

# Taseko Mines Limited

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## TASEKO REPORTS THIRD FISCAL QUARTER RESULTS

**August 15, 2005, Vancouver, BC** – Taseko Mines Limited (TSX Venture: TKO; AMEX: TGB) announces financial results for the three months ending June 30, 2005 - the Company's third fiscal quarter of 2005 - and its 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 CMI Ltd.

### THIRD QUARTER 2005 HIGHLIGHTS

- Gibraltar recorded revenues of \$32.3 million from sales of copper concentrate, and by-product credits of \$7.9 million from sales of molybdenum.
- The average prices for sales realized in the quarter were US\$1.51 for copper and US\$34 for molybdenum.
- Copper concentrate production during the quarter was 27,500 wet metric tonnes ("WMT"), or 15.5 million pounds of copper.
- During the quarter, 32,100 WMT of copper concentrate was sold totalling 17.25 million pounds of copper.
- Molybdenum in concentrate production during the quarter was 178,000 pounds.
- During the quarter, 223,000 pounds of molybdenum in concentrate was sold.

### Results of Operations

The Company's net earnings for the third quarter of fiscal 2005 were \$10.1 million, compared to a loss of \$1.96 million in the previous quarter and the \$6.4 million loss in the third quarter of fiscal 2004. The improvement is related to a restart of active mining operations at the Gibraltar mine during the current fiscal year, and increased sales of both copper and molybdenum concentrate during the quarter.

### Gibraltar Mine Performance

Mining operations achieved a daily mining rate of 114,000 tons per day in the quarter. The following table is a summary of the operating statistics for the third quarter compared to forecast.

	Actual	Forecast	Variance	Comments
<b>Ore + Waste Mined (tons)</b>	10,330,184	10,920,000	-5.4%	Extended hauling distance for overburden to be used for reclamation of waste dumps.
<b>Ore milled (tons)</b>	3,051,370	3,162,900	-3.5%	Lower mill throughput due to harder ore and coarse feed to rod mills.
<b>Stripping ratio</b>	2.38	2.45	-2.9%	
<b>Copper grade (%)</b>	0.314%	0.309%	+1.6%	
<b>Molybdenum grade (% MoS<sub>2</sub>)</b>	0.018%	0.016%	+12.5%	
<b>Copper Recovery (%)</b>	80.8%	82.6%	-2.2%	Copper recovery was adversely affected by mining of some supergene ore.
<b>Molybdenum Recovery (%)</b>	26.5%	30.8%	-13.9%	Molybdenum recovery adversely affected by variability in ore feed.
<b>Copper Production (lbs)</b>	15,498,361	16,169,000	-4.1%	
<b>Molybdenum Production (lbs)</b>	177,593	193,000	-8.0%	
<b>Copper Sales (lbs)</b>	17,253,555	16,169,000	+6.7%	Includes reduction in inventory.
<b>Molybdenum Sales (lbs)</b>	223,187	193,000	+15.6%	Includes reduction in inventory.



HUNTER  
 DICKINSON  
 INC.

Responsible  
 Mineral  
 Development

Copper produced in concentrate during the quarter was 15.5 million pounds, an increase from 14.2 million pounds produced in the previous quarter when inclement weather and characteristics of the ore led to processing difficulties. Molybdenum produced in concentrate during the quarter was 178,000 pounds, an increase from 141,295 pounds produced in the second quarter. Copper recovery was adversely affected by mining of some supergene ore. Molybdenum recovery continues to be a challenge due to the variability in the ore feed. Copper concentrate sales for the quarter were 32,100 WMT, 13% above forecast, an increase from 26,500 WMT in the previous quarter. The Company also sold 223,000 pounds of molybdenum, an increase from 78,000 pounds sold in the previous quarter.

At quarter end, the copper concentrate inventory was 6,900 WMT (containing about 4.1 million pounds of copper), a decrease from 11,500 WMT (containing about 6.7 million pounds of copper) in inventory at the end of the previous quarter. Molybdenum in concentrate inventory was 18,000 pounds, a decrease from 63,000 pounds at the end of the previous quarter.

Taseko is pleased to announce that there have been no time lost accidents since the October 2004 mine start up.

## Labour

Manpower at the end of the quarter was 247 personnel, compared to 242 at the end of the second quarter and the planned complement of 254.

The Christian Labour Association of Canada (“CLAC”) represents the unionized workers at Gibraltar. According to BC labour laws, the representing union can be challenged during certain specific time periods of a collective agreement in an effort to change union representation. The Canadian Auto Workers exercised that option in the third quarter and a union certification vote was held in June and counted under the supervision of the BC Labour Relations Board on July 26, 2005. The majority of the unionized workers voted to retain CLAC. As the representative union at the Gibraltar mine site, CLAC is now free from the threat of any further challenges until 2007.

## Production Forecast

As a result of the delay in commissioning the molybdenum circuit and lower than planned mill throughput, at the end of the second fiscal quarter the Company updated its metal production forecasts for the year. The 2005 forecasted copper and molybdenum production was 63,441,000 pounds and 908,000 pounds, respectively. The actual results to date and a forecast for the balance of the year are as follows:

	Q1 (A)	Q2 (A)	Q3 (A)	Q4 (F) <sup>(2)</sup>	Total 2005
<b>Copper (millions lbs)</b>	<b>12.1</b>	<b>14.2</b>	<b>15.5</b>	<b>15.5</b>	<b>57.3</b>
<b>Molybdenum (thousands lbs)</b>	<b>0</b>	<b>141</b>	<b>178</b>	<b>178</b>	<b>497</b>
<b>Copper production costs, net of OPC<sup>(3)</sup> &amp; by product credits</b>	<b>N/A</b>	<b>US\$1.18</b>	<b>US\$0.77</b>	<b>US\$0.77</b>	<b>US\$0.90</b>
<b>OPC<sup>(3)</sup> transport &amp; treatment</b>	<b>N/A</b>	<b>US\$0.28</b>	<b>US\$0.25</b>	<b>US\$0.25</b>	<b>US\$0.26</b>
<b>Total cash costs of production</b>	<b>N/A</b>	<b>US\$1.46</b>	<b>US\$1.02</b>	<b>US\$1.02</b>	<b>US\$1.16</b>

(1) (A) actual (F) forecast

(2) Q4 costs assume a US\$30/lb molybdenum by-product credit and a \$0.81 Canadian/US exchange rate.

