

## TASEKO ANNOUNCES FIRST QUARTER FISCAL 2008 RESULTS

**February 13, 2008, Vancouver, BC** – Taseko Mines Limited (“Taseko” or the “Company”) (TSX: TKO; AMEX: TGB) announces its financial results including production and sales for the **Gibraltar Mine** located near the City of Williams Lake in south-central British Columbia. Dollar amounts are in Canadian currency unless otherwise indicated.

For the three months ended December 31, 2007, Taseko reported an operating profit of \$19.2 million, and net earnings of \$16.3 million or \$0.12 per share (\$0.11 per share fully diluted).

Cash out-flow from operations in the quarter of \$2.1 million is net of positive contributions made to non-cash operating working capital, totalling \$20.4 million.

Financial results from operating activities during the quarter compared to the same period in the prior year are shown in the table below:

	Quarter Ended December 31, 2007	Quarter Ended December 31, 2006
Revenue	\$44.9 million	\$56.4 million
Copper <sup>1</sup>	\$38.1 million	\$53.2 million
Molybdenum	\$6.8 million	\$3.2 million
Cash Flow <sup>2</sup>	(\$2.1 million)	\$25.5 million
Cash Flow per Share (basic)	(\$0.02)	\$0.20
Operating profit <sup>3</sup>	\$19.2 million	\$19.3 million
Earnings before income tax	\$15.0 million	\$17.4 million
Earnings after income tax	\$16.3 million	\$11.7 million
Earnings per share (basic)	\$0.12	\$0.09

<sup>1</sup> Copper revenue in 2008 includes proceeds from sales of copper concentrate and copper cathode.

<sup>2</sup> Cash flow and cash flow per share are numbers used by the Company to assess its performance. They are not terms recognized under generally accepted accounting principles. Cash flow is defined as cash flow from operations including net change in working capital balances and cash flow per share is the same measure divided by the number of common shares outstanding during the period.

<sup>3</sup> Operating profit is comprised of revenues less cost of sales and depletion, depreciation and amortization.

### Gibraltar Mine

- For the quarter, Gibraltar produced 14.4 million pounds of copper and 291,000 pounds of molybdenum.
- The average realized price for copper and molybdenum sales during the quarter were US\$3.26 per pound and US\$32.18 per pound, respectively.
- Copper sales were 12.2 million pounds. Copper inventory was 7.2 million pounds at the end of the quarter.
- Molybdenum sales were 210,000 pounds. Molybdenum inventory was 96,000 pounds at the end of the quarter.
- The Semi Autogenous Grinding (“SAG”) mill was released from the construction group to the Gibraltar operations team on December 27, 2007.
- The pro rata capacity for the Phase I concentrator expansion was achieved on the secondary grinding line on February 1, 2008 – 30 days ahead of schedule.

### First Quarter Fiscal 2008 Production

The following is a summary of the operating statistics for the first quarter of 2008 (Q1 2008) compared to the same quarter in fiscal 2007 (Q1 2007).

	Q1 - Fiscal 2008	Q1 - Fiscal 2007
Total tons mined (millions) <sup>1</sup>	10.1	7.7
Tons of ore milled (millions)	2.3	2.4
Stripping ratio	3.2	2.2
Copper grade (%)	0.364	0.284
Molybdenum grade (%Mo)	0.012	0.010
Copper recovery (%)	79.3	77.3
Molybdenum recovery (%)	50.4	26.2
Copper production (millions lb)	14.4 <sup>2</sup>	10.6
Molybdenum production (thousands lb)	291	120
Copper production costs, net of by-product credits <sup>3</sup> , per lb of copper	US\$0.98	US\$1.19
Off property costs for transport, treatment (smelting & refining) & sales per lb of copper	US\$0.44	US\$0.33
Total cash costs of production net of by-product credits <sup>3</sup> , per lb of copper	US\$1.42	US\$1.52

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

<sup>2</sup> 2008 copper production includes 13.4 M lb in concentrate and 1.0 M lb in cathode.

<sup>3</sup> The by-product credit is based on pounds of molybdenum and ounces of silver sold.

Tons mined in the first quarter of fiscal 2008 were 10.1 million tons, 31% higher than the 7.7 million tons mined in the first quarter of fiscal 2007, primarily as a result of improved operating efficiencies. Ore milled during the quarter was essentially the same as Q1 2007, even though 30% of the mill capacity was off-line during the month of December as part of the Phase I expansion conversion, to integrate the new SAG mill into the grinding circuit.

Copper recovery was higher in Q1 2008 compared with the same quarter in fiscal 2007 as a result of the performance of the new flotation circuit and higher head grades.

Copper in concentrate production during the quarter was 13.4 million pounds, compared to 10.6 million pounds produced in the first quarter of fiscal 2007. Copper in cathode production during the quarter was 1.0 million pounds, compared to nil in the same quarter of fiscal 2007.

Molybdenum production was significantly higher than in fiscal 2007, as the mechanical issues experienced in the molybdenum circuit have been resolved. Molybdenum in concentrate production in the quarter was 291,000 pounds, an increase from 120,000 pounds in the same quarter of fiscal 2007.

Cost per pound of copper produced was lower in 2008 than the same quarter in 2007 as a result of maintaining expenditure levels while increasing copper and molybdenum production. Off-property costs increased during the quarter as bulk ocean freight rates rose significantly related to higher seasonal shipping prices, roasting fees for molybdenum increased and the effect of the stronger Canadian dollar.

### Concentrator Expansion Project

The two phase expansion underway at the concentrator facility at Gibraltar is continuing on time and on budget. The first phase, now essentially complete, has involved the installation of a new thirty-four foot diameter SAG mill as well as installation of ten new flotation cells and other upgrades. At the end of the quarter, the SAG mill was operational and the full complement of new flotation cells had been operating for four months. The 46,000 tons per day pro rata grinding capacity was reached in early February.

The second phase of the expansion consists of modernizing and increasing the capacity of the regrind, cleaner flotation, and concentrate circuits, installing a two stage tailings pumping system and adding a pebble crusher to the SAG mill circuit. Phase two is designed to increase concentrator capacity to 55,000 tons per day. Design work, procurement, and construction are proceeding on schedule for project completion by late 2008.

#### Prosperity Project

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

In September 2007, the Company announced the positive results of a feasibility study for the Project. The Company is actively advancing opportunities for improved economic performance through further metallurgical testing and optimization of the concentrator flowsheet, applying the most up-to-date facility designs and construction techniques, and reducing indirect costs. Advanced engineering began in January 2008.

The Project is currently in the joint Federal/Provincial Environmental Assessment process. The Department of Fisheries and Oceans, Transport Canada, and Natural Resources Canada, have recommended to the Federal Minister of Environment that the project be referred to a Joint Panel Review. Provincially, the Executive Director of the Environmental Assessment Office has also referred the project to the Provincial Minister of Environment for a decision regarding a Joint Panel Review. Taseko is actively engaged with federal and provincial regulatory agencies in the review of the Project and are also engaged in discussions with local First Nations and other communities.

#### Harmony Project

Taseko holds 100% of the Harmony gold project, located on the Queen Charlotte-Haida Gwaii Islands on the northwest coast of British Columbia. The Company has undertaken property maintenance and environmental monitoring activities at Harmony since acquiring the project in 2001.

The Company initiated a review of engineering work on the project in late 2007 following the designation of the area as a mineral development zone under the Queen Charlotte-Haida Gwaii Land and Resource Management Plan. This review is continuing and plans to move the project ahead during 2008 are being evaluated.

#### Aley Project

Taseko acquired 100% of the Aley niobium project in northern British Columbia in fiscal 2007. The Aley property hosts a niobium deposit. Niobium is a metal used in making high strength steels required in the manufacture of automobiles, bridges, pipes, jet turbines and other high technology applications. The metal is currently selling for \$30/kg and the market is growing at 5-8% per year. Currently, the world supply is dominated by only two producers: CBMM, a Brazilian miner, and Iamgold, which operates the Niobec Mine in Quebec.

