

TASEKO MINES
Moderator: Brian Bergot
August 13 2008

Note: All dollar amounts are expressed in Canadian dollars unless otherwise stated.

Operator: Good day, ladies and gentlemen and welcome to the third quarter 2008 Taseko Mines earnings conference call. My name is Teresa, and I'll be your coordinator today.

This call is being recorded. At this time, all participants are in a listen-only mode. We will conduct the question-and-answer session toward the end of this conference.

At this time, I would like to turn the call over to Mr. Brian Bergot, Investor Relations. Please go ahead, sir.

Brian Bergot: Thank you, Teresa. Good morning, ladies and gentlemen and welcome to Taseko Mines third quarter 2008 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; and Bernard Tan, CFO of Hunter Dickinson and Interim Principle Accounting Officer for Taseko.

After opening remarks by management, which will review third quarter business and operational results, we'll open the phone lines to analysts and investors for question-and-answer 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, President and CEO

Thank you, Brian. Good morning everyone. Thank you for joining us today to discuss Taseko's third quarter 2008 results.

My comments today will give more operating details than prior calls. So everyone can get greater insight in the company, in relations to our profitability as well as our costs as we move aggressively on our business plan.

The company generated sales revenue this quarter of \$53.2 million resulting in an operating profit of \$16 million, generating after tax earnings of three cents per share. For nine months we've generated \$166 million in revenue yielding 36.3 million in earnings.

Our profitability this quarter was severely affected by the 16 day concentrator shutdown in May caused by the failed SAG mill transformer. First, I would like to say we now have the spare transformer onsite.

We'd always anticipated having one but the time between original installation and the failure was so short that we did not have the backup system yet in place. We've mitigated any potential shutdown in the future if a similar situation were to occur.

In fact, we attempt to rectify and identify as part of our risk management program all critical operational items that would cause significant downtime and always have critical spares in hand or easily source to minimize such down turn and try to keep any major down turning to, under 36 hours of production time.

Our critical spare inventory runs into the many hundreds of thousands of dollars and is in place to avoid the serious production losses that can occur, such as a transformer failure.

It should be pointed out though that one of the risk, but single segment line is if something happens beyond our control. Production ceases until repair is expedited. As a consequence of this our engineering availability was originally estimated to be 92.5 percent in our original design and we are budgeting in our plans going forward at 90 percent to accommodate any downtime issues that may relate to the above situation that I refer to you with the SAG mill transformer.

Our SAG mill is capable of grinding over 55,000 tons a day as we speak, but the normal interim which we speak about is 46,000 tons per day, allowing for the up and downtime.

In the planning process going forward, we will minimize any significant production losses and certainly when we have our second SAG mill up and operating in 24 months. That will provide us increase flexibility, another grinding line and increase production capacity.

I would like now briefly to speak about earnings. Certainly when we are growing the company as we have, we as management want to see progressive earnings growth like we have achieved over the last 14 quarters. However, having said that, I want to reiterate how we're running this company and how we will make strategic decisions that will maximize value going forward even in expense of lower near-term earnings.

To illustrate that point, I'd like to speak briefly about what our operating philosophy in this regard is and how it relates to this quarter. In a normal operating environment when we have 16 days of production like we did in May which equates to 16 days of revenue, when we reduce expenses to compensate for the reduction in revenue. That would mean having temporary layoffs, reduce purchasing, stock mining, and other aspects of the operation to maintain profitability in relation to earnings.

In the circumstances where we find ourselves because of our expansion which is occurring both in the mine and concentrator, we need to keep pushing forward on those activities that will bear good results in the month ahead. That means that wouldn't have been prudent for us to stop working because the concentrator was down and not producing copper.

If I remember 15 months ago, because of the shortage of tires, we were running only seven out of our 11 haul trucks and at some point, those short falls will catch up and hamper the ability of the mine to feed the concentrator under normal operating conditions.

But today, we have a much different story. 12 months ago, we were mining 8.9 million tons a quarter. Today, we're mining over 12 million tons a quarter and getting higher, even higher tonnages in the quarter ahead. So instead of reducing our cost and maintaining earnings we have invested \$0.25 per pound in additional waste stripping to ensure ore release can continue seamlessly as we expand our concentrator throughput.

