty payment.

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 ranges from 2% to 4%, depending on the average copper price each year adjusted for variations in foreign currency exchange rates. No NPI is payable until the Company reaches a pre-determined aggregate level of revenues less defined operating costs and expenditures and, as at December 31, 2011, this threshold has not yet been met.

(b) Gibraltar Royalty LP royalty obligations

In 2009, the Company sold a production royalty to Gibraltar Royalty Limited Partnership (GRLP), an unrelated investment partnership. Annual royalties were payable to GRLP at rates ranging from $0.003 to $0.004 per pound of copper produced from the Gibraltar mine during the period from September 1, 2009 through December 31, 2030. The Company had a pre-emptive option to repurchase (call) the royalty obligation by acquiring the GRLP partnership units. On March 24, 2010, the Company exercised its "call" and settled the royalty obligation of $6,511.

18. PROVISIONS

		Environmental rehabilitation
At January 1, 2010	$	50,700
Additions during the year		304
Contribution to joint venture [1]		(12,866)
Change in estimates		13,146
Used during the year		(91)
Unwind of discount		1,936
At January 1, 2011		53,129
Additions during the year		171
Change in estimates		43,345
Used during the year		(2,670)
Unwind of discount		2,046
At December 31, 2011	$	96,022
Long-term		96,022
Current		-
	$	96,022

[1] On March 31, 2010, the Company contributed certain assets and liabilities of the Gibraltar mine into an unincorporated joint venture in which the Company retains a 75% interest.

The PER represents the present value of estimated costs of legal and constructive obligations required to retire an asset. The PER has been recognized based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability.

The following significant estimates and assumptions were made for the purpose of estimating the PER:

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Pre-tax discount rate	3.1%	3.7%	4.1%
Inflation rate	2.0%	2.0%	2.0%
Market risk adjustment	0.5%	0.5%	0.5%
Number of years to mine closure	26	21	22
Number of years over which rehabilitation occurs	100	100	100

Estimates are reviewed regularly to take into account any material changes to the assumptions. During 2011, the Company completed an updated reserve estimate for the Gibraltar mine which extended the life of the mine and deferred the expected timing of mine closure by six years. Furthermore, there have been changes in discount rates and inflation rates during the current period, which has had a significant impact on the PER.

In general, the expected cash flows become more reliable towards the end of the mine's life, whereas the estimate of a PER at the beginning of the mine's life is more subjective. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future metal prices which are inherently uncertain.

As required by the regulatory authorities, before commencing work on a project or mine, the Company posts a security which is held in trust by the regulatory authorities. These reclamation deposits (note 12) are returned only once the site is reclaimed to a satisfactory level and there are no ongoing monitoring or maintenance requirements. For the Gibraltar mine, the Company has also issued an irrevocable standby letter of credit for $10 million as part of its security with the regulatory authorities.

19. DEBT

	December 31, 2011	December 31, 2010	January 1, 2010
Current:			
Capital leases	$ 6,925	$ 5,354	$ 3,750
Secured equipment loans	6,828	4,961	2,032
Credit facility	-	-	21,896
	$ 13,753	$ 10,315	$ 27,678
Long-term:			
Senior notes	$ 197,409	$ -	$ -
Capital leases	14,862	14,959	10,238
Secured equipment loans	6,231	13,059	6,678
Credit facility	-	-	29,609
	$ 218,502	$ 28,018	$ 46,525

(a) Senior notes

In April 2011, the Company completed a public offering of US$200 million in senior notes due in 2019, bearing interest at an annual rate of 7.75% . The notes are guaranteed by the Company's subsidiaries and the subsidiary guarantees are, in turn, guaranteed by the Company.

The Company may redeem some or all of the notes at any time on or after April 15, 2015 at redemption prices ranging from 103.875% to 100% plus accrued interest. Prior to April 15, 2015, the notes may be redeemed at 100% plus a make-whole premium, plus accrued interest. In addition, until April 15, 2014, the Company may redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 107.75%, plus accrued interest.

The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

(b) Capital leases

Capital leases are are repayable in monthly installments with fixed interest rates and are secured by plant and equipment with a carrying value of $29,606 (2010: $25,883; January 1, 2010: $17,889). The capital lease obligations bear fixed interest rates ranging from 5.93% to 8.80% and have maturity dates ranging from 2012 to 2016.

(c) Secured equipment loans

The equipment loans are secured by equipment with a carrying value of $26,899 (2010: $28,404; January 1, 2010: $11,269). The loans are repayable in monthly installments and bear fixed interest rates ranging from 5.35% to 8.63% and have maturity dates ranging from 2012 to 2014.

(d) Credit facility

The Company had a US$50-million credit facility agreement bearing interest at LIBOR plus 5 percent. The facility was repayable in equal installments commencing April 2010 and every second month thereafter until February 2012. During 2010, the Company repaid the facility and recorded a loss of $834 as a result of writing off deferred finance costs.

20. EQUITY

(a) Share capital

(thousands of shares)	Common shares	Tracking preferred shares
At January 1, 2010	182,925	12,484
Issued on purchase of royalty interest (note 17b)	1,556	-
Issued as donation	225	-
Exercise of share options	2,792	-
At January 1, 2011	187,498	12,484
Issued for cash	1,000	-
Exchange of tracking preferred shares for common shares (note 20b)	5,916	(12,484)
Exercise of share options	2,091	-
At December 31, 2011	196,505	-

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Common shares	$ 378,393	$ 338,911	$ 323,734
Tracking preferred shares	-	26,642	26,642
	$ 378,393	$ 365,553	$ 350,376

(b) Equity issued

During the year ended December 31, 2011, the Company sold one million of its common shares through at-the-market issuance for net proceeds of $5,559.

During the year ended December 31, 2011, Continental Minerals Corporation ("Continental") completed its previously-announced plan of arrangement with Jinchuan Group Ltd. Pursuant to the plan of arrangement, the outstanding preferred shares of Continental were exchanged for common shares of the Company, resulting in the issuance of 5,916,241 common shares at a fair value of $29,581 and the redemption of all of the outstanding tracking preferred shares.

On March 24, 2010, the Company issued 1,556,365 common shares to repurchase a royalty held by Gibraltar Royalty Limited Partnership, an unrelated investment partnership, on the Gibraltar mine's copper production. The fair value of the shares issued exceeded the carrying value of the royalty obligation, resulting in a charge of $1,302 to profit and loss.

(c) Contributed surplus

Contributed surplus represents employee entitlements to share-based awards that have been charged to profit and loss in the periods during which the entitlements were accrued and have not yet been exercised.

(d) Accumulated other comprehensive income ("AOCI")

AOCI is comprised of the cumulative net change in the fair value of available-for-sale financial assets, net of taxes, until the investments are sold or impaired.

21. SHARE-BASED COMPENSATION

The Company has a share option plan (equity settled) approved by the shareholders that allows it to grant options to directors, officers, employees and other service providers. Under the plan, a maximum of 10% of the Company's outstanding common shares may be granted. The exercise price of an option is set at the time of grant using the five-day volume weighted average price of the common shares. Options may have a term of up to ten years. Vesting conditions of options is at the discretion of the Board of Directors at the time the options are granted.

(thousands of options)	Options		Average price
Outstanding at January 1, 2010	10,385	$	1.39
Granted	3,709		4.63
Exercised	(2,792)		1.37
Forfeited	(188)		1.62
Expired	-		-
Outstanding at January 1, 2011	11,114	$	2.47
Granted	2,370		5.16
Exercised	(2,091)		1.37
Forfeited	(98)		4.58
Expired	-		-
Outstanding at December 31, 2011	11,295	$	3.22
Exercisable at December 31, 2011	8,683	$	2.71

The weighted-average share price at the date of exercise for share options exercised in 2011 was $4.18 (2010: $5.18) .

Range of exercise price	Options (thousands)	Average life (years)
$1.00 to $2.17	4,996	2.1
$3.07 to $4.77	3,654	2.3
$5.00 to $5.74	2,645	3.9
	11,295	2.6

The fair value at grant date of the share option plan was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

	Key management personnel		Employees	
	2011	2010	2011	2010
Weighted-average share price	$ 5.01	$ 4.60	$ 4.98	$ 5.05
Expected term (years)	4.9	5.0	3.0	3.2
Expected forfeiture rate	0%	0%	0%	0%
Weighted-average expected volatility	77.0%	75.4%	83.8%	82.7%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	2.2%	2.7%	2.2%	1.8%
Weighted-average fair value per option	$ 3.11	$ 2.88	$ 2.69	$ 2.85

22. EARNINGS PER SHARE

	Year ended December 31,	
	2011	**2010**
Net earnings	$ 26,974	$ 149,357
Net earnings – diluted	$ 26,974	$ 149,357
(in thousands of common shares)		
Weighted-average number of common shares [1]	193,213	186,103
Dilutive securities:		
Effect of share options	4,535	10,626
Effect of tracking preferred shares	-	6,277
Weighted-average number of diluted common shares [1]	197,748	203,006
($ per common share)		
Basic earnings per share	**0.14**	**0.80**
Diluted earnings per share	**0.14**	**0.74**

[1] The normal course issuer bid announced January 31, 2012 (see note 28) may reduce the number of common shares outstanding by up to 10 million.

23. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	<1 year or on demand	1 - 2 years	2 - 5 years	>5 years	Total
At December 31, 2011					
Capital lease liability	$ 6,925	$ 5,938	$ 8,924	$ -	$ 21,787
Future interest charges	1,133	709	602	-	2,444
Capital lease commitments	$ 8,058	$ 6,647	$ 9,526	$ -	$ 24,231
Operating lease commitments[1]	$ 1,377	$ 117	$ 145	$ -	$ 1,639
Capital expenditures commitments	$ 37,200	$ -	$ -	$ -	$ 37,200
At December 31, 2010					
Capital lease liability	$ 5,354	$ 5,394	$ 9,565	$ -	$ 20,313
Future interest charges	1,098	750	720	-	2,568
Capital lease commitments	$ 6,452	$ 6,144	$ 10,285	$ -	$ 22,881
Operating lease commitments	$ 2,730	$ 1,377	$ 262	$ -	$ 4,369
Capital expenditures commitments	$ 2,000	$ 14,942	$ -	$ -	$ 16,942

Operating leases are entered into as a means of acquiring property, plant and equipment. Certain leases contain extension and renewal options.

In respect of its interest in a joint venture, the joint venture is committed to incur capital expenditures of $49,600 (2010: $21,923), of which the Company's share of this commitment is $37,200 (2010: $16,942).

During the year ended December 31, 2011, an amount of $2,859 was recognized as an expense in profit or loss in respect of operating leases (2010: $1,413).

(b) Contingencies

The Company has guaranteed 100% of certain debt entered into by the Gibraltar joint venture in which it holds a 75% interest. As at December 31, 2011, this debt totaled $33,513 on a 100% basis. The Company has also guaranteed its share of additional debt totaling $9,711 on 75% basis.

24. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Cash and equivalents

	December 31, 2011	December 31, 2010	January 1, 2010
Cash	$ 217,338	$ 191,901	$ 24,572
Dual currency deposits < 3-month term	60,454	19,892	10,510
	$ 277,792	$ 211,793	$ 35,082

(b) Other items

	For the year ended December 31, 2011	2010
Change in non-cash working capital items		
Accounts receivable	$ (17,989)	$ (9,413)
Inventories	(2,005)	(4,730)
Accounts payable and accrued liabilities	12,492	5,802
Deferred revenue	(175)	(175)
Other	(4,671)	(9,777)
	$ (12,348)	$ (18,293)
Operating cash flows – other items		
Non-cash donation expense	$ -	$ 928
Realized loss on copper derivative instruments	9,910	-
Reclamation expenditures	(2,670)	(91)
Impairment of plant and equipment	2,377	-
	$ 9,617	$ 837
Investing cash flows – other items		
Net cash reinvested in reclamation deposit	$ (1,054)	$ (1,293)
Reclamation deposit	(12)	-
Restricted cash	-	3,153
	$ (1,066)	$ 1,860
Non-cash investing and financing activities		
Shares issued for donation	$ -	$ 928
Assets acquired under capital lease	$ 7,241	$ 12,923
Shares issued for redemption of royalty obligation	$ -	$ 7,813
Shares issued for preferred shares redemption	$ 26,642	$ -

25. FINANCIAL RISK MANAGEMENT

(a) Overview

In the normal course of business, the Company is inherently exposed to market, liquidity and credit risk through its use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Board approves and monitors risk management processes, including treasury policies, counterparty limits, controlling and reporting structures.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk; interest rate risk; and currency risk. Financial instruments affected by market risk include: cash and equivalents; accounts receivable; promissory note; marketable securities; reclamation deposits; accounts payable and accrued liabilities; debt; royalty obligation; and derivatives.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company buys and sells derivatives in order to manage market risks. The derivative instruments employed by the Company are not designated as hedges for accounting purposes. These non-hedge derivatives are considered to be economic hedges.

Commodity price risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the metals it produces. To manage the Company's operating margins effectively in volatile metals markets, the Company enters into copper option contracts. The amount and duration of the Company's hedge position is based on its assessment of business specific risk elements combined with the copper pricing outlook. Currently, the Company has 90% of its estimated share of 2012 Gibraltar copper production hedged by means of collar sell contracts.

The table below summarizes the impact on earnings after tax and equity for changes in commodity prices on the fair value of derivatives, other than those designated as embedded derivatives.

