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TASEKO REPORTS SECOND FISCAL QUARTER RESULTS

May 19, 2005, Vancouver, BC – Taseko Mines Limited (TSX Venture: TKO; AMEX: TGB) announces its financial results for the Company's second fiscal quarter - the three months ending March 31, 2005 - and an update of restart activities at the Gibraltar copper-molybdenum mine in south-central British Columbia. The Gibraltar mine is operated under a joint venture arrangement between Taseko's wholly owned subsidiary, Gibraltar Mines Ltd., and Ledcor Mining Ltd. The following should be read in conjunction with Taseko's Financial Statements and related Management Discussion and Analysis for the quarter ended March 31, 2005, filed on www.sedar.com.

Second Quarter 2005 highlights

- Gibraltar attained commercial production levels for copper and molybdenum concentrates by the end of the quarter.
- Copper production was 14,156,000 pounds during the quarter, 84% of plan due primarily to unusually adverse weather conditions in January. During the quarter, 14,137,000 pounds of payable copper in concentrate was sold at an average realized selling price of US\$1.45 per pound.
- Molybdenum production was 141,295 pounds during the quarter, 63% of plan, caused by the delay in commissioning of a planned capital refurbishment of the molybdenum circuit until February. In the quarter, 77,660 pounds of molybdenum in concentrate was sold at an average net realized selling price of US\$27.00 per pound.
- The British Columbia Labour Relations Board confirmed the validity of the Gibraltar-Ledcor Joint Venture, and the legitimacy of the union with which Ledcor has a collective agreement ratified in September 2004.

Results of Operations

The Company's loss for the second quarter of fiscal 2005 was \$1.96 million, which is a decrease from the previous quarter's loss of \$5.7 million and the \$7.0 million loss in the second quarter of fiscal 2004. The loss relates mainly to lower than expected copper concentrate production and sales, as well as a delay in the commissioning of Gibraltar's upgraded molybdenum circuit. Commercial production at the Gibraltar mine commenced in the current quarter, consequently, there was a decline in the loss from the previous quarter when the Company was incurring substantial restart costs. At March 31, 2005, there was 10,602 Dry Metric Tonnes of copper concentrate inventory valued at \$7.3 million, and 63,700 pounds of molybdenum in concentrate inventory, which has been assigned a \$0 value for financial statements reporting purposes, but on a realizable selling price basis represents approximately \$2.1 million.

Gibraltar Mine Performance

Quarter two is the first quarter of commercial production at Gibraltar, and planned production levels were not achieved until the end of the quarter. The copper circuit commenced initial operations in October 2004, and the first copper concentrate was shipped to an Asian smelter in December 2004. A major upgrade to the molybdenum circuit was started in the first quarter, and the circuit was commissioned midway through the second quarter in February. The first molybdenum in concentrate was sold in March 2005.

During the second quarter 14,156,000 pounds of copper in concentrate was produced and 141,295 pounds of molybdenum in concentrate was produced. Molybdenum produced in February and March was 80% of plan as circuit commissioning was underway.

Mining operations achieved the planned daily mining rate of 117,400 tons per day in November 2004 and maintained this production rate through the quarter ending March 31, 2005. The tons of ore mined were 15% higher and the average copper grade mined was 6% higher compared with the tons and grade contemplated by the original mine plan, as secondary enriched, near-surface material that was not included in the plan was mined during the period. Since mining has now moved into the primary ore in the pit, tons and grade of the material mined are now expected to be more consistent with original mine plan mineral reserve estimates.

Crusher throughput, and consequently mill throughput, was adversely affected from October 2004 through January 2005 by the wet, fine supergene and oxidized near-surface material which was being treated. The challenges of this material were compounded by extremely cold, and then wet weather conditions in January. The copper recovery from this material was slightly better than expected (76.8% vs. plan 76.0%), but pounds of copper produced were down due to lower tons treated. Overall performance and recoveries are improving as the mining progresses into the primary ore. Grinding throughput has been adversely affected by the processing of coarser ore feed during February and March, as a result of the crushing and screening circuit not being optimized for the harder primary ore. Modifications to the crushing plant were well advanced at the end of the quarter and are scheduled to be completed in the third quarter.

The following table is a summary of the operating statistics for the second quarter compared to plan.

	Actual	Plan	Variance	Comments
Ore + Waste Mined (tons)	10,568,500	10,800,000	(231,500)	
Ore milled (tons)	2,802,200	3,564,000	(761,800)	Lower tons milled due to crushing & screening problems in January and harder/coarser ore
Stripping ratio	2.8	2.0	0.8	
Copper grade (%)	0.328	0.314	0.014	
Molybdenum grade (%)	0.011	0.010	0.001	
Copper Recovery	76.8	76.0	0.8	
Molybdenum Recovery	21.4	30.8	(9.4)	No production in January
Copper Production (lbs)	14,156,000	17,010,300	(2,854,300)	Reduced tons milled
Molybdenum Production (lbs)	141,295	223,800	(82,505)	Moly circuit commenced production in February
Copper Production Cost, net of OPC⁽¹⁾ & By product Credits	US\$1.18	US\$0.78	(US\$0.40)	
OPC transport & treatment	US\$0.28	US\$0.26	(US\$0.02)	
Total cash costs of production	US\$1.46	US\$1.04	(US\$0.42)	
Copper Sales (lbs payable)	14,137,000	16,413,500	(2,276,300)	
Molybdenum Sales (lbs)	77,660	223,800	(146,140)	

⁽¹⁾ OPC - Off Property Costs are concentrate transportation, smelting and refining costs.

There are no comparable figures from the previous quarter as commercial operations had not been achieved.

Taseko is pleased to report that there has been no time lost to accidents since the October 2004 start up. Manpower at the end of the quarter was 242 personnel, compared to the planned complement of 253.

Mineral Reserves and Resources

According to a March 2005 technical report by J. W. Hendry, P.Eng., and C.S. Wallis, P.Geo., of Roscoe Postle Associates Inc., estimated sulphide and oxide mineral resources on the property prior to the start of operations included measured resources of about 606.5 million tons grading 0.29% copper and 0.008% molybdenum and 230.7 million tons of indicated resources grading 0.271% copper and 0.008% molybdenum. These mineral resources include the proven and probable reserves described below.

Based on the 12 year mine plan, proven and probable reserves are comprised of 163.5 million tons grading 0.313% copper and 0.010% molybdenum of sulphide mineralization and 16.5 million tons of oxide mineralization at 0.148% copper. The sulphide reserves were estimated using a 0.20% copper cut-off and the oxide mineralization at a 0.10% acid soluble copper cut-off. The average stripping ratio over the life of the mine plan is 1.8:1. The forecast daily mining rate is 117,400 tons and the average mill throughput is projected to be 36,675 tons per day.

Production Forecast

As a result of the delay in commissioning the molybdenum circuit and lower than planned mill throughput, the Company is updating its forecast metal production for the year. In the mine plan, the 2005 budget for copper and molybdenum production was 63,441,000 pounds and 908,000 pounds, respectively. The forecast for the balance of the year is as follows:

	Q1	Q2	Q3 ⁽¹⁾	Q4 ⁽¹⁾	Total 2005
Copper (millions lbs)	12.1	14.2	16.1	16.2	58.6
Molybdenum (thousands lbs)	0	141	193	207	541
Copper production costs, net of OPC & By product Credits	N/A	US\$1.18	US\$0.70	US\$0.63	US\$0.82
OPC transport & treatment	N/A	US\$0.28	US\$0.28	US\$0.28	US\$0.28
Total cash costs of production	N/A	US\$1.46	US\$0.98	US\$0.91	US\$1.10

⁽¹⁾ Q3 and Q4 costs projected at \$30 US/lb Moly (by-product credit) and \$0.81 Canadian/US exchange rate.

Financial Results

During the second quarter for the first time since restart, Gibraltar reported copper concentrate revenues of \$25.4 million. Minesite operating costs were \$23.5 million, and treatment and transportation charges were \$3.8 million. Sales of molybdenum were \$2.5 million and were shown as by-product revenue, and a reduction of minesite operating costs. The average selling prices per pound realized in the quarter were US\$1.45 for copper and net US\$27 for molybdenum.

Total net operating costs for the quarter of \$23.5 million included the cost of milling (\$9.0 million), mining (\$14.1 million), mine administration (\$1.6 million) and a concentrate inventory adjustment (\$1.2 million). As this was the first quarter of commercial production, there were no similar expenditures in previous quarters.

Net expenses for the quarter were \$0.8 million (before a credit of \$1.2 million), compared to expenses of \$3.1 million in the previous quarter and \$6.8 million in the second quarter of fiscal 2004. The \$1.2 million credit is an operating expense from the previous quarter that has been reclassified as capital equipment.

Administrative costs increased from the previous quarter. The main increases were in the areas of shareholder communications (Q1 2005 – \$52,822; Q2 2005 - \$112,241), administrative salaries and office costs (Q1 2005 –

\$164,316; Q2 2005 – \$236,804) and stock based compensation (Q1 2005 – \$164,549; Q2 2005 – \$392,697). Costs were higher in this quarter because of the increase in activity relating to the commencement of production.

Interest and other income was \$1.9 million, while offsetting royalty expense amounted to \$2.0 million, both principally related to the Red Mile Resources No. 2 Limited Partnership. Foreign exchange gains from operations were \$0.4 million.

Refinery Update

Feasibility level studies were completed in 2002 to assess the viability of constructing a copper refinery at Gibraltar, based on a hydrometallurgical process developed by Cominco Engineering Services Ltd. A refinery located at Gibraltar would produce cathode copper from copper concentrates at the site rather than sending these concentrates to an offshore smelter for treatment.

With operations now underway at Gibraltar, the mine technical personnel are turning their focus to updating the refinery feasibility study, and this includes assessing competing technologies and refinery permitting conditions. The British Columbia Environmental Assessment (BCEA) Office has advised Taseko that the proposed refinery would not be reviewable under the BCEA Act because the refining process would be integrated with ore milling operations at, or in the vicinity of, the fully permitted Gibraltar mine and would be dedicated to mine operations at the site.

Prosperity and Harmony Update

The Prosperity property, located 125 kilometres southwest of Williams Lake in south-central British Columbia, hosts a large gold-copper deposit. To date, in excess of \$55 million has been spent on exploration and geotechnical, engineering and environmental investigations, with most work done prior to 2001. With current gold and copper prices, Taseko is in the process of reassessing the project. Discussions are on-going with local First Nation groups.