Similarly, we accelerated maintenance work in the concentrator. Work that needed to be done over the next four to six months and this added cost was approximately \$0.13 a pound. As well, we moved up the SAG mill liner replacement to this quarter and it cost \$0.05 per pound, while the SAG mill was down with the failure to avoid future downtime in the first quarter.

These initiatives added over five million to our cost and reduced our quarterly earnings by approximately \$0.04 per share. If you add our metal production losses from molybdenum and copper because of the concentrator down, a further five cents per share was loss from normalized quarterly earnings at historical production rates. So, I wanted to illustrate that, so that everyone could understand.

The focus of our business from our perspective at this juncture is operating profit and cash flow, exclusive of working capital adjustments.

Over the past few years, when we issued quarterly results, we have compared them to how we have performed in the similar quarter in the previous year and I like to put these comparisons in perspective so

there is a clear understanding of opportunities looking forward, in relation to where we've been in the past.

In Q3 2008, we mined 3.1 million tons more material than in Q3 2007; producing the same amount of copper even though we are down for 16 days. We milled 100,000 tons more in ore and would have milled the further 600,000 tons of ore if the transformer failure had not occurred. These are significant changes.

While milling and grinding rates are growing, the integration in the various circuits is taking longer than we thought and this is in turn affecting our recoveries for both copper and moly, which were 80 percent in the quarter versus our expectations of the mid 80s.

What I am trying to illustrate to everyone in the comparison from Q3, 2007 to Q3, 2008 is the opportunities that still exist for our operation. Copper recoveries will be achieved once we fully stabilize and integrate all the circuits and we will be in the higher 80s. Moly recoveries will return to 40 percent and when our new circuit is build by the following next year approach 60 percent.

It's just a matter of time and effort by our operating teams. This is an iterative process. We presently have the SAG mill performing very well in terms of grinding rates and we are integrating the downstream ball mills.

Achieving our maximum operating capacity is complicated by the new additions of the recovery system on a quarterly basis as we tie in new and improved circuits. Yesterday, for example we tied in a new block of O&K cleaner shells as part of the phase II expansion. No doubt when we fire this up in the next two or three days we will face some challenges.

Phase II is on budget. And you will notice that in our MD&A, we illustrated that the time for completion would be February 2009. This time has been changed by six weeks from our original projection of the end of 2008, as a result of scope changes that we incorporated to tie into the phase III expansion.

Stepping to the corporate side of the business. We have purchased and have purchase agreements in hand for all our mining and milling equipment with secured delivery schedules. Without this equipment all our work up to date would be for not.

We are working and monetize in our molybdenum stream to reach cash for expansion plans or other activities. We are in the debt market and are in discussion with major commercial banks for further financing for phase III expansion. We are releasing a new reserve update in Gibraltar's in mid September.

We are preparing for the Prosperity working group meetings in September in beginning of the EA and place order for long lead item anticipating receive and permanent next spring.

Our phase II, as I spoke about earlier is on scheduling expects – is on schedule and we expect our new molybdenum plant to be operational in mid-2009 going advance to the phase III construction schedule. We are out marketing prosperities concentrate in the world market and I have met with 12 different smelter groups in that regard. In final close you know weakening both the Canadian dollar and oil prices we'll have in effect on company revenue in cost increase in revenue and decrease in cost going forward.

I'd like to now turn the call over to Bernard, who can speak to those financing matters that I'm sure you all are interest in. Before I leave I would like to thank our shareholders that remain shareholders through these difficult times in the capital market. I would like to give you the assurances that management and operations group at this company committed to completing our growth plans in a cost effective and timely manner.

Bernard Tan, CFO of Hunter Dickinson and Interim Principle Accounting Officer for Taseko

Thank you, Russell. Before we go to the specifics of the 2008 third fiscal quarter, let's look at the bigger picture.

First, Taseko has reported 14 straight quarters of positive earnings and continues to generate strong cash flow from operations. Despite the loss of 68 of production time in the third quarter Taseko generate over 12 million in cash flow from operations excluding changes in non-cash working capital.