Taseko successfully completed an initial exploration program on the Aley deposit in 2007, and is evaluating an accelerated drilling and engineering work program in the summer of 2008 with the intention of advancing the Aley Project toward a feasibility study.

#### Financial Results

Taseko reported revenues of \$44.9 million for the quarter, compared to \$56.4 million in the first quarter of the prior year. The decrease in revenue was largely the result of lower copper concentrate sales. In Q1 2008, sales were 11.8 million pounds compared to 16.9 million pounds in Q1 2007 because of timing of shipments. Management chose to retain inventory in anticipation of lower seaborne costs and higher copper prices in 2008. Revenues were also impacted by the increase in the value of the Canadian dollar, but this was partially offset by significant increases in the average price per pound of copper sold from US\$2.77 per pound in fiscal 2007 to US\$3.26 per pound in Q1 2008, and revenue from copper cathode sales (0.44 million pounds) in Q1 2008. Cathode production had not yet begun in Q1 2007.

Revenues in the first quarter consisted of copper concentrate sales of \$36.8 million (2007 – \$53.2 million), copper cathode sales of \$1.3 million and molybdenum concentrate sales of \$6.8 million (2007 – \$3.3 million).

Cost of sales was \$25.0 million, compared to \$36.6 million for the same period in fiscal 2007. Costs of sales includes total cost for metal produced and sold, including treatment and transportation, during the quarter of \$26.7 million (2007 – \$24.4 million) and a concentrate inventory adjustment of (\$1.6 million) (2007 - \$13.2 million). The decrease in cost of sales for the period was due to lower production costs per pound of copper and lower sales volumes compared to Q1 2007.

Exploration expenses increased to \$2.1 million in the first three months of fiscal 2008, compared to \$1.9 million for the same period in fiscal 2007. The increase in expenditures during the current quarter is related to activities on the Prosperity Project, including preparation of an environmental impact assessment and ongoing engineering work. During the quarter, the Company also capitalized \$0.5 million (Q1 2007 - \$1.0 million) of exploration expenses related to increasing the reserves and mine life at Gibraltar.

General and administrative costs increased to \$2.0 million in the first three months of fiscal 2008 compared to \$1.4 million for the same period in fiscal 2007. The main increase was attributable to higher staffing levels and an increase in corporate activities relating to the Company's acquisition and tax planning initiatives.

Stock-based compensation increased to \$2.8 million in the current quarter, compared to \$0.8 million in the same period in fiscal 2007, as a result of the amortization of stock compensation on options granted in the prior fiscal year.

Interest and other income were \$2.5 million as compared to \$2.8 million in 2007. The decrease was due to interest earned on the Company's decreasing average cash balances, prior to the completion of financings in late October 27. Interest expense and interest accretion were the same as in the first quarter of 2007.

Current income tax expense of \$1.2 million was recorded in the quarter, compared to \$1.8 in the same period of fiscal 2007. In addition, the Company had a future income tax recovery of \$2.5 million in the current quarter compared to future income tax expense of \$3.8 million in the same period of fiscal 2007. The decrease in current income taxes is due mainly to the Company's ability to realize certain tax pools and a lower net income for tax purposes this quarter when compared to the same quarter in fiscal 2007. The future income tax recovery is mainly related to the reduction in corporate tax rates announced by the Canadian government in December 2007.

At December 31, 2007, Taseko had working capital of \$90.8 million, as compared to a \$50.0 million at September 30, 2007. Bought deal and private placement financings were completed during the quarter that added to working capital.

Additional details can be found in the Company's Financial Statements and Management Discussion and Analysis which are filed on [www.sedar.com](http://www.sedar.com).

Taseko will host a conference call on Thursday February 14, 2008 at 11:00 a.m. Eastern Time (8:00 AM Pacific Time) to discuss these results. The conference call may be accessed by dialing (877) 604-9670 in Canada and the United States, or (719) 325-4846 internationally. A live and archived audio webcast will also be available on the Company's website at [www.tasekomines.com](http://www.tasekomines.com).

The conference call will be archived for later playback until February 21, 2008 and can be accessed by dialing (888) 203-1112 in Canada and the United States, or (719) 457-0820 and using the passcode 6549069.

For further information on the Company, please visit [www.tasekomines.com](http://www.tasekomines.com) or contact Investor Services at (604) 684-6365 or within North America at 1-800-667-2114.

Russell Hallbauer  
*President and CEO*

No regulatory authority has approved or disapproved the information contained in this news release.

#### Forward Looking Statements

This release includes certain statements that may be deemed "forward-looking statements". All statements in this release, other than statements of historical facts, that address estimated resource quantities, grades and contained gold, possible future mining, exploration and development activities, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements should not be in any way construed as 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 for metals, the conclusions of detailed feasibility and technical analyses, lower than expected grades and quantities of reserves or resources, mining rates and recovery rates and the lack of availability of necessary capital, which may not be available to the Company on terms acceptable to it or at all. The Company is subject to the specific risks inherent in the mining business as well as general economic and business conditions. For more information on the Company, Investors should review the Company's annual Form 40-F filing with the United States Securities and Exchange Commission and its home jurisdiction filings that are available at [www.sedar.com](http://www.sedar.com).



QUARTER ENDED DECEMBER 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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## **1.1 Date**

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements of Taseko Mines Limited ("Taseko", or the "Company") for the three months ended December 31, 2007 and audited financial statements for the year ended September 30, 2007, prepared in accordance with Canadian generally accepted accounting principles, and publicly available on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A is prepared as of February 8, 2008. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

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

## **1.2 Overview**

Taseko is a mining and mineral exploration company with four properties located in British Columbia, Canada. These are the Gibraltar copper-molybdenum mine and three exploration projects: the Prosperity gold-copper property, the Harmony gold property and the Aley niobium property.

In the first quarter of fiscal 2008, Taseko continued to focus on expansion of the concentrator and other production improvements at the Gibraltar mine, acquisition of a project approval for the Prosperity project, and review of potential acquisitions to provide for further corporate growth.

During the three months ended December 31, 2007, Taseko had an operating profit of \$19.2 million, and net earnings after tax of \$16.3 million, as compared to an operating profit of \$19.3 million, and net earnings after tax of \$11.7 million for the same period in fiscal 2007.

Commissioning of the Semi-Autonomous Grinding ("SAG") mill at Gibraltar began on schedule with the first feed to the new mill occurring in the last week of December. Completion of all stages of the Phase One expansion is scheduled for February 2008 and ramp up to full production is planned to occur in the following six month period. The Phase Two expansion is on schedule for completion by late 2008.

In October 2007, the Company closed a bought deal short form prospectus offering financing, with an over-allotment option, raising gross proceeds of \$42.6 million. The Company also completed a private placement financing in November for gross proceeds of \$7.6 million.

A new collective agreement with the union at Gibraltar Mine was ratified on October 24, 2007. The new agreement is in effect until May 31, 2012.

### 1.2.1 Gibraltar Mine

Taseko's 100% owned Gibraltar mine is located north of the City of Williams Lake in south-central British Columbia.

#### *First Quarter 2008 Sales and Inventory*

##### *Copper*

- Copper in concentrate sales for the quarter were 11.8 million pounds of copper, a decrease from the 16.9 million pounds of copper sold during the same quarter in fiscal 2007. Copper in concentrate in inventory at December 31, 2007 was 6.3 million pounds.
- Copper in cathode sales were 0.44 million pounds compared to none in the same quarter of fiscal 2007. Copper cathode in inventory at December 31, 2007 was 0.9 million pounds.
- The average price realized for sales of copper in the quarter was US\$3.26 per pound compared to US\$2.77 per pound in the same quarter of the previous year.

##### *Molybdenum*

- Molybdenum concentrate sales in the quarter were 210,000 pounds of molybdenum, an increase from the 120,000 pounds sold in the same quarter of fiscal 2007. Molybdenum in concentrate inventory at December 31, 2007 was 96,000 pounds.
- The average price realized for sales of molybdenum in the quarter was US\$32.18 per pound compared to US\$23.70 per pound received during the first quarter of fiscal 2007.