The Company's Harmony gold project, located on Graham Island, off the west coast of British Columbia, hosts a large gold deposit. The Queen Charlotte Islands-Haida Gwaii, including the area surrounding the Harmony Gold Project, is subject to local first Nation peoples' land claims which are subject to ongoing discussions. In addition, a formal land use planning process for the Queen Charlotte Islands-Haida Gwaii, co-sponsored by the Province and the Haida, was initiated in mid-2003. At this time, recommendations from the land use table and terms of reference for further discussions are being finalized to be used by the BC government and the Haida for government to government negotiations.

For additional details on Taseko and its properties, please visit the company's web site at www.tasekomines.com or contact Investor Services at 604-684-6365 or in North America at 1-800-667-2114.

Neither the TSX Venture Exchange nor the American Stock Exchange have approved or disapproved of the contents of this press release.

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, future mining results, exploration and/or 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, detailed feasibility and technical analyses, lower than expected grades and quantities of mineralization, mining rates and recovery, changes in the cost of energy 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 20-F filing with the United States Securities Commission and its home jurisdiction filings that are available at www.sedar.com.

Cautionary Note to U.S. Investors Concerning Estimates of Measured and Indicated Resources.

This Company's disclosures will from time to time use the terms 'measured resources' and 'indicated resources'. Taseko advises U.S. investors that while these terms are recognized and required by Canadian regulations (under National Instrument 43-101 Standards of Disclosure for Mineral Projects), the U.S. Securities and Exchange Commission does not recognize them. U.S. investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be classified as reserves.

**TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005**

MANAGEMENT'S DISCUSSION AND ANALYSIS

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TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.1 Date

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited financial statements of Taseko Mines Limited ("Taseko", or the "Company") as at and for the three months ended March 31, 2005.

This MD&A is prepared as of May 5, 2005. 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 mineral exploration and mining company with three projects located in British Columbia, Canada. These are the Gibraltar copper-molybdenum mine and two advanced exploration projects: the Prosperity gold-copper project and the Harmony gold project. There have been no recent activities on the Prosperity and Harmony projects.

Gibraltar mine

Second Quarter Highlights

- The Gibraltar mine attained commercial production for copper and molybdenum concentrates by the end of the quarter.
- Copper production was 14,156,000 pounds during the quarter, 84% of plan, primarily because of adverse weather conditions in January. During the quarter, 14,137,000 pounds of payable copper in concentrate was sold at an average realized selling price of US\$1.45 per pound.
- Molybdenum production was 141,295 pounds during quarter, 63% of plan, due to the delay in commissioning of the molybdenum circuit until February. In the quarter, 77,660 pounds of molybdenum in concentrate was sold at an average net realized selling price of US\$27.00 per pound.
- The British Columbia Labour Relations Board confirmed the validity of the Gibraltar-Ledcor Joint Venture and the legitimacy of the union with which Ledcor has a collective agreement ratified in September, 2004.

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Joint Venture

The Gibraltar mine is operated under a Joint Venture Operating Agreement ("the Joint Venture") with Ledcor Mining Ltd. ("Ledcor"). Taseko (through its wholly owned operating subsidiary Gibraltar Mines Ltd., ("Gibraltar")) has an 85% interest in the residual profits of the Joint Venture (i.e. profits after payment of usage fees to the participants for contributed assets and services) and Ledcor has a 15% interest in the residual profits. The Joint Venture holds both rights to operate the mine, and leases on certain mining equipment, including a new electric shovel and five new mine haul trucks, but the mill and other mine assets, including mineral titles belong to Gibraltar. The Joint Venture pays usage fees to each of Gibraltar and Ledcor for use of their respectively contributed assets as well as for services they respectively contribute to the Joint Venture. Taseko is responsible for concentrate sales, off-site activities and certain aspects of administration, and Ledcor, as Operator of the Joint Venture, has primary responsibility for carrying out all mining and milling activities as well as recruitment of personnel and maintenance of the equipment and facilities.

Gibraltar Mine Performance

Quarter two is the first quarter of commercial production at Gibraltar, and planned production levels were not achieved until the end of the quarter. The copper circuit commenced initial operations in October 2004, and the first copper concentrate was shipped to an Asian smelter in December 2004. A major upgrade to the molybdenum circuit was started in the first quarter, and the molybdenum circuit was commissioned during the second quarter in February. The first molybdenum in concentrate was sold in March 2005.

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TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Copper Production Cost, net of By product credits	US\$1.18	US\$0.78	(US\$0.40)	
OPC (1) transport & treatment	US\$0.28	US\$0.26	(US\$0.02)	
Total cash costs of production	US\$1.46	US\$1.04	(US\$0.42)	
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Based on the 12 year mine plan, proven and probable reserves are comprised of 163.5 million tons grading 0.313% copper and 0.010% molybdenum of sulphide mineralization and 16.5 million tons of oxide mineralization at 0.148% copper. The sulphide reserves were estimated using a 0.20% copper cut-off and the oxide mineralization at a 0.10% acid soluble copper cut-off. The average stripping ratio over the life of the mine plan is 1.8:1. The forecast daily mining rate is 117,400 tons and the average mill throughput is projected to be 36,675 tons per day.

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Production Forecast

As a result of the delay in commissioning the molybdenum circuit and lower than planned mill throughput, the Company is updating its forecast metal production for the year. In the mine plan, the 2005 budget for copper and molybdenum production was 63,441,000 pounds and 908,000 pounds, respectively. The forecast for the balance of the year is as follows:

	Q1	Q2	Q3 (1)	Q4 (1)	Total 2005
Copper (millions lbs)	12.1	14.2	16.1	16.2	58.6
Molybdenum (thousands lbs)	0	141	193	207	541
Copper production costs, net of OPC & By-Product Credits	N/A	US\$1.18	US\$0.70	US\$0.63	US\$0.82
OPC transport & treatment	N/A	US\$0.28	US\$0.28	US\$0.28	US\$0.28
Total cash costs of production	N/A	US\$1.46	US\$0.98	US\$0.91	US\$1.10

(1) Q3 and Q4 costs projected at US\$30/lb. molybdenum (by-product credit) and \$0.81 Canadian/US exchange rate.

Labour Relations Board Issue Resolved

The Company and its former union, the National Automobile, Aerospace, Transportation and General Workers Union of Canada (the "CAW"), appeared before the British Columbia Labour Relations Board ("BCLRB"), which ruled on June 29, 2004 (the "Original Decision") that the Company was entitled to contract with Ledcor to commission and start up the Gibraltar mine. Further, the BCLRB ruled that once the majority of workers on the Gibraltar site consist of the longer term mining and mill operating personnel, a vote would be held to determine which union would represent those employees – the CAW, or the Christian Labour Association of Canada ("CLAC"), which represent Ledcor's employees. CLAC had ratified a collective agreement with Ledcor, the operator at the Gibraltar Mine site, in September 2004.

The CAW applied for leave and reconsideration of the Original Decision, on the basis that the Joint Venture ("JV") formed to operate the Gibraltar mine had not proceeded in a manner represented to the original BCLRB panel. A representation vote was held on November 15 and 16, 2004, but before the vote could be counted, the BCLRB had to be satisfied that the terms of the JV Agreement had been implemented and the necessary elements of a successorship had been established. The ballot boxes were ordered sealed by the BCLRB, pending those determinations. A series of submissions were made by the unions and the JV in December 2004 and January 2005.

On February 16, 2005, Taseko and Ledcor received a BCLRB ruling that confirmed the joint venture was indeed the valid successor employer for the Gibraltar operation and, accordingly, the BCLRB directed the parties to count the ballots from the representation vote, originally held in November 2004, to determine which union would represent the employees. The ballots were counted on February 21, 2005; 74% of the workers voted for the CLAC union.

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Refinery Update

Feasibility level studies were completed in 2002 to assess the viability of constructing a copper refinery at Gibraltar, based on a hydrometallurgical process developed by Cominco Engineering Services Ltd. A refinery located at Gibraltar would produce cathode copper from copper concentrates at the site rather than sending these concentrates to an offshore smelter for treatment.

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Prosperity and Harmony Update

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The Company's Harmony gold project, located on Graham Island, off the west coast of British Columbia, hosts a large gold deposit. The Queen Charlotte Islands-Haida Gwaii, including the area surrounding the Harmony Gold Project, is subject to aboriginal peoples' land claims which are subject to ongoing discussions. In addition, a formal land use planning process for the Queen Charlotte Islands-Haida Gwaii, co-sponsored by the Province and the Haida, was initiated in mid-2003. At this time, recommendations from the land use table and terms of reference for further discussions are being finalized to be used by the BC government and the Haida for government to government negotiations.

Market Trends

Copper prices have been increasing since late 2003. Copper averaged US\$1.30/lb in 2004 and US\$1.49/lb over the first four months of 2005.

Gold prices also continued an overall uptrend, averaging US\$410/oz in 2004. Gold prices have averaged approximately US\$429/oz over the first four months of 2005.

Molybdenum oxide prices increased from US\$7.60/lb early in 2004 to US\$34.00/lb by year end. Molybdenum oxide prices were in the range of US\$32.00/lb at the end of the first quarter of 2005.

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

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 Canadian dollars except common shares outstanding.

	As at September 30 2004 (restated)	As at September 30 2003 (restated)	As at September 30 2002 (restated)
Balance Sheet			
Current assets	\$ 18,064,003	\$ 3,832,059	\$ 478,982
Mineral properties	3,000	28,813,296	28,813,296
Other assets	112,799,415	16,825,852	18,580,835
Total assets	130,866,418	49,471,207	47,873,113
Current liabilities	40,179,912	3,851,136	7,038,456
Other liabilities	79,527,000	9,472,727	8,611,570
Shareholders' equity	11,159,506	36,147,344	32,223,087
Total shareholders' equity & liabilities	130,866,418	49,471,207	47,873,113

	Year ended September 30 2004 (restated)	Year ended September 30 2003 (restated)	Year ended September 30 2002 (restated)
Operations			
Conference and travel	\$ 93,071	\$ 43,398	\$ 44,429
Consulting	251,790	178,104	133,672
Corporation taxes	45,352	76,135	577,228
Depreciation, amortization and accretion	964,569	903,721	784,718
Exploration	4,456,901	2,024,671	1,954,839
Interest and finance charges	499,294	201,942	507,790
Legal, accounting and audit	458,238	169,356	334,492
Office and administration	599,450	292,853	247,061
Premium paid for acquisition of Gibraltar Reclamation Trust Limited Partnership	5,095,249	-	-
Property investigation	141,067	-	-
Refinery project	-	500,000	1,698,826
Restart project	14,982,008	-	-
Shareholder communication	657,342	74,687	90,835
Trust and filing	88,530	21,113	36,802
Interest and other (income)	(6,904,209)	(721,480)	(551,842)
Gain on sale of property, plant and equipment	-	(131,638)	(1,314)
Income taxes	23,744,000	-	-
Write down of mineral property acquisition costs	28,810,296	-	600,000
Stock-based compensation	5,172,244	65,344	-
Loss for the period	79,155,192	3,698,206	6,457,536
Accretion expense	977,705	888,823	808,021
Basic and diluted loss per share	\$ (1.07)	\$ (0.09)	\$ (0.24)
Weighted average number of common shares outstanding	75,113,426	46,984,378	30,338,098

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.4 Results of Operations

The Company's loss for the second quarter of fiscal 2005 was \$1.96 million, which is a decrease from the previous quarter's loss of \$5.7 million and the \$7.0 million loss in the second quarter of fiscal 2004. The loss relates mainly to lower than expected copper concentrate production and sales, as well as a delay in the commissioning of Gibraltar's upgraded molybdenum circuit. Commercial production at the Gibraltar mine commenced in the current quarter, consequently, there was a decline in the loss from the previous quarter when the Company was incurring substantial restart costs. At March 31, 2005, there was 10,602 Dry Metric Tonnes of copper concentrate inventory valued at \$7.3 million, and 63,700 pounds of molybdenum in concentrate inventory, which has been assigned a \$0 value for financial statements reporting purposes, but on a realizable selling price basis represents approximately \$2.1 million.