		Years ended December 31, 2011		2010
Copper increases by US$0.34/lb (2010: US$0.45/lb) [1]	$	(10,288)	$	(325)

[1] The analysis is based on the assumption that the year-end copper price increases 10% with all other variables held constant. The relationship between the year-end copper price and the strike price of copper options has significant influence over the fair value of the derivatives. As such, a 10% decrease in the year-end copper price will not result in an equal but opposite impact on earnings after tax and equity. The closing exchange rate for the year ended December 31, 2011 of CAD/USD 1.0170 (2010: 0.9946) was used in the analysis.

The Company also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are measured at cost (typically at nil); they are therefore excluded from the fair value and sensitivity table above. Also not included in the above tables are provisionally priced sales volumes for which price finalization is outstanding at balance date. Provisionally pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value as part of accounts receivables. The table below summarizes the impact on earnings after tax and equity for changes in commodity prices upon provisionally invoiced sales volumes.

		Years ended December 31, 2011		2010
Copper increase/decrease by US$0.34/lb (2010: US$0.45/lb) [1]	$	2,054	$	5,063
Molybdenum increase/decrease by US$1.34/lb (2010: US$1.60/lb) [1]		269		223

[1] The analysis is based on the assumption that the metal price moves 10% with all other variables held constant. The closing exchange rate for the year ended December 31, 2011 of CAD/USD 1.0170 (2010: 0.9946) was used in the analysis.

The sensitivities in the above tables have been determined as the absolute impact on fair value of a 10 per cent increase in commodity prices at each reporting date, while holding all other variables, including foreign currency and exchange rates, constant. The relationship between commodity prices and foreign currencies is complex and movements in foreign exchange can impact commodity prices. The sensitivities should therefore be used with care.

Interest rate risk

The Company is exposed to interest rate risk on its outstanding debt and investments, including cash and equivalents, from the possibility that changes in market interest rates will affect future cash flows or the fair value of fixed-rate interest-bearing financial instruments.

The table below summarizes the impact on earnings after tax and equity for a change of 100 basis points in interest rates at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This assumes that the change in interest rates is effective from the beginning of the financial year and balances are constant over the year. However, interest rates and balances of the Company may not remain constant in the coming financial year and therefore such sensitivity analysis should be used with care.

	Years ended December 31, 2011	2010
Fair value sensitivity for fixed-rate instruments		
Cash and equivalents	$ 407	$ 124
Dual currency deposits > 3-month term	482	-
Promissory note	789	734
Capital leases	(148)	(100)
Secured equipment loans	(128)	(81)
Senior notes	(1,057)	-
	$ 345	$ 677
Cash flow sensitivity for variable-rate instruments		
Cash and equivalents	$ 1,327	$ 521
Capped floating rate notes	11	-
Reclamation deposits	174	121
Credit facility	-	(93)
	$ 1,512	$ 549

Currency risk

The Canadian dollar is the functional currency of the Company and, as a result, currency exposures arise from transactions and balances in currencies other than the Canadian dollar, primarily the US dollar. The Company's potential currency exposures comprise translational exposure in respect of non-functional currency monetary items, and transactional exposure in respect of non-functional currency revenues and expenditures. The Company also has currency exposure as a result of its investment in dual currency deposits ("DCD"). A DCD is a financial instrument which combines a money market deposit with a currency option to provide a higher yield than that available for a standard deposit. The currency that the Company receives upon maturity of the DCD is dependent on the prevailing spot foreign exchange rate at maturity.

The following table demonstrates the sensitivity to a 10% strengthening in the CAD against the USD. With all other variables held constant, the Company's earnings after tax would increase/(decrease) due to changes in the carrying value of monetary assets and liabilities. The impact on equity is the same as the impact on profit after tax. A weakening in the CAD against the USD would have had the equal but opposite effect to the amounts shown below.

	Year ended December 31, 2011	2010
Cash and equivalents	$ (8,576)	$ (10,164)
Dual currency deposits [1]	(7,491)	(1,422)
Accounts receivable	(2,197)	(1,247)
Copper put option contracts	(1,867)	(31)
Accounts payable and accrued liabilities	492	86
Copper call option contracts	192	-
Senior notes	14,510	-

[1.] Represents the translational exposure of the DCDs, and does not consider the potential impact of losses as a result of potential conversions of the DCD into Canadian dollars at maturity.

The Company's financial asset and liability profile may not remain constant and, therefore, these sensitivities should be used with care.

(c) Liquidity risk

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

During the year ended December 31, 2011, Moody's Investor Service made no change to the Company's long-term credit rating of B3, and Standard & Poor's made no change to the Company's long-term credit rating of B. The Company's strong credit profile and significant cash balance ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Company's practice on counterparty credit exposure ensures that only counterparties of a high credit standing are used for the investment of any excess cash.

There were no defaults on loans payable during the year.

The maturity profile of the Company's financial liabilities based on contractual undiscounted amounts is:

	<1 year or demand	1 - 2 years	2 - 5 years	>5 years	Total
At December 31, 2011					
Accounts payable and accrued liabilities	$ 36,289	$ -	$ -	$ -	$ 36,289
Expected future interest payments	17,518	16,717	47,945	36,126	118,306
Capital leases	6,925	5,938	8,924	-	21,787
Secured equipment loans	6,828	3,672	2,559	-	13,059
Senior notes	-	-	-	203,400	203,400
Royalty obligations [1]	13,514	23,809	15,461	-	52,784
	$ 81,074	$ 50,136	$ 74,889	$ 239,526	$ 445,625
Carrying amount	$ 63,556	$ 33,419	$ 26,944	$ 197,409	$ 321,328
At December 31, 2010					
Accounts payable and accrued liabilities	$ 23,796	$ -	$ -	$ -	$ 23,796
Expected future interest payments	2,080	1,371	1,015	-	4,466
Capital leases	5,354	5,394	9,565	-	20,313
Secured equipment loans	4,961	6,828	6,231	-	18,020
Royalty obligations [1]	9,913	13,335	33,845	1,800	58,893
	$ 46,104	$ 26,928	$ 50,656	$ 1,800	$ 125,488
Carrying amount	$ 44,023	$ 25,557	$ 49,641	$ 1,800	$ 121,021

[1.] Actual timing of payment for royalty obligations may differ. Amounts estimated based on expected future production levels.

(d) 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, marketable securities and investments, and derivatives. 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.

The following table shows the Company's receivables at the reporting date that are exposed to credit risk and the aging analysis. There are no impairments recognized on the receivables.

	Total	Not past due	Past due but not impaired <30 days	31-90 days	>90 days
At December 31, 2011					
Trade receivables	$ 29,891	$ 29,958	$ 12	$ (79)	$ -
Other receivables	10,018	9,306	-	712	-
	$ 39,909	$ 39,264	$ 12	$ 633	$ -
At December 31, 2010					
Trade receivables	$ 17,443	$ 17,398	$ (7)	$ 52	$ -
Other receivables	4,475	4,475	-	-	
	$ 21,918	$ 21,873	$ (7)	$ 52	$ -

The Company deals with a limited number of counterparties for its metal sales. The balance at December 31, 2011 is comprised of four customers (2010: four customers).

(e) Fair values of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table.

	December 31, 2011		December 31, 2010	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Fair value through profit and loss (FVTPL)				
Dual currency deposits < 3-month term	$ 61,033	$ 61,033	$ 19,892	$ 19,892
Dual currency deposits > 3-month term	40,602	40,602	-	-
Copper put option contracts	25,407	25,407	433	433
Warrants	-	-	599	599
Loans and receivables				
Cash	$ 216,759	$ 216,759	$ 191,901	$ 191,901
Accounts receivable	39,909	39,909	21,918	21,918
Promissory note [1]	74,814	N/A	77,807	N/A
Available-for-sale				
Capped floating rate notes	$ 20,055	$ 20,055	$ -	$ -
Shares	11,898	11,898	17,922	17,922
Reclamation deposits	24,962	24,962	23,266	23,266
Financial liabilities				
Fair value through profit and loss (FVTPL)				
Copper call option contracts	$ 2,607	$ 2,607	$ -	$ -
Financial liabilities				
Accounts payable and accrued liabilities	$ 36,289	$ 36,289	$ 23,795	$ 23,795
Senior notes	197,409	185,603	-	-
Capital leases	21,787	21,562	20,313	20,040
Secured equipment loans	13,059	12,235	18,020	16,727
Royalty obligation [1]	52,784	N/A	58,893	N/A

[1] The fair value of the promissory note and royalty obligation are not readily determinable with sufficient reliability due to the uncertainty around the maturities and the future cash flows associated with the promissory note.

The Company uses the fair value hierarchy described in note 2f for determining the fair value of financial instruments.

	Level 1	Level 2	Level 3	Total
December 31, 2011				
Financial assets designated at FVTPL				
Dual currency deposits	$ -	$ 101,635	$ -	$ 101,635
Copper put option contracts	-	25,407	-	25,407
Warrants	-	-	-	-
Available-for-sale financial assets				
Shares	11,898	-	-	11,898
Capped floating rate notes	-	20,055	-	20,055
Reclamation deposits	24,962	-	-	24,962
	$ 36,860	$ 147,097	$ -	$ 183,957
Financial liabilities designated at FVTPL				
Copper call option contracts	$ -	$ 2,607	$ -	$ 2,607
December 31, 2010				
Financial assets designated at FVTPL				
Dual currency deposits	$ -	$ 19,892	$ -	$ 19,892
Copper put option contracts	-	433	-	433
Warrants	-	599	-	599
Available-for-sale financial assets				
Shares	17,922	-	-	17,922
Reclamation deposits	23,266	-	-	23,266
	$ 41,188	$ 20,924	$ -	$ 62,112

There have been no transfers between fair value levels during the reporting period.

(f) Summary of derivatives and financial assets containing embedded derivatives

	Notional amount	Strike price[1]	Term to maturity	Fair value
At December 31, 2011				
Commodity contracts				
Copper put option contracts	68.5 million lbs	US$3.50	Q1-Q4 2012	$ 25,407
Copper call option contracts	68.5 million lbs	US$5.02 to 5.12	Q1-Q4 2012	$ (2,607)
Dual currency deposits				
USD/CAD (4.50% to 6.00%)	US$60 million	1.0300 to 1.0740	< 3 months	$ 61,313
USD/CAD (4.00% to 7.05%)	US$40 million	0.9850 to 1.0800	> 3 months	$ 40,602
Capped floating rate notes				
3-month BA rate + 25 bps	C$10 million	5.00%	Q4 2013	$ 10,024
3-month BA rate + 45 bps	C$10 million	5.50%	Q4 2014	$ 10,031
Share purchase warrants				
Publicly-traded company	1 million shares	$1.20	Q2 2012	-
At December 31, 2010				
Commodity contracts				
Copper put option contracts	34.3 million lbs	US$3.00	Q1-Q2 2011	$ 433
Dual currency deposits				
USD/CAD (4.00% to 4.50%)	US$20 million	1.0285 to 1.0410	< 3 months	$ 19,892
Share purchase warrants				
Publicly-traded company	1 million shares	$1.20	Q2 2012	$ 599

1. For the floating rate notes, this value represents the cap level for the coupon rate.

(g) Capital management

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, DCDs classified within marketable securities, credit facilities and debt as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue or buy back equity, issue, buy back or repay debt, sell assets, or return capital to shareholders.

	December 31, 2011	December 31, 2010
Cash and equivalents	$ 277,792	$ 211,793
DCDs within other financial assets	40,602	-
Current debt	13,753	10,315
Long-term debt	218,502	28,018
Net (cash) debt	**$ (86,139)**	**$ (173,460)**
Shareholders' equity	**$ 496,817**	**$ 460,742**

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 interest-bearing investments 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, 2011.

26. RELATED PARTIES

(a) Subsidiaries

	Ownership interest as at		
	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Gibraltar Mines Ltd.	100%	100%	100%
Aley Corporation	100%	100%	100%
Taseko Acquisitionsub Ltd.	100%	100%	100%
0806294 BC Ltd.	100%	100%	100%
688888 BC Ltd.	100%	100%	100%
Gibraltar Royalty LP	99.99%	99.99%	-

(b) Key management personnel compensation

Key management personnel include the members of the Board of Directors and executive officers of the Company.

The Company contributes to a post-employment defined contribution pension plan on the behalf of certain key management personnel. This retirement compensation arrangement (RCA Trust) was established to provide benefits to certain executive officers on or after retirement in recognition of their long service. Upon retirement, the participant is entitled to the distribution of the accumulated value of the contributions under the RCA Trust. Obligations for contributions to the defined contribution pension plan are recognized as compensation expense in profit or loss in the periods during which services are rendered by the executive officers.

Certain executive officers are entitled to termination and change in control benefits. In the event of termination without cause, other than a change in control, these executive officers are entitled to an amount ranging from 9-month to 12-month's salary. In the event of a change in control, if a termination without cause or a resignation occurs within 12 months following the change of control, these executive officers are entitled to receive, among other things, an amount ranging from 24-month to 32-months salary and accrued bonus, and all stock options held by these individuals will fully vest.

Executive officers and directors also participate in the Company's share option program (note 21).

Compensation for key management personnel (including directors) is as follows:

	Year ended December 31, 2011	2010
Salaries and benefits	$ 3,578	$ 3,186
Post-employment benefits	1,135	666
Share-based compensation	6,591	6,524
	$ 11,304	$ 10,376

(c) Other related party transactions

	Transaction value for the year end December 31, 2011	2010	Due to (from) related parties as at December 31, 2011	2010
Hunter Dickinson Services Inc.:				
General and administrative expenses	$ 2,223	$ 2,266		
Exploration and evaluation expenses	764	692		
Prepaid rent	995	-		
	$ 3,982	$ 2,958	$ 44	$ 154
Gibraltar joint venture:				
Other operating income	$ 840	$ 648	$ (241)	$ (1,764)

Hunter Dickinson Services Inc. (HDSI) is a private company which, until early 2010, was owned equally by eight public companies, one of which was the Company. In the first quarter of 2010, the Company sold its interest in HDSI for a nominal value. HDSI employs some members of the executive management of the Company and invoices the Company for their executive services as well as other services.