#### *First Quarter 2008 Production*

The following is a summary of the operating statistics for the first quarter of 2008 (Q1 2008) compared to the same quarter in fiscal 2007 (Q1 2007).

	Q1 - Fiscal 2008	Q1 - Fiscal 2007
Total tons mined (millions) <sup>1</sup>	10.1	7.7
Tons of ore milled (millions)	2.3	2.4
Stripping ratio	3.2	2.2
Copper grade (%)	0.364	0.284
Molybdenum grade (%Mo)	0.012	0.010
Copper recovery (%)	79.3	77.3
Molybdenum recovery (%)	50.4	26.2
Copper production (millions lb) <sup>2</sup>	14.4 <sup>2</sup>	10.6
Molybdenum production (thousands lb)	291	120
Copper production costs, net of by-product credits <sup>3</sup> , per lb of copper	US\$0.98	US\$1.19
Off property costs for transport, treatment (smelting & refining) & sales per lb of copper	US\$0.44	US\$0.33
Total cash costs of production per lb of copper	US\$1.42	US\$1.52



**THREE MONTHS ENDED DECEMBER 31, 2007**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Notes to table:

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

<sup>2</sup> 2008 copper production includes 13.4 M lb in concentrate and 1.0 M lb in cathode.

<sup>3</sup> The by-product credit is based on pounds of molybdenum and ounces of silver sold.

Tons mined were higher in the first quarter of fiscal 2008 compared to fiscal 2007. Ore milled was slightly lower in Q1 2008 compared to the same quarter of the prior year as a result of low mill production during December for the planned conversion of #2 rod mill to a ball mill as part of the Phase One concentrator expansion.

Copper recovery was higher in Q1 2008 compared with the same quarter in fiscal 2007 as a result of the installation of the new flotation circuit and higher head grades. Molybdenum production was significantly higher than in fiscal 2007, as the mechanical issues experienced in the molybdenum circuit during the first quarter of the previous fiscal year have been resolved.

Copper in concentrate production during the quarter was 13.4 million pounds, compared to 10.6 million pounds produced in the first quarter of fiscal 2007. Copper cathode production during the quarter was 1.0 million pounds, compared to nil in the same quarter of fiscal 2007. Molybdenum in concentrate production in the quarter was 290,000 pounds, an increase from 120,000 pounds in the same quarter of fiscal 2007.

Cost per pound of copper produced was lower than the same quarter in 2007 as a result of maintaining expenditure levels while increasing copper and molybdenum production. Off-property costs increased during the quarter as bulk ocean freight rates rose significantly related to higher seasonal shipping prices, roasting fees for molybdenum increased and the Canadian dollar strengthened from the same period in the prior fiscal year.

#### *Concentrator Expansion Project*

The two phase expansion underway at the concentrator facility at Gibraltar is continuing on time and on budget. The first phase, which is nearing completion, has involved the installation of a new thirty-four foot diameter Semi Autogenous Grinding (SAG) mill as well as installation of ten new flotation cells and various upgrades to increase the ore processing capacity to 46,000 tons per day (tpd). At the end of the quarter, the SAG mill installation was completed and the flotation cells had been operational for four months. Ramp up to the full 46,000 tpd rate is expected to occur over the next six months.

The Phase Two expansion consists of modernizing and increasing the capacity of the regrind, cleaner flotation, and concentrate circuits, installing a two stage tailings pumping system and adding a pebble crusher to the SAG mill circuit. Phase two is designed to increase concentrator capacity from 46,000 to 55,000 tpd. Design work and procurement is on schedule for project completion by late 2008.

#### *Labour and Safety*

The number of active personnel at the end of the fiscal year was 370, compared to 284 at the end of fiscal 2007.

There were no lost time accidents during the quarter.

### **1.2.2 Prosperity Project**

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

In September 2007, the Company announced the positive results of a feasibility study for the Project. The Company is actively advancing opportunities for improved economic performance through further metallurgical testing and optimization of the concentrator flowsheet, applying the most up-to-date facility designs and construction techniques, and reducing indirect costs. Detailed engineering began in January 2008.

The Project is currently in the joint Federal/Provincial Environmental Assessment process. The federal responsible authorities, the Department of Fisheries and Oceans, Transport Canada, and Natural Resources Canada, have recommended to the Federal Minister of Environment that the project be referred to a Joint Panel Review. Provincially, the Executive Director of the Environmental Assessment Office has also referred the project to the Provincial Minister of Environment for a decision regarding a Joint Panel Review. Taseko is actively engaged with federal and provincial regulatory agencies in the review of the Project and is also engaged in discussions with local First Nations and other communities.

### **1.2.3 Harmony Project**

Taseko holds 100% of the Harmony gold project, located on the Queen Charlotte-Haida Gwaii on the northwest coast of British Columbia. The Company has undertaken property maintenance and environmental monitoring activities at Harmony since acquiring the project in 2001.

The Company initiated a review of engineering work on the project in late 2007 following the designation of the area as a mineral development zone under the Queen Charlotte-Haida Gwaii Land and Resource Management Plan. The review is continuing and plans to move the project forward in 2008 are being evaluated.

### **1.2.4 Aley Project**

Taseko acquired 100% of the Aley niobium project in northern British Columbia in fiscal 2007. Niobium is a metal used in making high strength steels required in the manufacture of automobiles, bridges, pipes, jet turbines and other high technology applications. The metal is currently selling for \$30/kg and the market is growing at 5-8% per year. Currently, the world supply is dominated by only two producers: CBMM, a Brazilian miner, and Iamgold, which operates the Niobec Mine in Quebec.

Taseko successfully completed an initial exploration program on the Aley deposit in 2007, and is evaluating an accelerated drilling and engineering work program in the summer of 2008 with the intention of advancing the Aley Project toward a feasibility study.



**THREE MONTHS ENDED DECEMBER 31, 2007  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**1.2.5 Market Trends**

Overall, copper prices have been increasing since late 2003, averaging US\$3.03/lb in 2006. As a result of increasing supply, prices dropped slightly in early 2007, but have increased again since mid February. The average price in 2007 was US\$3.22/lb. Copper prices have averaged US\$3.21/lb in January 2008.

Overall, gold prices have been increasing for more than three years. The gold price averaged approximately US\$695/oz in 2007 and has averaged US\$890/oz during January 2008.

Molybdenum prices increased from US\$7.60/lb in 2003 to US\$34/lb in 2004, and peaked at an average price of US\$34/lb in 2005. Prices stabilized in 2006, averaging US\$25.53/lb over the year, and strengthened in 2007, to average approximately US\$30.47. Molybdenum prices have averaged US\$33.22/lb in January 2008.

Over the past two years, the Canadian dollar has strengthened significantly against the United States dollar. The Company sells its products in United States dollar but its expenses are denominated primarily in Canadian dollars. The twelve-month average at December 31, 2006 for one United States dollar was 1.1343 Canadian dollars. The twelve-month average at December 31, 2007 for one United States dollar was 1.074 Canadian dollars. At December 31, 2007, one United States dollar was equivalent to 0.9913 Canadian dollar. The Canadian dollar is expected to remain strong over the next two years, with forecasts anticipating an average of one United States dollar to 1.02 Canadian dollar in 2008 and 1.08 Canadian dollar in 2009.