Second, Taseko continues to make significant investments in the Gibraltar's mine which will double production capacity with the near term goal of producing over 180 million pounds of copper cathode and copper in concentrate and 3.5 million pounds of molybdenum per year from the molybdenum updated mill, which will also reduce operating cost.

Third, Taseko remains financially strong with 73 million in working capital at June 30th of which 35 million is in cash. Further more Taseko has access to a U.S. \$30 million line of credit, which to date none has been drawn on. To note of the companies cash and equivalents on hand none of the money's are invested in asset back securities.

Fourth, capital project are on time and on budget and are funded by the Gibraltar mine. The strategic spending on our core asset that will generate predictable ongoing increasing cash in flows which will allow Taseko to finance future organic development projects such as the Gibraltar phase III expansion or pursue external opportunities.

Now turning to the balance sheet, I will summarize the highlight in millions of Canadian dollars.

Current assets decreased by approximately 9.5 million in the quarter, the decreased in mainly due to ongoing investments Taseko is making and expanding production capacity at the Gibraltar mine much place in free payment deposit with key suppliers to secure long lead time equipment.

All capital additions are finance out of operating cash flow and existing cash on hand. Mineral, properties, plant, and equipment are up by 13.9 million in the quarter. I just want to briefly some of the major organic and accretive investment Taseko is making in its 100 percent on Mineral properties, plants and equipment. Mineral expansion phase II and III 7.3 million, new production drill and shovel 11 million and inpit crusher 1.7 million, Gibraltar deferred exploration 3.3 million and acquisition of mineral claims surrounding Gibraltar mine 5.2 million.

One, building upon Gibraltar successful phase I expansion, phase II is currently on budget and on schedule for completion in early calendar 2009. Phase II will increased mill production by 20 percent from 46,000 tons per day, 255,000 tons per day.

As of June 30th, Taseko has incurred the 11.2 million on Phase II expansion of a budget of 40 million. Taseko also announced during the quarter that it will be proceeding with the Phase III expansion at Gibraltar.

We would commence during the quarter and the estimated time until the Phase III construction will be completed in the fourth quarter of 2010. The Phase III expansion will increase processing capacity by an additional 30,000 tons per day at an estimated capital cost of 350 million.

The key return of its approved capital plan is an expected return on investment of over 30 percent, payback in less than three years and a positive net present value of greater than 100 million.

Two, 12.7 million was spent to purchase mine site equipment, last quarter at 5.7 million comprising primarily of A, the Crusher project, 1.7 million for the quarter year-to-date incurred cost of 5.5 million of a budgeted 23.7. B, the production drill 1.1 million for the quarter year-to-date incurred cost of 3.1 million of a budget of 3.4, C, a new shovel 9.9 million for the quarter year-to-date incurred cost of 9.9 million of a budget 14.8.

Three, Taseko continues to drill and explore the Gibraltar's surrounding areas with the objective of expanding reserves. During the quarter, 3.2 million was expended compared to last quarter of 0.5 million on the granite and Gib East-West infill program and Gib North expansion program. Extending on to the lands where Taseko recently purchased Oakmont's net profit interest for five million by issuing one million shares and no cash.

Four, I would also like to note that in accordance we've generally expected accounting rules. For the quarter, Taseko seized capitalization of pre-stripping cost in the granite pit. In the first and second quarter of fiscal 2008, Taseko had capitalized approximately 20.8 million in pre-stripping cost.

The capitalized pre-stripping represents the future non-cash amortization cost over the 12 year life of the granite pit, which holds reserves with approximately 1.5 billion pounds of copper. Although, pre-stripping activity continued at granite pit in the current quarter, accounting rules determined that these cost should be expensed.

Taseko accounted for the pre-stripping activities, similar to Q1 and Q2 of this year, 10 million would have been capitalized or an increase to \$0.7 to earnings per share. Moving on to liabilities, current liability increased by 11.5 million in the current quarter, reflecting an increase in the current portion of future income taxes and accounts payable, all in normal course of operations and also relating to Gibraltar's expansion activity.