Under the terms of the joint venture operating agreement, the Gibraltar joint venture pays the Company a management fee for services rendered by the Company as operator of the Gibraltar mine.

27. TRANSITION TO IFRS

(a) Elected exemptions

IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions as of the transition date of January 1, 2010:

- Not to apply the requirements of IFRS 3, *Business Combinations,* and restate business combinations that occurred prior to the transition date.
- To apply the requirements of IFRS 2, *Share-based Payments*, to share options granted which had not vested as at the transition date.
- To apply the borrowing cost exemption and to prospectively apply IAS 23, *Borrowing Costs.*
- To not retrospectively apply IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities.* The simplified approach to calculating the net book value of the asset related to the PER was applied. The PER calculated on the transition date in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* was discounted back to the date the liability first arose, at which date the corresponding asset was set up, and then accumulated depreciation was recalculated as at the transition date.

(b) Reconciliation of Equity

	Ref.	December 31, 2010	January 1, 2010
Equity under Canadian GAAP		$ 469,951	$ 296,693
Change in accounting method for depreciation	(i)	(668)	-
Reversal of impairment	(ii)	3,338	4,574
Provision for environmental rehabilitation	(iii)	(14,290)	(16,731)
Share-based compensation	(iv)	-	-
Deferred income tax	(v)	2,411	3,338
Equity under IFRS		$ 460,742	$ 287,874

(c) Reconciliation of Total Comprehensive Income

	Ref.	Year ended December 31, 2010
Total Comprehensive Income under Canadian GAAP		$ 150,271
Change in accounting method for depreciation	(i)	(1,772)
Reversal of impairment	(ii)	(99)
Provision for environmental rehabilitation	(iii)	(1,843)
Share-based compensation	(iv)	1,149
Deferred income tax	(v)	280
Gain on contribution to joint venture	(vi)	3,044
Total Comprehensive Income under IFRS		$ 151,030

References for (b) and (c)

i) Change in accounting method for depreciation

On adoption of IFRS effective January 1, 2010, the Company changed its depreciation accounting method with respect to certain components of property, plant and equipment as management believes it more appropriately reflects the use of the corresponding assets thereby resulting in more reliable and relevant presentation. The impact of this change in accounting method has been prospectively applied from January 1, 2010 as it is a change in depreciation method and not a change in an accounting policy. Under IFRS, a change in the method of depreciation is considered a change in estimate and is applied prospectively. Under Canadian GAAP, a change in depreciation method would have been considered a change in accounting policy and retrospectively applied.

Mining equipment was previously depreciated using the units-of-production method based on tons mined which resulted in variability in the amount depreciated period-to-period. Mining equipment assets are usually fully deployed in day-to-day activities and have a readily determinable useful life. As such, management adopted a method to depreciate these assets using the straight-line method over their estimated useful lives.

Buildings were previously depreciated using the declining balance method which results in more depreciation being taken in the initial years. Management views the utility of buildings to be relatively consistent over the lives of the buildings and has adopted a method to depreciate these assets using the straight-line method.

ii) Reversal of impairment

Under IFRS, the Company is required to reconsider whether impairment losses recognized in prior periods no longer exist, or have 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 carrying value. This is not permitted under Canadian GAAP.

Based on the Company's analysis, an adjustment of $4,574 has been recorded on transition to IFRS to fully reverse an impairment loss recognized for the Gibraltar mine in fiscal 2001, as the mine subsequently restarted operations and is expected to continue to generate economic benefits for the foreseeable future. The Company concluded that the historical impairments recognized for Prosperity and Harmony should not be reversed.

As at December 31, 2010, no additional impairment reversals were identified under IFRS; however, the transition adjustment had been reduced by 25% to reflect the formation of the Joint Venture. The amounts recorded in the table above include the incremental depreciation as a result of the impairment reversal on transition date.

iii) Provision for environmental rehabilitation

The Company has re-measured its PER as of the transition date and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. This calculation was done using best estimates of the historical risk-adjusted discount rates. Accumulated depreciation under IFRS was recalculated up to the transition date.

Under Canadian GAAP, the Company reduced the amount of its PER by expected cash inflows associated with future anticipated revenue-generating activities. Under IFRS, these amounts are recognized as a separate asset when recovery is virtually certain. The Company concluded that the conditions for virtual certainty do not exist and have excluded these revenues from its calculations under IFRS.

Accordingly, an adjustment was made to increase the asset by $24,162, to increase the PER by $40,893 and to decrease deferred income taxes by $5,814, for a total adjustment that decreased equity by $10,917 on the transition date.

As at December 31, 2010, the adjustments were updated for changes in discount rates and incremental depreciation. There were no other changes in estimates between Canadian GAAP and IFRS.

iv) Share-based compensation

For the purpose of accounting for share-based payment transactions, certain individuals previously classified as contractors under Canadian GAAP are now classified as employees under IFRS, and the Company records a lower expense each period, with an equal and offsetting adjustment to contributed surplus. Additional adjustments were made as at December 31, 2010.

v) Income tax

Under IFRS, the Company has derecognized deferred tax liabilities previously recognized on temporary differences arising on the initial recognition of the Aley property 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 income nor taxable income. Accordingly, mineral property interests were reduced by $1,955, intangible assets were reduced by $2,907 and deferred income tax decreased by $3,975, with a decrease to equity of $887.

Under IFRS, the Company has reversed the deferred tax asset previously recognized under Canadian GAAP related to the "new mine allowance" for British Columbia mineral tax purposes. Accordingly, property, plant and equipment and deferred income tax liability both increased by $6,786.

In addition, deferred taxes have been adjusted for the changes to net book values arising as a result of the adjustments for first-time adoption of IFRS as discussed above, resulting in an increase to equity of $4,255. Additional adjustments were made as at December 31, 2010.

vi) Gain on contribution to joint venture

The gain on the contribution to joint venture has been recalculated under IFRS to reflect adjustments to the carrying values of certain assets and liabilities of the Gibraltar mine contributed to the joint venture, as described in references (i), (ii), (iii) and (v).

(d) Reconciliation of Cash Flows

The IFRS transition adjustments noted above did not have an impact on cash and equivalents. Cash interest paid is presented as a financing activity, cash interest received is presented as an investing activity, and the effect of foreign exchange rate changes on cash and equivalents has been presented separately in the statements of cash flows under IFRS. Under Canadian GAAP, all of these were included as operating activities. As a result of these changes in classification under IFRS, cash flow from operating activities increased by $4,266, cash flow from financing activities decreased by $3,118 and cash flow from investing activities increased by $2,629, with the effect of the foreign exchange decreasing cash by $3,777 for the year ended December 31, 2010 compared to Canadian GAAP. There is no net impact on cash and equivalents as a result of this presentation change.

(e) Financial statement presentation changes

The transition to IFRS has resulted in numerous financial statement presentation changes. The changes to the consolidated statement of cash flows are outlined above. The following is a summary of the significant changes to the consolidated statement of comprehensive income:

- Expenses on the statement of comprehensive income have been classified according to function. Accordingly, depreciation and stock-based compensation are no longer presented as a separate item on the statement of comprehensive income but are included in cost of sales and general and administrative expenses.
- Other operating expenses include items related to the operation of the business such as gains and losses (realized and unrealized) on copper derivative instruments and management fee income related to the joint venture.
- Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on the disposal of marketable securities, changes in the fair value of derivatives included in cash and equivalents and marketable securities, and impairment losses recognized on financial assets.
- Finance income comprises interest income on funds invested, gains on the disposal of marketable securities, and changes in the fair value of derivatives included in cash and equivalents and marketable securities. Interest income is recognized as it accrues in earnings, using the effective interest method.
- Foreign currency gains and losses are reported on a net basis in finance expense and/or finance income.

There have been no changes to the presentation of the balance sheet as a result of IFRS.

28. SUBSEQUENT EVENTS

Effective February 3, 2012, the Company commenced a normal course issuer bid for up to 10 million common shares of the Company. All shares will be purchased on the open market through the facilities of the Toronto Stock Exchange at the market price at the time of purchase. The Company's normal course issuer bid will terminate on February 2, 2013 or earlier if the number of shares sought in the issuer bid has been obtained. The Company reserves the right to terminate the bid earlier at any time. Purchases under the normal course issuer bid are subject to the restricted payment limitations in the Company's senior notes indenture.

This management's discussion and analysis ("MD&A") is intended to help the reader understand Taseko Mines Limited ("Taseko", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto, prepared in accordance with IFRS for the year ended December 31, 2011 (collectively, the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this MD&A and the most recent Form 40-F/Annual Information Form on file with the US Securities and Exchange Commission ("SEC") and Canadian provincial securities regulatory authorities.

This MD&A is prepared as of March 9, 2012. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Cautionary Statement on Forward-Looking Information

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 we believe 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. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements. We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable law. Further information concerning risks and uncertainties associated with these forward-looking statements and our business may be found in our most recent Form 40-F/Annual Information Form on file with the SEC and Canadian provincial securities regulatory authorities.

CONTENTS

FINANCIAL HIGHLIGHTS 3

RECENT DEVELOPMENTS AND MARKET REVIEW 3

FINANCIAL PERFORMANCE 6

REVIEW OF OPERATIONS AND PROJECTS 11

FINANCIAL CONDITION REVIEW 15

SELECTED ANNUAL INFORMATION 18

FOURTH QUARTER RESULTS 19

SUMMARY OF QUARTERLY RESULTS 25

IFRS 26

CRITICAL ACCOUNTING POLICIES AND ESTIMATES 28

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES 29

RELATED PARTY TRANSACTIONS 29

NON-GAAP PERFORMANCE MEASURES 30

FINANCIAL HIGHLIGHTS

(Cdn$ in thousands, except per share amounts)	Year ended December 31, 2011	2010
Revenues	$ 251,866	$ 278,460
Net earnings	26,974	149,357
Per share ("EPS") [1]	0.14	0.80
Adjusted net earnings [2]	17,458	51,662
Per share ("adjusted EPS") [1]	0.09	0.28
EBITDA [2]	70,681	198,443
Adjusted EBITDA [2]	57,817	94,284
Capital expenditures	63,915	55,303

	As at December 31, 2011	2010
Cash and equivalents	$ 277,792	$ 211,793
Dual currency deposits within other financial assets	40,602	-
Non-cash working capital	98,117	3,878
Net (cash) debt	(86,139)	(173,460)
Equity	496,817	460,742

[1] Calculated using weighted average number of shares outstanding under the basic method.

[2] Adjusted net earnings, adjusted EPS, EBITDA and adjusted EBITDA are non-GAAP financial performance measures with no standard definition under IFRS. See pages 30-33 of this MD&A.

As a result of the formation of a joint venture on March 31, 2010, the full-year comparatives for 2010 throughout this MD&A include 100% of the Gibraltar mine's results through to March 31, 2010 and 75% of the Gibraltar mine's results thereafter.

RECENT DEVELOPMENTS AND MARKET REVIEW

New Prosperity project

The Canadian Environmental Assessment Agency (CEAA) has completed the terms of reference and guidelines for the Company's New Prosperity project. On February 28, 2012 a work program commenced on site for the purpose of obtaining information required for the federal environmental assessment.

Aley project

The Company is proceeding with its $20-million program for its Aley niobium project north of Mackenzie, British Columbia. The bulk of the work, scheduled to take place this summer, has three primary objectives: 1) further define the ore body; 2) undertake environmental baseline studies and 3) inform the project feasibility and advance preliminary engineering and mine site planning. To date, all exploration activities have been through helicopter supported programs. In order to advance this year's work and support future development, a road clearing contract has been awarded to a local First Nations construction firm and work has started on clearing a 12-km route into the project area.

Normal course issuer bid

Effective February 3, 2012, the Company commenced a normal course issuer bid for up to 10 million common shares of the Company. All shares will be purchased on the open market through the facilities of the Toronto Stock Exchange at the market price at the time of purchase. The Company's normal course issuer bid will terminate on February 2, 2013 or earlier if the number of shares sought in the issuer bid has been obtained. The Company reserves the right to terminate the bid earlier at any time. Purchases under the normal course issuer bid are subject to the restricted payment limitations in the Company's senior notes indenture.

Market review

Copper

The market price for copper is a primary driver of our profitability and our ability to generate operating cash flow. Copper markets demonstrated strong pricing during 2011 with significant volatility. This volatility was evidenced by record average prices for 2011 overall combined with significant declines in the last four months of 2011.

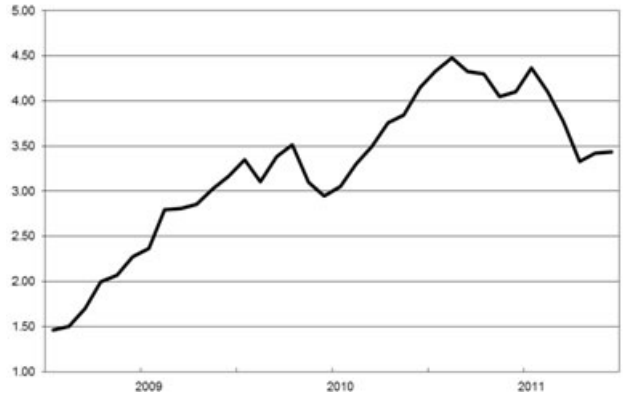
China and other emerging economies provided strong demand for copper in 2011 which supported copper prices through much of the year. Concerns regarding European debt and a slowing economy in the United States and elsewhere provided the impetus for significant volatility in financial and commodity markets particularly in the latter part of 2011. While copper prices have recovered to date in 2012, substantial risk in the form of volatility in financial and commodity markets will likely continue. This volatility can cause rapid declines in our copper prices which can have a significant effect on our profitability.