# Taseko Mines Limited

THREE MONTHS ENDED DECEMBER 31, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 1.3 Selected Annual Information

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

<b>Balance Sheets</b>	<b>As at September 30</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Current assets	\$ 94,619	\$ 149,447	\$ 58,380
Mineral properties	18,407	2,628	3
Property, plant and equipment	158,492	43,817	9,914
Other assets	105,745	101,569	122,700
<b>Total assets</b>	<b>\$ 377,263</b>	<b>\$ 297,461</b>	<b>\$ 190,997</b>
Current liabilities	44,589	47,863	52,205
Other liabilities	169,014	148,664	109,682
Shareholders' equity	163,660	100,934	29,110
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$ 377,263</b>	<b>\$ 297,461</b>	<b>\$ 190,997</b>

  

<b>Statements of Operations</b>	<b>Year ended September 30</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Revenue	\$ 218,426	\$ 161,900	\$ 87,638
Cost of sales	(109,533)	(103,628)	(71,348)
Amortization	(3,155)	(3,412)	(2,657)
<b>Operating profit</b>	<b>\$ 105,738</b>	<b>\$ 54,860</b>	<b>\$ 13,633</b>
Accretion of reclamation obligation	1,777	1,732	1,574
Exploration	8,967	3,544	506
Foreign exchange loss (gain)	233	(289)	34
Gain on asset retirement obligation change of estimates	(4,570)	–	–
Loss on sale of equipment	–	–	2,161
Loss on extinguishment of capital leases	–	240	–
General and administration	6,501	5,286	2,412
Ledcor termination fee	–	3,500	–
Gain on sale of marketable securities	(1,508)	–	–
Interest and other income	(11,093)	(7,170)	(10,548)
Interest expense	5,947	4,594	3,175
Interest accretion on convertible debt	2,922	1,280	1,075
Restart project	–	–	6,347
Stock-based compensation	6,771	3,182	1,129
Change in fair market value of financial instruments	1,925	–	–
<b>Earnings before income taxes</b>	<b>\$ 87,866</b>	<b>\$ 38,961</b>	<b>\$ 5,768</b>
Current income tax recovery (expense)	(3,959)	(4,397)	4,099
Future income tax recovery (expense)	(35,645)	(1,648)	13,423
<b>Earnings for the year</b>	<b>\$ 48,262</b>	<b>\$ 32,916</b>	<b>\$ 23,290</b>
Other comprehensive income (loss):			
Unrealized loss on reclamation deposits	(419)	–	–
Unrealized gain (loss) on marketable securities/investments	4,710	–	–
Reclassification of realized gain on sale of marketable securities	(1,508)	–	–
Tax effect	(445)	–	–
<b>Other comprehensive income</b>	<b>\$ 2,338</b>	<b>\$ –</b>	<b>\$ –</b>
<b>Total comprehensive income</b>	<b>\$ 50,600</b>	<b>\$ 32,916</b>	<b>\$ 23,290</b>
Basic earnings per share	\$ 0.37	\$ 0.29	\$ 0.23
Diluted earnings per share	\$ 0.36	\$ 0.26	\$ 0.21
Basic weighted average number of common shares outstanding	129,218	113,554	100,022
Diluted weighted average number of common shares outstanding	142,278	126,462	110,733



THREE MONTHS ENDED DECEMBER 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.4 Summary of Quarterly Results

All numbers, except per-share amounts, are expressed in thousands of Canadian dollars. Small differences are due to rounding.

	Dec 31 2007	Sep 30 2007	Jun 30 2007	Mar 31 2007	Dec 31 2006	Sep 30 2006	Jun 30 2006	Mar 31 2006
<b>Current assets</b>	117,251	94,619	97,907	114,756	129,940	149,447	68,651	64,839
Mineral properties	18,941	18,407	15,986	5,468	3,554	2,628	3	3
Properties, plant and equipment	182,342	158,492	120,857	95,627	63,281	43,817	31,266	10,022
Other assets	106,873	105,745	104,781	104,677	104,051	101,569	103,193	122,691
<b>Total assets</b>	<b>425,407</b>	<b>377,263</b>	<b>339,531</b>	<b>320,528</b>	<b>300,826</b>	<b>297,461</b>	<b>203,113</b>	<b>197,555</b>
<b>Current liabilities</b>	22,439	44,589	35,225	36,426	37,411	47,863	39,330	40,815
Other liabilities	173,042	169,014	155,070	151,799	149,912	148,664	97,588	109,158
Shareholders' equity	229,926	163,660	149,236	132,303	113,503	100,934	66,195	47,582
<b>Total liabilities and shareholders' equity</b>	<b>425,407</b>	<b>377,263</b>	<b>339,531</b>	<b>320,528</b>	<b>300,826</b>	<b>297,461</b>	<b>203,113</b>	<b>197,555</b>
Revenue	(44,924)	(53,998)	(55,907)	(51,624)	(56,897)	(23,196)	(59,922)	(37,511)
Mine site operating costs	19,810	17,062	21,399	18,962	30,809	8,829	31,866	22,574
Transportation and treatment	5,229	5,220	4,714	5,062	6,305	(7,581)	8,973	6,643
Amortization	701	667	1,374	677	437	898	812	852
<b>Expenses:</b>								
Accretion of reclamation obligation	307	760	339	339	339	433	433	433
Conference and travel	157	98	72	156	168	223	39	84
Consulting	78	198	138	167	80	137	104	78
Exploration	2,123	2,320	2,188	2,546	1,913	(155)	2,958	471
Interest expense and accretion charges	1,891	2,042	2,199	2,722	1,906	1,678	2,311	1,043
Ledcor termination fee	-	-	-	-	-	3,500	-	-
Legal, accounting and audit	219	443	130	484	163	(81)	1,061	334
Office and administration	1,250	975	833	905	762	(107)	1,047	665
Shareholder communications	136	99	140	134	113	101	183	97
Trust and filing	115	23	20	118	81	55	23	215
Interest and other income	(2,535)	(2,901)	(2,434)	(2,978)	(2,778)	(2,418)	(1,579)	(1,546)
Gain on sale of marketable securities	-	-	-	(1,509)	-	-	-	-
Income taxes expense (recovery)	(1,315)	15,727	6,739	11,485	5,653	(1,968)	5,603	2,410
Asset retirement obligation change of estimates	(2,413)	(4,570)	-	-	-	-	-	-
Foreign exchange loss (gain)	40	756	1,454	(472)	(1,505)	(132)	323	(448)
Stock-based compensation	2,772	1,817	1,865	2,330	759	731	1,685	535
Change in fair value of financial instruments	77	617	2,331	(995)	(28)	-	-	-
<b>Earnings for the period</b>	<b>16,282</b>	<b>12,645</b>	<b>12,406</b>	<b>11,491</b>	<b>11,720</b>	<b>19,053</b>	<b>4,080</b>	<b>3,071</b>
Earnings per share - basic	0.12	0.10	0.10	0.09	0.09	0.16	0.04	0.03

## **1.5 Results of Operations**

The Company's pre-tax earnings for the three months ended December 31, 2007 decreased to \$15.0 million, compared to \$17.4 million for the three months ended December 31, 2006. The decrease in pre-tax earnings is due to number of factors affecting revenues such as the timing of copper shipments and foreign exchange fluctuations.

The Company reported revenues of \$44.9 million for the quarter, compared to \$56.4 million in the first quarter of the prior year. The decrease in revenue was the result of a decrease in copper concentrate sales from 16.9 million pounds in Q1 2007 to 11.8 million pounds in Q1 2008. Management chose not to ship in anticipation of improved seaborne shipping costs and copper prices in 2008. In addition, the value of the Canadian dollar appreciated significantly between Q1 2007 and Q2 2008 which negatively impacted revenue in Q1 2008, but this was partially offset by significant increases in copper prices. The average price per pound of copper sold increased to US\$3.26 per pound, up from US\$2.77 per pound in the same quarter in fiscal 2007. In addition, copper cathode sales also partially offset the decrease in copper concentrate revenue since there were no copper cathode sales in Q1 2007.

Revenues in the first quarter consisted of copper concentrate sales of \$36.8 million (2007 – \$53.2 million), copper cathode of \$1.3 million and molybdenum concentrate sales of \$6.8 million (2007 – \$3.3 million).

