TASEKO MINES LIMITED
Q5 2008 Earnings Conference Call
March 25, 2009

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

Operator: Good day, ladies and gentlemen. And welcome to the Taseko Mines 2008 Annual Earnings conference call. My name is Erica 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 towards 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, Erica. Good morning, ladies and gentlemen and welcome to Taseko Mines Fiscal 2008 Yearend 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, John McManus, Senior Vice President, Operations, and Peter Mitchell, Taseko's Chief Financial Officer.

Opening remarks by management will review the quarter ended December 31 2008 as well as 2008 annual business and operational results.

I would also like to clarify the reporting periods we will be discussing today. Due to Taseko's change in fiscal year end from September 30 to December 31, our fiscal 2008 year consisted of 15 months or five quarters from October 1, 2007 to December 31, 2008.

After opening remarks, we'll open the phone lines to analyst 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.

Russell Hallbauer – President & CEO

Thank you, Brian. Good morning to everyone. Thank you for joining us today.

Over the past 15 months, ending December 31 2008, Taseko generated an operating profit of $28.1 million resulting in earnings after tax of $3.5 million. Peter Mitchell, our CFO, as Brian said, will talk more about the financial details later in the call, and John McManus can take your operational questions.

Since I last spoke to you in September, the global financial markets have been tumultuous to say the least. As can be seen from our operating results for the 15-month period ending December 31, 2008 our copper production costs, before by-products credits, were up to US$2.16 per pound, something as a company we were not happy with and were concerned about.

The position we found ourselves in September of 2008 was a watershed in many ways. Manpower cost were increasing to keep pace with anticipated production ramp ups, however operational difficulties plagued us, specifically the transformer fire that resulted in 16 days of lost production and our slowness in ramping up our SAG mill throughputs and dealing with our metallurgical recoveries.

So the lack of metal production, along with the very high input costs for fuel, grinding media, reagents and a strong Canadian dollar all conspired against us. Throw in extra dollars that could no longer be capitalized in our concentrator expansion project and having to take all stripping cost above our life of mine average to cost we ended the year at $2.30 U.S. per pound. Having said that, that was last year and as can be seen in our results from October 2008 onward, this is a new year.

I'm sure the investment community has wondered when we're going to put Gibraltar on care and maintenance as we've historically been the high cost swing producer.

If we step back, our aim in 2005, as I stated many times before, was to lower our total cost structure to well below US$1.50 per pound, which we believe was a long-term average price. We have achieved that for now and for the foreseeable future. In February, our total costs were at US$1.13 per pound and we expect to maintain between US$1.15 and $1.20 pound in the months ahead. What is the most impressive, though, is we have achieved those costs when our by-product credits for moly and silvers dropped from nearly US$0.30 per pound to US$0.12 per pound.

How have we achieved all these in such a short period of time? Obviously, the redesign of our pits has been a big factor and this was not achieved in the last few months but the foundation was laid over the past few years as we invest in stripping to ensure that we had outlets if something unforeseen occurred in the metal business. And occur it did with copper dropping from above US$3 per pound in September to the US$1.50 range by Christmas. As well our mill is beginning to perform where we now produce 6.5 to 7 million pounds per month, which is now the production norm, an increase of nearly 40% over the monthly performances of the past few years.

Some folks thought we were little crazy signing a 6-year concentrate offtake agreement. In hindsight, that contract is a major factor that's achieving the cost structure we have. At roughly US$0.22 pound of off property costs, I think that those costs are probably some of the lowest in the industry.

Going forward, we'll continue to increase our milling capacity with further modernization and expansion work being completed and are concentrated in the months ahead.

Peter and his team recently completed a US$30 million debt facility to ensure that work has finalized. I might add that I doubt that any mining companies secured debt financing in the past 6 to 8 months. So this debt package has been a major endorsement of our business plan and our cost structure by a major international bank. So a lot of good things are occurring and happening to Gibraltar. More work and increase in throughputs and achieving the recovery rates, we believe, are achievable i.e. the mid 80s that significantly to build copper and moly production in the month ahead.

Looking forward, on March 13 we submitted our EA assessment report on Prosperity to the regulatory agencies. The public forums and meetings begin in a few weeks. 180 days from March 13, 2009, we believe, we'll receive our environmental approvals. Certainly the fact that Terrane Metals received their environmental set on one of their Mount Milligan project should give us support of the regulatory authorities are looking at mining projects openly and objectively.

We believe that the nine volumes of 3000 pages of environmental assessment work along with the 9000 pages of appendices address all outstanding issues. Now the largest undeveloped gold and copper ore body in Canada at Prosperity, we look forward to the successful completion of the environmental assessment and getting the opportunity to develop Prosperity the mine that will have significant benefits for our shareholders, the people of British Columbia, and the particular of all those living in the Central Cariboo.

Shareholders should take comfort that we believe that we have survived the worst of the economic tsunami that has engulfed the world. We believe that the copper mining business will be the first to respond to the stimulus packages that are being put forward by all the industrialized countries of the world. With our cost in the US$1.15 per pound range, copper trading at roughly US$1.80 we're well positioned and generate significant cash flow at the bottom of the cycle and be very successful as metal prices strengthen going forward. Our Gibraltar money gives us a proxy copper mark, strong cash flows and set the foundation for the buildout of our Prosperity Project.

I would like to now turn the call over to Peter Mitchell, our CFO to discuss our financials.

Peter Mitchell: Good morning.

As background, I joined Taseko in September of '08. It's been an exciting and dynamic period to be back in base metal mining. The downdraft in commodity markets and the hiatus taken by credit markets this quarter has created some significant challenges. Recent indications are that global economy is starting to show signs of responding to the collective stimulus but it's too early to draw meaningful conclusions.