As a means to mitigate the potential impact of this copper price volatility on our future profitability and operating cash flow, we have purchased copper puts for approximately 90% of our share of 2012 production creating a US$3.50 floor for this period. These puts were primarily paid for by selling calls at an average price of US$5.08 per pound.

The benefits from our hedging strategy became apparent during 2011 with unrealized gains of $22.9 million on copper derivative instruments, offset partially by realized losses of $9.9 million. The quarterly mark-to-market of our unrealized hedge position can impact our earnings significantly due to this non-cash adjustment. We intend to maintain our strategy of hedging our share of copper production as a means of future operating margin protection.

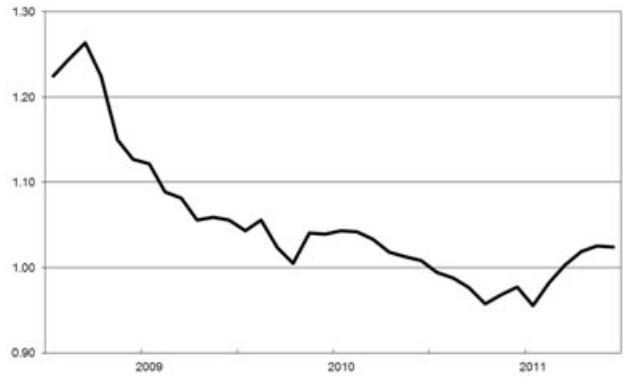
Under our two copper concentrate sales agreements, a portion of our copper concentrate sales had not yet settled at year end. At December 31, 2011, Gibraltar (100%) had 19.9 million pounds of copper in concentrate not yet settled. Of this amount, pricing was fixed on 9.3 million pounds and the residual 10.6 million pounds was subject to final pricing. We are able to fix copper prices under one of our copper concentrate sales agreements based on accumulating threshold tonnage levels in the Vancouver warehouse. This contractual feature along with our hedging program serves to reduce our exposure to copper price volatility. The copper subject to final pricing is valued at year end using the copper price forward curve at that point in time.

Figure 1: Average monthly spot copper prices (USD per pound)



Foreign exchange rates

Figure 2: Average monthly USD exchange rates (CAD/USD)



The results of our operations are affected by the Canadian dollar/US dollar exchange rate. Our product sales are denominated in US dollars while the majority of our operating expenses are denominated in Canadian dollars. Fluctuations in the Canadian dollar/US dollar exchange rate can have a significant effect on operating results; however, changes in this rate have historically been correlated with offsetting changes in copper prices which have mitigated this effect. Fluctuations in the Canadian dollar/US dollar exchange rate will also have an effect on the net operating cash costs of production as reported in US$ per pound.

FINANCIAL PERFORMANCE

Earnings

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
Net earnings	$ 26,974	$ 149,357	$ (122,383)	(10%)
Unrealized gain on derivatives, net of tax	(16,864)	(6,347)	(10,517)	166%
Gain on sale of shares	(6,443)	(4,087)	(2,356)	58%
Changes in fair value of financial instruments	307	25	282	>999%
Foreign currency translation losses	5,907	4,801	1,106	23%
Loss on extinguishment of debt	-	2,136	(2,136)	(100%)
Loss/(gain) on contribution to joint venture, net of tax	2,930	(63,623)	66,553	(105%)
Non-recurring consulting expenses, net of tax	4,647	-	4,647	100%
Non-recurring tax adjustments	-	(30,600)	30,600	100%
Adjusted net earnings [1]	$ 17,458	$ 51,662	$ (34,204)	(66%)

[1] Adjusted net earnings is non-GAAP financial performance measures with no standard definition under IFRS. See pages 30-33 of this MD&A.

The decrease in 2011 net earnings compared to 2010 is primarily driven by the recognition of a number of non-recurring items in 2010, including a $63.6 -million after-tax gain realized on the formation of the Gibraltar joint venture during the first quarter of 2010 and $30.6 million in reversals of historical tax reserves and interest.

As can be seen in the table above, the unrealized gains/losses on derivatives can vary significantly each period and have a significant impact on earnings. These swings are a result of the derivatives comprising our hedge program at the balance sheet date, and marking-to-market this copper hedge position using the forward copper price at the balance-sheet date. The hedge position at the end of 2011 was comprised of collars hedging 90% of our share of Gibraltar's estimated 2012 copper production, whereas the hedge position at the end of 2010 was comprised of put options on our share of Gibraltar's estimated copper production for the first six months of 2011.

We remove the foreign currency translation impact and the unrealized gains on the derivative instruments from our adjusted net earnings measure as they are not indicative of a realized economic gain/loss or the underlying performance of the business in the period. The realized gains/losses on these monetary items and derivative positions are reflected in net earnings in the period in which the position is settled.

The resultant adjusted net earnings is a non-GAAP performance measure that we believe is more representative of ongoing operations. Contributing to the $34-million decrease in adjusted net earnings year over year are the following changes:

- $27-million decrease in revenues associated with lower sales volumes;
- $8-million increase in cost of sales;
- $2-million impairment of plant and equipment;
- $9-million increase in interest expense associated with the 2011 senior notes issuance;
- $3-million increase in foreign exchange losses;
- offset by a $4-million increase in finance income; and
- $12 million for the associated tax effects of these items.

Each of the above-noted changes is examined in further detail in the sections below.

Revenues

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
Copper concentrate	$ 227,140	$ 258,932	$ (31,792)	(12%)
Copper cathode	6,936	3,987	2,949	74%
Total copper sales	$ 234,076	$ 262,919	$ (28,843)	(11%)
Molybdenum concentrate	14,317	12,656	1,661	13%
Silver contained in copper concentrate	3,473	2,885	588	20%
	$ 251,866	$ 278,460	$ (26,594)	(10%)
(thousands of pounds, unless otherwise noted)				
Copper concentrate	58,913	69,706	(10,793)	(15%)
Copper cathode	1,863	1,133	730	64%
Total copper sales	60,776	70,839	(10,063)	(14%)
Average realized copper price (US$ per pound) [1]	$ 3.89	$ 3.60	$ 0.29	8%
Molybdenum concentrate	974	746	228	30%

[1] The average exchange rate used for 2011 was CAD/USD $0.9893 (2010: $1.03) .

Copper revenues are down 11% primarily due to a 14% reduction in our share of the Gibraltar mine's sales volumes. Contributing to this decrease in sales volumes is the 2010 joint venture transaction on March 31, 2010. Copper revenues were positively impacted by an increase in average realized copper prices year-over-year. Copper averaged US$4.00 per pound in 2011 and US$3.42 per pound in 2010 based on London Metals Exchange (LME) prices for these periods.

Molybdenum revenues have increased 13% benefitting from a 30% increase in sales volumes. The impact of the increased sales volumes has been partially offset by declining molybdenum prices over the course of 2011.

Cost of sales

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
Direct mining costs	$ 125,536	$ 120,810	$ 4,726	4%
Depreciation	12,145	12,655	(510)	(4%)
Treatment and refining costs	11,632	11,563	69	1%
Transportation costs	13,108	16,275	(3,167)	(19%)
Changes in inventories of finished goods and WIP	3,144	(3,544)	6,688	(189%)
	$ 165,565	$ 157,759	$ 7,806	5%
Copper production (thousands of pounds)	62,165	75,050	(12,885)	(17%)
Copper sales (thousands of pounds)	60,776	70,839	(10,063)	(14%)
Direct mining costs per pound produced (per pound)	$ 2.02	$ 1.61	$ 0.41	25%
Depreciation per pound produced (per pound)	0.20	0.17	0.03	18%
Treatment and refining costs per pound sold (per pound)	0.19	0.16	0.03	19%
Transportation costs per pound sold (per pound)	0.22	0.23	(0.01)	(4%)

The year-over-year increase in direct mining costs reflects a 10% increase in tons mined due, in part, to a planned increase in stripping activities during 2011. The strip ratio increased to 2.8 during 2011 from 2.5 in 2010. In addition, we have experienced some inflationary pressures in direct mining costs including higher labour, repairs and maintenance, diesel, grinding media and explosives costs. The increase in direct mining costs on a 'per-unit of production' basis is also affected by the decrease in grade and recovery year-over-year. (See *Operating Statistics* on page 11 for additional details).

Depreciation expenses have remained relatively constant year-over-year. Treatment and refining costs have increased on a 'per-unit of sales' basis, consistent with increases observed in the market in 2011, compared to 2010.

Other expenses and income

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
General and administrative	$ 21,100	$ 19,057	$ 2,043	11%
Exploration and evaluation	$ 10,411	$ 10,090	$ 321	3%
Other operating expenses (income):				
Realized loss on copper derivatives	$ 9,910	$ 12,200	$ (2,290)	(19%)
Unrealized gain on copper derivatives	(22,944)	(8,877)	(14,067)	158%
Consulting expenses	6,322	-	6,322	100%
Impairment of plant and equipment	2,377	-	2,377	100%
Management fee income	(840)	(648)	(192)	30%
	$ (5,175)	$ 2,675	$ (7,850)	(293%)
Loss (gain) on contribution of joint venture	$ 3,987	$ (98,157)	$ 102,144	(104%)

The increase in general and administrative expenses in 2011 is due to higher compensation costs primarily as a result of headcount increases in our engineering group, as well as increased consulting costs related to our expansion projects in the period.

Over 80% of the exploration and evaluation expenses during 2011 were attributable to work performed at the Aley project, with the balance primarily spent on New Prosperity. In 2010, over 85% of the exploration and evaluation expenses were incurred on New Prosperity with the remainder primarily spent on Aley.

The $9.9 -million loss on copper derivatives reflects the net cost of our copper hedging program for 2011. We purchased a series of put options for a total of 69.4 million pounds of copper, and the premium paid on these put options was approximately US$0.20 per pound. With the decline in spot copper prices, beginning in the third quarter, some of these options expired in-the-money. We received proceeds of approximately $3 million on these options.

During 2011, the Company purchased put options for 68.8 million pounds of 2012 copper production. The puts were partially financed by selling calls for an equivalent amount of copper, for a net cost of US$0.10 per pound. These costs will be realized over the course of 2012. However, these outstanding copper derivatives are marked-to-market each period end to fair value with any changes in fair value recognized in income as unrealized gains or losses. For 2011, we recognized $22.9 million in unrealized gains as a result of the decline in copper prices from the time we entered into the contracts in the second quarter 2011 through to the end of the year.

In early July we engaged consultants to work with the Gibraltar management team over a 23-week period to design and execute programs directed at improvements in operational performance. The total cost of this engagement comprises the consulting expenses of $6.3 million. The medium and long-term benefits are expected to provide a significant return on the program, with initial operating impacts expected during the current fiscal year.

Certain plant and equipment were deemed redundant upon completion of the SAG direct feed project during 2011, which resulted in an impairment charge. We plan to dismantle the equipment and attempt to sell for scrap. No value is currently ascribed to the scrap material. We also identified other assets that will no longer be utilized under our current life-of-mine plan and recognized an impairment charge on these assets as well. The total impairment charges for 2011 were $2.4 million. There were no impairments identified in 2010.

Under the terms of the joint venture operating agreement, the Gibraltar joint venture pays the Company a management fee for services rendered as operator of the Gibraltar mine. The management fees are directly related to Gibraltar mine's total revenues. The increase in the 2011 management fees earned reflects a full year of service by the Company as operator of the mine versus nine months in 2010.

On March 31, 2010, we entered into an agreement with Cariboo Copper Corp. (Cariboo) whereby we contributed certain assets and liabilities of the Gibraltar mine into an unincorporated joint venture and Cariboo paid the Company $186.8 million to acquire a 25% interest in the joint venture. We recognized a gain on contribution to the joint venture of $98.2 million. During 2011, the construction of the SAG direct feed system was completed. Under the terms of the agreement with Cariboo, the Company assumed 100% of the capital costs in excess of the capital budget for the SAG direct feed system in place at the time of the joint venture formation. The Company recognized a loss on contribution to the joint venture of $4.0 million during 2011 as a result of funding Cariboo's portion of the SAG direct feed system project costs above the 2010 budgeted amount.

Finance expenses

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
Interest expense	$ 13,957	$ 4,542	$ 9,415	207%
Accretion on PER	2,046	1,936	110	6%
Loss on extinguishment of debt and royalty obligations	-	2,136	(2,136)	(100%)
Foreign exchange loss	6,489	2,133	4,356	204%
	$ 22,492	$ 10,747	$ 11,745	109%

Interest expense has increased primarily as a result of the issuance of the US$200 million in senior notes in April 2011, bearing interest at 7.75% . The remainder of the interest expense is related to secured equipment loans and capital leases, which has also increased slightly year over year.

Foreign exchange losses arise as a result of the significant transactions we undertake in US dollars. All of our revenue transactions are denominated in US dollars. We incur certain capital and operating expenditures in US dollars, as well as make interest payments on our senior notes in US dollars. As a result of movements in exchange rates between the date we initially record our transaction and the date payment is made/received, we incur foreign exchange gains and losses. In addition, we have significant monetary assets and liabilities denominated in US dollars that are translated to Canadian dollars at each balance sheet date, resulting in a foreign exchange gain or loss. These monetary assets and liabilities include cash, accounts receivable and the senior notes.