During the second quarter, and for the first time since restart, Gibraltar reported copper concentrate revenues of \$25.4 million. Minesite operating costs were \$23.5 million, and treatment and transportation charges were \$3.8 million. Sales of molybdenum were \$2.5 million and were shown as by-product revenue, and a reduction of minesite operating costs. The average selling price per pound realized in the quarter was US\$1.45 for copper and net US\$27 for molybdenum.

Total net operating costs for the quarter were \$23.5 million including the cost of milling (\$9.0 million), mining (\$14.1 million), mine administration (\$1.7 million), a concentrate inventory adjustment (\$1.2 million) and a credit for molybdenum sales (\$2.5 million). As this was the first quarter of commercial production, there were no similar expenditures in previous periods.

Net expenses for the quarter were \$0.8 million (before a credit of \$1.2 million), compared to expenses of \$3.1 million in the previous quarter and \$6.8 million in the second quarter of fiscal 2004. The \$1.2 million credit is an operating expense from the previous quarter that has been classified as capital equipment.

Administrative costs increased from the previous quarter. The main increases were in the areas of shareholder communications (Q1 2005 - \$52,822; Q2 2005 - \$112,241), administrative salaries and office costs (Q1 2005 - \$164,316; Q2 2005 - \$236,804) and stock based compensation (Q1 2005 - \$164,549; Q2 2005 - \$392,697). Costs were higher in this quarter because of the increase in activity related to the commencement of production.

Interest and other income was \$1.9 million, while offsetting royalty expense amounted to \$2.0 million, both principally related to the Red Mile Resources No. 2 Limited Partnership, while foreign exchange gains from operations were \$0.4 million.

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.5 Summary of Quarterly Results

The following summary is presented in Canadian dollars except common shares outstanding.

	Mar 31, 2005 (restated)	Dec 31, 2004 (restated)	Sep 30, 2004 (restated)	Jun 30, 2004 (restated)	Mar 31, 2004 (restated)	Dec 31, 2003 (restated)	Sep 30, 2003 (restated)	Jun 30, 2003 (restated)
Current assets	30,113,605	25,442,463	18,064,003	20,190,322	28,903,882	10,104,482	3,832,059	4,647,965
Mineral properties	3,000	3,000	3,000	28,813,296	28,813,296	28,813,296	28,813,296	28,813,296
Other assets	101,133,393	95,853,800	112,799,415	28,382,111	19,802,665	16,868,994	16,825,852	16,633,867
Total assets	131,249,998	121,299,263	130,866,418	77,385,729	77,519,843	55,786,772	49,471,207	50,095,128
Current liabilities	35,809,336	34,756,552	40,179,912	4,082,614	1,411,538	3,786,070	3,851,136	3,490,173
Other liabilities	82,246,615	79,915,534	79,527,000	10,183,182	9,946,364	9,709,546	9,472,727	9,257,438
Shareholders' equity	13,194,047	6,627,177	11,159,506	63,119,933	66,161,941	42,291,156	36,147,344	37,347,517
Total shareholders' equity and liabilities	131,249,998	121,299,263	130,866,418	77,385,729	77,519,843	55,786,772	49,471,207	50,095,128
Revenue	(25,429,196)	–	–	–	–	–	–	–
Minesite operating costs	23,470,000	–	–	–	–	–	–	–
Transportation and treatment	3,847,703	–	–	–	–	–	–	–
Depreciation, amortization and accretion	526,506	383,500	253,435	237,044	237,044	237,046	256,883	215,633
Expenses:								
Conference and travel	11,281	12,995	11,689	19,062	22,051	40,269	4,449	12,492
Consulting	65,944	63,760	56,450	94,875	(10,462)	110,927	30,118	40,309
Corporation taxes	–	554	14,184	20,000	11,168	–	101,308	(44,911)
Exploration	11,694	32,047	(1,856,606)	3,939,477	975,538	1,398,492	602,443	449,458
Interest and finance charges	47,830	41,785	18,138	452,616	9,201	19,339	124,213	25,952
Legal, accounting and audit	79,317	97,146	325,567	92,940	22,913	16,818	40,526	53,960
Office and administration	236,804	164,316	88,512	199,224	189,976	121,738	98,580	78,827
Premium paid for GRTLP	–	–	–	–	5,095,249	–	–	–
Property investigation	–	–	4	–	–	141,063	(47,805)	37,071
Refinery project	–	–	–	–	–	–	–	500,000
Restart project	(1,214,796)	8,172,814	14,982,008	–	–	–	–	–
Royalty expense	2,047,186	–	–	–	–	–	–	–
Shareholder communications	112,241	52,822	34,142	18,694	530,704	73,802	7,833	4,223
Trust and filing	67,787	6,114	53,052	13,842	17,241	4,395	1,250	8,421
Interest and other (income)	(1,934,000)	(5,735,716)	(6,214,851)	(228,670)	(325,399)	(135,289)	(129,811)	(353,537)
Gain on sale of property plant and equipment	(17,000)	2,177,992	–	–	–	–	–	–
Income taxes	–	–	23,744,000	–	–	–	–	–
Foreign exchange	(357,051)	51,448	–	–	–	–	–	–
Write down of mineral property acquisition costs	–	–	28,810,296	–	–	–	–	–
Stock-based compensation	392,697	164,549	2,035,178	1,526,084	296,686	1,314,296	65,344	–
Loss for the period	1,964,947	5,686,126	62,355,198	6,385,188	7,071,910	3,342,896	1,155,331	1,027,898
Accretion expense on convertible debenture	267,027	269,975	245,431	244,091	242,752	245,431	888,823	–
Basic and diluted loss per share	(0.02)	(0.06)	(0.82)	(0.08)	(0.11)	(0.06)	(0.04)	(0.02)
Weighted average number of common shares outstanding (thousands)	97,781	95,774	75,113	84,210	72,609	57,481	46,984	53,635

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.6 Liquidity

Historically, Taseko's sole source of funding was the sale of equity securities for cash primarily through private placements to sophisticated investors and institutions. As a consequence of the acquisition of the Gibraltar mine in 1999, Taseko received funding pursuant to a \$17 million non-interest-bearing convertible debenture financing by Boliden Westmin (Canada) Ltd. As Taseko has the right and the intention to convert the debenture into common shares, the \$17 million debenture is classified as equity rather than as a liability on the Company's balance sheet.

Reclamation deposits totaling approximately \$17.8 million, including interest, and certain plant and equipment are secured to fund reclamation at the Gibraltar, Prosperity and Harmony properties. The \$26.6 million liability shown as tracking preferred shares of the subsidiary, Gibraltar, is the net book value of 12,483,916 shares issued as part of the cost to acquire the Harmony gold project. As Taseko has the right and the intention to settle these preferred shares with common shares of the Company, they have been included in shareholders' equity in the balance sheet.

At March 31, 2005, Taseko had a working capital deficiency of \$5.7 million, as compared \$9.3 million deficiency at the end of December 2004, and positive working capital of \$27.5 million at March 31, 2004. The increase in working capital from the end of the previous quarter was primarily a result of proceeds received on copper and molybdenum shipments during the quarter, and from the proceeds of an equity private placement (of \$7.5 million) announced in February 2005. The working capital deficiency is caused primarily by a potential tax provision (see below).

The Company has accrued a tax provision of a subsidiary company of \$23.7 million in the accompanying financial statements. This provision reflects an amount which management believes is less than likely of ever becoming payable. The subsidiary has a June 30, 2005 taxation year end. Prior to making its ultimate tax calculations, the subsidiary will consider its current and past tax filing positions in addition to tax planning strategies which might be put in place subsequent to the Company's financial reporting date of September 30, 2004. Further, the Company would exhaust all appeals if any taxes were actually assessed against the subsidiary. The amount represents a potential liability which has been recognized in a conservative manner in accordance with Canadian generally accepted accounting principles. It does not represent a payable amount based on any filed, or expected to be filed, tax return. It does not arise from a transaction in any completed taxation year, nor has any taxation authority assessed the amount or any portion thereof as payable. Accordingly there is no immediate impact on liquidity.

Management anticipates that revenues from copper and molybdenum sales along with the funds from a \$7.5 million financing, completed in February 2005, will be sufficient to cover operating costs and working capital during 2005.

1.7 Capital Resources

In March 2004, the Company entered into an agreement to purchase a mining shovel for approximately US\$10.1 million. In May 2004, the Company entered into an agreement to purchase five mining trucks for approximately US\$8.2 million. Subsequent to September 30, 2004, the Company entered into arrangement with Ledcor Mining Ltd. ("Ledcor"), whereby the shovel and trucks were sold to a third party leasing company. Ledcor has subsequently leased the equipment and will be reimbursed for making the equipment available to the Joint Venture in order to facilitate the operation of the Gibraltar mine.

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company has an unsecured \$2 million operating line of credit with a Canadian chartered bank at an interest rate of prime, with no fixed terms of repayment. At March 31, 2005, there was \$1.43 million outstanding on this operating line of credit.

The Company has various loans on its on-road vehicles totaling \$500,070, of which \$209,474 is current.