(3) Off Property Costs (“OPC”) are concentrate transportation, smelting and refining costs.

## Financial Results

Gibraltar reported revenues of \$32.3 million, compared to \$25.4 million in the previous quarter. Current revenues are associated with copper concentrate sales, less treatment, refining and transportation charges of \$6.7 million (Q2 – \$3.8 million). Molybdenum concentrate sales were \$7.9 million (Q2 – \$2.5 million); these sales are classified as by-product revenue and shown as a reduction of mine site operating costs. Interest and other income was \$1.5 million (Q2 – \$1.9 million), and the related offsetting royalty expense amounted to \$1.0 million (Q2 – \$2 million), both of which are principally related to the Red Mile Resources No. 2 Limited Partnership.

Total mine site operating costs for the quarter, net of molybdenum credits and a drawdown of copper concentrate inventory (Q3 – \$3.1 million; Q2 – \$1.2 million), were \$14.8 million compared to \$23.4 million in the previous quarter. Total operating costs include mining (Q3 – \$11.6 million; Q2 – \$14.1 million), milling (Q3 – \$6.0 million; Q2 – \$9.0 million) and mine administration (Q3 – \$2.0 million; Q2 – \$1.6 million).

Administrative costs decreased from the previous quarter. The main areas of reduced costs were shareholder communications (Q3 – \$44,641; Q2 - \$112,241), administrative salaries and office costs (Q3 – \$206,954; Q2 – \$236,804), trust and filing (Q3 – \$8,027; Q2 – \$67,787) and stock-based compensation (Q3 – \$200,310; Q2 – \$392,697).

### **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 at considerable cost savings, rather than sending these concentrates to an offshore smelter for treatment, providing significant advantages to the operation.

With mining operations now underway at Gibraltar, mine technical personnel are turning their focus to updating the refinery feasibility study, to include the evaluation and assessment of competing technologies. The updated refinery feasibility study is expected to be completed in the near term. 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.

Taseko Mines Limited is a copper and molybdenum producer with mining operations and exploration properties located in British Columbia, Canada. The Company’s principal asset is the Gibraltar mine, a 35,000 tonnes per day open pit operation with a 12-year mine plan and additional mineral resources available for further development. Taseko is part of the Hunter Dickinson group of companies.

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The TSX Venture Exchange or the American Stock Exchange has not approved or disapproved 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 mineral resource and reserve quantities, grades and contained metal, and possible future mining, exploration and development activities, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements should not be in any way construed as guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices for metals, the conclusions of detailed feasibility and technical analyses, lower than expected grades and quantities of resources, mining rates and recovery rates and the lack of availability of necessary capital, which may not be available to the Company on terms acceptable to it or at all. The Company is subject to the specific risks inherent in the mining business as well as general economic and business conditions. For more information on the Company, Investors should review the Company’s annual Form 20-F filing with the United States Securities Commission and its Canadian securities filings that are available at [www.sedar.com](http://www.sedar.com).

**TASEKO MINES LIMITED  
NINE MONTHS ENDED JUNE 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**1.1 Date**

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited financial statements of Taseko Mines Limited ("Taseko", or the "Company") as at and for the nine months ended June 30, 2005.

This MD&A is prepared as of August 12, 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 properties located in British Columbia, Canada. These are the Gibraltar copper-molybdenum mine and two exploration projects: the Prosperity gold-copper property and the Harmony gold property. There have been no recent activities on the Prosperity and Harmony properties.

Effective July 11, 2005, Russell E. Hallbauer, P.Eng., joined the Company as President and CEO.

**Gibraltar Mine**

*Third Quarter Highlights*

- Gibraltar recorded revenues of \$32.3 million from sales of copper concentrate, and \$7.9 million was realized as product revenue from sales of molybdenum.
- The average prices for sales realized in the quarter were US\$1.51 for copper and US\$34 for molybdenum.
- Copper concentrate production during the quarter was 27,500 wet metric tonnes ("WMT"), or 15.5 million pounds of copper (96% of forecast).
- Copper concentrate sales for the quarter were 32,100 WMT (containing approximately 17.3 million pounds of copper, and 13% above forecast), an increase from the 26,500 WMT (containing approximately 14.7 million pounds of copper) from the previous quarter, as a result of increased production and drawdown of inventories from the previous quarter end.
- Copper concentrate inventory at June 30, 2005 was 6,900 WMT (containing approximately 4.1 million pounds of copper), a decrease from the 11,500 WMT (containing approximately 6.7 million pounds of copper) of inventory on hand at the end of the previous quarter.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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- Molybdenum in concentrate production during the quarter was 178,000 pounds (92% of forecast).
- Molybdenum in concentrate sales were 223,000 pounds, an increase from the 78,000 pounds sold in the previous quarter.
- Molybdenum in concentrate inventory was 18,000 pounds, a decrease from 63,000 pounds at the end of the previous quarter.

*Joint Venture*

The Gibraltar mine is operated under a Joint Venture Operating Agreement (“the Joint Venture”) with Ledcor CMI Ltd. (“Ledcor”). Taseko (through its wholly owned operating subsidiary Gibraltar Mines Ltd., (“Gibraltar”)) has an 85% interest in any 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 any residual profits. The Joint Venture holds both rights to operate the mine, and usage of certain leased mining equipment provided by a Ledcor affiliate, including a new electric shovel and five new mine haul trucks. 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*

The copper circuit commenced initial operations in October 2004, and the first copper concentrate was shipped to a smelter in December 2004. A major upgrade to the molybdenum circuit was started in the first fiscal quarter, and the molybdenum circuit was commissioned in February 2005. The first molybdenum in concentrate was sold in March 2005. The molybdenum circuit ramp up continued in the third fiscal quarter with the circuit achieving 92% of forecast production.