Finance income

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
Interest income	$ 6,859	$ 14,933	$ (8,074)	(54%)
Gain on sale of shares	5,995	4,087	1,908	47%
Income realized on dual currency deposits	4,275	577	3,698	641%
Change in fair value of financial instruments	(307)	(25)	(282)	>999%
Dividend income	448	-	448	100%
	$ 17,270	$ 19,572	$ (2,302)	(12%)

Interest income is primarily comprised of income earned on the promissory note and reclamation deposits. In addition, interest income for 2010 includes a recovery of $8.1 million in interest expense associated with reversal of historical tax reserves. After adjusting for this non-recurring item in 2010, interest income is comparable year over year.

Income realized on dual currency deposits increased significantly in 2011 as a result of the investment of a portion of the proceeds on the senior notes issuance into these instruments.

Income tax

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
Current expense	$ 6,002	$ 4,106	$ 1,896	46%
Deferred expense	17,780	42,398	(24,618)	(58%)
	$ 23,782	$ 46,504	$ (22,722)	(49%)
Effective tax rate	46.9%	23.7%		
Canadian statutory rate	26.5%	28.5%		

The overall income tax expense is lower in 2011 when compared to 2010, as the 2010 income tax expense took into account the proceeds received from the joint venture transaction, which reduced our income tax pools, resulting in higher deferred taxes. Current cash taxes were also higher in 2010 than they were 2011 as a result of the joint venture transaction.

The effective tax rate for 2011 is higher than the statutory rate primarily due to the mineral tax, permanent differences and unrecognized tax benefits. Certain items that are deductible for income tax purposes are not deductible for BC Mineral tax purposes which had the effect of increasing the effective tax rate by 15%. In addition, permanent differences, such as non-deductible share-based compensation, accounted for 4% of the difference. In addition, there were unrecognized tax benefits related to unrealized foreign exchange on debt, which had the effect of increasing the effective tax rate by 3%. When these differences are applied to the net income year-to-date, they impact the effective tax rate significantly. Other items including the impact of the reduction of corporate tax rates created minor impacts on the effective tax rate.

The effective tax rate for 2010 is lower than the statutory rate. Permanent differences related to non-deductible share-based compensation, non-taxable gains on the sale of securities and non-deductible interest had the effect of reducing the effective tax rate by 10%. This was partially offset by the impact of the BC Mineral tax which had

the effect of increasing the effective tax rate by 7%. In addition, there were adjustments for future tax rate differences.

REVIEW OF OPERATIONS AND PROJECTS

Gibraltar mine

OPERATING STATISTICS (100% BASIS)	Three months ended December 31, 2011	2010	Twelve months ended December 31, 2011	2010
Tons mined (millions)	15.4	15.6	57.5	52.3
Tons milled (millions)	4.3	3.9	15.2	15.0
Stripping ratio	2.7	2.9	2.8	2.5
Copper				
Grade (%)	0.292	0.333	0.304	0.338
Recovery (%)	86.5	89.1	87.7	89.2
Production (million pounds)	21.8	22.9	80.8	90.5
Sales (million pounds)	19.7	32.7	78.6	85.3
Copper cathode				
Production (million pounds)	0.5	0.5	2.1	1.8
Sales (million pounds)	0.9	0.9	2.5	1.5
Molybdenum				
Grade (%)	0.012	0.012	0.012	0.012
Recovery (%)	38.8	29.8	36.7	25.5
Production (thousand pounds)	388	276	1,331	941
Sales (thousand pounds)	358	261	1,298	924
Per unit data [1,4]				
Operating cash costs [2] (US$ per pound)	$ 1.91	$ 1.70	$ 2.04	$ 1.56
By-product credits [3] (US$ per pound)	($0.25)	($0.26)	($0.29)	($0.20)
Net operating cash costs of production [1] (US$ per pound)	$ 1.66	$ 1.44	$ 1.75	$ 1.36

[1] Operating cash costs and net operating cash costs of production are non-GAAP financial performance measures with no standard definition under IFRS. See pages 30-33 of the Company's MD&A.

[2] Operating cash costs are comprised of direct mining costs which include personnel costs, mine site general & administrative costs, non-capitalized stripping costs, maintenance & repair costs, operating supplies and external services. Non-cash costs, such as share-based compensation and depreciation, have been excluded.

[3] By-product credits are calculated based on actual sales of molybdenum and silver for the period, divided by the total pounds of copper produced during the period.

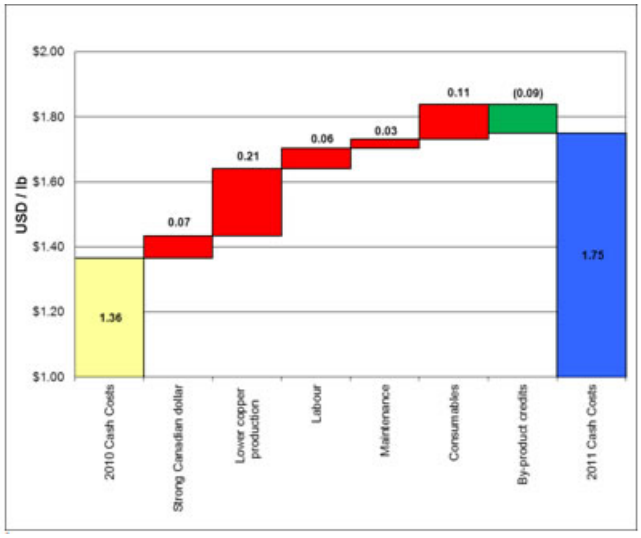
[4] Per unit data may not sum due to rounding.

Full-year results

The Gibraltar mine's copper production in 2011 was 82.9 million pounds, down 10% compared to the prior year production of 92.3 million pounds mainly due to lower head grade. Copper production in 2011 was also hampered by harsh winter conditions, tie-in of the SAG direct feed system, and the reline of the west rougher flotation bank and failure of the feed-end trunnion on Ball Mill #1.

Molybdenum production during 2011 was 1,331 thousand pounds, up 41% compared to 2010, also attributable to a significant improvement in molybdenum recovery as a result of operational and technical improvements to the molybdenum separation circuit.

Figure 3: Net operating cash costs of production [1,2] per pound (2010 compared to 2011)



[1] Net operating cash costs of production is a non-GAAP financial performance measure with no standard definition under IFRS. See pages 30-33 of the Company's MD&A.

[2] Per unit cash costs of production may not sum due to rounding.

In 2011, net operating cash costs per pound of copper produced averaged US$1.75, a 29% increase over the US$1.36 averaged during the prior-year. Net operating cash costs were adversely impacted in 2011 by a 10% reduction in copper production, the strengthening of the Canadian dollar compared to the US dollar, and increased direct mining costs including higher labour, repairs and maintenance, diesel, electricity, grinding media and explosives costs. These cost increases were mitigated by a 38% increase in by-product credits to US$0.29 per pound of copper produced during 2011.

The tie-in of the SAG direct feed system was completed in May 2011 which eliminated the secondary crusher and fine ore delivery system bottleneck. The tie-in has allowed Gibraltar to move towards optimum mill throughput rates and mitigated throughput issues experienced historically in the winter months.

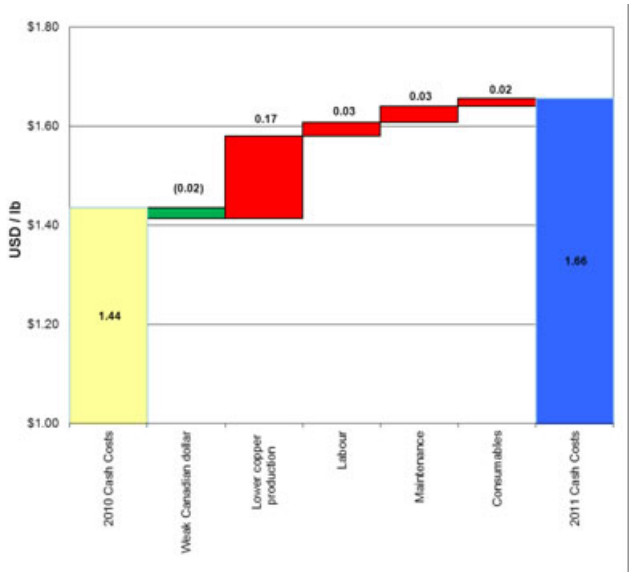
In early July we engaged consultants to work with the Gibraltar management team over a 23-week period to design and execute programs directed at improvements in operational performance. The work with the consultants ended in December 2011.

Fourth-quarter results

The Gibraltar mine's fourth quarter 2011 copper production was 22.3 million pounds, a 5% decrease from the 23.4 million pounds produced in the fourth quarter 2010 primarily due to lower head grade. Mill optimization efforts continue with average mill throughput of 52,500 tons per operating day being realized in the quarter. Mill availability was lower than expected in the quarter at 89% due to additional downtime for mill re-lines, screen deck maintenance, and an annual planned electrical outage. Mill throughput efforts have continued with further gains yet to be realized from "mine to mill" optimization and improvements in mill availability.

Molybdenum production during fourth quarter 2011 was 388 thousand pounds, up 40% compared to the prioryear quarter, largely due to a 30% increase in molybdenum recovery.

Figure 4: Net operating cash costs of production [1,2] per pound (fourth quarter 2010 compared to fourth quarter 2011)



[1] Net operating cash costs of production is a non-GAAP financial performance measure with no standard definition under IFRS. See pages 30-33 of the Company's MD&A.

[2] Per unit cash costs of production may not sum due to rounding.

In the fourth quarter 2011, total net operating cash costs per pound of copper produced averaged US$1.66, a 15% increase over the US$1.44 averaged during fourth quarter 2010. Net operating cash costs per unit of production were adversely impacted in fourth quarter 2011 mainly due to lower copper production. Costs were also impacted with increases in labour, maintenance and consumable costs.

Gibraltar Development Plan (GDP3)

The total GDP3 Project capital cost is estimated at $325 million and, to date, commitments have been made for approximately 70% of the project capital requirements. Engineering Procurement and Construction Management (EPCM) activities on the $237-million infrastructure portion of the project continue to progress as planned. Major equipment purchases for the concentrator, molybdenum plant and infrastructure are complete and detailed engineering activities for the project structural, mechanical and electrical systems continue. Orders and contracts for over 60% of the infrastructure portion of the project budget have been placed and, as reported previously, all of the major mining equipment has been purchased. Shipment of long lead items including transformers and grinding mill components commenced in February 2012.

Construction activities are proceeding as planned. The #2 Concentrator building foundation and the grinding mill foundations have been completed as has the erection of the Molybdenum Plant building. Erection of the #2 Concentrator building is well underway as are civil concrete works for the mill feed conveyors. Structural and mechanical installation of the conveyors will commence in March 2012.

The project remains on time and on budget. Commissioning of the facilities is scheduled to commence in December 2012.

New Prosperity project

We have revised our plans for the New Prosperity project and have developed 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 concerns identified during the federal review process and in February 2011, the Company submitted a new project description to the Federal Government. The Federal Government accepted the new project description during the third quarter 2011.

On November 7, 2011, the Company was advised that a 'Notice of Commencement' had been posted by the CEAA related to the New Prosperity project. The Notice of Commencement confirmed that the project description had met all criteria required for an environmental assessment and that a panel review would be conducted by the Federal Review Agency. The Minister of the Environment indicated that CEAA will complete this review in not more than 12 months and that CEAA would use information gathered in the previous environmental assessment.

Subsequent to the Notice of Commencement from CEAA in November 2011, the Company reported that it had been unlawfully obstructed from conducting work on the New Prosperity site. Court proceedings followed in December 2011 where the Company's work permits were suspended for 90 days in order to allow the courts to hear a provincial judicial review regarding the adequacy of consultation by the BC Government prior to providing the Company with the necessary work permits. On February 27, 2012, the Company reported that the temporary injunction preventing the Company from undertaking routine exploration work on the New Prosperity site pending a BC Supreme Court Judicial Review, has been vacated by court order. On February 28, 2012, the Company commenced a reduced scope of work that will be undertaken for the sole purposes of obtaining information required for the federal environmental assessment of the proposed New Prosperity project. On this basis, the parties have agreed not to further pursue existing legal actions.

The environmental assessment announced by CEAA remains in process under the timeline identified in their November 7, 2011 press release. The public comment period on the draft terms of reference and environmental impact statement commenced on January 23, 2012 and was completed on February 22, 2012. These documents will now be finalized by CEAA and inform the panel review process.

Aley project

Taseko announced a mineral resource estimate for the Aley project in September 2011. The in-pit inferred resource estimate was based on assay results from the Central Zone to July 31, 2011 and totaled 158.9 million tonnes grading 0.43% Nb_2O_5 using a base case cut-off of 0.2% Nb_2O_5.

The 2011 exploration program was completed in third quarter 2011 and included a total of 16,800 meters of additional resource drilling in 65 holes in the central zone. This drilling was targeted to provide sufficient infill drill density to achieve a measured and indicated status for the resource and to investigate those areas in which the resource is open to expansion. Assays were received in the fourth quarter and review of these assays will be completed in the first quarter 2012. A geological model and updated block model are under review with a plan to complete a resource update in the first quarter 2012. Metallurgical testwork is in progress on Aley.

Environmental baseline studies are ongoing including:

- Climate, Air and Noise
- Hydrology/Hydrogeology
- Water Quality
- Soils and Terrain
- Vegetation and Ecosystem Mapping
- Wildlife
- Aquatic Ecology
- Fish and Fish Habitat

Clearing of the site access road right of way was initiated in February 2012 with completion anticipated in early April 2012. Road construction is planned to start soon thereafter.