1.8 Off-Balance Sheet Arrangements

Gibraltar Reclamation Trust Limited Partnership

On December 31, 2003, the Company reached agreements with Gibraltar Reclamation Trust Limited Partnership (the "GRT Partnership"), a largely arm's-length private Vancouver-based mining investment partnership, which completed a financing to raise proceeds of \$18.6 million to partially fund a planned restart of the Gibraltar copper mine. As part of the financing the GRT Partnership entered into a Joint Venture arrangement with Gibraltar Mines Ltd. to proceed towards restarting the Gibraltar open pit copper mine. Gibraltar Mines Ltd., as its contribution to the Joint Venture, agreed to contribute the use of its mine assets and fund the start-up expenses of the Gibraltar mine, and the GRT Partnership funded a qualifying environmental trust ("QET") for \$17.1 million, which has allowed Gibraltar to access other funds currently held by the Government of British Columbia as a security for the mine's environmental reclamation obligations. Under the Joint Venture agreement, the GRT Partnership became entitled to certain revenues or production share from the Gibraltar mine following the resumption of production.

To facilitate the start-up transactions, five directors and officers of the Company personally guaranteed certain obligations (each as to one fifth) to third parties on behalf of the Company to the extent of \$4.5 million. In consideration of the guarantee, they each received compensation equal to 10% of the amount guaranteed, calculated as 45,000 shares each having a value of \$2.00 each.

In March 2004, Taseko elected to exercise its call rights for the GRT Partnership and issued 7,967,742 shares valued at \$2.79 each. Certain directors and officers participated as investors in the GRT Partnership in the aggregate amount of \$1,300,000, or about 7% of the financing. These directors and officers received shares as a consequence of Taseko exercising the call right. The acquisition of the GRT Partnership provides Taseko with 100% control of those elements necessary for a mine restart decision and will eliminate any royalty entitlement held by the GRT Partnership.

1.9 Transactions with Related Parties

Hunter Dickinson Inc. ("HDI") carries out investor relations, geological, corporate development, administrative and other management activities for, and incurs third party costs on behalf of, the Company. Taseko reimburses HDI on a full cost-recovery basis.

Costs for services rendered by HDI to the Company increased to \$234,281 in the second quarter of fiscal 2005, as compared to \$177,357 in the previous quarter and decreased as compared to \$203,317 in the second quarter of 2004.

Tom Milner Enterprises Inc. is a private company controlled by a director of the Company that provides consulting services to the Company. During the three months ended March 31, 2005, the Company paid approximately \$40,000 to this private company as compared to \$58,000 in the previous quarter.

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.10 Fourth Quarter

No applicable.

1.11 Proposed Transactions

There are no proposed asset or business acquisitions or dispositions, other than those in the ordinary course, before the board of directors for consideration.

1.12 Critical Accounting Estimates

The Company's accounting policies are presented in note 3 of the accompanying financial statements. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. These include:

- revenue recognition,
- the estimation of mineral resources and reserves,
- the carrying values of mineral properties,
- the carrying values of property, plant and equipment,
- 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.

Revenue recognition

Revenue from the sale of copper concentrate is recorded at market prices when title is transferred and the rights and obligations of ownership have passed to the customer. Concentrate sales are provisionally priced at the time of shipment and are typically subject to adjustment upon final settlement of shipment weights, assays and metal prices. Such adjustments are recorded to revenue in the period of final settlement.

Proceeds from the sale of by-products, such as molybdenum, are credited to minesite operating costs.

Mineral resources and reserves, and the carrying values of mineral properties, and of property, plant and equipment

Mineral resources and reserves are estimated by professional geologists and engineers in accordance with recognized industry, professional and regulatory standards. These estimates require inputs such as future metals prices, future operating costs, and various technical geological, engineering, and construction parameters. Changes in any of these inputs could cause a significant change in the resources and reserves determined, which in turn could have a material effect on the carrying value of property, plant and equipment.

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The carrying value of mineral properties is also dependant on the valuation used for the common shares and warrants of the Company issued for the acquisition of mineral properties. The value of the common shares issued is the price of the common shares of the Company at the date of issuance to effect the acquisition.

The carrying value of property, plant, and equipment is dependant on rates used for depreciation, which themselves are estimates.

Stock-based compensation expense

From time to time, the Company may grant share purchase options to employees, directors, and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation expense charged in a period.

Site closure and reclamation obligation

The Company has an obligation to close and reclaim its properties, and has estimated the costs necessary to comply with existing reclamation standards. At March 31, 2005 the Company has estimated total site closure and reclamation costs to be \$32.7 million for its current properties. The estimates are reviewed both in-house and by outside consultants and government authorities on a routine basis as to the accuracy of remaining costs to be incurred. Estimates are adjusted as necessary and reflected on a prospective basis. Changes in this estimate could cause a significant charge to the reclamation expense recorded during a period.

1.13 Change in Accounting Policies including Initial Adoption

Effective October 1, 2004, the Company adopted the CICA's Handbook Section 3110, "Asset Retirement Obligations" ("HB 3110"). HB 3110 requires the recognition of any statutory, contractual or other legal obligation, related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized into the carrying value of the related asset. In subsequent periods, the liability is adjusted for the accretion of the discount and any changes in the amount or timing of the underlying future cash flows. The asset retirement cost is amortized to operations over the life of the asset.

Prior to adoption of HB 3110, a reserve for future site closure and mine reclamation costs was established based upon the estimated costs to comply with existing reclamation standards.

The Company adopted HB 3110 retroactively with restatement of prior periods presented.

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.14 Financial Instruments and Other Instruments

None.

1.15 Other MD&A Requirements

1.15.1 Other MD&A Requirements

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

1.15.2 Additional Disclosure for Venture Issuers without Significant Revenue

Not applicable.

TASEKO MINES LIMITED
SIX MONTHS ENDED MARCH 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.15.3 Disclosure of Outstanding Share Data

The following details the share capital structure as at May 5, 2005, 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				103,192,316
Share purchase options	May 9, 2005	\$ 0.38	20,000	
	July 29, 2005	0.25	30,000	
	September 29, 2006	0.55	1,780,000	
	September 20, 2005	0.81	15,000	
	September 20, 2005	1.40	100,000	
	September 20, 2005	1.65	45,000	
	September 20, 2006	1.40	3,490,500	
	September 29, 2006	1.36	1,970,000	
	September 29, 2006	1.50	<u>10,000</u>	7,460,500
Warrants	January 8, 2006	0.40	375,000	
	December 31, 2005	0.75	4,113,332	
	September 28, 2006	2.25	8,000,000	
	September 18, 2006	1.66	<u>5,204,361</u>	17,692,693
Preferred shares redeemable into Taseko Mines Limited common shares				12,483,916

The Company's auditors have not reviewed this MD&A or the unaudited quarterly financial statements to which this MD&A relates.

TASEKO MINES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED MARCH 31, 2005

(Expressed in Canadian Dollars)
(Unaudited)

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

TASEKO MINES LIMITED

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

(Unaudited)

	March 31 2005	September 30 2004 (restated - note 3(f))
Assets		
Current assets		
Cash and equivalents (note 3(a))	\$ 14,983,810	\$ 14,892,947
Amounts receivable	4,764,044	2,766,184
Advances to related parties (note 12)	–	194,857
Concentrate inventory	7,322,144	–
Supplies inventory	2,226,595	–
Prepaid expenses	817,012	210,015
	<u>30,113,605</u>	<u>18,064,003</u>
Prepaid lease payments (note 5)	4,531,028	–
Prepaid treatment and refining charges	528,410	–
Property, plant and equipment (note 5)	8,051,968	26,982,979
Reclamation deposits (notes 3(f), 4, 6(a) and 6(d))	17,835,486	17,647,056
Promissory note (note 6(f))	70,189,501	68,172,380
	<u>\$ 131,249,998</u>	<u>\$ 130,866,418</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Operating line of credit (note 7)	\$ 1,432,719	\$ 1,857,740
Accounts payable and accrued liabilities	10,315,399	14,578,172
Advances from related parties (note 12)	107,744	–
Current portion of vehicle loans (note 7)	209,474	–
Income taxes (note 10)	23,744,000	23,744,000
	<u>35,809,336</u>	<u>40,179,912</u>
Vehicle loans (note 7)	290,596	–
Royalty obligation (note 6(f))	69,352,519	67,357,000
Deferred revenue (note 6(f))	1,662,500	1,750,000
Site closure and reclamation costs (notes 3(f) and 9)	10,941,000	10,420,000
	<u>118,055,951</u>	<u>119,706,912</u>
Shareholders' equity		
Share capital (note 8)	159,609,797	150,481,429
Convertible debenture (note 8(c))	21,114,227	20,577,225
Tracking preferred shares (note 4)	26,641,948	26,641,948
Contributed surplus (note 8(f))	5,504,834	4,947,588
Deficit	(199,676,759)	(191,488,684)
	<u>13,194,047</u>	<u>11,159,506</u>
Nature of operations (note 1)		
Commitments (notes 5, 6 and 7)		
Subsequent events (note 13)		
	<u>\$ 131,249,998</u>	<u>\$ 130,866,418</u>

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

/s/ Jeffrey R. Mason

Jeffrey R. Mason
Director

TASEKO MINES LIMITED

Consolidated Statements of Operations

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended March 31		Six months ended March 31	
	2005	2004 (restated - note 3(f))	2005	2004 (restated - note 3(f))
Revenue	\$ 25,429,196	\$ –	\$ 25,429,196	\$ –
Minesite operating costs	(23,470,000)	–	(23,470,000)	–
Treatment and transportation costs, net	(3,847,703)	–	(3,847,703)	–
Depreciation, amortization and accretion	(526,506)	(237,045)	(910,006)	(474,091)
	(2,415,013)	(237,045)	(2,798,513)	(474,091)
Expenses				
Exploration	11,694	975,538	43,741	2,374,030
Foreign exchange	(357,051)	–	(305,603)	–
General and administration	621,204	792,792	1,060,696	1,321,143
Interest and other income	(1,934,000)	(325,399)	(7,669,716)	(460,688)
Royalty expense	2,047,186	–	2,047,186	–
Premium paid for acquisition of Gibraltar Reclamation Trust Limited Partnership	–	5,095,249	–	5,095,249
Restart project	(1,214,796)	–	6,958,018	–
Stock-based compensation (note 8(d))	392,697	296,686	557,246	1,610,982
	(433,066)	6,834,866	2,691,568	9,940,716
Loss before the following	(1,981,947)	(7,071,911)	(5,490,081)	(10,414,807)
Gain (loss) on sale of equipment	17,000	–	(2,160,992)	–
Net loss	\$ (1,964,947)	\$ (7,071,911)	\$ (7,651,073)	\$ (10,414,807)
Basic and diluted loss per common share (notes 3(j) and 8)	\$ (0.02)	\$ (0.10)	\$ (0.08)	\$ (0.17)
Weighted average number of common shares outstanding	97,781,420	72,608,680	96,766,944	65,005,138

See accompanying notes to consolidated financial statements.