Mining operations achieved a daily mining rate of 114,000 tons per day in the quarter ended June 30, 2005. In the third quarter, the tons of ore mined were 5.4% lower than forecast, due to extended hauls required for overburden to perform reclamation work on waste rock dumps. The average copper grade mined was 1.6% higher than forecast. Crusher screen modifications to improve mill feed size scheduled to be completed in June were delayed resulting in coarser product feeding the mill, which in turn affected mill throughput by 3.5%.

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NINE MONTHS ENDED JUNE 30, 2005**

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The following table is a summary of the operating statistics for the third quarter compared to forecast.

	<b>Actual</b>	<b>Forecast</b>	<b>Variance</b>	<b>Comments</b>
<b>Ore + Waste Mined (tons)</b>	10,330,184	10,920,000	-5.4%	Extended hauling distance for overburden to be used for reclamation of waste dumps.
<b>Ore milled (tons)</b>	3,051,370	3,162,900	-3.5%	Lower mill throughput due to harder ore and coarse feed to rod mills.
<b>Stripping ratio</b>	2.38	2.45	-2.9%	
<b>Copper grade (%)</b>	0.314%	0.309%	+1.6%	
<b>Molybdenum grade (%MoS<sub>2</sub>)</b>	0.018%	0.016%	+12.5%	
<b>Copper Recovery (%)</b>	80.8%	82.6%	-2.2%	Copper recovery was adversely affected by mining of some supergene ore.
<b>Molybdenum Recovery (%)</b>	26.5%	30.8%	-13.9%	Molybdenum recovery adversely affected by variability in ore feed.
<b>Copper Production (lbs)</b>	15,498,361	16,169,000	-4.1%	
<b>Molybdenum Production (lbs)</b>	177,593	193,000	-8.0%	
<b>Copper Sales (lbs)</b>	17,253,555	16,169,000	+6.7%	Includes reduction in inventory.
<b>Molybdenum Sales (lbs)</b>	223,187	193,000	+15.6%	Includes reduction in inventory.

Copper produced in concentrate during the quarter was 15.5 million pounds, an increase from 14.2 million pounds produced in the previous quarter. Molybdenum produced in concentrate during the quarter was 178,000 pounds, an increase from 141,295 pounds produced in the second quarter. Copper recovery was adversely affected by mining of some supergene ore in the quarter. Molybdenum recovery continues to be a challenge due to the variability in the ore feed. Copper concentrate sales for the quarter were 32,100 WMT, 13% above forecast, an increase from 26,500 WMT in the previous quarter. The Company also sold 223,000 pounds of molybdenum, an increase from 78,000 pounds sold in the previous quarter.

At quarter end, the copper concentrate inventory was 6,900 WMT (containing about 4.1 million pounds of copper), a decrease from 11,500 WMT (containing about 6.7 million pounds of copper) in inventory at the end of the previous quarter. Molybdenum in concentrate inventory was 18,000 pounds, a decrease from 63,000 pounds at the end of the previous quarter.

Taseko is pleased to report that there has been no time lost accidents since the October 2004 mine start up.

*Labour*

Manpower at the end of the quarter was 247 personnel, compared to 242 at the end of the second quarter and the planned complement of 254.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Christian Labour Association of Canada ("CLAC") represents the unionized workers at Gibraltar. According to BC labour laws, the representing union can be challenged during certain specific time periods of a collective agreement, in an effort to change union representation. The Canadian Auto Workers exercised that option in the third quarter, and a union certification vote was held in June and counted under the supervision of the BC Labour Relations Board on July 26, 2005. The majority of the unionized workers voted to retain CLAC. As the representative union at the Gibraltar mine site, CLAC is now free from the threat of any further challenges until 2007.

*Production Forecast*

As a result of the delay in commissioning the molybdenum circuit and lower than planned mill throughput, at the end of the second fiscal quarter, the Company updated its metal production forecasts for the year. The 2005 forecasted copper and molybdenum production was 63,441,000 pounds and 908,000 pounds, respectively. The actual results to date and a forecast for the balance of the year are as follows:

	Q1 (A)	Q2 (A)	Q3 (A)	Q4 (F) <sup>(2)</sup>	Total 2005
<b>Copper (millions lbs)</b>	<b>12.1</b>	<b>14.2</b>	<b>15.5</b>	<b>15.5</b>	<b>57.3</b>
<b>Molybdenum (thousands lbs)</b>	<b>0</b>	<b>141</b>	<b>178</b>	<b>178</b>	<b>497</b>
<b>Copper production costs, net of OPC<sup>(3)</sup> &amp; by product credits</b>	<b>N/A</b>	<b>US\$1.18</b>	<b>US\$0.77</b>	<b>US\$0.77</b>	<b>US\$0.90</b>
<b>OPC<sup>(3)</sup> transport &amp; treatment</b>	<b>N/A</b>	<b>US\$0.28</b>	<b>US\$0.25</b>	<b>US\$0.25</b>	<b>US\$0.26</b>
<b>Total cash costs of production</b>	<b>N/A</b>	<b>US\$1.46</b>	<b>US\$1.02</b>	<b>US\$1.02</b>	<b>US\$1.16</b>

(1) (A) actual (F) forecast

(2) Q4 costs assume a US\$30/lb molybdenum by-product credit and a \$0.81 Canadian/US exchange rate.

(3) Off Property Costs ("OPC") are concentrate transportation, smelting and refining costs.

*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 at considerable cost savings, rather than sending these concentrates to an offshore smelter for treatment and this would provide significant advantages to the operation.

With mining operations now underway at Gibraltar, mine technical personnel are turning their focus to updating the refinery feasibility study, to include the evaluation and assessment of competing technologies. The updated refinery feasibility study is expected to be completed in the near term. 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 of the fully permitted Gibraltar mine.

**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

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**NINE MONTHS ENDED JUNE 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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2001. With current gold and copper prices, Taseko is in the process of looking for an extension to the environmental approval process. Discussions are ongoing 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 aboriginal peoples' land claims. 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. Government-to-government negotiations between the BC government and the Haida are in progress.

**Market Trends**

Copper prices have been increasing since late 2003. Copper averaged US\$1.30/lb in 2004 and US\$1.52/lb to the end of July 2005.

Molybdenum oxide prices increased from US\$7.60/lb early in 2004 to US\$34.00/lb by last year end. Molybdenum oxide prices have averaged approximately US\$34.00/lb since April 2005, and are US\$30/lb in late July, 2005.