Cost of sales for the first quarter of fiscal 2008 was \$25.0 million, compared to \$36.6 million for the same period in fiscal 2007. Costs of sales consists of total production cost of \$21.5 million (2007 – \$18.1 million) for metal produced and sold during the quarter and a concentrate inventory adjustment of \$1.7 million (2007 – \$13.2 million). Treatment and transportation costs totaling \$5.2 million (2007 – \$6.3 million) were also included in cost of sales for the first quarter of 2008. The decrease in cost of sales for the period was due to lower production costs per pound of copper and lower sales volumes compared to Q1 2007.

Amortization expense for the quarter was \$0.7 million compared to \$0.4 million for the same period in fiscal 2007. The increase is the result of capital equipment additions during the quarter as well as the start of utilization of several pieces of equipment related to the concentrator expansion. Mining and milling assets are amortized using the units of production method based on tons mined and tons milled respectively and divided by the estimated tonnage to be mined and milled in the mine plan. An increase in recoverable reserves during the period resulted in higher estimated tonnage to be recovered in the mine plan and hence, a reduced annual amortization rate.

Exploration expenses increased to \$2.1 million in the first quarter of fiscal 2008, compared to \$1.9 million for the same period in fiscal 2007. This increase is due to a higher level of exploration activity at the Company's Prosperity project, and includes activities relating to the enhancing the economic opportunities for Prosperity. During the quarter, the Company also capitalized \$0.5 million (Q1 2007 – \$1.0 million) of exploration expenses related to increasing the reserves and life of mine at Gibraltar.

General and administrative costs increased to \$2.0 million in the first three months of fiscal 2008 compared to \$1.4 million for the same period in fiscal 2007. The increase was mainly attributable to



THREE MONTHS ENDED DECEMBER 31, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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higher staffing levels relating to increased work for Prosperity, the mill expansion, and an increase in corporate activities relating to the Company's acquisition and tax planning initiatives.

Stock-based compensation increased to \$2.8 million in the current quarter, compared to \$0.8 million in the same period in fiscal 2007, as a result of the amortization of stock compensation on options granted during the prior fiscal year.

Interest and other income were \$2.5 million as compared to \$2.8 million in 2007. The decrease was due to a lower average cash balance in Q1 2008 compared to the same period in the prior year. Interest expense and interest accretion were the same as in the first quarter of 2007.

Current income tax expense of \$1.2 million was recorded in the quarter, compared to \$1.8 in the same period of fiscal 2007. In addition, the Company had a future income tax recovery of \$2.5 million in the current quarter compared to a future income tax expense of \$3.8 in the same period of fiscal 2007. The decrease in current income taxes from the same quarter in 2007 is due mainly to the Company's ability to realize certain tax pools and a lower net income for tax purposes in Q1 2008 compared to the same period in fiscal 2007. The future income tax recovery is due mainly to a reduction in future corporate tax rates announced by the Canadian government in December 2007.

The Company also has a tax liability provision of \$25.1 million (2006 – \$21.6 million) recorded on the Company's balance sheet recorded in fiscal 2004 in accordance with Canadian generally accepted accounting principles.

## 1.6 Liquidity

At December 31, 2007, Taseko had working capital of \$90.8 million, as compared to a \$50.0 million at September 30, 2007. The increase in working capital was primarily a result of the financings discussed below.

Management anticipates that revenues from copper and molybdenum in concentrates and copper cathode, along with current cash balances, will be sufficient to cover operating costs, working capital, and the Gibraltar mill expansion.

On October 30, 2007, the Company closed a "bought deal" short form prospectus offering of 7,115,385 common shares at a price of \$5.20 per common share. The Company granted to the underwriters an over-allotment option to purchase up to an additional 1,067,307 common shares at \$5.20. The underwriters elected to exercise the over-allotment option in full at the closing, resulting in aggregate gross proceeds to the Company of \$42.5 million. On November 13, 2007, the Company completed a private placement financing. The Company issued 1,455,100 common shares at a price of \$5.20 per share for gross proceeds of \$7.6 million.

Other than those obligations disclosed in the notes to its unaudited financial statements for the period ended December 31, 2007 and audited annual financial statements for the year ended September 30, 2007, the Company has no other long term debt, capital lease obligations, operating leases or any other long term obligations.

The Company's cash and equivalents are invested in business accounts and bankers acceptances with CIBC, and which are available on demand for the Company's programs, and which are not invested in any asset backed deposits/investments.

### **1.7 Capital Resources**

The Company had no commitments for material capital expenditures as of December 31, 2007.

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

The Company has no lines of credit or other sources of financing.

### **1.8 Off-Balance Sheet Arrangements**

None.

### **1.9 Transactions with Related Parties**

Hunter Dickinson Inc. ("HDI") is a private company owned equally by nine public companies, one of which is Taseko. HDI has certain directors in common with the Company and carries out geological, engineering, corporate development, administrative, financial management, investor relations, and other management activities for, and incurs third party costs on behalf of, the Company. The Company reimburses HDI on a full cost-recovery basis.

Costs for services rendered and costs incurred on behalf of the Company by HDI during the three month ended December 31, 2007 were \$1.8 million, as compared to \$1.3 million in the first quarter of 2007. The increase over prior fiscal year is due to higher staffing levels required to support the increase in general corporate development and exploration activities.

### **1.10 Fourth Quarter**

Not applicable.

### **1.11 Proposed Transactions**

None.

### **1.12 Critical Accounting Estimates**

The Company's significant accounting policies are presented in notes 3 and 4 of the audited consolidated statements for the year ended September 30, 2007. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting

*b) Capital Disclosures (Section 1535)*

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

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

These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. It increases the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

New Accounting Pronouncements Not Yet Adopted:

*(a) Inventories (Section 3031)*

This standard replaces existing Section 3030 with the same title and will harmonize accounting for inventories under Canadian GAAP with IFRS. This standard requires that inventories should be measured at the lower of cost and net realizable value, and includes guidance on the determination of cost, including allocation of overheads and other costs. The standard also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous writedowns to net realizable value when there is a subsequent increase in the value of inventories. The new Section is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company is currently evaluating the impact of this new standard.

*(b) Going Concern – Amendments to Section 1400*

CICA 1400, General Standards of Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company does not expect the adoption of these changes to have an impact on its financial statements.

## **1.14 Financial Instruments and Other Instruments**

Please refer to Section 1.13 above.

## **1.15 Other MD&A Requirements**

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**1.15.1 Additional Disclosure for Venture Issuers without Significant Revenue**

Not applicable. The Company is not a Venture Issuer.

**1.15.2 Disclosure of Outstanding Share Data**

The following details the share capital structure as at February 8, 2008 the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

	Expiry date	Exercise price	Number	Number
Common shares				140,247,830
Share purchase option	March 27, 2009	\$ 2.07	30,000	
	March 27, 2009	\$ 2.18	153,000	
	March 27, 2009	\$ 2.68	110,000	
	February 24, 2010	\$ 3.07	904,000	
	July 3, 2010	\$ 4.03	130,000	
	September 28, 2010	\$ 1.15	1,128,334	
	September 28, 2010	\$ 2.07	70,000	
	September 28, 2010	\$ 2.18	100,000	
	March 28, 2011	\$ 2.18	442,000	
	March 28, 2011	\$ 2.63	360,000	
	March 28, 2011	\$ 2.68	90,000	
	August 22, 2011	\$ 4.09	331,166	
	February 24, 2011	\$4.50	1,370,000	
	February 24, 2012	\$4.50	924,000	
	February 24, 2012	\$ 3.07	1,818,000	
	February 24, 2012	\$ 5.06	193,000	8,153,500
Warrants	June 4, 2009	\$3.48	120,000	120,000
Convertible debenture, Boliden Westmin (Canada) Limited	July 21, 2009	\$ 5.14	3,307,393	3,307,393
Convertible bonds	August 29, 2011	US\$3.35	8,955,224	8,955,224
Preferred shares redeemable into Taseko Mines Limited common shares				12,483,916

**1.15.3 Internal Controls over Financial Reporting Procedures**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no significant changes in internal controls over financial reporting occurred during the most quarter ended December 31, 2007 that could have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

**1.15.4 Disclosure Controls and Procedures**

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

There have been no significant changes in the Company's disclosure controls during the quarter ended December 31, 2007 that could significantly affect disclosure controls subsequent to the date the Company carried out its evaluation.

policies and make estimates. Such estimates may have a significant impact on the consolidated financial statements. These estimates include:

- mineral resources and reserves,
- the carrying values of concentrate inventories and supplies inventories
- the carrying values of mineral properties,
- the carrying values of property, plant and equipment,
- rates of amortization of property, plant and equipment
- the carrying values of the reclamation liability,
- the carrying values of the convertible debentures and conversion rights,
- income taxes,
- the valuation allowances for future income taxes,
- the carrying values of the receivables from sales of concentrate,
- the carrying values of deferred revenue,
- the assumptions used in determining the reclamation obligation, and
- the valuation of stock-based compensation expense.