Consolidated Statements of Deficit

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended March 31		Six months ended March 31	
	2005	2004	2005	2004
Deficit, beginning of period				
As originally reported	\$ (208,586,935)	\$ (124,600,615)	\$ (202,711,632)	\$ (121,069,356)
To adjust for asset retirement obligation (note 3(f))	11,142,150	11,406,501	11,222,948	11,463,569
As restated	(197,444,785)	(113,194,114)	(191,488,684)	(109,605,787)
Loss for the period	(1,964,947)	(7,071,911)	(7,651,073)	(10,414,807)
Accretion expense on convertible debenture	(267,027)	(242,752)	(537,002)	(488,183)
Deficit, end of period	\$ (199,676,759)	\$ (120,508,777)	\$ (199,676,759)	\$ (120,508,777)

See accompanying notes to consolidated financial statements.

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended March 31		Six months ended March 31	
	2005	2004	2005	2004
Cash provided by (used for)		(restated - note 3(f))		(restated - note 3(f))
Operating activities				
Loss for the period	\$ (1,964,947)	\$ (7,071,911)	\$ (7,651,073)	\$ (10,414,807)
Items not involving cash				
Loss (gain) on sale of equipment	(17,000)	–	2,160,992	–
Accrued interest on reclamation deposits	(128,584)	(171,191)	(188,430)	(282,911)
Accrued interest on promissory note	(1,727,926)	–	(2,068,788)	–
Depreciation, amortization and accretion	526,506	237,045	910,006	474,091
Royalty expense	2,047,186	–	2,047,186	–
Stock-based compensation	392,697	296,686	557,246	1,610,982
Acquisition premium paid for Gibraltar Reclamation Trust Limited Partnership	–	5,095,249	–	5,095,249
Deferred revenue	(43,750)	–	(87,500)	–
Changes in non-cash operating working capital				
Amounts receivable and prepaids	(3,757,682)	711,744	(2,604,857)	707,179
Inventories	851,666	(4,659)	(9,548,739)	(15,321)
Accounts payable and accrued liabilities	612,453	(774,056)	(4,262,773)	(789,730)
	(3,209,381)	(1,681,093)	(20,736,730)	(3,615,268)
Investing activities				
Deposit on property, plant and equipment	–	(2,361,169)	–	(2,361,169)
Purchase of property, plant and equipment	(2,912,076)	(13,432)	(5,686,698)	(28,665)
Proceeds received on sale of property, plant and equipment	17,000	–	22,067,711	–
Reclamation deposits	–	(401,311)	–	(401,311)
	(2,895,076)	(2,775,912)	16,381,013	(2,791,145)
Financing activities				
Bank operating loan	341,995	(1,713,358)	(425,021)	(1,993,396)
Advances from related parties	27,120	112,882	302,601	568,066
Advances from Gibraltar Reclamation Trust Limited Partnership	–	17,099,866	–	17,099,866
Vehicle loans	190,028	–	500,070	–
Common shares issued for cash, net of issue costs	7,959,418	8,468,759	9,128,368	16,735,417
Prepaid treatment and refining	(528,410)	–	(528,410)	–
Prepaid lease payments	(120,568)	–	(4,531,028)	–
	7,869,583	23,968,149	4,446,580	32,409,953
Increase in cash and equivalents	1,765,126	19,511,144	90,863	26,003,540
Cash and equivalents, beginning of period	13,218,684	8,916,617	14,892,947	2,424,221
Cash and equivalents, including restricted cash of \$5 million (note 3(a)), end of period	\$ 14,983,810	\$ 28,427,761	\$ 14,983,810	\$ 28,427,761

Supplementary cash flow disclosures (note 11)

See accompanying notes to consolidated financial statements.

TASEKO MINES LIMITED

Notes to Consolidated Financial Statements
For the period ended March 31, 2005
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1. Nature of operations

Taseko Mines Limited ("Taseko" or the "Company") is a public company incorporated under the laws of the Province of British Columbia. At March 31, 2005, the Company's principal business activities related to the continuing operations of the Gibraltar Copper Mine, and exploration on the Company's 100% owned Gibraltar-area exploration properties, the Prosperity Gold-Copper Property, and the Harmony Gold Property. The Gibraltar mine and the Prosperity Gold Property are located in south central British Columbia, Canada, near the City of Williams Lake. The Harmony Gold Property is located on Graham Island, Queen Charlotte Islands - Haida Gwaii, British Columbia.

The recoverability of the amounts shown for the Gibraltar mine and related plant and equipment and supplies inventory is dependent upon the existence of economically recoverable mineral resources and future profitable production or proceeds from the disposition of the mine. The Company is exploring its Prosperity and Harmony mineral properties and has not yet determined the existence of economically recoverable reserves.

The Company's continuing operations are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and upon future profitable production or proceeds from the disposition of its mineral property interests.

These financial statements are prepared on the basis that the Company will continue as a going concern. The Company has recorded significant losses and operating cash flow deficiencies in each of the last three fiscal years. Management recognizes that the Company must generate additional financial resources in order to meet liabilities as they come due and to enable it to continue operations. The Company is actively pursuing maximum efficiency of the Company's operations at the Gibraltar mine and is continuing with its exploration programs. However, there can be no assurances that the Company will obtain sufficient financial resources and/or achieve profitability or positive cash flows, failing which, the Company will be required to curtail operations and exploration activities. These financial statements do not reflect adjustments, which could be material, to the carrying values of assets and liabilities which may be required should the Company be unable to continue as a going concern.

2. Basis of presentation and principles of consolidation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). These consolidated financial statements include the accounts of Taseko, its wholly-owned private company subsidiaries, Gibraltar Mines Ltd. (note 6(a)), 688888 BC Ltd., and Cuisson Lake Mines Ltd., and its interest in Gibraltar Reclamation Trust Limited Partnership ("GRT Partnership") (note 6(d)). All material intercompany accounts and transactions have been eliminated.

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3. Significant accounting policies

(a) *Cash and equivalents*

Cash and equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash.

As disclosed in the last paragraph of note 6(a), \$5 million is held in a product revenue account as a reserve for working capital to fund operating and administrative costs.

(b) *Revenue recognition*

Revenue from the sale of copper concentrate is recorded at market prices when title is transferred and the rights and obligations of ownership have passed to the customer. Concentrate sales are provisionally priced at the time of shipment and are typically subject to adjustment upon final settlement of shipment weights, assays and metal prices. Such adjustments are recorded to revenue in the period of final settlement.

Proceeds from the sale of molybdenum are credited to minesite operating costs.

(c) *Inventory*

Copper concentrate inventories are reported at the lower of cost, budgeted cost and net realizable value, while molybdenum is treated as a by-product. Supplies inventory is reported at the lower of average cost and net realizable value.

(d) *Property, plant and equipment*

Plant and equipment are stated at cost less accumulated depreciation. Mining and milling assets are depreciated using the units of production method based on estimated tons mined and milled respectively. Depreciation for all other assets is calculated using the declining balance method at rates ranging from 10% to 50% per annum.

(e) *Mineral property interests*

The Company capitalizes mineral property acquisition costs on a property-by-property basis. Exploration expenditures and option payments incurred prior to the determination of the feasibility of mining operations are charged to operations as incurred. Development expenditures incurred subsequent to such determination, to increase production, or to extend the life of existing production are capitalized, except as noted below. Such acquisition costs and deferred development expenditures are amortized and depreciated over the estimated life of the property,

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or written off to operations if the property is abandoned, allowed to lapse, or if there is little prospect of further work being carried out by the Company or its option or joint venture partners. All costs incurred by the Company during the standby care and maintenance period and restart at the Gibraltar mine were expensed as incurred.

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

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

Administrative expenditures are expensed as incurred.

The amount presented for mineral property interests represents costs incurred to date and the accumulated fair value of shares issued to date relating to acquisition costs, less write-downs, but does not necessarily reflect present or future values.

(f) Site closure and reclamation costs

Minimum standards for site closure and mine reclamation have been established by various governmental agencies that affect certain operations of the Company. Effective October 1, 2004, the Company adopted the CICA's Handbook Section 3110, "Asset Retirement Obligations" ("HB 3110"). HB 3110 requires the recognition of any statutory, contractual or other legal obligation, related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized into the carrying value of the related asset. In subsequent periods, the liability is adjusted for the accretion of the discount and any changes in the amount or timing of the underlying future cash flows. The asset retirement cost is amortized to operations over the life of the asset.

Prior to adoption of HB 3110, a reserve of \$32.7 million for future site closure and mine reclamation costs was established based upon the estimated costs to comply with existing reclamation standards.

The Company adopted HB 3110 retroactively with restatement of prior periods presented. Adoption of HB 3110 resulted in a decrease in supplies inventory of \$2,277,397, a decrease in property, plant and equipment of \$8,779,655, a decrease in provision for site closure and reclamation of \$22,280,000 and a decrease in opening deficit of \$11,222,948 as of October 1, 2004. In addition, for the six months ended March 31, 2004, adoption of HB3110 resulted in an increase in accretion of site closure and reclamation costs of \$473,637, decrease in depreciation and amortization of \$359,931 and a decrease in opening deficit at October 1, 2003 of \$11,463,569.

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(g) *Share capital*

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

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

(h) *Stock-based compensation*

The Company has a share option plan which is described in note 8(d). The Company accounts for all non-cash stock-based payments and awards that are direct awards of stock, that call for settlement in cash or other assets, or that are share appreciation rights which call for settlement by the issuance of equity instruments, granted on or after October 1, 2002, using the fair value based method.

Under the fair value based method, stock-based payments are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of non-cash stock-based payments is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of non-cash stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

Under the fair value based method, compensation cost attributable to awards that are direct awards of shares, or share appreciation rights which call for settlement by the issuance of equity instruments, is measured at fair value at the grant date and recognized over the vesting period. Compensation cost attributable to awards which call for settlement in cash or other assets is measured at fair value at the grant date and recognized over the vesting period. For awards that vest at the end of a vesting period, compensation cost is recognized on a straight-line basis; for awards that vest on a graded basis, compensation cost is recognized on a pro-rata basis over the vesting period.

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

(i) *Income taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, generally using the substantively enacted income tax rates expected to apply to taxable income in

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the years in which those temporary differences are expected to be recovered or settled. Future income tax assets also result from unused loss carry forwards, resource-related pools, and other deductions. Future tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

(j) *Loss per common share*

Basic loss per common share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, loss available to common shareholders equals the reported loss.

Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company's case, diluted loss per share for all periods presented is the same as basic loss per share as the effect of the outstanding options and warrants would be anti-dilutive.

(k) *Fair value of financial instruments*

The carrying amounts of cash and equivalents, accounts receivable, prepaids, reclamation deposits, bank operating loan and accounts payable and accrued liabilities, approximate their fair values due to their short term nature.

At March 31, 2005, the carrying values of the promissory note and the royalty obligation approximate their fair values.