Gold prices have dropped over the current quarter of 2005; however, the average price of approximately US\$428/oz over the first six months of calendar 2005 is still higher than the US\$410/oz average price over the 2004 calendar year.

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**NINE MONTHS ENDED JUNE 30, 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.

<b>Balance Sheet</b>	<b>As at September 30 2004 (restated)</b>	<b>As at September 30 2003 (restated)</b>	<b>As at September 30 2002 (restated)</b>
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
<b>Total assets</b>	<b>130,866,418</b>	<b>49,471,207</b>	<b>47,873,113</b>
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
<b>Total shareholders' equity &amp; liabilities</b>	<b>130,866,418</b>	<b>49,471,207</b>	<b>47,873,113</b>

<b>Operations</b>	<b>Year ended September 30 2004 (restated)</b>	<b>Year ended September 30 2003 (restated)</b>	<b>Year ended September 30 2002 (restated)</b>
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	-
<b>Loss for the period</b>	<b>79,155,192</b>	<b>3,698,206</b>	<b>6,457,536</b>
<b>Accretion expense</b>	<b>977,705</b>	<b>888,823</b>	<b>808,021</b>
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**  
**NINE MONTHS ENDED JUNE 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**1.4 Results of Operations**

For the first time, the Company reports earnings for the third quarter of fiscal 2005 of \$10.1 million, which is an improvement from the previous quarter's loss of \$1.96 million and the \$6.4 million loss in the third quarter of fiscal 2004. The earnings relate mainly to higher than expected copper and molybdenum concentrate sales, at increased prices for both commodities. At June 30, 2005, there was approximately 6,900 WMT of copper concentrate inventory valued at \$4.2 million, and 18,000 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 \$0.5 million.

The Company reported revenues of \$32.3 million, compared to \$25.4 million in the previous quarter. Current revenues are associated with copper concentrate sales, less treatment, refining and transportation charges of \$6.7 million (Q2 – \$3.8 million). Molybdenum concentrate sales were \$7.9 million (Q2 – \$2.5 million); these sales are classified as by-product revenue and shown as a reduction of mine site operating costs. Interest and other income was \$1.5 million (Q2 – \$1.9 million), and the related offsetting royalty expense amounted to \$1.0 million (Q2 – \$2 million), both of which are principally related to the Red Mile Resources No. 2 Limited Partnership.

Total mine site operating costs for the quarter, net of molybdenum in concentrate revenues, were \$14.8 million compared to \$23.4 million in the previous quarter. Total operating costs include mining (Q3 – \$11.7 million; Q2 – \$14.1 million), milling (Q3 – \$6.0 million; Q2 – \$9.0 million), mine administration (Q3 – \$2.0 million; Q2 – \$1.6 million) and a drawdown of copper concentrate inventory (Q3 – \$3.1 million; Q2 – \$1.2 million).

Total treatment, refining and transportation costs for the quarter were \$6.7 million (Q2 - \$3.8 million).

Administrative costs decreased from the previous quarter. The main areas of reduced costs were shareholder communications (Q3 – \$44,641; Q2 - \$112,241), administrative salaries and office costs (Q3 \$206,954; Q2 – \$236,804), trust and filing (Q3 - \$8,027 Q2 – \$67,787) and stock-based compensation (Q3 - \$200,310; Q2 - \$392,697).

**1.5 Summary of Quarterly Results**

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

	Jun 30, 2005 (restated)	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)
Current assets	39,549,345	30,113,605	25,442,463	18,064,003	20,190,322	28,903,882	10,104,482	3,832,059
Mineral properties	3,000	3,000	3,000	3,000	28,813,296	28,813,296	28,813,296	28,813,296
Other assets	101,258,992	101,133,393	95,853,800	112,799,415	28,382,111	19,802,665	16,868,994	16,825,852
<b>Total assets</b>	<b>140,811,337</b>	<b>131,249,998</b>	<b>121,299,263</b>	<b>130,866,418</b>	<b>77,385,729</b>	<b>77,519,843</b>	<b>55,786,772</b>	<b>49,471,207</b>
Current liabilities	35,412,294	35,809,336	34,756,552	40,179,912	4,082,614	1,411,538	3,786,070	3,851,136
Other liabilities	81,601,870	82,246,615	79,915,534	79,527,000	10,183,182	9,946,364	9,709,546	9,472,727
Shareholders' equity	23,797,173	13,194,047	6,627,177	11,159,506	63,119,933	66,161,941	42,291,156	36,147,344
<b>Total shareholders' equity and liabilities</b>	<b>140,811,337</b>	<b>131,249,998</b>	<b>121,299,263</b>	<b>130,866,418</b>	<b>77,385,729</b>	<b>77,519,843</b>	<b>55,786,772</b>	<b>49,471,207</b>

