Taseko Mines
Moderator: Brian Bergot
November 13, 2009

Operator: Good day everyone and welcome to the Q3 2009 Taseko Mines Earnings conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Brian Bergot; please go ahead, sir.

Brian Bergot: Thank you, Robbie. Good morning ladies and gentlemen and welcome to Taseko Mines Third Quarter 2009 Results conference call. My name is Brian Bergot and I am the Investor Relations Manager for Taseko. With me today in Vancouver is Russ Hallbauer, President and CEO of Taseko, Peter Mitchell, Taseko's Chief Financial Officer and John McManus, Senior Vice President, Operations.

After opening remarks by management which will review third quarter business and operational results we will open the phone lines to analysts and investors for a Q&A session.

I would also like to remind our listeners that our comments and answers to your questions may contain forward looking information. This information by its nature is subject to risks and uncertainties that may cause the stated outcome to differ materially from the actual outcome. Please refer to the bottom of our latest news release for more information.

I will now turn the call over to Russ for his remarks.

Russ Hallbauer: Thank you, Brian. Good morning everyone; thank you for joining us today to discuss our third quarter financial and operating results for Taseko.

In the quarter ending September 30, 2009, we achieved $9.4 million of operating profit and earnings before tax and other items of $4.7 million and while the third quarter was affected by the geotechnical issue we encountered in the Granite Git, we're extremely pleased with the nearly $33 million of operating profit we have generated over the first nine months of this year. In sitting here last year at this time and thinking we'd have results like that, that we achieved was basically unthinkable.

The third quarter we reported in early October was affected by the incurring of some unconsolidated material into our working areas which affected our access to our mining spaces and caused us to deviate from our mine plan. These lower grades were problematic for us in a number of ways. First, recovery. Recovery is usually directly related to head grade. In simplistic terms it is harder to recover lower grade material. In our case, we were forced to mine areas where the grade was approximately 20% below our mine average.

Attendant with this fact was the fact that we were and still are in the process of integrating our new power regrind mill into our concentrator system. Under steady state operating parameters, optimizing the new mill is a challenge in itself. And with the drop in head grade it became that much more difficult.

Gibraltar is now back mining at average head grades, and we're continuing to work on optimizing our new tower mill into the system. We're stripping back at life of mine average strip ratios and we believe that all things being equal, with operating efficiencies, proper recovery profiles and a steady US Canadian dollar exchange, we should be able to maintain mine site cash costs of roughly US$1 per pound.

Our construction crew continues on our capital improvements, particularly focused on our new pressure conveyor system, the tailing pumping system and a concentrate filter system. We have approximately C$14 million in capital expenditures remaining to be spent on these initiatives with the crusher conveyor scheduled to be complete in February, the tailings in March and the filter system in June of next year.

Completion of each one of these components of our capital campaign will add additional production capacity and reduce our operating costs. In addition as I alluded to last quarter, we are nearly finished the engineering design for a new SAG mills stock pile feed system. And we expect that system to be built and operational by the fourth quarter of 2010. This new SAG feed project when complete will give us two crushing systems which will increase our flexibility and which we will save roughly C$3 to C$4 million in operating costs annually. We will continue to ramp up our production as each of these components becomes operational and integrated into our operational circuits.

Looking forward we have an exciting year in front of us, wrapping up our projects at Gibraltar and achieving our nominal 115 million pound per year operating target.

Our recent upgrade of the Prosperity reserves is extremely positive for all our shareholders. And with the environmental assessment field report the British Minister shortly we will begin the work on preparing for mine permitting as we await the final review from the federal panel. It should be understood that mine permitting is the responsibility of the province and we will move forward on that once we understand the conditions of our environmental review.

As well another exciting aspect of our company will be the commencement of the feasibility work in the first quarter of 2010 on our 3 million ounce Harmony project located in the Queen Charlotte Islands, British Columbia. With our engineering work nearly completed on Prosperity, we can now turn our focus to Harmony and start working on locking the value of this other body for our shareholders.