Engineering work on minesite components, tailings storage facility, and transmission line options was started at the end of the fourth quarter.

FINANCIAL CONDITION REVIEW

Balance sheet review

Total assets were $994.7 million at December 31, 2011, representing a 38% increase from the total assets of $722.1 million at December 31, 2010. The increase is primarily a result of the net proceeds received from the US$200.0 million senior notes offering which we closed in the second quarter, along with an increase in the rehabilitation cost asset.

Our asset base is comprised principally of non-current assets including property, plant and equipment, reflecting the capital intensive nature of the mining business. Our current assets include cash, accounts receivable, other financial assets and inventories (supplies and production inventories), along with other current assets that are primarily prepaid expenses and deposits. Production inventories, accounts receivable and cash balances fluctuate in relation to our shipping and cash settlement schedules, which provide for payment typically either one or four months after the month of arrival at the receiving port.

Total liabilities increased by $236.6 million since December 31, 2010 to $497.9 million as at December 31, 2011. This increase reflects the senior notes issuance and an increase in the provision for environmental rehabilitation (PER).

The PER valuation is impacted by the changes in discount and inflation rates as at each quarter end. The volatility in the markets during 2011 extended to the Bank of Canada benchmark bond rates which are used as the proxies for discount rates. The long-term benchmark bond, which has the greatest impact on our calculation, decreased to 3.1% as at December 31, 2011 compared to 3.7% at the end of 2010. Given the long time frame over which environmental rehabilitation expenditures are expected to be incurred (over 100 years), the amounts of the provision and asset are sensitive to even the slightest change in estimates of discount and inflation rates.

As at March 9, 2012, there were 195,818,495 common shares outstanding. In addition, there were 13,561,500 director, employee and contractor stock options. More information on these instruments and the terms of their exercise is set out in note 21 of our 2011 annual financial statements.

Liquidity, cash flow and capital resources

At December 31, 2011, the Company had cash and equivalents of $277.8 million, as compared to $211.8 million at December 31, 2010. An additional $40.6 million and $20.1 million of highly-liquid money market instruments are recorded as current other financial assets and long-term other financial assets, respectively, as these instruments have maturity dates greater than three months from the date of acquisition. We maintained our strategy of retaining significant liquidity to fund operations and the GDP3 expansion.

Operating cash flow for 2011 was an inflow of $11.7 million compared to an inflow of $94.1 million for the prior year. Additionally, operating cash flow for both periods reflect the formation of the Gibraltar joint venture on March 31, 2010 and the corresponding 25% decrease in our share of the Gibraltar mine's operating cash flow since that date.

The principal use of operating cash flows is capital expenditures. With the issuance of the senior notes, a future use of operating cash flow will be the repayment of debt including interest.

Future changes in market copper and molybdenum prices could impact the timing and amount of cash available for future investment in capital projects and/or other uses of capital. To partially mitigate these risks, we enter into copper hedges on our share of Gibraltar copper production. Alternative sources of funding for future capital or other liquidity needs include future operating cash flow, strategic partnerships, such as the Gibraltar joint venture and the Franco-Nevada gold stream transaction, and debt or equity financings. These alternatives are continually evaluated to determine the optimal mix of capital resources to address our capital needs and minimize our weighted average cost of capital.

Cash used in investing activities for 2011 was $124.0 million principally due to the investment in dual currency deposits ("DCD") with terms greater than three months compared to cash generated from investing activities of $128.4 million for 2010. A DCD is a derivative instrument which combines a money market deposit with a currency option to provide a higher yield than that available for a standard deposit. The currency in which the Company receives payment upon maturity of the DCD is dependent on the prevailing spot foreign exchange rate at maturity. DCDs with maturity dates of three months or less are classified as cash and equivalents. During 2011, a total of $235.6 million was invested in marketable securities, DCDs with terms greater than three months, and copper hedging contracts. In addition, $63.9 million was invested in property, plant and equipment, offset by $169.5 million in proceeds on the sale and maturity of investments, and interest received of $7.1 million. The prior year reflects the $186.8 million in cash received for the 25% contribution to the joint venture, offset by capital expenditures and purchase of investments.

Cash provided by financing activities for 2011 was $173.5 million compared to cash used in financing activities of $42.0 million for 2010. Included in 2011 are $192.0 million in proceeds from the senior notes offering, $8.4 million in proceeds from common shares issued, offset by debt issuance costs of $6.1 million and repayment of debt including interest. This compares to a use of cash in financing activities for 2010 of $42.0 million primarily related to the prepayment of the senior credit facility.

Hedging strategy

We implemented our hedging program in 2009 as copper prices were recovering from the commodity pricing collapse that occurred in late 2008 and early 2009. Since that time, our strategy has been to hedge at least 50% of our copper production using put options that are either purchased outright or funded by the sale of calls that are significantly out of the money using either a zero-cost basis or funded basis.

The amount and duration of our hedge position is based on our assessment of business-specific risk elements combined with the copper pricing outlook. Currently we have 90% of our estimated share of 2012 Gibraltar production hedged at $3.50 per pound. This increased hedging level is based on the potential risks associated with a copper price correction during the build-out of GDP3. This corresponds with a period of heightened vulnerability given the scope of the capital expenditure and working capital requirements during 2012. The project is scheduled to be completed and commissioned in late 2012.

We review our copper price and quantity exposure at least quarterly to ensure that adequate revenue protection is in place. Our hedge positions are typically extended adding incremental quarters at established put strike prices to provide the necessary price protection.

Considerations on the cost of the hedging program include an assessment of Gibraltar's estimated production costs, anticipated copper prices and estimated gross margins during the relevant period.

Commitments and contingencies

The Company expects to incur capital expenditures during the next five years for both the Gibraltar mine and other projects. The other projects are at various stages of development, from preliminary exploration through to permitting. The ultimate decision to incur capital expenditures at each potential site is subject to positive results which allow the project to advance past decision hurdles.

At December 31, 2011, capital commitments associated with GDP3 totaled $49.1 million on a 100% basis. Capital commitments for all other projects were $0.5 million. Our share of total commitments was $37.2 million at year end.

In April 2011, the Company completed a public offering of US$200 million in senior notes due in 2019, bearing interest at an annual rate of 7.75% . The notes are guaranteed by the Company's subsidiaries and the subsidiary guarantees are, in turn, guaranteed by the Company. The Company may redeem some or all of the notes at any time on or after April 15, 2015 at redemption prices ranging from 103.875% to 100% plus accrued interest. Prior to April 15, 2015, the notes may be redeemed at 100% plus a make-whole premium, plus accrued interest. In addition, until April 15, 2014, the Company may redeem up to 35% of the principal amount of notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 107.75%, plus accrued interest. The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

	Payments due						
($ in thousands)	2012	2013	2014	2015	2016	thereafter	Total
Debt [1] :							
Repayment of principal	13,753	9,610	6,829	3,728	927	203,400	238,246
Interest	17,518	16,717	16,235	15,927	15,783	36,126	118,306
PER [2]	-	-	-	-	-	128,020	128,020
Operating leases	1,377	117	145	-	-	-	1,639
Capital expenditures [3]	37,200	-	-	-	-	-	37,200
Other expenditures [4]	13,514	23,809	15,461	-	-	-	52,784

[1] Debt is comprised of senior notes, capital leases and secured equipment loans.

[2] Provision for environmental rehabilitation – Amounts presented in the table represent the undiscounted future payments for the expected cost of environmental rehabilitation.

[3] Purchase obligations for capital commitments include only those items where binding commitments have been entered into. Commitments at the end of 2011 primarily relate to the GDP3 expansion.

[4] Other expenditure commitments include the supply of goods and services, royalty obligations and exploration activities. Actual timing of payment for royalty obligations may differ. Amounts estimated based on expected future production levels.

SELECTED ANNUAL INFORMATION

	Year ended December 31,		
(Cdn$ in thousands, except per share amounts)	**2011**	**2010**	**2009[1]**
Revenues	$ 251,866	$ 278,460	$ 188,902
Net earnings	$ 26,974	$ 149,357	$ 10,561
Per share – basic	$ 0.14	$ 0.80	$ 0.06
Per share – diluted	$ 0.14	$ 0.74	$ 0.06

	2011	December 31, 2010	January 1, 2010
Total assets	$ 994,732	$ 722,094	$ 567,683
Total long-term financial liabilities	$ 264,482	$ 82,162	$ 136,446

[1] Information for 2009 is presented in accordance with Canadian GAAP and was not required to be restated to IFRS.

FOURTH QUARTER RESULTS

Consolidated Statements of Comprehensive Income (Cdn$ in thousands, except per share amounts)	**Three months ended December 31, 2011**	**2010**
Revenues	$ 60,512	$ 108,959
Cost of sales	(41,235)	(52,461)
Gross profit	19,277	56,498
General and administrative	(5,377)	(5,159)
Exploration and evaluation	(2,664)	(3,971)
Other operating income (expenses)	(25,709)	(2,894)
Gain (loss) on contribution to joint venture	-	1,095
	(14,473)	45,569
Finance expenses	(4,632)	(5,037)
Finance income	9,909	1,775
Earnings (loss) before income taxes	(9,196)	42,307
Income tax recovery (expense)	1,502	(16,757)
Net earnings (loss) for the period	**$ (7,694)**	**$ 25,550**
Other comprehensive income (loss):		
Unrealized gains (losses) on available-for-sale financial assets, net of tax	(1,483)	697
Total other comprehensive income (loss) for the period	**$ (1,483)**	**$ 697**
Total comprehensive income (loss) for the period	**$ (9,177)**	**$ 26,247**
Earnings per share		
Basic	$ (0.04)	$ 0.14
Diluted	$ (0.04)	$ 0.13
Weighted-average shares outstanding (thousands)		
Basic	195,771	187,159
Diluted	200,306	204,062

Consolidated Statements of Cash Flows (Cdn$ in thousands)	Three months ended December 31, 2011	2010
Operating activities		
Net earnings (loss) for the period	$ (7,694)	$ 25,550
Adjustments for:		
Depreciation	2,369	4,790
Income tax expense (recovery)	(1,502)	16,757
Income tax paid	(5,175)	(525)
Share-based compensation	1,564	2,158
Unrealized loss on derivatives	21,929	2,509
Finance expenses	7,746	1,531
Finance income	(3,851)	1,343
Gain on contribution to joint venture	-	(1,095)
Other operating activities	1,023	(6)
Net change in non-cash working capital	(8,623)	(15,756)
Cash provided by operating activities	7,786	37,256
Investing activities		
Purchase of property, plant and equipment	(28,942)	(16,886)
Purchase of financial assets	(22,766)	(5,685)
Interest received	2,976	1,548
Proceeds from sale of financial assets	69,955	-
Other investing activities	(471)	5,712
Cash provided by (used for) investing activities	20,752	(15,311)
Financing activities		
Repayment of debt	(2,900)	(2,274)
Interest paid	(8,408)	(1,023)
Common shares issued for cash	1,073	975
Cash provided by (used for) financing activities	(10,235)	(2,322)
Effect of exchange rate changes on cash and equivalents	(8,594)	(3,247)
Increase in cash and equivalents	9,709	16,376
Cash and equivalents, beginning of period	268,083	195,417
Cash and equivalents, end of period	**$ 277,792**	**$ 211,793**

Earnings

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
Net earnings (loss)	$ (7,694)	$ 25,550	$ (33,244)	(130%)
Unrealized loss on derivatives, net of tax	16,118	1,794	14,324	798%
Changes in fair value of financial instruments	(1,541)	(98)	(1,443)	>999%
Foreign currency translation losses	1,383	4,822	(3,439)	(71%)
Gain on contribution to joint venture, net of tax	-	(794)	794	(100%)
Non-recurring consulting expenses, net of tax	1,675	-	1,675	100%
Adjusted net earnings [1]	$ 9,941	$ 31,274	$ (21,333)	(68%)

[1] Adjusted net earnings is non-GAAP financial performance measures with no standard definition under IFRS. See pages 30-33 of this MD&A.

Contributing to the $21-million decrease in the quarterly adjusted net earnings year-over-year are the following changes:

- $48-million decrease in revenues;
- offset by an $11-million decrease in cost of sales;
- $2-million impairment on plant and equipment;
- $3-million increase in interest expense associated with the 2011 senior notes issuance;
- offset by a $3-million increase in finance income; and
- $15 million for the associated tax effects of these items.

Each of the above-noted changes is examined in further detail in the sections below.

Revenues

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
Copper concentrate	$ 53,998	$ 102,017	$ (48,019)	(47%)
Copper cathode	2,199	2,472	(273)	(11%)
Total copper sales	$ 56,197	$ 104,489	$ (48,292)	(46%)
Molybdenum concentrate	3,439	3,193	246	8%
Silver contained in copper concentrate	876	1,277	(401)	(31%)
	$ 60,512	$ 108,959	$ (48,447)	(44%)
(thousands of pounds, unless otherwise noted)				
Copper concentrate	14,767	24,531	(9,764)	(40%)
Copper cathode	670	666	4	1%
Total copper sales	15,437	25,197	(9,760)	(39%)
Average realized copper price (US$ per pound) [1]	$ 3.56	$ 4.09	$ (0.53)	(13%)
Molybdenum concentrate	269	196	100	51%

[1] The average exchange rate used for 2011 was CAD/USD $0.9893 (2010: $1.03) .

The 39% decrease in sales volumes was primarily due to scheduling of shipments of copper concentrate. Consequently, there was a large inventory of copper concentrate on hand at the end of the fourth quarter 2011 which was shipped during the first week of January 2012.