**TASEKO MINES LIMITED**  
**NINE MONTHS ENDED JUNE 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

	Jun 30, 2005 (restated)	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)
Revenue	(32,292,944)	(25,429,196)	—	—	—	—	—	—
Mine site operating costs	14,753,091	23,470,000	—	—	—	—	—	—
Transportation and treatment	6,691,473	3,847,703	—	—	—	—	—	—
Depreciation, amortization and accretion	581,725	526,506	383,500	253,435	237,044	237,044	237,046	256,883
<b>Expenses:</b>								
Conference and travel	36,301	11,281	12,995	11,689	19,062	22,051	40,269	4,449
Consulting	82,694	65,944	63,760	56,450	94,875	(10,462)	110,927	30,118
Corporation taxes	—	—	554	14,184	20,000	11,168	—	101,308
Exploration	6,634	11,694	32,047	(1,856,606)	3,939,477	975,538	1,398,492	602,443
Interest and finance charges	72,503	47,830	41,785	18,138	452,616	9,201	19,339	124,213
Legal, accounting and audit	74,022	79,317	97,146	325,567	92,940	22,913	16,818	40,526
Office and administration	206,954	236,804	164,316	88,512	199,224	189,976	121,738	98,580
Premium paid for GRTLP	—	—	—	—	—	5,095,249	—	—
Property investigation	—	—	—	4	—	—	141,063	(47,805)
Refinery project	—	—	—	—	—	—	—	—
Restart project	—	(1,214,796)	8,172,814	14,982,008	—	—	—	—
Royalty expense	1,023,593	2,047,186	—	—	—	—	—	—
Shareholder communications	44,641	112,241	52,822	34,142	18,694	530,704	73,802	7,833
Trust and filing	8,027	67,787	6,114	53,052	13,842	17,241	4,395	1,250
Interest and other (income)	(1,543,153)	(1,934,000)	(5,735,716)	(6,214,851)	(228,670)	(325,399)	(135,289)	(129,811)
Gain on sale of property plant and equipment	—	(17,000)	2,177,992	—	—	—	—	—
Income taxes	—	—	—	23,744,000	—	—	—	—
Foreign exchange	(33,192)	(357,051)	51,448	—	—	—	—	—
Write down of mineral property acquisition costs	—	—	—	28,810,296	—	—	—	—
Stock-based compensation	200,310	392,697	164,549	2,035,178	1,526,084	296,686	1,314,296	65,344
<b>Earnings (loss) for the period</b>	<b>10,087,321</b>	<b>(1,964,947)</b>	<b>(5,686,126)</b>	<b>(62,355,198)</b>	<b>(6,385,188)</b>	<b>(7,071,910)</b>	<b>(3,342,896)</b>	<b>(1,155,331)</b>
Accretion expense on convertible debenture	(268,501)	(267,027)	(269,975)	(245,431)	(244,091)	(242,752)	(245,431)	(888,823)
Basic and diluted loss per share	0.10	(0.02)	(0.06)	(0.82)	(0.08)	(0.11)	(0.06)	(0.04)
Weighted average number of common shares outstanding (thousands)	103,138	97,781	95,774	75,113	84,210	72,609	57,481	46,984

## 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 \$18.2 million, including interest, and certain plant and equipment are secured to fund reclamation at the Gibraltar, Prosperity and Harmony properties. The

**TASEKO MINES LIMITED**  
**NINE MONTHS ENDED JUNE 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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\$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 June 30, 2005, Taseko had positive working capital of \$4.1 million, as compared to a \$5.7 million deficiency at the end of March 2005, and positive working capital of \$16.1 million at June 30, 2004. The increase in working capital from the end of the previous quarter was primarily a result of net proceeds received on copper and molybdenum shipments during the quarter.

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 current cash balances including 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 an arrangement (see "Joint Venture" section) with an affiliate of Ledcor CMI 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.

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. All amounts were paid off in the quarter and subsequently the line of credit was cancelled.

The Company has various loans on its on-road vehicles totaling \$448,657, of which \$212,068 is current.

**TASEKO MINES LIMITED**  
**NINE MONTHS ENDED JUNE 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**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 units of 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 provided 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 remained unchanged at \$234,300 in the third quarter of fiscal 2005, as compared to \$234,281 in the previous quarter and decreased as compared to \$138,017 in the third 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 June 30, 2005, the Company paid approximately \$39,000 to this private company as compared to \$40,000 in the previous quarter.

**1.10 Fourth Quarter**

Not applicable.

**TASEKO MINES LIMITED**  
**NINE MONTHS ENDED JUNE 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**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 significant 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 when title is transferred to the customer. Concentrate sales are provisionally priced at the time of shipment equal to the average price over the previous month and are typically subject to adjustment upon final settlement of shipment weights, assays and metal prices as well as actual pricing between the date of shipment and the refinery out turn date, of about 5 months from the date of shipment. Such adjustments are recorded to revenue in the period of final settlement.

Revenue is determined based on the quantity of payable copper times the actual sales price, if established in advance, or based on the London Metals Exchange indicative price at the expected date of out turn by the refinery.

Proceeds from the sale of silver and molybdenum are considered by-product revenues and are credited to mine site 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**  
**NINE MONTHS ENDED JUNE 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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  
NINE MONTHS ENDED JUNE 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**1.14 Financial Instruments and Other Instruments**

None.

**1.15 Other MD&A Requirements**

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

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

Not applicable.

**TASEKO MINES LIMITED**  
**NINE MONTHS ENDED JUNE 30, 2005**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**1.15.2 Disclosure of Outstanding Share Data**

The following details the share capital structure as at August 12, 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				103,442,316
Share purchase option	September 29, 2006	\$ 0.55	1,740,000	
	September 20, 2005	\$ 0.81	15,000	
	September 20, 2005	\$ 1.40	100,000	
	September 20, 2005	\$ 1.65	35,000	
	September 20, 2006	\$ 1.40	3,530,500	
	September 29, 2006	\$ 1.36	1,970,000	
	September 26, 2006	\$ 1.50	10,000	
	September 28, 2007	\$ 1.15	<u>1,125,000</u>	8,525,500
Warrants	January 8, 2006	\$ 0.40	375,000	
	December 31, 2005	\$ 0.75	3,863,332	
	September 28, 2006	\$ 1.40	8,000,000	
	September 18, 2006	\$ 1.66	<u>5,204,361</u>	17,442,693
Convertible Debenture, Boliden Westmin (Canada) Limited	July 21, 2009	\$ 4.64	3,872,437	3,872,437
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

NINE MONTHS ENDED JUNE 30, 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)