With respect to other loss in liabilities, long-term liabilities decreased from 182.4 million in Q2, 273.8 million in Q3, a decrease of 8.6 million over the quarter. This decrease is mainly to one reduction in convertible debt of 14.8 million as a result of NVI mining exercising its option to convert its debenture into 2.6 million common shares of Taseko.

Two, the decrease is offset by an increase of 5.6 million in future income taxes or FIT. The FIT increase is a result of timing differences or mill expansion activities and capital asset acquisitions that Taseko is able to claim for tax purposes.

First is recognition for accounting amortization, which effectively causes a deferral of current taxes. Furthermore, the company has recorded a tax receivable of 6.3 million in anticipation of the tax refunds from following its corporate tax returns.

Moving on to shareholders equity, shareholders equity continue to grow with an increase of 18.7 million since Q2 or an eight percent increase in one quarter and 101.5 billion since the beginning of the year or an increase of 62 percent in the first nine months of the fiscal year.

Moving to the statement of operations, net earnings after tax for Q3 was 3.8 million compared to 16.2 million in Q2. The decrease in net earnings is attributable to higher cost of sales as a result of several factors, which I will discuss in a few minutes.

Despite the challenges encountered in this quarter, Taseko was still able to generate positive cash flows from operations of 12.2 million or an equivalent of \$0.09 per share, after taking into account the same level of working capital as the prior quarter. This was our 14 straight quarter with positive earnings and cash flow from operations.

Moving on to line-by-line items analysis of the statement of operations. Revenue, copper revenue was 50.9 million for the quarter, up slightly by 0.5 million compared to Q3 in the prior year and down by 12.1 million compared to the prior quarter.

Copper sale prices for Q3 2008 average U.S. \$3.86 per pound on sales of 12.4 million pounds of copper. This compares to Q2 2008 average sale prices of U.S. \$3.63 per pound on sales of 16.4 million pounds and Q3 2007 sale prices of U.S. \$3.53 per pound on sales of 13.6 million pounds.

In short, despite lower production as a result of the transformer, Taseko's unhedged position has resulted in continued higher copper sale prices on a per pound basis? Similarly, Taseko has been able to realize higher moly prices on a per pound basis from its unhedged moly positions.

Despite lower production volumes with moly sales of 78,000 pounds for revenue of 2.3 million or U.S. \$33.57 per pound compared to U.S. \$33.17 in the prior quarter and US\$31.95 for the same period in the prior year.

Cost of sales, as previously mentioned cost of sales of US\$2.79 per pound of copper was significantly higher this quarter compared to US\$1.14 per pound for the same period in the prior year, due to the combination of several main factors. The (March) was 16 days of production due to the transformer failure contributed \$0.52 to the cost per pound of copper produce.

As Russ mentioned, higher waste stripping during production downtime contributed \$0.25 per pound. Accelerated maintenance during production downtime contributed \$0.13 per pound. Higher prices of consumable such as fuel, steel, explosive and reagents contributed \$0.26 per pound. Lower target copper recoveries contributed \$0.24 per pound. And also the U.S. versus Canadian dollar foreign exchange contributed \$0.23 per pound.

It is important to note that some of these additional cost incurred as a result of the 16 days of lost production time are non-recurring cost. Furthermore, the additional cost associated with accelerated stripping maintenance are higher for the quarter and our outside normal parameters because management maximized staff efficiency during the un-plan production shut down.

Most of these have normalized upon production resource. As increasing daily production rates are realized, as a result of the completion of phase I Gibraltar expansion, management anticipates it will be able to offset higher consumable prices by increasing metal recoveries and by improving economies of scale in production.

Management has also conservatively approved an insurance claim of \$1.3 million for the quarter against cost of sales to take into the account, insurance claims the company is receiving as a result of the transformer failure. Management is currently in the process of preparing and submitting these claims.

Depreciation in Q3 was 1.6 million versus Q2, 2008 at 1.1 and Q3, 2007 of 1.3. The increase is due to the commencement of amortization of capitalized stripping on the granite pit and the amortization of the commissioned SAG mill circuit equipment.