So to summarize, our balance sheet is in great shape, our mining operations are performing as we've envisioned and we're continuing to move down our optimization and growth path. We are working actively on our Prosperity project, looking forward to getting on with building a mine, and we are extremely excited about the opportunity that Harmony will play with this company in this new (gold) price environment.

I'd like to now turn the call over to Peter to speak about our financial results.

Peter Mitchell: Thanks Russ. I'm pleased to be able to report the results for the quarter ended September 30 2009. While we were met with a significant operational issue in the mine, the cost and operational ground work laid in the prior three quarters preserved margin along with continued favorable copper pricing.

A few specific comments on the September 30 balance sheet; cash stood at $41.6 million at September 30 as compared to $4.6 million at year end as a result of our turn debt facility placed in February and augmented at the end of the third quarter with the $20 million increase netted against the repayment of our operating line in the completion of the $30 million buy back of our convertible.

Financial activities included adding $20 million to our turn debt facility by bringing Investec Bank into the facility and a $6.5 million royalty. Terms and covenants for the term debt are similar to the original facility. The issue of these funds as Russ suggested is to complete the mining mill capital project and bring the mill to 55,000 tons per day. The ability of Taseko to complete this debt financing represents a strong endorsement by the sales stressed banking sector of the quality of the Gibraltar mines and its management team.

Under the income statement, Taseko's revenue for the quarter ended September 30 2009 was $40.1 million compared to 57.6 for the same quarter a year ago. The 30% reduction in 2009 was driven by the reduced production during the quarter and the lower realized copper price in the 2009 quarter.

In contrast, the nine month copper sales were 6 million pounds or 14% higher than the same period in 2008. The cap pricing on the copper hedge was surpassed during the quarter resulting in a realized loss on derivative instruments of $3.6 million for the quarter.

Reflecting this adjustment in the average realized copper price for the quarter of 265 per pound reduces the amount to $2.39 per pound. Cost of sales for the third quarter was $29.1 million as compared to $50.4 million for the quarter ended September 30 2008 representing a 42% reduction in cost due to cost containment initiatives implemented over the past 10 months as well as lower input costs.

Non production expenses for the quarter ended September 30 2009 totaled $4.7 million compared to $6.9 million for the same quarter last year. Items of note include a $3.1 million foreign exchange gain related to translation of US dollar denominated liability. This is a non-cash item. Additionally our copper hedge was in place for all of the third quarter and required payments of $3.6 million due to copper prices exceeding the cap of $2.36 per pound.

Our hedge position has been maintained to May 2010, however the cap steadily rises from January to US $2.73 per pound. We intend to continue evaluating our copper exposure on a regular basis to determine a prudent follow on course of action. The mark to market unrealized portion of hedge at quarter end resulted in non-cash expense of $8.8 million. Interest expense was $700,000 higher for the quarter versus last year because of turn debt facility interest expense.

The income tax recovery book totaled $1.8 million for the third quarter of 2009 and resulted in effective income tax rate of 44%. During the quarter we made some adjustments to true up our accounting records to our tax return. If these adjustments were removed our effective tax rate would have been 30% in line with the statutory tax rate in Canada. The three month operating profit result was $9.4 million as compared to $5.2 million for the same period as last year.

The net loss of $2.3 million for the current quarter reverses to net income of $6.5 million or 4 cents per share with the add back of the non-cash expense of $8.8 million of unrealized loss on derivative instruments.

Year to date basic earnings per share are 7 cents in 2009 and 14 cents when the unrealized loss of derivative instruments is added back as compared to 20 cents last year to date.

In conclusion the September quarter end has the balance sheet repositioned to complete the build out of Gibraltar and build on the momentum established in the first half of the year. Solid operating margins and liquidity positions provide evidence that the impact of cost - effective cost management with improving copper pricing providing additional tail wind. Downside protection remains in place with our hedge position, managing our margin cash flow and liquidity position will continue to support our growth strategy process.

Operator: That does conclude today’s call, thank you for your participation.

END