	June 30 2005	September 30 2004
		(restated - note 3(f))
<b>Assets</b>		
<b>Current assets</b>		
Cash and equivalents (note 3(a))	\$ 23,072,029	\$ 14,892,947
Accounts receivable	7,755,382	2,766,184
Advances to related parties (note 12)	–	194,857
Concentrate inventory	4,181,817	–
Supplies inventory	2,993,966	–
Prepaid expenses	1,546,151	210,015
	39,549,345	18,064,003
<b>Prepaid lease payments</b> (note 5)	4,531,028	–
<b>Property, plant and equipment</b> (note 5)	9,103,896	26,982,979
<b>Reclamation deposits</b> (notes 3(f), 4, 6(a) and 6(d))	18,228,081	17,647,056
<b>Promissory note</b> (note 6(f))	69,398,987	68,172,380
	<b>\$ 140,811,337</b>	<b>\$ 130,866,418</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Operating line of credit (note 7)	\$ –	\$ 1,857,740
Accounts payable and accrued liabilities	11,383,615	14,578,172
Advances from related parties (note 12)	72,611	–
Current portion of vehicle loans (note 7)	212,068	–
Income taxes (note 10)	23,744,000	23,744,000
	35,412,294	40,179,912
<b>Vehicle loans</b> (note 7)	236,589	–
<b>Royalty obligation</b> (note 6(f))	68,545,031	67,357,000
<b>Deferred revenue</b> (note 6(f))	1,618,750	1,750,000
<b>Site closure and reclamation costs</b> (notes 3(f) and 9)	11,201,500	10,420,000
	117,014,164	119,706,912
<b>Shareholders' equity</b>		
Share capital (note 8)	159,955,292	150,481,429
Convertible debenture (note 8(c))	21,382,728	20,577,225
Tracking preferred shares (note 4)	26,641,948	26,641,948
Contributed surplus (note 8(f))	5,675,144	4,947,588
Deficit	(189,857,939)	(191,488,684)
	23,797,173	11,159,506
Nature of operations (note 1)		
Commitments (notes 5, 6 and 7)		
Subsequent events (note 13)		
	<b>\$ 140,811,337</b>	<b>\$ 130,866,418</b>

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors

/s/ Ronald W. Thiessen

/s/ Jeffrey R. Mason

Ronald W. Thiessen  
Director

Jeffrey R. Mason  
Director

# TASEKO MINES LIMITED

## Consolidated Statements of Operations

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended June 30		Nine months ended June 30	
	2005	2004 (restated - note 3(f))	2005	2004 (restated - note 3(f))
<b>Revenue</b>	\$ 32,292,944	\$ –	\$ 57,722,140	\$ –
<b>Minesite operating costs</b>	(14,753,091)	–	(38,223,091)	–
<b>Treatment and transportation costs, net</b>	(6,691,473)	–	(10,539,176)	–
<b>Amortization and accretion</b>	(581,725)	(237,044)	(1,491,731)	(711,134)
	10,266,655	(237,044)	7,468,142	(711,134)
<b>Expenses</b>				
Exploration	6,634	3,939,477	50,375	6,313,507
Foreign exchange	(33,192)	–	(338,795)	–
General and administration	555,142	911,253	1,615,838	2,232,396
Interest and other income	(1,543,153)	(228,670)	(9,212,869)	(689,358)
Royalty expense	1,023,593	–	3,070,779	–
Premium paid for acquisition of Gibraltar Reclamation Trust Limited Partnership	–	–	–	5,095,249
Restart project	–	–	6,958,018	–
Stock-based compensation (note 8(d))	170,310	1,526,084	727,556	3,137,066
	179,334	6,148,144	2,870,902	16,088,860
<b>Earnings (loss) before the following</b>	10,087,321	(6,385,188)	4,597,240	(16,799,994)
Gain (loss) on sale of equipment	–	–	(2,160,992)	–
<b>Earnings (loss) for the period</b>	\$ 10,087,321	\$ (6,385,188)	\$ 2,436,248	\$ (16,799,994)
<b>Earnings (loss) per share</b>				
Basic earnings (loss) per common share (notes 3(j) and 8)	\$ 0.10	\$ (0.08)	\$ 0.02	\$ (0.25)
Diluted earnings (loss) per common share (notes 3(j) and 8)	\$ 0.08	\$ (0.08)	\$ 0.01	\$ (0.25)
<b>Weighted average number of common shares outstanding</b>				
Basic	103,137,700	84,210,353	98,890,529	71,383,512
Diluted	129,460,509	84,210,353	129,460,509	71,383,512

## Consolidated Statements of Deficit

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended June 30		Nine months ended June 30	
	2005	2004	2005	2004
<b>Deficit, beginning of period</b>				
As originally reported	\$ (199,676,759)	\$ (131,858,640)	\$ (202,711,632)	\$ (121,069,356)
Adjustment for asset retirement obligation (note 3(f))	–	11,349,864	11,222,948	11,463,569
<b>As restated</b>	(199,676,759)	(120,508,776)	(191,488,684)	(109,605,787)
Earnings (loss) for the period	10,087,321	(6,385,188)	2,436,248	(16,799,994)
Accretion expense on convertible debenture	(268,501)	(244,091)	(805,503)	(732,274)
<b>Deficit, end of period</b>	\$ (189,857,939)	\$ (127,138,055)	\$ (189,857,939)	\$ (127,138,055)

See accompanying notes to consolidated financial statements.

# TASEKO MINES LIMITED

## Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended June 30		Nine months ended June 30	
	2005	2004 (restated - note 3(f))	2005	2004 (restated - note 3(f))
<b>Cash provided by (used for)</b>				
<b>Operating activities</b>				
Earnings (loss) for the period	\$ 10,087,321	\$ (6,385,188)	\$ 2,436,248	\$ (16,799,994)
Items not involving cash				
Loss (gain) on sale of equipment	–	–	2,160,992	–
Accrued interest on reclamation deposits	(392,595)	(106,989)	(581,025)	(389,900)
Accrued interest on promissory note	(1,040,567)	–	(3,109,355)	–
Amortization and accretion	581,567	237,044	1,491,731	711,134
Royalty expense	1,023,593	–	3,070,779	–
Stock-based compensation	170,310	1,526,084	727,556	3,137,066
Acquisition premium paid for Gibraltar Reclamation Trust Limited Partnership	–	–	–	5,095,249
Shares issued for loan guarantee	–	450,000	–	450,000
Deferred revenue	(43,750)	–	(131,250)	–
Changes in non-cash operating working capital				
Accounts receivable and prepaids	(3,720,477)	62,363	(6,325,334)	769,542
Inventories	2,372,956	(20,247)	(7,175,783)	(35,568)
Accounts payable and accrued liabilities	1,068,216	1,505,315	(3,194,557)	715,585
	10,106,574	(2,731,618)	(10,629,998)	(6,346,886)
<b>Investing activities</b>				
Deposit on property, plant and equipment	–	(8,472,457)	–	(10,833,626)
Purchase of property, plant and equipment	(1,372,995)	(30,432)	(7,059,851)	(59,097)
Proceeds received on sale of property, plant and equipment	–	–	22,067,711	–
Reclamation deposits	–	–	–	(401,311)
	(1,372,995)	(8,502,889)	15,007,860	(11,294,034)
<b>Financing activities</b>				
Bank operating loan	(1,432,719)	1,509,289	(1,857,740)	(484,107)
Advances from related parties	(35,133)	(800,455)	267,468	(232,389)
Advances from Gibraltar Reclamation Trust Limited Partnership	–	–	–	17,097,792
Vehicle loans	(51,413)	–	448,657	–
Common shares issued for cash, net of issue costs	345,495	1,417,548	9,473,863	18,155,039
Prepaid treatment and refining	528,410	–	–	–
Prepaid lease payments	–	–	(4,531,028)	–
	(645,360)	2,126,382	3,801,220	34,536,335
<b>Increase (decrease) in cash and equivalents</b>	8,088,219	(9,108,125)	8,179,082	16,895,415
Cash and equivalents, beginning of period	14,983,810	28,427,761	14,892,947	2,424,221
<b>Cash and equivalents, including restricted cash of \$5 million (note 3(a)), end of period</b>	\$ 23,072,029	\$ 19,319,636	\$ 23,072,029	\$ 19,319,636