The average copper price realized by the Company in both quarters exceeded the LME prices for the periods. According to the LME, copper averaged US$3.40 per pound in fourth quarter 2011 and US$3.92 per pound in the prior-year quarter. The difference between realized copper prices and the average market price for the fourth quarter 2011 reflects the pricing of 10.6 million pounds of copper concentrate not yet settled using the copper price forward curve as at December 31, 2011. The spot price for copper closed midway between the high and low for the fourth quarter at US$3.43 per pound on December 30, 2011.

Molybdenum revenues totaled $3.4 million in fourth quarter 2011 which is comparable to the prior-year quarter.

Cost of sales

	Three months ended December 31,			
(Cdn$ in thousands, unless otherwise noted)	**2011**	**2010**	**Change**	**% Change**
Direct mining costs	$ 32,777	$ 30,056	$ 2,721	9%
Depreciation	2,200	4,685	(2,485)	(5%)
Treatment and refining costs	2,973	3,757	785	(20%)
Transportation costs	3,400	5,029	1,629	(32%)
Changes in inventories of finished goods and WIP	(115)	8,934	(9,049)	(101%)
	$ 41,235	$ 52,461	$ (11,226)	(21%)
Copper production (thousands of pounds)	16,753	17,577	(824)	(5%)
Copper sales (thousands of pounds)	15,437	25,197	(9,760)	(39%)
Direct mining costs per pound produced (per pound)	1.96	1.71	0.25	14%
Depreciation per pound produced (per pound)	0.13	0.27	(0.14)	(51%)
Treatment and refining costs per pound sold (per pound)	0.19	0.15	0.04	29%
Transportation costs per pound sold (per pound)	0.22	0.20	0.02	10%

The 21% decrease in cost of sales reflects the 39% decrease in copper sales volumes in fourth quarter 2011 compared to the prior-year quarter. The increase in direct mining costs is partially attributable to higher diesel, tires, labour, repairs and maintenance, and explosives costs. Also contributing to the increase in direct mining costs on a 'per unit of production' basis is lower production quarter-over-quarter as a result of lower head grades and recoveries.

Depreciation expense included in fourth quarter 2011 cost of sales has decreased due, in part, to a build-up of inventory during the quarter which includes capitalized depreciation expenses. Also, fourth quarter 2010 depreciation was higher than normal due to an adjustment that was made in the quarter relating to the full year.

Treatment and refining costs and transportation costs have increased on a 'per unit of sales' basis, consistent with increase in these costs observed in the market.

Other expenses and income

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
General and administrative	$ 5,377	$ 5,159	$ 218	4%
Exploration and evaluation	2,664	3,971	(1,307)	(32%)
Other operating expenses (income):				
Realized loss (gain) on copper derivatives	$ (599)	$ 658	$ (1,257)	>100%
Unrealized loss on copper derivatives	21,929	2,509	19,420	>100%
Consulting expenses	2,279	-	2,279	100%
Impairment of plant and equipment	2,377	-	2,377	100%
Management fee income	(277)	(273)	(4)	1%
	$ 25,709	$ 2,894	$ 22,815	>100%
(Gain)/loss on contribution of joint venture	$ -	$ (1,095)	$ 1,095	(100%)

General and administrative expenses were comparable quarter over quarter.

Exploration and evaluation expenses during fourth quarter 2011 were attributable to work performed at the Aley project and the New Prosperity project. The decrease compared to the prior-year quarter is a result of reduced spending on the New Prosperity project in the fourth quarter 2011.

The gain on copper derivatives during fourth quarter 2011 reflects the receipt of $2 million in proceeds on put options expiring in the money, net of the expense related to the premium paid on these put options at approximately US$0.20 per pound.

During 2011, the Company entered into copper derivative contracts for 68.8 million pounds of 2012 copper production. These outstanding copper derivatives are marked-to-market each period end with any changes in fair value recognized in income as unrealized gains or losses. Since the end of the third quarter 2011 through to the end of the year, there has been an increase in copper prices resulting in an unrealized loss on copper derivatives in the amount of $21.9 million.

In early July, we engaged consultants to work with the Gibraltar management team over a 23-week period to design and execute programs directed at improvements in operational performance. The total cost of this engagement during the fourth quarter 2011 was $2.3 million.

Certain plant and equipment was deemed redundant upon completion of the SAG direct feed project during 2011, which resulted in an impairment charge being taken during fourth quarter 2011. We also identified other assets that will no longer be utilized under our current life-of-mine plan and recognized an impairment charge for these assets as well. The total impairment charges for 2011 were $2.4 million. There were no impairments identified in 2010.

Finance expenses

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
Interest expense	$ 4,198	$ 1,058	$ 3,140	297%
Accretion on PER	434	506	(72)	(14%)
Foreign exchange loss	-	3,473	(3,473)	(100%)
	$ 4,632	$ 5,037	$ (405)	(8%)

The quarter-over-quarter increase in interest expense is due to the issuance of the senior notes early in the second quarter 2011.

Finance income

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
Interest income	$ 2,200	$ 1,802	$ 398	22%
Income realized on dual currency deposits	2,990	(125)	3,115	>100%
Change in fair value of financial instruments	1,541	98	1,443	>100%
Foreign exchange gain	3,178	-	3,178	100%
	$ 9,909	$ 1,775	$ 8,134	>100%

Income realized on dual currency deposits increased substantially, in line with an increase in the amount of funds invested in these money market instruments in 2011.

Income tax

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
Current expense (recovery)	$ (2,840)	$ (235)	$ (2,605)	>100%
Deferred expense	1,338	16,992	(15,654)	(92%)
	$ (1,502)	$ 16,757	$ (18,259)	>100%
Effective tax rate	16.3%	39.6%	-	-
Canadian statutory rate	26.5%	28.5%	-	-

The income tax recovery realized in fourth quarter 2011 is primarily a result of deductions allowed for tax associated with the copper hedging program which was much higher than in 2010. In addition, the difference between depreciation rates used for tax purposes compared to rates used for accounting purposes contributed to a higher deferred tax expense than in the prior year's quarter.

Cash flow

The Company's primary source of liquidity is operating cash flow. In the fourth quarter of 2011, operating cash flow was an inflow $7.8 million compared to $37.3 million for the prior-year period. The decrease in the current quarter's operating cash flow quarter over quarter reflects the decrease in net earnings.

Cash received from investing activities in the fourth quarter of 2011 amounting to $20.8 million is mainly due to capital expenditures of $28.9 million and purchase of financial assets of $22.8 million, offset by proceeds from the sale and maturity of investments of $70.0 million and interest received of $3.0 million. The comparable for the fourth quarter of 2010 was $15.3 million of cash used in investing activities including capital expenditures of $16.9 million, purchase of financial assets of $5.7 million, interest received of $1.5 million and $5.7 million received from other investing activities.

Cash used in financing activities was $10.2 million for the fourth quarter ended December 31, 2011, compared to $2.3 million for the prior-year period. The increase in the used of cash is mainly due to interest payment on long term debt.

SUMMARY OF QUARTERLY RESULTS

	2011				2010			
($ in thousands, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	60,512	84,204	48,349	58,801	108,959	37,540	56,453	75,508
Net earnings (loss)	(7,694)	30,028	(1,113)	5,753	25,550	728	44,783	78,296
EPS [1]	(0.04)	0.15	(0.01)	0.03	0.14	0.00	0.24	0.43
Adjusted net earnings [2]	9,941	(1,991)	1,863	7,971	31,274	6,276	3,335	10,655
Adjusted EPS [1]	0.05	(0.01)	0.01	0.04	0.17	0.03	0.02	0.06
EBITDA [2]	83	53,920	1,815	14,864	46,353	3,893	22,436	125,762
Adjusted EBITDA [2]	24,113	10,216	7,555	16,239	52,491	11,795	9,048	20,829
(US$ per pound, except where indicated)								
Realized copper price [2]	3.56	3.73	4.25	4.28	4.09	3.78	3.18	3.31
Total cash costs of sales [2]	2.20	2.33	2.37	2.08	1.69	1.79	2.08	1.65
Copper sales (million pounds)	15.4	21.8	10.7	12.8	25.2	8.7	16.5	20.5

[1] Calculated using weighted average number of shares outstanding under the basic method. Sum of all the quarters may not add up to the yearly total due to rounding.

[2] Adjusted net earnings (loss), adjusted EPS, EBITDA, adjusted EBITDA, realized copper price and total cash costs of sales are non-GAAP financial performance measure with no standard definition under IFRS. See pages 30-33 of the Company's MD&A.

Our financial results for the last eight quarters reflect: volatile copper and molybdenum prices that impact realized sales prices; variability in the quarterly sales volumes due to timing of shipments which impacts revenue recognition; and, more recently, a trend of increasing production costs primarily caused by inflationary pressures on key input costs. The net earnings in first quarter 2010 include a gain of $65.3 million on the contribution to the joint venture, net of tax.

IFRS

We adopted IFRS effective January 1, 2011. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010. For a discussion of our significant accounting policies, refer to note 2 of the Financial Statements.

Elected exemptions

IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. We elected to take the following IFRS 1 optional exemptions as of the transition date of January 1, 2010:

- Not to apply the requirements of IFRS 3, *Business Combinations,* and restate business combinations that occurred prior to the transition date.
- To apply the requirements of IFRS 2, *Share-based Payments*, to share options granted which had not vested as at the transition date.
- To apply the borrowing cost exemption and to prospectively apply IAS 23, *Borrowing Costs.*
- To not retrospectively apply IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities.* The simplified approach to calculating the net book value of the asset related to the provision for environmental rehabilitation ("PER") was applied. The PER calculated on the transition date in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* was discounted back to the date the liability first arose, at which date the corresponding asset was set up, and then accumulated depreciation was recalculated as at the transition date.

Impact of adoption of IFRS on financial reporting

The following tables contain summaries of the adjustments to equity and to total comprehensive income as a result of the adoption of IFRS. The transition to IFRS has resulted in numerous financial statement presentation changes. A description of each of the adjustments and financial statement presentation change is outlined in note 20 of the Financial Statements.

	Ref.	December 31, 2010	January 1, 2010
Equity under Canadian GAAP		$ 469,951	$ 296,693
Change in accounting method for depreciation	(i)	(668)	-
Reversal of impairment	(ii)	3,338	4,574
Provision for environmental rehabilitation	(iii)	(14,290)	(16,731)
Share-based compensation	(iv)	-	-
Deferred income tax	(v)	2,411	3,338
Equity under IFRS		$ 460,742	$ 287,874

	Ref.	Year ended December 31, 2010
Total Comprehensive Income under Canadian GAAP		$ 150,271
Change in accounting method for depreciation	(i)	(1,772)
Reversal of impairment	(ii)	(99)
Provision for environmental rehabilitation	(iii)	(1,843)
Share-based compensation	(iv)	1,149
Deferred income tax	(v)	280
Gain on contribution to joint venture	(vi)	3,044
Total Comprehensive Income under IFRS		$ 151,030

The conversion to IFRS did not have an impact on total cash costs of production per pound of copper or total cash costs of sales per pound of copper.

i) Change in accounting method for depreciation

On adoption of IFRS effective January 1, 2010, the Company changed its depreciation accounting method with respect to certain components of property, plant and equipment as management believes it more appropriately reflects the use of the corresponding assets thereby resulting in more reliable and relevant presentation. The impact of this change in accounting method has been prospectively applied from January 1, 2010 as it is a change in depreciation method and not a change in an accounting policy.

ii) Reversal of impairment

Under IFRS, the Company is required to reconsider whether impairment losses recognized in prior periods no longer exist, or have 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 carrying value. This is not permitted under Canadian GAAP.

iii) Provision for environmental rehabilitation

The Company has re-measured its PER as of the transition date and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. This calculation was done using best estimates of the historical risk-adjusted discount rates. Accumulated depreciation under IFRS was recalculated up to the transition date.

Under Canadian GAAP, the Company reduced the amount of its PER by expected cash inflows associated with future anticipated revenue-generating activities. Under IFRS, these amounts are recognized as a separate asset when recovery is virtually certain. The Company concluded that the conditions for virtual certainty do not exist and have excluded these revenues from its calculations under IFRS.

iv) Share-based compensation

For the purpose of accounting for share-based payment transactions, certain individuals previously classified as contractors under Canadian GAAP are now classified as employees under IFRS, and the Company records a lower expense each period, with an equal and offsetting adjustment to contributed surplus. Additional adjustments were made as at December 31, 2010.

v) Income tax

Under IFRS, the Company has derecognized deferred tax liabilities previously recognized on temporary differences arising on the initial recognition of the Aley property 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 income nor taxable income.

Under IFRS, the Company has reversed the deferred tax asset previously recognized under Canadian GAAP related to the "new mine allowance" for British Columbia mineral tax purposes. In addition, deferred taxes have been adjusted for the changes to net book values arising as a result of the adjustments for first-time adoption of IFRS as discussed above.

vi) Gain on contribution to joint venture

The gain on the contribution to joint venture has been recalculated under IFRS to reflect adjustments to the carrying values of certain assets and liabilities of the Gibraltar mine contributed to the joint venture, as described in references (i), (ii), (iii) and (v).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are presented in note 2 of the Financial Statements. The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas where judgment is applied include reserve and resource estimation; asset valuations and the measurement of impairment charges or reversals; finished and in-process inventory quantities; plant and equipment lives; tax provisions; provisions for environmental rehabilitation; assessment of joint control in business combinations; and share-based compensation. Key estimates and assumptions made by management with respect to these areas have been disclosed in the notes to the Financial Statements as appropriate.

The accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions made and judgment used in the engineering and geological interpretation, and may be subject to revision based on various factors. Changes in reserve and resource estimates may impact the carrying value of property, plant and equipment; the calculation of depreciation expense; the capitalization of stripping costs incurred during production; and the timing of cash flows related to the provision for environmental rehabilitation.

Changes in forecast prices of commodities, exchange rates, production costs and recovery rates may change the economic status of reserves and resources. Forecast prices of commodities, exchange rates, production costs and recovery rates, and discount rates assumptions, either individually or collectively, may impact the carrying value of derivative financial instruments, inventory, property, plant and equipment, and intangibles, as well as the measurement of impairment charges or reversals.

Subsequent to the 2011 year end, the Company was advised by its auditors, KPMG LLP, that the Public Company Accounting Oversight Board (PCAOB) communicated to the auditors that based on their inspection results, that an alternative accounting treatment might be more appropriate for the Company's 2010 joint venture transaction with Cariboo. Pursuant to that transaction, Cariboo purchased a 25% joint venture interest in the Gibraltar mining operations for $187 million. This transaction implied a total value for the Gibraltar mining operations of approximately $748 million and in the Company's annual reconciliation of accounts from Canadian generally accepted accounting principles (GAAP) to United States GAAP, it recognized a gain calculated as 100% of the difference between the Company's carrying cost of the Gibraltar mining operations of $338 million and its implied value, for a reported gain of $360 million. Under US GAAP, 100% of the gain is recognized if the Company no longer controls the joint venture. The accounting identified by the PCAOB is dependent on whether a change of control of the Gibraltar mining operations occurred as a result of the joint venture transaction.

Depending on the outcome of anticipated discussions with the PCAOB and possibly the SEC, it is possible that the Company may have to reverse the gain recognition for US GAAP purposes on 100% of the Gibraltar mining operations and recognize a gain only on the 25% actually sold or potentially recognize the gain as an equity transaction rather than through income. This would necessitate related restatements to the carrying value of the Gibraltar mining operations and the presentation of Cariboo's minority interest but would have no effect on cash flows in 2010 or thereafter. Based on the review of PCAOB's comments to date, the Company believes that the

accounting approach taken on the joint venture transaction and subsequent accounting were and continue to be appropriate.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures.

Our internal control system over financial reporting is designed to provide reasonable assurance to 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 IFRS, 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.

Our internal control system over disclosure controls and procedures is designed to provide reasonable assurance that material information relating to the Company is made known to management and disclosed to others and information required to be disclosed by the Company in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

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 reporting and disclosure.

Other than changes related to our conversion to IFRS, there have been no changes in our internal control over financial reporting and disclosure controls and procedures during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

The Company's management, at the direction of our chief executive officer and chief financial officer, have evaluated the effectiveness of the design and operation of the internal controls over financial reporting and disclosure controls and procedures as of the end of the period covered by this report, and have concluded that they were effective at a reasonable assurance level.

RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include the members of the Board of Directors and executive officers of the Company.

The Company contributes to a post-employment defined contribution pension plan on the behalf of certain key management personnel. This retirement compensation arrangement (RCA Trust) was established to provide benefits to certain executive officers on or after retirement in recognition of their long service. Upon retirement, the participant is entitled to the distribution of the accumulated value of the contributions under the RCA Trust. Obligations for contributions to the defined contribution pension plan are recognized as compensation expense in profit or loss in the periods during which services are rendered by the executive officers.

Certain executive officers are entitled to termination and change in control benefits. In the event of termination without cause, other than a change in control, these executive officers are entitled to an amount ranging from 9-month to 12-month's salary. In the event of a change in control, if a termination without cause or a resignation occurs within 12 months following the change of control, these executive officers are entitled to receive, among other things, an amount ranging from 24-month to 32-months' salary and accrued bonus, and all stock options held by these individuals will fully vest.

Executive officers and directors also participate in the Company's share option program.

During 2011, the Company incurred total compensation expenses of $11.3 million for its key management personnel, compared to $10.4 million in 2010.

Other related parties

Hunter Dickinson Services Inc. ("HDSI") is a private company which has certain directors in common with the Company. HDSI carries out geological, engineering, corporate development, administrative, financial management, investor relations, and other management activities for the Company. The terms and conditions of the transactions are similar to transactions conducted on an arm's length basis. During 2011, the Company incurred general and administrative expenses of $2.2 million, exploration and evaluation expenses of $0.8 million, and prepaid rent of $1.0 million with HDSI. This compares to general and administrative expenses of $2.3 million and exploration and evaluation expenses of $0.7 million in 2010.

The Gibraltar joint venture pays a management fee to the Company for services rendered as operator of the Gibraltar mine. During the year 2011, the Company has earned $0.8 million of other operating income for these services rendered, compared to $0.6 million earned in 2010.

NON-GAAP PERFORMANCE MEASURES

This document includes certain non-GAAP performance measures that do not have a standardized meaning prescribed by IFRS. These measures may differ from those used by, and may not be comparable to such measures as reported by, other issuers. The Company believes that these measures are commonly used by certain investors, in conjunction with conventional IFRS measures, to enhance their understanding of the Company's performance. These measures have been derived from the Company's financial statements and applied on a consistent basis. The following tables below provide a reconciliation of these non-GAAP measures to the most directly comparable IFRS measure.

Total cash costs per pound

Total cash costs of sales include all costs absorbed into inventory, as well as by-product credits, treatment & refining costs and transportation costs, less non-cash items such as depreciation and share-based compensation. Total cash costs per pound sold are calculated by dividing the aggregate of the applicable costs by copper pounds sold. Total cash costs of production are total cash costs of sales adjusted for the net movement in inventory during the period. Total cash costs per pound produced are calculated by dividing the aggregate of the

applicable costs by copper pounds produced. These measures are calculated on a consistent basis for the periods presented.

($ in thousands, unless otherwise indicated)	Three months ended December 31, 2011	2010	Year ended December 31, 2011	2010
Cost of sales	$ 41,235	$ 52,461	$ 165,565	$ 157,759
Less non-cash items:				
Depreciation	2,220	4,967	12,145	12,656
Share-based compensation	(42)	-	137	-
Less by-product credits:				
Molybdenum	3,439	3,193	14,317	12,656
Silver	876	1,277	3,473	2,885
Total cash costs of sales	**$ 34,762**	**$ 43,024**	$ 135,494	$ 129,562
Total copper sold (thousand pounds)	15,438	25,197	60,776	70,839
Total cash costs per pound sold	$ 2.25	$ 1.71	$ 2.23	$ 1.83
Average exchange rate for the period (CAD/USD)	1.023	1.0131	0.9893	1.0300
Total cash costs of sales (US$ per pound)	**$ 2.20**	**$ 1.69**	**$ 2.25**	**$ 1.78**
Total cash costs of sales	$ 34,762	$ 43,024	$ 135,494	$ 129,562
Net change in inventory	(13)	(8,624)	(3,144)	3,544
Total cash costs of production	**$ 34,749**	**$ 34,400**	**$ 132,350**	**$ 133,106**
Less offsite costs:				
Treatment and refining costs	(2,973)	(3,757)	(11,632)	(11,563)
Transportation costs	(3,400)	(5,029)	(13,108)	(16,275)
Net operating cash costs	**$ 28,376**	**$ 25,614**	**$ 107,610**	**$ 105,268**
Total copper produced (thousand pounds)	16,753	17,577	62,165	75,050
Total cash costs per pound produced	$ 1.69	$ 1.46	$ 1.73	$ 1.40
Average exchange rate for the period (CAD/USD)	1.0230	1.0131	0.9893	1.0300
Net operating cash costs of production (US$ per pound)	**$ 1.66**	**$ 1.44**	**$ 1.75**	**$ 1.36**

Adjusted net earnings

Adjusted net earnings removes the effect of the following transactions from net earnings as reported under IFRS:

- Unrealized gains/losses on derivative instruments;
- Gains/losses on the sale of financial instruments;
- Changes in the fair value of financial instruments;
- Foreign currency translation gains/losses; and
- Non-recurring transactions, including non-recurring tax adjustments.

Management believes these transactions do not reflect the underlying operating performance of our core mining business and are not necessarily indicative of future operating results. Furthermore, unrealized gains/losses on derivative instruments, changes in the fair value of financial instruments, and foreign currency translation gains/losses are not necessarily reflective of the underlying operating results for the reporting periods presented.

($ in thousands, except per share amounts)	Three months ended December 31, 2011	2010	Year ended December 31, 2011	2010
Net earnings (loss)	**$ (7,694)**	**$ 25,550**	**$ 26,974**	**$ 149,357**
Unrealized loss on derivatives, net of tax	16,118	1,794	(16,864)	(6,347)
Gain on sale of shares	-	-	(6,443)	(4,087)
Changes in fair value of financial instruments	(1,541)	(98)	307	25
Foreign currency translation losses (gains)	1,383	4,822	5,907	4,801
Loss on extinguishment of debt	-	-	-	2,136
Loss/(gain) on contribution to joint venture, net of tax	-	(794)	2,930	(63,623)
Non-recurring consulting expense, net of tax	1,675	-	4,647	-
Non-recurring tax adjustments	-	-	-	(30,600)
Adjusted net earnings	**$ 9,941**	**$ 31,274**	**$ 17,458**	**$ 51,662**
Adjusted EPS	**$ 0.05**	**$ 0.17**	**$ 0.09**	**$ 0.28**

EBITDA and adjusted EBITDA

EBITDA represents net earnings before interest, income taxes, and depreciation. We present EBITDA because we consider it an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, many of which present EBITDA when reporting their results. We believe issuers of "high yield" securities also present EBITDA because investors, analysts and rating agencies consider it useful in measuring the ability of those issuers to meet debt service obligations. We believe EBITDA is an appropriate supplemental measure of debt service capacity, because cash expenditures on interest are, by definition, available to pay interest, and tax expense is inversely correlated to interest expense because tax expense goes down as deductible interest expense goes up; depreciation is a non-cash charge.

We present adjusted EBITDA as a further supplemental measure of our performance and ability to service debt. We prepare adjusted EBITDA by adjusting EBITDA to eliminate the impact of a number of items we consider non-recurring or do not consider indicative of our ongoing operating performance. You are encouraged to evaluate each adjustment and the reasons we consider them appropriate for supplemental analysis.

Adjusted EBITDA is calculated by adding to EBITDA certain items of expense and deducting from EBITDA certain items of income that we believe are not likely to recur or are not indicative of our future operating performance consisting of:

- Unrealized gains/losses on derivative instruments;
- Gains/losses on the sale of marketable securities;
- Changes in the fair value of financial instruments;
- Foreign currency translation gains/losses; and
- Non-recurring transactions.

While some of the adjustments are recurring, we believe the elimination of the gain on the contribution to the joint venture, loss on the extinguishment of debt, and gains/losses on the sale of marketable securities do not reflect the underlying performance of our core mining business and are not necessarily indicative of future results. Furthermore, unrealized gains/losses on derivative instruments, foreign currency translation gains/losses and changes in the fair value of financial instruments are not necessarily reflective of the underlying operating results for the reporting periods presented.

($ in thousands, except per share amounts)	Three months ended December 31, 2011	2010	Year ended December 31, 2011	2010
Net earnings (loss)	**$ (7,694)**	**$ 25,550**	**$ 26,974**	**$ 149,357**
Add:				
Depreciation	2,369	4,790	12,827	12,973
Interest expense	4,197	1,058	13,957	4,542
Interest income	2,712	(1,802)	(6,859)	(14,933)
Income tax expense (recovery)	(1,501)	16,757	23,782	46,504
EBITDA	$ 83	$ 46,353	$ 70,681	$ 198,443
Adjustments:				
Unrealized (gain)/loss on derivative instruments	21,929	2,509	(22,944)	(8,877)
Gain on sale of marketable securities	-	-	(6,443)	(4,087)
Changes in fair value of financial instruments	(1,541)	(98)	307	25
Foreign currency translation losses	1,383	4,822	5,907	4,801
Loss on extinguishment of debt	-	-	-	2,136
Loss/(gain) on contribution to joint venture	-	(1,095)	3,987	(98,157)
Non-recurring consulting expense	2,279	**-**	6,322	**-**
Adjusted EBITDA	**$ 24,133**	**$ 52,491**	**$ 57,817**	**$ 94,284**

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 Independent Auditors' Report of Registered Public Accounting Firm dated March 29, 2012 on the consolidated balance sheets of Taseko Mines Limited (the "Company") and subsidiaries as of December 31, 2011, December 31, 2010 and January 1, 2010 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010; and

- our Report of Independent Registered Public Accounting Firm dated March 29, 2012 on the Company's internal control over financial reporting as of December 31, 2011

each of which is contained in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2011.

\\s\\ KPMG LLP

Chartered Accountants

March 29, 2012
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.

Taseko Mines Limited
15th Floor, 1040 West Georgia St.
Vancouver, BC V6E 4H8
tasekomines.com

March 29, 2012

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, 2011 (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, 2011.

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 357 Million Ton Increase in Mineral Reserves at the Gibraltar Mine" dated June 24, 2011

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

Ronald G. Simpson, P.Geo.
GeoSim Services Inc.
1975 Stephens Street
Vancouver, B.C. Canada, V6K 4M7
Telephone: 604 733-7970
Email: rgs@uniserve.com

March 29, 2012

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, 2011 (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, 2011. 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 Aley Carbonatite Niobium Project" dated October 26, 2011
- "Technical Report Aley Carbonatite Niobium Project" dated March 28, 2012

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,



Ronald G. Simpson, P.Geo