

TASEKO MINES
Moderator: Brian Bergot
August 12, 2009

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

Operator: Good day ladies and gentlemen and welcome to the Second Quarter 2009 Taseko Mines Earnings conference call. My name is Brendan McNab and I'll be your coordinator for today. This call is being recorded. At this time, all participants are in a listen only mode. We will conduct a 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, Manager of Investor Relations. Please go ahead, sir.

Brian Bergot: Thank you, Brendan. Good morning, ladies and gentlemen and welcome to Taseko Mines Second Quarter 2009 Results conference call. My name is Brian Bergot and I am the Investor Relations Manger for Taseko.

Speaking on the call today will be Russ Hallbauer, President and CEO of Taseko who is dialed in from out of country; John McManus, Senior VP of Operations for Taseko; and Peter Mitchell, Taseko's Chief Financial Officer for both with me in Vancouver.

After opening remarks by management, which will review second quarter business and operational results, we will open the phone lines to analysts and investors for a 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: Thank you, Brian. Good morning everyone. Thank you for joining us today to discuss second quarter financial and operating results for Taseko.

In the quarter ending June 30, we're happy to report that we've achieved \$16.7 million of operation profit resulting in an after tax net earnings of \$11.7 million or seven cents per share. Peter Mitchell our CFO will speak more about the financial results later in the call.

Our second quarter operating profit of \$16.7 million is a significant improvement over the \$6.6 million we achieved in Q1/09 and reflects our ongoing operational performance improvements at Gibraltar, our cost containment initiatives and the strength in copper price.

In the first quarter of 2009, Taseko's average realized price was US\$1.61 per pound. In the second quarter LME prices have averaged US\$2.12 per pound and our realized price was US\$2.10 per pound.

Copper appears to be the metal that has rebounded the most since the lows of the past year and since July of this year has averaged roughly US\$2.46 per pound and recently traded up to \$2.81 per pound.

Obviously if these metal prices continue, we expect even better results going forward for the company. We're uncertain though about where copper prices may settle out. However, with the ongoing work on both our concentrator upgrade and expansion, we expect to continue to maintain healthy operating margins and increase earnings growth as we reduce our costs and increase our copper production over the next year.

Also, as indicated in our press release yesterday, we've been aggressively working on a business improvement plan. This initiative has highlighted over \$20 million in annual cost reduction savings and I stress annual savings, not one-time savings, that mine management are actively pursuing.

This \$20 million estimated annual savings against the backdrop of our annual copper production capacity should give insight into where we believe we can stabilize our long term cost structure.

To keep everything in perspective, we're managing our costs in relation to our net back margins, i.e., the price we sell copper for vis-à-vis our costs. In that light, with higher copper prices permitting us to step up waste stripping earlier than we originally planned as well as allowing us to undertake other initiatives that will set us up in the future in terms of more efficient and cost effective pit development, sequencing and access to our release. In essence what we're doing today will reduce our costs in the future.

Now most technical analysts will say that means the operating costs will rise and as a general rule that would be true. But as I spoke about earlier, with our business improvement initiatives, our projected recovery increases with addition of the new vertimill and additional scavenger flotation capacity and ultimately the processing of more ore to our SAG mill and concentrator, will offset the cost of the increasing strip ratio.

Generally, from management's perspective, in this business what happens in one quarter is relatively inconsequential in the broader picture as we do not run our business and our operations on a quarterly basis. We operate to increase earnings on a long-term basis in terms of years not weeks or quarters, which I'd like to stress to everyone listening today.

We are well positioned. In March when copper was US\$2 per pound I indicated that for every one penny increase in copper prices or cost reduction, Taseko generates roughly \$1 million Canadian in additional operating profit.

In March copper was US\$2 per pound. Today it is US\$2.75 per pound. Copper price alone will change our economic performance dramatically exclusive of everything else we have on the go.

So one shouldn't get distracted by small quarter-to-quarter fluctuations and cost of production as we're going to be operating Gibraltar for the next 25 years and that's a lot of quarters.

And changes will occur on a quarterly earnings based on how we wish to run the company. Those companies that try and manage through operations and expectations, I'm sure their earnings are likely in for a rude surprise sooner or later.

To give a quick update on Gibraltar, our vertimill installation is complete and we're in the process of early commissioning. This new regrind mill along with additional floatation capacity that I spoke about before will help us increase our metal recoveries.

The vertimill and new cell addition has come in on-time and on-budget and is a very important addition to our concentrator. Additional tailings pumping capacity work is nearing completion which will allow us to pump over 55,000 tons per day of tailings to our tailings pond.

We continue though to have a bottleneck on our crushing system, primarily associated with the feed chutes in our fine ore bin, units that were not designed for over 55,000 tons per day. So we need to rectify that issue moving forward.

We originally thought we would just put all the ore up to the 55,000 ton per day limit through the secondary crushing system that we have now in place and after we - and after we commission our input crusher and conveyor that that would continue to be the case that we would move forward on.

So we can now see that that is impractical. We've made the decision to build a new more cost effective stockpile system for in-pit crusher feed to our SAG mill. We expect to have this new system operating in mid-2010.