Actual amounts could differ from the estimates used and, accordingly, affect the results of operations.

During the three month period ended December 31, 2007, the Company increased its mineral reserves at the Company's Gibraltar mine, thereby extending the life of the mine. Consequently, the rates of amortization of the Company's property, plant and equipment, the carrying values of the reclamation liability, and the Company's future income taxes have been revised to reflect the extended mine life.

Mining and milling assets are amortized using the units of production method based on tons mined and milled divided by the estimated tonnage to be recovered in the mine plan. An increase in recoverable reserves results in higher estimated tonnage to be recovered in the mine plan and hence a reduced annual amortization rate.

### **1.13 Change in Accounting Policies including Initial Adoption**

Effective October 1, 2007, the Company adopted the following accounting standards updates issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

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

This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. As a result, changes in accounting policies are only permitted when required by a primary source of GAAP or when the change will result in more reliable and more relevant information.



CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2007

(Expressed in thousands of Canadian Dollars)  
(Unaudited)

*These financial statements have not been reviewed by the Company's auditors*

# TASEKO MINES LIMITED

## Consolidated Balance Sheets

(Expressed in thousands of Canadian Dollars)

	December 31 2007 (unaudited)	September 30 2007
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and equivalents	\$ 55,169	\$ 37,636
Restricted cash	4,400	4,400
Marketable securities and investments (note 4)	18,785	18,542
Accounts receivable	14,364	12,021
Advances to related party (note 7)	293	807
Inventory (note 5)	20,257	18,058
Prepaid expenses	1,174	1,069
Current portion of promissory note	2,809	2,086
	<b>117,251</b>	<b>94,619</b>
<b>Reclamation deposits</b>	<b>34,168</b>	<b>33,396</b>
<b>Promissory note</b>	<b>72,705</b>	<b>72,350</b>
<b>Mineral properties, plant and equipment (note 6)</b>	<b>201,283</b>	<b>176,898</b>
	<b>\$ 425,407</b>	<b>\$ 377,263</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 22,439	\$ 30,435
Current portion of deferred revenue	175	175
Current portion of royalty obligation	2,809	2,086
Income taxes	1,074	6,573
Current portion of future income taxes	–	5,320
	<b>26,497</b>	<b>44,589</b>
<b>Income taxes</b>	<b>25,086</b>	<b>24,645</b>
<b>Royalty obligation</b>	<b>62,967</b>	<b>63,330</b>
<b>Deferred revenue</b>	<b>1,006</b>	<b>1,050</b>
<b>Convertible debt</b>	<b>41,658</b>	<b>41,008</b>
<b>Site closure and reclamation costs (note 8)</b>	<b>13,909</b>	<b>17,441</b>
<b>Future income taxes</b>	<b>24,358</b>	<b>21,540</b>
	<b>195,481</b>	<b>213,603</b>
<b>Shareholders' equity</b>		
Share capital	252,130	205,040
Equity component of convertible debt	13,655	13,655
Tracking preferred shares	26,642	26,642
Contributed surplus	11,333	8,633
Accumulated other comprehensive income	2,532	2,338
Deficit	(76,366)	(92,648)
	<b>229,926</b>	<b>163,660</b>
	<b>\$ 425,407</b>	<b>\$ 377,263</b>

See accompanying notes to consolidated financial statements.

### Approved by the Board of Directors

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

/s/ Jeffrey R. Mason  
Jeffrey R. Mason  
Director

# TASEKO MINES LIMITED

## Consolidated Statements of Operations and Comprehensive Income

(Unaudited - Expressed in thousands of Canadian Dollars, except per share amounts)

	Three months ended December 31	
	2007	2006
<b>Revenue</b>		
Copper	\$ 38,163	\$ 53,159
Molybdenum	6,761	3,258
	44,924	56,417
<b>Cost of sales</b>	(25,039)	(36,633)
<b>Amortization</b>	(701)	(437)
<b>Operating profit</b>	19,184	19,347
<b>Expenses (income)</b>		
Accretion of reclamation obligation	307	339
Exploration	2,123	1,912
Foreign exchange	40	(1,505)
Asset retirement obligation change of estimates (note 8)	(2,413)	–
General and administration	1,956	1,368
Interest and other income	(2,535)	(2,778)
Interest expense	1,148	1,191
Interest accretion on convertible debt	742	716
Stock-based compensation	2,772	759
Change in fair value of financial instruments	77	(28)
	4,217	1,974
Earnings before income taxes	14,967	17,373
Income tax expense	1,224	1,808
Future income tax expense (recovery)	(2,539)	3,845
<b>Net earnings for the period</b>	\$ 16,282	\$ 11,720
Other comprehensive loss (income)		
Unrealized loss (gain) on available-for-sale reclamation deposit	(166)	21
Unrealized loss (gain) on available-for-sale marketable securities	(65)	(199)
Tax effect	37	–
<b>Other comprehensive loss (income)</b>	\$ (194)	\$ (178)
<b>Total comprehensive income</b>	\$ 16,476	\$ 11,898
<i>See accompanying notes to consolidated financial statements.</i>		
<b>Earnings per share</b>		
Basic	\$ 0.12	\$ 0.09
Diluted	0.11	0.08
<b>Weighted average number of common shares outstanding</b>		
Basic	136,967	128,435
Diluted	151,082	144,590

# TASEKO MINES LIMITED

## Consolidated Statements of Shareholders' Equity

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

	Three months ended December 31, 2007 <i>(unaudited)</i>		Year ended September 30, 2007	
<b>Common shares</b>				
	<u>Number of shares</u>		<u>Number of shares</u>	
Balance at beginning of the period	130,580,538	\$ 205,040	128,388,175	\$ 197,592
Share purchase options at \$1.15 per share	–	–	409,833	471
Share purchase options at \$1.29 per share	–	–	75,000	97
Share purchase options at \$2.07 per share	–	–	233,300	483
Share purchase options at \$2.18 per share	12,500	27	244,000	532
Share purchase options at \$2.63 per share	–	–	20,000	53
Share purchase options at \$2.68 per share	–	–	27,500	74
Share purchase options at \$3.07 per share	16,000	49	48,000	147
Share issued for the purchase of mineral property interest	–	–	1,134,730	3,805
Fair value of stock options allocated to shares issued on exercise	–	72	–	1,786
Private placement at \$5.20 per share, net of issue costs (note 9)	9,637,792	46,942	–	–
Balance at end of the period	140,246,830	\$ 252,130	130,580,538	\$ 205,040
<b>Equity component of convertible debt</b>				
Balance at beginning and end of the period		\$ 13,655		\$ 13,655
<b>Tracking preferred shares</b>				
Balance at beginning and end of the period		\$ 26,642		\$ 26,642
<b>Contributed surplus</b>				
Balance at beginning of the period		8,633		3,648
Stock-based compensation		2,772		6,771
Fair value of stock options allocated to shares issued on exercise		(72)		(1,786)
Balance at end of the period		\$ 11,333		\$ 8,633
<b>Accumulated other comprehensive income</b>				
Balance at beginning of the period		2,338		–
Unrealized gain (loss) on reclamation deposits		166		(419)
Unrealized gain (loss) on available-for-sale marketable securities		65		4,710
Reclassification of realized loss (gain) on sale of marketable securities		–		(1,508)
Tax effect		(37)		(445)
Balance at end of the period		\$ 2,532		\$ 2,338
<b>Deficit</b>				
Balance at beginning of the period		(92,648)		(140,603)
Adjustment to opening deficit		–		(307)
Net earnings for the period		16,282		48,262
Balance at end of the period		\$ (76,366)		\$ (92,648)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		\$ 229,926		\$ 163,660

See accompanying notes to consolidated financial statements.