As for Taseko, there've been challenges, particularly as its related to the price in copper and moly, however the operational adjustments and the impact on the financials are positioning the company well for the future, which I will try to address this morning.

As Taseko's earlier press release described, we're discussing our fifth quarter results and the year ended at December 31 2008. It's a one-time anomaly as we convert to a 12/31 yearend.

Spot price for per pound of copper dropped from US$2.91 per pound at the end of September to US$1.32 per pound at the end of December. Our realized price for copper with actually below spot has the result of US$6 million of prepayments on provisional pricing. The pricing impact of the drop in copper was reflected in Taseko's revenue numbers in the quarter ended December 31, 2008. With recorded adjusted revenue of $10.6 million after a provisional pricing adjustment of $21.9 million for the quarter, Taseko's revenue for the 15 months ended at December 31, 2008 was $231.7 million as compared to $218.4 million for the 12 months ended at September 30, 2007.

Turning initially to the balance sheet over the 15-month period, Taseko's total asset-based group from $277 million to $478 million, the major increase is attributed to $134 million investment in property plan and equipment in 2008 following a $127 million in 2007. Property plant and equipment has increased from $177 million in 2007 to $325 million at the end of 2008. The majority of the capital additions were financed out of operating cash flow and cash on hand. At 12/31/08, cash was $4.6 million down from $37.6 million as of September 30, 2007.

A core focus of management has been careful preservation in deployment of cash at this point of the commodity cycle. More recently, we did a $7 million private placement immediately prior to yearend and close to US$30 million debt financing as Russ mentioned with Credit Suisse in February '09, subsequent to yearend, with these explicit goals and mine. Our cash position today is over $30 million.

The other balance sheet changes to note include a reduction of $15 million in the carrying value of Taseko's marketable securities and investments as a result of sales of securities as well as the decline in value of equity sold and market to market reflecting the equity market downturn in the fifth quarter of 2008. Receivables declined based on the timing of shipments and billings along with the decrease in copper pricing.

Total liability has increased by $29.7 million primarily because of the increase of accounts payable and the accrued liabilities of $22.6 million due to the higher equipment in project-related liabilities consistent with the increased asset base of the company. Additionally, $16.4 million of capital leases were added to the balance sheet, representing four haul tracks and a dozer. The site closure and reclamation cost liability was reduced by $7.1 million due to the extension of the minelife. The reclassification of the convertible debenture of $35 million as a current liability is based on the one-time put right at 100.6 that these bonds have in August of 2009. We're in the advance stages of identifying refinancing options for this potentiality, although we have no indication as to the holders intentions at this time.

Moving to cash and cash flow, Taseko generated cash flow from operations of $46.8 million in 2008 following $86 million in 2007. Cash flow is impacted by commodity pricing erosion primarily.

Reviewing Taseko's statement of operations, revenue for the 15-month period to December 31, 2008 was $231.7 million as compared to $218.4 million for the 12 months ended September 30, 2007. The 15-month operating profit was $28.1 million and was impacted by $26.9 million of quotational pricing adjustments resulting from copper price degradation during the fifth quarter. This amount compares to operating profit of $105.8 million for the 12-month period ended at September 30 2007.

As I mentioned earlier, an additional $6 million of revenue was pre-paid to our offtake partner at the time of invoicing because of the size of quotational period differentials mounting during this time period to ensure continued payment for copper concentrate. The company did not have any hedges in place during these time periods. Revenue for the quarter ended at December 31, 2008 was $10.6 million after quotational period adjustments of $21.9 million for the quarter and US$6 million of the invoicing credits that I mentioned.

Cost of sales for the 15.month period ended at December 31, 2008 was $196.3 million as compared to $109.5 million for the 12 months ended at September 30, 2007. The increase was related, obviously, to the longer period and input cost during the period. Cost of sales for the quarter ended at December 31, 2008 included non-favorable inventory adjustment of $10.1 million due to higher cost inventories from prior periods being sold in the fifth quarter and a lower cost are now realizable value entry being bought to $1.5 million for the quarter based on lower copper prices and totaled $49.1 million. Production cost for the quarter totaled $30.9 million and transportation and treatment cost totaled $7 million.

A gain on the retirement obligations of $4.5 million was brought in the fifth quarter attributed about to extension and the useful of the mine based on the recent 43-101 report for Gibraltar increasing the total gains for the period to 46.9 million. Total of non-production expenses for the 15 months ended at December 31, 2008 were $30.1 million as compared to $17.9 million for the year ended September 30, 2007.

Expense items of note include exploration spending of $11.9 million on Prosperity, foreign exchange loss as a result of the erosion in the Canadian dollar. Adjustments to the interest calculation of the Red Mile royalty and the short-term operating loan facility that was put in place with CIBC and has since been repaid and canceled when we completed our Credit Suisse financing that I mentioned earlier.

The current tax recovery bought by Taseko of $2.1 million for the 15-month period is based on the Company's ability to utilize certain tax pools and the lowering tax rate for 2008. The future income tax recovery of $3.4 million is based on the release of certain valuation allowances on tax assets as a result of greater certainty that these deductions will be used in the future to offset taxable income.

The 15-month earnings result to 12/31/08 was $3.5 million as compared to a profit of $48.3 million at the end of the prior yearend. This equates to earnings per share of $0.02 versus $0.37 last year on a basic level or $0.36 on a diluted basis.

The quarterly loss to December 31, 2008 was an after tax loss of $39.6 million. In conclusion, it was a challenging finish financially to a strong year for Taseko.

That said, we're well positioned from a liquidity position, an operating margin perspective, and future growth perspective to generate significant growth and positive financial results as we emerge from a very difficult economic environment and the associated commodity pricing conditions.

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

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

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