Supplementary cash flow disclosures (note 11)

See accompanying notes to consolidated financial statements.

# TASEKO MINES LIMITED

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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 June 30, 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, however, for the first nine months of 2005, the Company had net earnings of approximately \$2.4 million. Management recognizes that the Company must continue to maintain profitable operations and/or 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 maintain 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.

# TASEKO MINES LIMITED

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

### (b) *Revenue recognition*

Revenue from copper in concentrate sales is recorded when the title is transferred to the customer. At that time copper concentrate sales are provisionally priced equal to the average price of copper over the previous month. Revenue is subject to adjustment upon final settlement of shipment weights, assays and actual realized copper prices.

For copper in concentrate sales, whereby a fixed copper price has not been set, revenue from period to period is adjusted to the lower of the provisional price and the quoted copper market price on the London Metals Exchange based on five months from the date of the transfer of concentrate title to the customer. Upon fixing the copper price the sales revenue price adjustment is finalized.

Sales of silver, as a byproduct, are credited to operating costs on the same time frames as copper concentrate and priced five months after transfer of title.

Sales of molybdenum, as a byproduct, are credited to operating costs on the date of transfer of title and priced at the average price of the ensuing month.

### (c) *Inventory*

Copper concentrate inventory is reported at the lower of (i) cost, (ii) budgeted cost and (iii) net realizable value, and excludes molybdenum byproduct credits. Molybdenum inventory is costed at zero.

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 amortized using the units of production method based on estimated tons mined and milled

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respectively. Amortization 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 over the estimated life of the property, or written off to operations if the property is abandoned, allowed to lapse, or if there is little prospect of further work being carried out by the Company 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.

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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 nine months ended June 30, 2004, adoption of HB3110 resulted in an increase in accretion of site closure and reclamation costs of \$710,455, decrease in amortization of \$541,139 and a decrease in opening deficit at October 1, 2003 of \$11,463,569.

(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

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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 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) *Earnings per common share*

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

Diluted earnings (loss) per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings 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.

(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 June 30, 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

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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 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.

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## 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.

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:

<b>Assets acquired</b>	<b>Amount</b>
Property and equipment	\$ 8,488
Reclamation deposit	175,000
Mineral property interests	<u>28,811,296</u>
	<u>\$ 28,994,784</u>
<b>Consideration given</b>	
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, currently at \$4.14. 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

<b>Equipment - Prosperity and Harmony Properties</b>						
	June 30, 2005			September 30, 2004		
	Cost	Accumulated Depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Field	\$ 11,879	\$ 10,947	\$ 932	\$ 11,879	\$ 10,677	\$ 1,202
Computer and office	15,172	14,466	706	15,172	14,262	910
<b>Total Prosperity and Harmony Properties</b>	<b>\$ 27,051</b>	<b>\$ 25,413</b>	<b>\$ 1,638</b>	<b>\$ 27,051</b>	<b>\$ 24,939</b>	<b>\$ 2,112</b>
<b>Plant and equipment - Gibraltar Mine</b>						
	June 30, 2005			September 30, 2004		
	Cost	Accumulated Depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings and equipment	\$ 6,059,681	\$ 790,552	\$ 5,269,129	\$ 5,931,580	\$ 492,030	\$ 5,439,550
Mine equipment	10,269,824	3,020,510	7,249,314	32,458,793	2,544,160	29,914,633
Plant and equipment	4,397,173	892,005	3,505,168	975,493	666,369	309,124
Vehicles	916,288	252,731	663,557	198,519	115,426	83,093
Computer equipment	853,729	265,015	588,714	101,162	90,040	11,122
<b>Total Gibraltar mine</b>	<b>\$ 22,496,695</b>	<b>\$ 5,220,813</b>	<b>\$ 17,275,882</b>	<b>\$ 39,665,547</b>	<b>\$ 3,908,025</b>	<b>\$ 35,757,522</b>
<b>Net asset retirement obligation adjustment</b> (note 3(f))						
<b>Mineral property interests</b> (note 6)						
<b>Property, plant and equipment</b>						

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 \$18.2 million at June 30, 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

	June 30, 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
	<b>\$ 3,000</b>	<b>\$ 3,000</b>

### (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

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fiscal 2001 and 2002 (which has been paid) and a second payment of US\$0.9 million upon 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 was the commissioning and the operating of the mine in addition to other aspects of mine operations, including drilling, blasting, loading and hauling of ore and waste as well as the recruitment of personnel and the maintenance of equipment and facilities. Ledcor contributed to the joint venture its own mine equipment and purchased or leased additional equipment as necessary. Taseko contributed 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

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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.

(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

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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.

(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 \$1,618,750 remaining as deferred as at June 30, 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

# TASEKO MINES LIMITED

Notes to Consolidated Financial Statements

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have released to it funds held under the promissory note and interest thereon to fund its royalty obligations to the extent of its royalty payment obligations.

The Company has a pre-emptive option to effectively purchase (“call”) the royalty interest by acquiring the Red Mile partnership units at a future date in consideration of a payment 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.