# TASEKO MINES LIMITED

## Consolidated Statements of Cash Flows

(Unaudited - Expressed in thousands of Canadian Dollars)

	Three months ended December 31	
	2007	2006
<b>Operating activities</b>		
Net earnings for the period	\$ 16,282	\$ 11,720
Items not involving cash		
Accretion of reclamation obligation	307	339
Amortization	701	437
Interest accretion on convertible debt	742	716
Stock-based compensation	2,772	759
Future income taxes	(2,539)	3,845
Unrealized foreign exchange	(92)	1,221
Change in fair value of financial instruments	77	(28)
Changes in non-cash operating working capital		
Accounts receivable	(1,830)	5,898
Inventories	(2,199)	12,169
Prepays	(105)	(86)
Accrued interest income on promissory note	(1,078)	(883)
Accounts payable and accrued liabilities	(7,995)	(1,107)
Deferred revenue	(44)	(11,838)
Accrued interest expense on royalty obligation	359	–
Income taxes	(5,059)	2,389
Site closure and reclamation expenditures	(2,413)	(28)
Cash provided by (used for) operating activities	(2,114)	25,523
<b>Investing activities</b>		
Purchase of property, plant and equipment	(26,512)	(23,827)
Reclamation deposits	(34)	–
Accrued interest income on reclamation deposits	(571)	(390)
Investment in marketable securities	(254)	(1,960)
Cash used for investing activities	(27,371)	(26,177)
<b>Financing activities</b>		
Common shares issued for cash, net of issue costs	47,018	112
Cash provided by financing activities	47,018	112
<b>Increase (decrease) in cash and equivalents</b>	17,533	(542)
Cash and equivalents, beginning of period	37,636	89,408
<b>Cash and equivalents, end of period</b>	<b>\$ 55,169</b>	<b>\$ 88,866</b>

See accompanying notes to consolidated financial statements.

# TASEKO MINES LIMITED

Notes to Consolidated Financial Statements

For the three months ended December 31, 2007

(Unaudited – Expressed in thousands of Canadian Dollars, unless stated otherwise)

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## 1. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. They do not include all the disclosures as required for annual financial statements under generally accepted accounting principles. These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements which are available through the Internet on SEDAR at [www.sedar.com](http://www.sedar.com).

Operating results for the three month period ended December 31, 2007 are not necessarily indicative of the results that may be expected for the full fiscal year ending September 30, 2008.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements, except as described in note 3.

## 3. CHANGES IN ACCOUNTING POLICIES

Effective October 1, 2007, the Company adopted the following accounting standards updates issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

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

This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. As a result, changes in accounting policies are only permitted when required by a primary source of GAAP or when the change will result in more reliable and more relevant information. Changes in accounting estimates during the period resulting from the increase in the life of the Gibraltar mine are disclosed in note 6 and note 8.

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

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

The Company's objectives when managing capital are:

# TASEKO MINES LIMITED

Notes to Consolidated Financial Statements

For the three months ended December 31, 2007

(Unaudited – Expressed in thousands of Canadian Dollars, unless stated otherwise)

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products commensurately with the level of risk.

The Company considers the items included in the consolidated statement of shareholder's equity as capital. The Company manages the capital structure and makes adjustments to it in the 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 new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

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

These standards replace CICA 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

i) Financial Assets

The following table sets out the movement of the Company's financial asset investments, which are accounted for as 'available for sale', 'at fair value through profit or loss', 'held to maturity' or 'loans and receivables' as defined by CICA 3855, Financial Instruments – Recognition and Measurement. No items were classified as 'at fair value through profit or loss' or 'held to maturity' during the period.

	Loans and receivables	Available for sale securities	Total
At October 1, 2007	\$ 74,436	\$ 51,938	\$ 126,374
Movements in fair value	–	34	34
Additions	–	289	289
Interest accrued	1,078	692	1,770
<b>At December 31, 2007</b>	<b>\$ 75,514</b>	<b>\$ 52,953</b>	<b>\$ 128,467</b>

# TASEKO MINES LIMITED

Notes to Consolidated Financial Statements

For the three months ended December 31, 2007

(Unaudited – Expressed in thousands of Canadian Dollars, unless stated otherwise)

The carrying amounts and fair values of financial assets are as follows:

	December 31, 2007		September 30, 2007	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
Cash and equivalents	\$ 55,169	\$ 55,169	\$ 37,636	\$ 37,636
Restricted cash	4,400	4,400	4,400	4,400
Marketable securities and investments	18,785	18,785	18,542	18,542
Accounts receivable	14,364	14,364	12,021	12,021
Reclamation deposit	34,168	34,168	33,396	33,396
Promissory note	75,514	75,514	74,436	74,436
<b>Total financial assets</b>	<b>\$ 202,400</b>	<b>\$ 202,400</b>	<b>\$ 180,431</b>	<b>\$ 180,431</b>

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

The exposure of the Company's financial assets to interest rate and currency risk as at December 31, 2007 is as follows:

	Total	Floating rate financial assets	Fixed rate financial assets	Equity investments	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years
USD	\$ 42,177	\$ 42,177	\$ –	\$ –	4.16%	–
CAD	145,859	92,456	34,618	18,785	4.76%	–
<b>Total</b>	<b>\$ 188,036</b>	<b>\$ 134,633</b>	<b>\$ 34,618</b>	<b>\$ 18,785</b>		
Trade and other receivables	14,364					
<b>Total financial assets</b>	<b>\$ 202,400</b>					

# TASEKO MINES LIMITED

Notes to Consolidated Financial Statements

For the three months ended December 31, 2007

(Unaudited – Expressed in thousands of Canadian Dollars, unless stated otherwise)

## ii) Financial Liabilities

The carrying amounts and fair values of financial liabilities are as follows:

	December 31, 2007		September 30, 2007	
	Estimated fair value	Carrying value	Estimated fair value	Carrying value
Accounts payable and accrued liabilities	\$ 22,439	\$ 22,439	\$ 30,435	\$ 30,435
Convertible debt	41,658	41,658	41,008	41,008
Royalty obligation	65,776	65,776	65,416	65,416
<b>Total financial liabilities</b>	<b>\$ 129,873</b>	<b>\$ 129,873</b>	<b>\$ 136,859</b>	<b>\$ 136,859</b>

The fair values of the convertible debt and royalty obligation are determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rates of comparable debt instruments.

The exposure of the Company's financial liabilities to interest rate and currency risk at December 31, 2007 is as follows:

	Total	Floating rate debt	Fixed rate debt	Non-interest bearing debt	Weighted average effective interest rate %	Weighted average period for which the rate is fixed in years	Weighted average period until maturity in years
USD	\$ 26,984	\$ –	\$ 26,984	\$ –	7.125	3.5	3.5
CAD	80,451	65,777	–	14,674	1.800	n/a	20
<b>Total</b>	<b>\$ 107,435</b>	<b>\$ 65,777</b>	<b>\$ 26,984</b>	<b>\$ 14,674</b>			
Trade and other payables	22,438						
<b>Total financial liabilities</b>	<b>\$ 129,873</b>						

## iii) Financial Instrument Risk Exposure and Risk Management

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

# TASEKO MINES LIMITED

Notes to Consolidated Financial Statements

For the three months ended December 31, 2007

(Unaudited – Expressed in thousands of Canadian Dollars, unless stated otherwise)

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## *Credit Risk*

The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents, restricted cash and reclamation deposits with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

## *Liquidity Risk*

The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements. The Company's cash and equivalents are invested in business accounts and bankers acceptances, and which are available on demand for the Company's programs, and which are not invested in any asset backed deposits/investments.