The fair values of the convertible debenture and the tracking preferred shares are not readily determinable with sufficient reliability due to the difficulty in obtaining appropriate market information. It is not practicable to determine the fair values of the advances due to/from related parties because of the related party nature of such amounts and the absence of a secondary market for such instruments. Details of the terms of these financial instruments are disclosed in these notes to the financial statements.

(l) *Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management

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estimates relate to the impairment of mineral property interests and plant and equipment, the balance of reclamation liability, income taxes, rates for depreciation and the assumptions used in computing share-based compensation. Actual results could differ from these estimates.

(m) *Segment disclosures*

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

(n) *Comparative figures*

Certain of the prior periods' comparative figures have been restated to conform with the presentation adopted for the current period.

**4. Arrangement agreement
(tracking preferred shares and Harmony Gold Property)**

In October 2001, the Company and its subsidiary Gibraltar Mines Ltd. ("Gibraltar") completed the acquisition of the Harmony Gold Property and related assets from Continental Minerals Corporation ("Continental"), a British Columbia company with certain directors in common with Taseko, for 12,483,916 series "A" non-voting tracking preferred shares of Gibraltar and \$2.23 million cash. The tracking preferred shares are designed to track and capture the value of the Harmony Gold Property and will be redeemed for common shares of Taseko upon a realization event, such as a sale to a third party or commercial production at the Harmony Gold Property, or at the option of Gibraltar, if a realization event has not occurred within ten years. Accordingly, the tracking preferred shares have been classified within shareholders' equity on the consolidated balance sheet.

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As this acquisition was a related party transaction not in the normal course of business and did not result in the culmination of an earnings process, the acquisition was recorded by the Company at the net book value of the assets transferred, net of cash consideration, as follows:

Assets acquired	Amount
Property and equipment	\$ 8,488
Reclamation deposit	175,000
Mineral property interests	<u>28,811,296</u>
	<u>\$ 28,994,784</u>
Consideration given	
Cash	\$ 2,230,000
12,483,916 tracking preferred shares of Gibraltar	26,641,948
114,800 common shares of the Company to a dissenting shareholder	<u>122,836</u>
	<u>\$ 28,994,784</u>

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

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5. Property, plant and equipment

Equipment - Prosperity and Harmony Properties						
March 31, 2005				September 30, 2004		
	Cost	Accumulated Depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Field	\$ 11,879	\$ 10,856	\$ 1,023	\$ 11,879	\$ 10,677	\$ 1,202
Computer and office	15,172	14,397	775	15,172	14,262	910
Total Prosperity and Harmony Properties	\$ 27,051	\$ 25,253	\$ 1,798	\$ 27,051	\$ 24,939	\$ 2,112
Plant and equipment - Gibraltar Mine						
March 31, 2005				September 30, 2004		
	Cost	Accumulated Depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings and equipment	\$ 6,059,681	\$ 651,891	\$ 5,407,790	\$ 5,931,580	\$ 492,030	\$ 5,439,550
Mine equipment	9,217,200	2,848,790	6,368,410	32,458,793	2,544,160	29,914,633
Plant and equipment	4,276,426	823,410	3,453,016	975,493	666,369	309,124
Vehicles	916,288	194,183	722,105	198,519	115,426	83,093
Computer equipment	653,947	171,059	482,888	101,162	90,040	11,122
Total Gibraltar mine	\$ 21,123,542	\$ 4,689,333	\$ 16,434,209	\$ 39,665,547	\$ 3,908,025	\$ 35,757,522
Net asset retirement obligation adjustment (note 3(f))						\$ (8,779,655)
Mineral property interests (note 6)						\$ 3,000
Property, plant and equipment						\$ 26,982,979

In accordance with the Gibraltar mine permit, the Company has pledged the mine's plant and certain equipment which, when taken at market value and combined with reclamation deposits (approximately \$17.8 million at March 31, 2005), provide the Government of British Columbia with the required security for the estimated reclamation liability on the Gibraltar mine of \$32.7 million.

In March 2004, the Company purchased a mining shovel for approximately US\$10.1 million (\$13.0 million). In May 2004, the Company purchased five mine haul trucks for approximately US\$8.2 million (\$10.7 million).

During the period ended December 31, 2004, the Company sold the mining shovel and the five haul trucks for approximately US\$18.3 million (\$22.0 million), of which approximately US\$14.7 million (\$17.5 million) was received in November 2004, net of a 20% down payment (US\$3.6 million, or \$4.5 million) which was funded by the Company and represent prepaid lease payments. The purchaser leased the shovel and trucks to a subsidiary of Ledcor CMI Ltd. ("Ledcor"), the Company's joint venture partner at the Gibraltar mine (note 6(a)), and this equipment forms part of Ledcor's contribution to the joint venture.

The Company has the right to acquire the shovel and haul trucks for residual values totaling US\$7.1 million (\$8.5 million) on this equipment at the end of the lease term in November 2008.

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6. Mineral property interests

	March 31, 2005	September 30, 2004
Gibraltar Copper Mine (note 6(a))	\$ 1,000	\$ 1,000
Prosperity Gold-Copper Property (note 6(b))	1,000	1,000
Harmony Gold Property (note 6(c))	1,000	1,000
	\$ 3,000	\$ 3,000

(a) Gibraltar Copper Mine

In July 1999, the Company acquired a 100% interest in the Gibraltar Copper Mine mineral property, located near Williams Lake, British Columbia, Canada from Boliden Westmin (Canada) Limited ("BWCL") for \$3.3 million. The acquisition included plant and equipment and supplies inventory of the Gibraltar mine, and \$8 million of funds set aside for future reclamation. As part of its 1999 operating permits, the Company had agreed to incur a total of \$4 million on reclamation and environmental programs during the six year period July 1999 to July 2005. The Gibraltar mine final reclamation and closure plan is updated every five years. The most recent reclamation plan and closure report was approved by the British Columbia Ministry of Energy and Mines in 2004. Pursuant to this approved closure plan, the Ministry agreed that the Company had satisfied the \$4 million reclamation obligation required under the 1999 operating permits.

The agreement contained certain indemnification clauses. The \$8 million of funds set aside for future reclamation were considered a "Qualified Environmental Trust" for Canadian income tax purposes. During the year ended September 30, 2003, the Government of British Columbia released these funds from the Trust, which resulted in an income inclusion to the Company, and consequently resulted in the Company utilizing \$3.57 million of tax pools otherwise available to it. The Company has made claim to BWCL for this estimated tax liability under the indemnification terms of the agreement.

During the year ended September 30, 2001, Gibraltar Mines Ltd., Gibraltar Engineering Services Limited Partnership (the "GESL Partnership") (see note 6(d)), and Cominco Engineering Services Ltd. ("CESL") concluded a Memorandum of Agreement ("MOA") to jointly complete an evaluation for a potential hydrometallurgical copper refinery (using CESL technology) at the Gibraltar mine. Expenses incurred in excess of the \$2.7 million agreed to in the original MOA were funded by the Company and the GESL Partnership. During fiscal 2002 and 2003, the Company acquired the business carried on by the GESL Partnership (note 6(d)).

The Company retained Procorp Services Limited Partnership ("Procorp") to provide technical, financial, management and marketing services related to all facets of the start-up, expansion and development of the Gibraltar mine and the proposed hydrometallurgical refinery. Procorp is a mining services, financing and marketing partnership comprised of experienced, specialized independent contractors as well as members who are also directors and officers of the Company. Compensation to Procorp included an initial payment of US\$0.9 million for services rendered in fiscal 2001 and 2002 (which has been paid) and a second payment of US\$0.9 million upon

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successful recommencement of commercial production of the Gibraltar mine using the CESL technology prior to October 31, 2005. In addition, the Company agreed, subject to regulatory approval, to issue to Procorp 3.5 million warrants to purchase common shares of the Company at a price of \$1.70 per share for two years and a royalty of US\$0.01 per pound of copper sold, upon successful recommencement of commercial production using the hydrometallurgical refinery by October 31, 2005.

The Gibraltar mine had been on care and maintenance since being acquired in 1999 and commenced restart activities during the year ended September 30, 2004. During fiscal 2001, due to continued uncertainty regarding start-up and an extended cycle of depressed metal prices, the Company wrote down the accumulated mineral property interest acquisition costs of \$5.9 million to a nominal amount of \$1,000.

Part of the Gibraltar mine consists of waste rock dumps which the Company has an obligation to reclaim. On November 1, 2002, the Company entered into a Landfill Management Agreement and an associated Partnering Agreement with the Cariboo Regional District ("CRD"), whereby the CRD funded the Company to construct (which was completed by the Company), operate, manage and maintain, on an ongoing basis, a municipal landfill on certain of the waste rock dumps for the CRD for the life of the landfill, expected to be in excess of 80 years. As a result of these agreements, the Company's reclamation obligation was reduced and accordingly, during fiscal 2003, the Government of British Columbia released \$2.5 million of the reclamation deposits held.

During the year ended September 30, 2004, the Company formed a joint venture with Ledcor CMI Ltd. and Ledcor Mining Ltd. (together "Ledcor"), whereby Ledcor would finance certain equipment and commission, restart, and operate the Gibraltar mine. As operator, Ledcor's primary responsibility would be commissioning and operating the mine in addition to other aspects of mine operations, including drilling, blasting, loading and hauling of ore and waste as well as the recruitment of personnel and the maintenance of equipment and facilities. Ledcor will contribute to the joint venture its own mine equipment and will purchase or lease additional equipment as necessary. Taseko would contribute to the joint venture certain mineral rights and usage rights to the existing mill and equipment, oversee concentrate sales, off-site activities and administration.

Pursuant to the joint venture agreement, the Company is required to maintain a bank account with a balance of at least \$5 million in a "product revenue account", for the purposes of providing working capital for operations and general administrative costs.

(b) Prosperity Gold-Copper Property

The Company owns 100% of the Prosperity Gold-Copper Property, consisting of 196 mineral claims covering the mineral rights for approximately 85 square km in the Clinton Mining Division in south central British Columbia, Canada. The \$28.66 million cash and share consideration to acquire the Prosperity property was written down to a nominal \$1,000 value in fiscal 2001, to reflect the extended depressed conditions in the metals markets.

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(c) *Harmony Gold Property*

Under the terms of an arrangement agreement (note 4), the Company acquired a 100% interest in the Harmony Gold Property in fiscal 2002.

The Company does not believe there has been a fundamental change in the nature of the Harmony Gold Property; however, as the Company had not conducted significant exploration or development on the property in the last several years the Harmony Gold Property was written down to a nominal value of \$1,000 during the year ended September 30, 2004.