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## 7. Operating line of credit and vehicle loans

The Company had 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. All amounts owing were paid off in the quarter and subsequent to June 30, 2005, the line of credit was cancelled.

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	\$ 52,041	\$ 214,715	\$ 132,965	\$ 48,936	\$	448,657
Interest	6,704	20,267	9,663	978		37,612
Total	\$ 58,745	\$ 234,982	\$ 142,628	\$ 49,914	\$	486,269

Of the above vehicle loan total principal amounts of \$448,657, \$212,068 is current while \$236,589 is due after one year.

# TASEKO MINES LIMITED

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## 8. Share capital

### (a) Authorized

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

### (b) Issued and outstanding

Common shares	Number of Shares	Amount
<b>Balance, September 30, 2003</b>	<b>53,880,973</b>	<b>\$ 99,446,319</b>
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
<b>Balance, September 30, 2004</b>	<b>94,767,619</b>	<b>\$ 150,481,429</b>
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 \$0.38 per share	20,000	7,600
Share purchase options at \$0.40 per share	22,500	9,000
Share purchase options at \$0.55 per share	610,000	335,500
Share purchase options at \$0.81 per share	30,000	24,300
Share purchase options at \$1.36 per share	270,000	367,200
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	2,163,336	1,622,502
Private placement at \$1.45 per share, net of issue costs	5,204,361	6,993,961
<b>Balance, June 30, 2005</b>	<b>103,262,316</b>	<b>\$ 159,955,292</b>

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(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 June 30, 2005). BWCL's purchase of the convertible debenture was receivable as to \$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.

	Nine months ended June 30, 2005	Year ended September 30, 2004
Present value of convertible debenture		
Beginning of period	\$ 10,754,763	\$ 9,777,058
Accretion for the period	805,503	977,705
End of period	11,560,266	10,754,763
Conversion right	9,822,462	9,822,462
Convertible debenture	\$ 21,382,728	\$ 20,577,225

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	June 30, 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

(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 nine month period ended		For the years ended September 30,			
	June 30,		2004		2003	
	2005		2004	2003	2003	2003
	Number of shares	Average Price	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	1,125,000	1.15	8,855,500	1.12	770,000	0.41
Exercised during the period	(1,127,000)	0.76	(4,898,000)	0.50	(40,000)	0.50
Expired/cancelled during period	(70,000)	1.49	(15,000)	1.36	(190,000)	0.50
Closing balance	8,555,500	\$ 1.18	8,627,500	\$ 1.13	4,685,000	\$ 0.48
Contractual remaining life (years)		1.62		1.93		1.03
Range of exercise prices	\$0.25-\$1.65		\$0.25-\$1.65		\$0.25-\$0.50	

As at June 30, 2005, 7,740,500 of the options outstanding had vested with optionees.

Subsequent to June 30, 2005, to July 31, 2005, a total of 30,000 options were exercised for gross proceeds of \$7,500.

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,

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the estimated fair value of all options granted during the period have been reflected in the statement of operations as follows:

	Nine months ended June 30, 2005	Year ended September 30, 2004
<b>Total compensation cost recognized in operations, credited to contributed surplus</b>	<b>\$ 727,556</b>	<b>\$ 5,172,244</b>

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

Risk free interest rate	3%
Expected life	2.6 years
Volatility	92%
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 June 30, 2005
January 8, 2006	\$0.40	375,000	–	–	–	375,000
December 31, 2005	\$0.75	6,226,668	–	(2,163,336)	–	4,063,332 <sup>(i)</sup>
March 10, 2005	\$2.25	3,900,000	–	–	(3,900,000)	–
September 28, 2006	\$1.40	8,000,000	–	–	–	8,000,000 <sup>(ii)</sup>
September 18, 2006	\$1.66	–	5,204,361	–	–	5,204,361
		18,501,668	5,204,361	(2,163,336)	(3,900,000)	17,642,693

- (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 June 30, 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.

Subsequent to June 30, 2005, to July 31, 2005, a total of 100,000 warrants were exercised for gross proceeds of \$75,000.

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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))	727,556
Contributed surplus, June 30, 2005	\$ 5,675,144

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## 9. Site closure and reclamation obligations

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

	<b>Nine months ended June 30, 2005</b>	<b>Nine months ended June 30, 2004</b>	<b>Year ended September 30, 2004</b>
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	781,500	710,455	947,273
Balance, end of period	\$ 11,201,500	\$ 10,183,182	\$ 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 \$18.2 million at June 30, 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)
<b>Future income tax asset</b>	<b>\$ –</b>	<b>\$ –</b>

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. 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, 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:

	June 30, 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))	805,503	977,705	888,823
Fair value of stock options allocated to shares issued on exercise (note 8(f))	—	290,000	—
	June 30, 2005	September 30, 2004	September 30, 2003
<b>Supplemental cash flow information</b>			
Cash paid during the period for			
Interest	\$ 174,020	\$ 49,294	\$ 101,942
Taxes	\$ 554	\$ 45,352	\$ 6,135

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## 12. Related party transactions and advances

<b>Transactions</b>	Nne months ended June 30, 2005	Year ended September 30, 2004
Hunter Dickinson Inc.		
Services rendered to the Company and its subsidiaries and reimbursement of third party expenses (a)	\$ 645,938	\$ 806,970
Hunter Dickinson Group Inc.		
Consulting services rendered to the Company (b)	\$ 9,600	\$ 12,800
Tom Milner Enterprises Inc.		
Consulting services rendered to the Company (c)	\$ 136,672	\$ 115,155
<b>Advances</b>	June 30, 2005	September 30, 2004
Advances to (from) (d)		
Hunter Dickinson Inc. (a)	\$ (69,187)	\$ 198,281
Hunter Dickinson Group Inc. (b)	(3,424)	(3,424)
Advances to (from) related parties	\$ (72,611)	\$ 194,857

- (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.

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## **13. Subsequent events**

Subsequent to June 30, 2005, to July 31, 2005:

- (a) 30,000 options were exercised for gross proceeds of \$7,500 (note 8(d)).
- (b) 100,000 warrants were exercised for gross proceeds of \$75,000 (note 8(e)).