## *Market Risk*

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

### *Foreign exchange risk*

The Company's revenues from the production and sale of copper and molybdenum are denominated in US dollars. However the Company's operating expenses are primarily incurred in Canadian dollars and its liabilities are primarily denominated in Canadian dollars. The results of the Company's operations are subject to currency transaction risk and currency translation risk. The operating results and financial position of the Company are reported in Canadian dollars in the Company's consolidated financial statements. The fluctuation of the US dollar in relation to the Canadian dollar will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

The Company's revenues and treatment and transportation charges are substantially denominated in US dollars, whereas all other expenses are substantially denominated in Canadian dollars.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

### *Interest rate risk*

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates impact on the value of cash equivalents and reclamation deposits.

# TASEKO MINES LIMITED

Notes to Consolidated Financial Statements

For the three months ended December 31, 2007

(Unaudited – Expressed in thousands of Canadian Dollars, unless stated otherwise)

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In respect to financial liabilities, the Boliden convertible debenture is not subject to interest rate risk since it non-interest bearing. The royalty obligation is offset by a promissory note held by the Company. The convertible bond carry a fixed interest rate of 7.125% per annum, and as such is not subject to fluctuations in interest rate.

## *Commodity price risk*

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

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

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

## **New Accounting Pronouncements Not Yet Adopted:**

### *(a) Inventories (Section 3031)*

This standard replaces the existing Section 3030 with the same title and will harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). This standard requires that inventories be measured at the lower of cost and net realizable value, and includes guidance on the determination of cost, including allocation of overheads and other costs. The standard also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. This new Section is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company is currently evaluating the impact of this new standard.

### *(b) Going Concern – Amendments to Section 1400*

CICA 1400, General Standards of Financial Statement Presentation, was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company does not expect the adoption of these changes to have an impact on its financial statements.

# TASEKO MINES LIMITED

Notes to Consolidated Financial Statements

For the three months ended December 31, 2007

(Unaudited – Expressed in thousands of Canadian Dollars, unless stated otherwise)

## 4. MARKETABLE SECURITIES AND INVESTMENTS

	As at December 31, 2007		
	Cost	Unrealized Gain/(Loss)	Fair Value
Continental Minerals Corporation – Common shares	\$ 9,880	\$ 2,645	\$ 12,525
Continental Minerals Corporation – Warrants	3,118	(2,309)	809
Investment in other public companies	4,828	623	5,451
	<u>\$ 17,826</u>	<u>\$ 959</u>	<u>\$ 18,785</u>

  

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

At December 31, 2007, the estimated fair value of the Continental warrants was estimated at \$809 (2007 – \$886) (using an expected volatility of 76% (2007 – 46%), a risk free interest rate of 3.92%, (2007 – 3.90%) expected dividends of nil (2007 – nil) and a remaining life of approximately 0.14 years (2007 – 0.4 years). Consequently, a change in mark-to-market adjustment of \$77 (2007 – \$Nil) was charged to operations.

As at December 31, 2007, the Company held 7,827,726 (2007 – 7,827,726) common shares and 7,318,182 (2007 – 7,318,182) share purchase warrants of Continental.

## 5. INVENTORY

	December 31 2007	September 30 2007
Copper concentrate	\$ 8,220	\$ 6,623
Ore in-process	1,529	2,320
Copper cathode	1,279	605
Molybdenum	281	–
Materials and supplies	8,948	8,510
	<u>\$ 20,257</u>	<u>\$ 18,058</u>

# TASEKO MINES LIMITED

Notes to Consolidated Financial Statements

For the three months ended December 31, 2007

(Unaudited – Expressed in thousands of Canadian Dollars, unless stated otherwise)

## 6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Plant and equipment - Gibraltar Mine	December 31, 2007			September 30, 2007		
	Cost	Accumulated Amortization	Net book value	Cost	Accumulated amortization	Net book value
	Buildings and equipment	\$ 6,115	\$ 2,011	\$ 4,104	\$ 6,115	\$ 1,905
Mine equipment	64,243	9,565	54,678	62,056	9,216	52,840
Plant and equipment	85,697	1,893	83,804	73,260	1,698	71,562
Vehicles	2,093	838	1,255	1,511	753	758
Computer equipment	3,300	2,359	941	3,178	2,225	953
Land	402	–	402	402	–	402
Deferred pre-stripping costs	43,646	–	43,646	32,949	–	32,949
Asset retirement costs (note 8)	–	–	–	1,426	–	1,426
<b>Total Gibraltar mine</b>	<b>\$ 205,496</b>	<b>\$ 16,666</b>	<b>\$ 188,830</b>	<b>\$ 180,897</b>	<b>\$ 15,797</b>	<b>\$ 165,100</b>
<b>Mineral property interests</b>			\$ 18,940			\$ 18,407
<b>Net asset retirement obligation adjustment</b>			(6,487)			(6,609)
<b>Mineral properties, plant and equipment</b>			<b>\$ 201,283</b>			<b>\$ 176,898</b>

As at December 31, 2007, approximately \$67,045 (2007 – \$94,656) of plant and equipment is under construction and not being amortized. Amortization recorded during the period reflects the changes in accounting estimates during the period resulting from the increase in the life of the Gibraltar mine.

## 7. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions	Three months ended December 31	
	2007	2006
Hunter Dickinson Inc.		
Services rendered to the Company and its subsidiaries and reimbursement of third party expenses	\$ 1,848	\$ 1,276

Advances to	As at	
	December 31 2007	September 30 2007
Hunter Dickinson Inc.	\$ 293	\$ 807

# TASEKO MINES LIMITED

Notes to Consolidated Financial Statements

For the three months ended December 31, 2007

(Unaudited – Expressed in thousands of Canadian Dollars, unless stated otherwise)

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## 8. SITE CLOSURE AND RECLAMATION OBLIGATIONS

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

Balance, September 30, 2007	\$ 17,441
Changes during the period:	
Reclamation incurred	–
Accretion expense	307
Additional site closure and reclamation obligation recognized	–
Reduction in the present value of reclamation liability due to an extension in mine life	(3,839)
Balance, December 31 2007	\$ 13,909

During the quarter ended December 31, 2007, the value of the underlying site closure and reclamation obligation was revised to reflect an increase in the life of the Gibraltar mine. This change resulted in a revision to the timing of undiscounted cash flows associated with the carrying amount of the liability and a reduction in the present value of the site closure and reclamation obligation. The impact of these changes in estimates are as follows:

- a decrease of \$3,839 (2007 – \$Nil) in the present value of the reclamation obligation due to an extension in the mine life.
- a decrease of \$1,426 (2007 - \$Nil) in asset retirement costs included in mineral properties, plant and equipment
- a gain of \$2,413 (2007 – \$Nil) resulting from a decrease in the asset retirement cost in excess of its carrying value.

The new estimated amount of the reclamation costs, adjusted for estimated inflation at 2.2% to 2.5% per year, in 2026 dollars, is \$75,500 (2007 – \$68,400) and is expected to be spent over a period of approximately three years beginning in 2026. The credit-adjusted risk free rates at which the estimated future cash flows have been discounted are 7.1% to 10%, which results in a net present value of \$13,909 (2007 – \$17,441). The accretion for the quarter ended December 31, 2007 of \$307 (2007 – \$339) is charged to the statement of operations.

## 9. EQUITY FINANCINGS

In October 2007, the Company completed a "bought deal" short form prospectus offering (the "Offering") of 7,115,385 common shares at a price of \$5.20 per Common share (the "Offering Price"). The Company granted to the underwriters an over-allotment option to purchase up to an additional 1,067,307 common shares at the Offering Price. The Underwriters elected to exercise the over-allotment option in full at the closing, resulting in aggregate gross proceeds to the Company of \$42,550.

In November 2007, the Company completed a private placement financing of 1,455,100 common shares at a price of \$5.20 per share for gross proceeds of \$7,600.