(d) *Acquisition agreements*

Gibraltar Engineering Services Limited Partnership

In December 2001, the GESL Partnership completed a private placement of limited partnership units for aggregate proceeds of \$1.85 million. In February 2002, the Company issued 4,966,659 Taseko common shares at \$0.44 per share to acquire Gibraltar Refinery (2002) Ltd., which had acquired certain of the private placement units of the GESL Partnership. The Company also issued 50,000 Taseko common shares to its financial adviser in connection with this acquisition. A further \$3 million of expenditures were incurred by the GESL Partnership, which were financed by a separate partnership, the GESL Refinery Process ("GRP") Partnership, for a total financing amount of \$4.85 million. In December 2002, a general partnership interest in the GRP Partnership was acquired and financed by a third party for \$3.0 million. In April 2003, under a plan of arrangement, the Company issued 7,446,809 Taseko common shares for total consideration of \$3.5 million to complete the acquisition of Gibraltar Engineering Services Limited ("GESL"), which had acquired the remaining business of the GESL Partnership.

Gibraltar Reclamation Trust Limited Partnership

In December 2003, the GRT Partnership completed a private placement of limited partnership units for aggregate proceeds of \$18.6 million, and entered into a joint venture arrangement with Gibraltar Mines Ltd. to proceed towards restarting the Gibraltar mine with the funds raised. Gibraltar Mines Ltd., as its contribution to the joint venture, was to contribute the use of its mine assets and fund the start-up expenses of the Gibraltar mine, and the GRT Partnership funded a qualifying environmental trust ("QET"), which consequently allowed Gibraltar Mines Ltd. to access other funds then held by the Government of British Columbia as a security for the mine's environmental reclamation obligations. Under the joint venture agreement, the GRT Partnership was to be entitled to certain revenues or production share from the Gibraltar mine following the resumption of production. In March 2004, the Company issued 7,967,742 common shares at \$2.79 per share for total consideration of \$22.23 million to acquire all of the units of the GRT Partnership. In conjunction with this agreement, certain directors and officers of the Company personally guaranteed certain obligations to third parties on behalf of the Company to the extent of \$4.5 million. In consideration for the guarantee, the Company issued 225,000 common shares at \$2.00 per share to those directors and officers.

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(e) *Farmout Agreement*

In December 2003, the Company entered into a Farmout Agreement (the "Agreement") with Northern Dynasty Minerals Ltd. ("Northern Dynasty") and Rockwell Ventures Inc. ("Rockwell"), each public companies with certain directors in common with the Company. Under the terms of the Agreement, the Company granted to Northern Dynasty, and to Rockwell, rights to earn joint venture working interests, subject to a maximum of \$650,000 in the case of Northern Dynasty and \$200,000 in the case of Rockwell, on certain exploration properties located in the vicinity of the Gibraltar mine property. For a period of 150 days after Northern Dynasty and Rockwell earned their working interests, the Company had the right to purchase their interests at 110% in cash or in common shares of the Company, at the Company's option. If the Company elected to issue common shares, the common shares to be issued were to have been valued at the weighted average ten-day trading price as traded on the TSX Venture Exchange.

In December 2003, Northern Dynasty earned an interest in these properties to the extent of \$650,000 and Rockwell earned an interest in these properties to the extent of \$200,000. In March 2004, Taseko exercised its right to purchase the interests earned by Northern Dynasty and Rockwell by issuing 256,272 common shares to Northern Dynasty and 78,853 common shares to Rockwell.

(f) *Royalty Agreement (Promissory note and Royalty obligation)*

In September 2004, the Company entered into agreements with an unrelated investment partnership, the Red Mile Resources No. 2 Limited Partnership ("Red Mile"). Gibraltar Mines Ltd. sold to Red Mile a royalty for \$67.357 million cash, which cash was received on September 29, 2004. These funds were subsequently loaned to a financial institution (and a promissory note received) and the Company has pledged these funds along with interest thereon for a total of \$70.2 million to secure its obligations under the agreements.

Pursuant to the agreements, the Company received an aggregate of \$10.5 million in fees and interest for services performed in relation to the Red Mile transaction, of which \$5.25 million was received in each of September 2004 and December 2004.

The amount of \$5.25 million received in September 2004 included \$1.75 million for indemnifying an affiliate of Red Mile from any claims relating to a breach by Gibraltar Mines Ltd. under the royalty agreement. The funds received in respect of the indemnification are presented as deferred revenue, and are recognized over the expected remaining life of the royalty agreement, with \$1,662,500 remaining as deferred as at March 31, 2005.

Annual royalties will be payable by Gibraltar Mines Ltd. at rates ranging from \$0.01 per pound to \$0.14 per pound of copper produced during the period from the commencement of commercial production (as defined in the agreement) to December 2014. Gibraltar Mines Ltd. is entitled to have released to it funds held under the promissory note and interest thereon to fund its royalty obligations to the extent of its royalty payment obligations.

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The Company has a pre-emptive option to effectively purchase (“call”) the royalty interest by acquiring the Red Mile partnership units at a future date in consideration of a payment commensurate with the funds received by the Company. Under certain circumstances, the investors in Red Mile also have a right to sell (“put”) their Red Mile partnership units to the Company; 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. For the years 2011 to 2014, the NPI is 2% if the price of copper averages US\$2.50 to US\$2.74 per pound, 3% if the price of copper averages US\$2.75 to US\$2.99 per pound and 4% if the price of copper averages US\$3.00 per pound or greater for any year during that period. The US-dollar pricing amounts specified above are based upon an exchange rate of US\$0.75 for CDN\$1.00, and shall be adjusted from time to time by any variation of such exchange rates. No NPI is payable until the Company reaches a pre-determined aggregate level of revenues less defined operating costs and expenditures.

7. Operating line of credit and vehicle loans

The Company has an unsecured \$2 million operating line of credit with a Canadian chartered bank at an interest rate of prime, due on demand, with no fixed terms of repayment. At March 31, 2005, approximately \$1.43 million was outstanding on this line of credit.

The Company has a series of loans related to certain of the on-road vehicles used at the mine site, at interest rates ranging from 0% to 9.75%. Most of these loans have a term of 36 months, and are secured by the vehicles to which they relate. The required payments on these loans over the next five fiscal years are as follows:

	<u>Remainder of</u>					
	<u>fiscal 2005</u>	<u>fiscal 2006</u>	<u>fiscal 2007</u>	<u>fiscal 2008</u>		<u>Total</u>
Principal	\$ 103,454	\$ 214,715	\$ 132,965	\$ 48,936	\$	500,070
Interest	14,037	20,267	9,663	978		44,945
Total	\$ 117,491	\$ 234,982	\$ 142,628	\$ 49,914	\$	545,015

Of the above vehicle loan total principal amounts of \$500,070, \$209,474 is current while \$290,596 is due after one year.

8. Share capital

(a) Authorized

Authorized share capital of the Company consists of 200,000,000 common shares without par value.

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(b) *Issued and outstanding*

	Number of Shares	Amount
Common shares		
Balance, September 30, 2003	53,880,973	\$ 99,446,319
Issued during the year		
Share purchase options at \$0.50 per share	4,265,000	2,132,500
Share purchase options at \$0.40 per share	152,500	61,000
Share purchase options at \$0.25 per share	75,000	18,750
Share purchase options at \$0.55 per share	380,000	209,000
Share purchase options at \$0.65 per share	25,500	16,575
Fair value of stock options allocated to shares issued on exercise		290,000
Share purchase warrants at \$0.58 per share	276,596	160,426
Share purchase warrants at \$0.55 per share	414,850	228,168
Share purchase warrants at \$0.40 per share	302,250	120,900
Share purchase warrants at \$0.50 per share	7,393,751	3,696,876
Share purchase warrants at \$0.75 per share	473,332	354,999
Private placement at \$0.60 per share, net of issue costs	6,700,000	3,910,728
Private placement at \$2.00 per share, net of issue costs	3,900,000	7,323,943
Private placement at \$1.25 per share, net of issue costs	8,000,000	8,933,206
For acquisition of Gibraltar Reclamation Trust Limited Partnership at \$2.79 per share, net of issue costs (note 6(d))	7,967,742	22,193,039
Loan guarantee at \$2.00 per share (note 8(d))	225,000	450,000
Farmout agreement at \$2.79 per share (note 6(e))	335,125	935,000
Balance, September 30, 2004	94,767,619	\$ 150,481,429
Issued during the period		
Share purchase options at \$0.25 per share	20,000	5,000
Share purchase options at \$0.30 per share	100,000	30,000
Share purchase options at \$0.40 per share	22,500	9,000
Share purchase options at \$0.55 per share	330,000	181,500
Share purchase options at \$0.81 per share	10,000	8,100
Share purchase options at \$1.36 per share	265,000	360,400
Share purchase options at \$1.40 per share	44,500	62,300
Share purchase options at \$1.65 per share	10,000	16,500
Share purchase warrants at \$0.75 per share	1,943,334	1,457,501
Private placement at \$1.45 per share, net of issue costs	5,204,361	6,998,067
Balance, March 31, 2005	102,717,314	\$ 159,609,797

(c) *Convertible debenture*

On July 21, 1999, in connection with the acquisition of the Gibraltar mine, the Company issued a \$17 million interest-free debenture to BWCL, which is due on July 21, 2009, but is convertible into common shares of the Company over a 10 year period commencing at a price of \$3.14 per share in year one and escalating by \$0.25 per share per year thereafter (\$4.39 per share as at March 31, 2005). BWCL's purchase of the convertible debenture was receivable as to

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\$4,000,000 in July 1999, \$1,000,000 on October 19, 1999, \$3,500,000 on July 21, 2000, and \$8,500,000 by December 31, 2000, all of which were received. BWCL has the right to convert, in part or in all from time to time, the debenture into fully paid common shares of the Company from year one to year ten, but has not requested any conversions to date.

From the commencement of the sixth year to the tenth year, the Company has the right to automatically convert the debenture into common shares at the then-prevailing market price. Since the Company has the right and the intention to settle the convertible debenture through the issuance of common shares, notwithstanding the Company's right to settle the debenture with cash, it has been included as a separate component of shareholders' equity on the balance sheet.

Accounting standards in Canada for compound financial instruments require the Company to allocate the proceeds received from the convertible debenture between (i) the fair value of the option to convert the debenture into common shares and (ii) the fair value of the future cash outflows related to the debenture. At issuance, the Company estimated the fair value of the conversion option by deducting the present value of the future cash outflows of the convertible debenture, calculated using a risk-adjusted discount rate of 10%, from the face value of the principal of the convertible debenture. The residual carrying value of the convertible debenture is required to be accreted to the face value of the convertible debenture over the life of the debenture by, in the Company's case, a direct charge to deficit. During the year ended September 30, 2003, the Company restated the prior years' convertible debenture and deficit balances within shareholders' equity on the balance sheet and the statements of deficit for the years ended September 30, 2002 and 2001 to reflect the required accretion of the convertible debenture.