Going forward, we will have two systems. The present primary system will be idled and used as a backup. And as a result, we expect to save \$3 to \$4 million per year in maintenance costs by doing such.

Our new crushing system however will allow larger feed to the SAG mill which will negate the feed issues we now have and will allow us easily to gross that 55,000 tons per day.

Stepping on to the next item, I'd like to illustrate to our shareholders about a few things that are very important for you to understand. When I joined this organization in 2005, I set a path for this company out five to ten years. And every year we have laid out that path forward for everyone to see.

I'd just like to refresh everyone's memory. Our first order of business back in 2005 was Gibraltar. We wanted to increase our ore reserves. We wanted to upgrade our concentrator. We wanted to upgrade our mining fleet which would result in reduction of our cost base. And finally we wanted to build our management capabilities.

These were just a few of the high level initiatives we laid out for the foundation of a long-term growth strategy to build this company over a period of years.

During this time we have not enhanced short-term earnings at the expense of long-term value creation. We survived the quickest commodity drop of all time and we have returned to very good profit in a very short period of time. And we're continuing to move ahead with our plans.

We have continued to work for our shareholders on a consistent and methodical method. A shareholder should not be distracted by how the markets have valued our assets as opposed to the actual physical value of the nuts and bolts and reserves of this company, as that value will be unlocked as we move forward in the months and years ahead.

All we can do as management is run the business as efficiently and effectively as possible and the results ultimately speak for themselves.

I spoke about this issue in the past and I speak about it again today, as I want this opportunity to highlight a few topics as I only have this quarterly call to speak to all of our shareholders.

To replace Gibraltar, if one was lucky enough and I mean lucky enough to find a 500 million ore body, put in 10 to 15 years of drilling, permitting and environmental assessments and then have the technical expertise to build a 55,000 ton per day mine like we have now, one may be fortunate enough to accomplish that for maybe \$800 million if all things fell into place.

That would be accomplishment for any mining company let alone a company of our size. Having said, our market cap is less than 1/2 the value of our Gibraltar assets.

Pundits say the capital markets are transparent in the sense they value assets effectively. But that premise does not seem to me to be particularly relevant as it relates to this business, our business in particular.

So let's step back and look at the company in that regard. Taseko has major advantages no one else in our peer group has. The question has to be asked with as many good things going on with this company, why is it we're trading at such a discount for our net asset value.

We have significant cash flow and earnings at current metal prices. We have a planned 45% copper production increase over the next 12 months, which will improve those cash flows.

We have earnings growth. We have five million ounces of gold reserves at US\$1.50 copper and US\$5.75 gold. We have over 16 million ounces of gold resources. We anticipate metal production diversification of copper and gold in the near term and we have five billion pounds of copper reserves and 11 billion pounds of resources and assets all located in a secure political jurisdiction.

Let's look at our peer groups. How many of them have long life reserves at plus 20 years? Does anyone believe that any mining company with any substance has been built with reserves of 6, 7 or 10 years for that matter?

Major mining companies have and will continue to be built on the back of long life quality reserves. Why did Teck acquire Cominco in 1986? Primarily to acquire the Red Dog reserves and the interest in Highland Valley Copper for its reserves.

Why did Teck acquire the Balmer mine out of bankruptcy from the Weststar bankruptcy. For its 30 years in metallurgical core reserves. Why did BHP acquire Western Mining? Why did Barrick acquire Placer Dome? All to acquire long life reserves that could continue to grow the companies.

Reserves are your mining company's bank account. Not having reserves is the same as not having any money or savings account. We however get compared with our peers in many different ways but what is not highlighted enough is the most critical aspect of investing in a quality mining company and that is the long term reserve base to ensure the business is sustainable and can generate significant cash over many metal cycles.

That is a very important point that investors in this business fail sometimes to recognize. If one was a day trader, I guess one wouldn't care. But the long-term value investor should know and understand that fact but most times it is never discussed.

Furthermore, as an operating entity, we have moved from the 90th percentile of the cost curve to under the 50th and we are one of the few companies that I've researched moving down the cost curve as others move up. We continue to move down as we continue our expansion and all those other improvements I spoke about earlier on this call.

Our operating entity, Gibraltar, has a 27 year mine life at US\$1.50 copper and US\$10 moly and our other 100% owned asset has a reserve that is within six to eight months of receiving its environmental assessment approval and has a projected 22 year mine life at a US\$1.50 copper and US\$575 gold.

And what the mine life will be once we do a reserve update at US\$1.90 copper and US\$775 gold as per general analyst consensus prices today? So not only do we have the longest proven - the largest proven and probable reserves of our peers and the largest in book categories in Canada, we also operate in a jurisdiction that has the best infrastructure, rail port roads, best hydropower rates and the lowest tax regime of any jurisdiction worldwide.

So for all our shareholder listening today, I've been in the business a long time and if we stick to our plan, this value will also be recognized and reflected in this company's valuations.

Stepping ahead. The recent reelection of the Liberal Party could not be understated in terms of the importance of bringing some mine development going forward in this province. Not only for Taseko in the development of Prosperity but for other projects as well.