Moving onto total other expenses, total other expenses for the quarter was 6.8 million compared to 9.3 million for the same quarter last year and 5.7 million in Q2. The key items, I would like to highlight include, a decrease in non-cash interest expense and attrition as a result of the conversion of the NVI mining convertible debentures into 2.6 million common shares of Taseko.

Two, an increase in exploration cost mainly attributable to higher level of engineering activity at the Prosperity project in anticipation of proceeding with the environmental review.

Three, an increase in G&A cost as a result of higher levels of staff and activity associated with expansion activities and engineering for Prosperity. Taseko continuous to advanced and optimize for Prosperity gold-copper project. Prosperity has a positive feasibility study with reserves of 480 million tons, proposed to be mine by open-fit and using conventional mill processing very similar to Gibraltar. Projected annual production of 247,000 gold ounces and 108 million pounds of copper for 20 years is planned for Prosperity.

Incomes taxes, first the income tax line on the statement of operations refers to cash income tax paid to tax authorities. In Q2 of 2008 Taseko filed its 2007 corporate tax returns on time and was able to take advantage of certain accelerated tax deductions available. Resulting in a recovery of tax installments recognize in the current year totaling 6.3 million, this accounts for the income tax receivable recorded as a current asset on the balance sheet.

This income tax recovery is the result of tax deductions available to be claim on phase I and II Gibraltar expansions, which will allow Taseko to differ cash tax otherwise payable in later years.

Income tax recovery relating to Q3 statement of operations is above 0.4 million, which reflects the adjustment to actual tax falling positions for the quarter. The actual liability will only determine after the completion of the 2008 fiscal year and hence at this point it is an estimate.

Taseko is already working diligently to optimize tax deductions from capital additions deferred mine stripping cost and other initiatives in order to minimize the 2008 income tax expense and the resulting payable.

Future income taxes or FIT, last year the future income tax expense provision on the statement of operations, I would like to point that FIT is a non-cash item that estimates future tax expenses and/or recoveries due to timing differences and treatment for items or tax versus accounting purpose.

For instance, for tax depreciation deductions can be accelerated versus for accounting it is calculated on a unit of production or other basis. There are also other permanent differences such as share equity cost, which are deductible over five years for tax, whereas for accounting purposes we have netted out in shareholders equity.

For nine months ended June 30th, 2008, there was an FIT expense of 16.7 million, primarily drive from the company's ability to deduct accelerated tax CCA in excess of accounting depreciation. Resulting in an increase FIT liability and expense.

The current quarter FIT expense was 5.7 million in order to adjust to the year-to-date estimates. The deferral of potential taxes to the future is very positive for Taseko, as Canadian tax rates are schedule to incrementally decrease down from 30.5 percent to 26 percent by 2012. Furthermore, Taseko's internal organic and accretive projects provide a natural shield as one, the Gibraltar continued expansion provide a pool of assets available for accelerated tax deductions.

Two, Prosperity and Taseko's other exploration expenditures provide a resource space for further tax deductions in the future. And three, the company continues to further optimize its tax structure.

In conclusion, although the production shutdown as a result of the transformer failure materially impacted Taseko's financial performance for the current quarter, significant steps were made and are continued to be taken to increase shareholder value.

This includes one, a continued focus in organic accretive gold project such as the phase III expansion at Gibraltar whereby investments are being made to increase production capacity by over 50 percent, milling equipment are being amortized, an economy upscale are being achieved to lower production cost.

Two, the advancement and optimization of Greenfield project such as Prosperity. Three, the company strong financial base of 73 million in working capital at June 30th of which 35 million is in cash and also available access of a U.S. 30 million line of credit plus a history of 14 quarters of positive earnings and predictable ongoing cash flows from operation, well position to seek out the finance future organic development, as well as, create opportunities for corporate acquisition and strategic alliances. All of which will be accretive to Taseko enterprise value and shareholders. Thank you, Russell.

Russ Hallbauer: Thank you, very much ladies and gentlemen. Bye, bye.

Operator: That does conclude today's conference. Thank you for your participation. You may disconnect at this time.

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