	Six months ended March 31, 2005	Year ended September 30, 2004
Present value of convertible debenture		
Beginning of period	\$ 10,754,763	\$ 9,777,058
Accretion for the period	537,002	977,705
End of period	11,291,765	10,754,763
Conversion right	9,822,462	9,822,462
Convertible debenture	\$ 21,114,227	\$ 20,577,225

	March 31, 2005	September 30, 2004
Summary of the convertible debenture terms		
Principal amount of convertible debenture	\$17,000,000	\$17,000,000
Price per common share of the unexercised conversion right	\$ 4.39	\$ 4.39
Number of common shares potentially issuable under unexercised conversion right	3,872,437	3,872,437

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(d) *Share purchase option plan*

The Company has a share purchase option plan approved by the shareholders that allows it to grant a maximum of 10% of the issued and outstanding common shares of the Company at the time an option is granted, less common shares reserved or issued in the plan, subject to regulatory terms and approval, to its employees, officers, directors and consultants. The exercise price of each option may be set equal to or greater than the closing market price of the common shares on the TSX Venture Exchange on the day prior to the date of the grant of the option, less any allowable discounts. Options have a maximum term of ten years and terminate 30 to 90 days following the termination of the optionee's employment or term of engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The continuity of share purchase options is as follows:

	For the six month period ended March 31, 2005		For the years ended September 30,			
	Number of shares	Average Price	2004		2003	
			Number of shares	Average Price	Number of shares	Average Price
Opening balance	8,627,500	\$ 1.13	4,685,000	\$ 0.48	4,145,000	\$ 0.50
Granted during the period	–	–	8,855,500	1.12	770,000	0.41
Exercised during the period	(802,000)	0.84	(4,898,000)	0.50	(40,000)	0.50
Expired/cancelled during period	(60,000)	1.46	(15,000)	1.36	(190,000)	0.50
Closing balance	7,765,500	\$ 1.16	8,627,500	\$ 1.13	4,685,000	\$ 0.48
Contractual remaining life (years)		1.46		1.93		1.03
Range of exercise prices	\$0.25-\$1.65		\$0.25-\$1.65		\$0.25-\$0.50	

As at March 31, 2005, 7,425,500 of the options outstanding had vested with optionees.

Subsequent to March 31, 2005, to May 3, 2005, a total of 285,000 options were exercised for gross proceeds of \$160,800.

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The exercise prices of all share purchase options granted during the period were equal to the market price at the grant date. Using an option pricing model with the assumptions noted below, the estimated fair value of all options granted during the period have been reflected in the statement of operations as follows:

	Six months ended March 31, 2005	Year ended September 30, 2004
Total compensation cost recognized in operations, credited to contributed surplus	\$ 557,246	\$ 5,172,244

The weighted average assumptions used to estimate the fair value of options during the period were:

Risk free interest rate	3%
Expected life	2.4 years
Volatility	94%
Expected dividends	nil

(e) *Share purchase warrants*

The continuity of share purchase warrants is as follows:

Expiry dates	Exercise price	Outstanding September 30, 2004	Issued	Exercised	Expired	Outstanding March 31, 2005
January 8, 2006	\$0.40	375,000	–	–	–	375,000
December 31, 2005	\$0.75	6,226,668	–	(1,943,334)	–	4,283,334 ⁽ⁱ⁾
March 10, 2005	\$2.25	3,900,000	–	–	(3,900,000)	–
September 28, 2006	\$1.40	8,000,000	–	–	–	8,000,000 ⁽ⁱⁱ⁾
September 18, 2006	\$1.66	–	5,204,361	–	–	5,204,361
		18,501,668	5,204,361	(1,943,334)	(3,900,000)	17,862,695

- (i) Subject to a 45-day accelerated expiry upon notice if, at any time after the regulatory four-month hold period, the closing price of the Company's common shares, as traded on the TSX Venture Exchange, is at least \$1.50 for ten consecutive trading days. As at March 31, 2005, management had not given notice of this accelerated expiry.
- (ii) Subject to a 45-day accelerated expiry upon notice if, at any time after the regulatory four-month hold period, the closing price of the Company's common shares, as traded on the TSX Venture Exchange, is at least \$2.80 for ten consecutive trading days.

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Subsequent to March 31, 2005, to May 3, 2005, a total of 170,002 warrants were exercised for gross proceeds of \$127,502.

The continuity of share purchase warrants during the previous fiscal year is as follows:

Expiry dates	Exercise price	Outstanding September 30, 2003	Issued	Exercised	Outstanding September 30, 2004
October 19, 2003	\$0.58	276,596	–	(276,596)	–
December 27, 2003	\$0.55	414,850	–	(414,850)	–
January 8, 2006	\$0.40	375,000	–	–	375,000
December 31, 2003	\$0.40	302,250	–	(302,250)	–
December 31, 2004	\$0.50	7,393,751	–	(7,393,751)	–
December 31, 2005	\$0.75	–	6,700,000	(473,332)	6,226,668
March 10, 2005	\$2.25	–	3,900,000	–	3,900,000
September 28, 2006	\$1.40	–	8,000,000	–	8,000,000
		8,762,447	18,600,000	(8,860,779)	18,501,668

(f) *Contributed surplus*

Balance, September 30, 2003	\$ 65,344
Changes during fiscal 2004:	
Non-cash stock-based compensation (note 8(d))	5,172,244
Fair value of stock options allocated to shares issued on exercise	(290,000)
Contributed surplus, September 30, 2004	4,947,588
Changes during fiscal 2005:	
Non-cash stock-based compensation (note 8(d))	557,246
Contributed surplus, March 31, 2005	\$ 5,504,834

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9. Site closure and reclamation obligations

The continuity of the provision for site closure and reclamation costs is as follows:

	Six months ended March 31, 2005	Six months ended March 31, 2004	Year ended September 30, 2004
Balance, beginning of period, as previously reported	\$ 32,700,000	\$ 32,700,000	\$ 32,700,000
Impact of adoption of HB3110	(22,280,000)	(23,227,273)	(23,227,273)
As restated	10,420,000	9,472,727	9,472,727
Site closure and reclamation liability incurred	—	—	—
Accretion expense	521,000	473,637	947,273
Balance, end of period	\$ 10,941,000	\$ 9,946,364	\$ 10,420,000

The expected reclamation costs used in the determination of this provision total \$32.7 million and are expected to be spent over a period of about three years beginning in 2017 after the reserves of the Gibraltar mine pits are depleted. The credit-adjusted risk free rate at which the estimated future cash flows have been discounted is 10%.

In accordance with the Gibraltar mine permit, the Company has pledged the mine's plant and certain equipment (note 5) which, when taken at market value and combined with reclamation deposits (approximately \$17.8 million at March 31, 2005), provide the Government of British Columbia with the required security for the estimated reclamation liability on the Gibraltar mine of \$32.7 million.

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10. Income taxes

As at September 30, 2004 and 2003, the tax effect of the significant components within the Company's future tax assets were as follows:

	2004	2003
Mineral properties	\$ 7,472,000	\$ –
Loss carry forwards	1,412,000	1,778,000
Equipment	15,000	1,085,000
Reclamation obligation	5,359,000	–
Royalty obligation	23,979,000	–
Other tax pools	740,000	775,000
	38,977,000	3,638,000
Valuation allowance	(38,977,000)	(3,638,000)
Future income tax asset	\$ –	\$ –

The Company has accrued a tax provision of a subsidiary company of \$23.744 million. This provision reflects an amount which management believes is less than likely of ever becoming payable. The subsidiary has a June 30, 2005 taxation year end. Prior to making its ultimate tax calculations, the subsidiary will consider tax planning strategies which might be put in place subsequent to the Company's financial reporting date of September 30, 2004. In addition, the subsidiary would exhaust all appeals if any taxes in connection with this accrual were actually assessed against the subsidiary. The amount represents a potential liability which has been recognized in a conservative manner in accordance with Canadian generally accepted accounting principles. It does not represent a payable amount based on any filed, or expected to be filed, tax return. It does not arise from a transaction in any completed taxation year, nor has any taxation authority assessed the amount or any portion thereof as payable.

At September 30, 2004, the Company's tax attributes included non-capital losses for income tax purposes in Canada totaling approximately \$3,063,000 expiring in various periods from 2005 to 2014.

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11. Supplementary cash flow disclosures

In addition to the non-cash operating, financing and investing activities primarily disclosed, the Company's non-cash operating, financing and investing activities were as follows:

	March 31, 2005	September 30, 2004	September 30, 2003
Issuance of common shares on acquisition of remaining business of GESL Partnership (note 6(d))	\$ –	\$ –	\$ 3,500,000
Issuance of common shares on acquisition of Gibraltar Reclamation Trust Limited Partnership (note 6(d))	–	22,230,000	–
Issuance of common shares for loan guarantee (note 6(d))	–	450,000	–
Accretion of convertible debenture (note 8(c))	537,002	977,705	888,823
Fair value of stock options allocated to shares issued on exercise (note 8(f))	–	290,000	–
Supplemental cash flow information			
Cash paid during the period for			
Interest	\$ 89,615	\$ 49,294	\$ 101,942
Taxes	\$ 554	\$ 45,352	\$ 6,135

12. Related party transactions and advances

	Six months ended March 31, 2005	Year ended September 30, 2004
Transactions		
Hunter Dickinson Inc.		
Services rendered to the Company and its subsidiaries and reimbursement of third party expenses (a)	\$ 411,638	\$ 806,970
Hunter Dickinson Group Inc.		
Consulting services rendered to the Company (b)	\$ 6,400	\$ 12,800
Tom Milner Enterprises Inc.		
Consulting services rendered to the Company (c)	\$ 97,813	\$ 115,155
Advances		
Advances to (from) (d)		
Hunter Dickinson Inc. (a)	\$ (104,320)	\$ 198,281
Hunter Dickinson Group Inc. (b)	(3,424)	(3,424)
Advances to (from) related parties	\$ (107,744)	\$ 194,857

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- (a) 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 provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company and its subsidiaries on a full cost recovery basis pursuant to an agreement dated December 31, 1996.
- (b) Hunter Dickinson Group Inc. is a private company with certain directors in common that provides consulting services to the Company.
- (c) Tom Milner Enterprises Inc. is a private company controlled by a director of the Company that provides consulting services to the Company.
- (d) Advances are non-interest bearing and due on demand.

13. Subsequent events

Subsequent to March 31, 2005, to May 3, 2005:

- (a) 285,000 options were exercised for gross proceeds of \$160,800 (note 8(d)).
- (b) 170,002 warrants were exercised for gross proceeds of \$127,502 (note 8(e)).