BC is the gateway to Asia and significant interest has been shown by Asian entities in all areas of resource development in western Canada. The Government has continued to push this initiative, particularly the provincial Government, and encouraging stronger ties of exploration companies to remind development companies such as Taseko with these overseas investors and metal purchases.

We cannot encourage this without a strong position on mine development and intended economic activity with huge value creating multiples like those associated with mine development. So that is very positive for our industry, for our Prosperity development as we move forward on our regulatory work in the months ahead.

A few weeks ago we released a press release regarding the Canadian Government's Department of Fisheries and Oceans' stance on disturbance of fish habitat related to our plans to build a new lake to replace Fish Lake.

In the past the biggest single issue this project has faced is how to deal with the loss of the fish habitat related to Fish Lake compensation. And government agency's willingness to accept compensation and mitigation plans for those impacts. Our work with provincial agencies responsible for Fish has endorsed our plan as innovative and acceptable in terms of fish enhancement.

The fact that DFO now, to a large degree, will accept the approach is very important in moving the environmental assessment to a logical conclusion. So we're very excited about that.

I'd like to now turn the call over to Peter to walk you through the financials then open the line to questions. Peter.

Peter Mitchell: Thanks Russ. Good morning. I'm pleased to be able to report on the results for the quarter ended June 30, '09. The combination of strong operations and improved pricing conditions has led to significant improvement in our operating results and liquidity since the beginning of the year.

Focusing initially on the balance sheet, cash was \$33.4 million at June 30 as compared to \$4.6 million at the year-end. As a result of the new Credit Suisse term debt facility netted against cash required for operations and the repayment of the previous operating line along with the partial buyback of the convertible bond that has a put value of 100.6 at face value on the 29th of August, actually the 31st.

To date, we've repurchased \$20 million of the U.S. \$30 million at pricing below the put and have sufficient liquidity to complete this purchase with the final \$10 million purchase scheduled for the 31st of August. Seven point five million of this 20 was repurchased prior to the June 30 quarter end.

In April '09 we completed a bought deal financing for \$23 million, a private placement for \$5 million and a warrant exercise of \$7.1 million from our December '08 financing. These inflows facilitated that payoff of the \$16 million quotational period differential from our former copper trading partner and have helped reduce accounts payable from \$53 million at year end to \$15.6 million at the end of the second quarter. The cash balance currently is approximately \$20 million.

Taseko's revenue for the quarter ended June 30, '09 was \$52.6 million compared to \$53.2 million for the same quarter a year ago. The similar result is driven by very different reasons. Last year production was 12.4 million pounds for the quarter as compared to 19.1 million for the quarter ended June 30, 2009.

Copper sales were 21 million pounds at an average price of U.S. \$2.10 per pound for the quarter ended June 30, 2009 as compared to 12.4 million pounds of copper concentrated in the June 30, 2008 quarter at an average price of U.S. \$3.86 per pound.

Cost of sales for the quarter was \$33.8 million for the three months ended June 30, '09 as compared to 35.7 for the quarter ended June 30, 2008, but production increasing from 12.4 million pounds in the '08 quarter to 19.1 million pounds in the June quarter just ended reflecting a 5.6% reduction in cost and a 54% increase in production.

The 2008 costs include an unscheduled downtime from a transformer failure, which further impacted this base period.

Non-production income/expenses for the quarter ended June 30, '09 totaled an income of \$.7 million compared to expense of \$6.9 million for the same quarter last year. Items of note include \$7.9 million of foreign exchange gain related to the translation of U.S. dollar denominated liabilities versus expense of \$.6 million last year. This is a non-cash item.

Additionally, we hedge half of our production for the period from May to December 2009. This financial instrument was mark to market at the end of the June 30, 2009 quarter and resulted in a \$2.7 million liability and a corresponding non-cash expense.

Interest expense was \$.8 million higher for the quarter versus last year because of the CS facility interest expense. The net income tax expense booked at \$5.5 million for the second quarter of '09 represents a recover of \$1.2 million and a future income tax expense of \$7.1 million.

The effective tax rate for 2009 is 30%. The net tax expense of \$5.9 million includes adjustments based on the following items. Permanent differences, true up of our '08 numbers based on our actual returns as well as the mineral tax estimate for the second quarter.

The company is able to utilize its tax pools in certain companies to offset cash tax and thus we do not anticipate paying cash income taxes in 2009 other than our BC mineral tax.

The three months earnings result to June 30, 2009 was \$11.4 million as compared to profit of \$3.8 million for the same period last year. This equates to earnings per share of seven cents versus three cents last year. Year to date earnings per share are 9 cents in 2009 as compared to 14 cents last year.

In conclusion, the June quarter end built on the momentum established in the first quarter. Solid operating margin strengthened Taseko's liquidity position. These operating margins were improved with very effect cost management and continuously improving copper pricing.

We'll continue to manage our margin and liquidity carefully as we implement our growth strategy going forward. Thank you.

Russ Hallbauer: Well thanks very much everyone. I look forward to talking to you next quarter. Bye bye.

Operator: That does conclude today's call. Thank you for your participation and have a good day.

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