Taseko Mines Limited

//2007 Annual Report

continued growth

Creating Wealth in British Columbia

Taseko Mines Limited is focused on creating wealth through the operation, development and acquisition of mineral projects. Our primary assets are the Gibraltar mine, a major copper and molybdenum mine; the Prosperity project, a gold and copper project nearing completion of the Environmental Assessment phase and advancing towards a construction decision; and the Harmony gold and Aley niobium projects, which offer future opportunities.

Gibraltar Mine

This mine, located in south-central British Columbia near Williams Lake, is undergoing a major, two-phase expansion and modernization program. From 2009, annual production will average 115 million pounds of copper and 1.4 million pounds of molybdenum for the balance of the 19-year mine life.

Prosperity

This project, also located near Williams Lake, British Columbia, is a large porphyry gold-copper deposit amenable to open pit mining. Extensive exploration, engineering, environmental and socio-economic studies had been completed prior to 2001. In 2007, a feasibility study was completed which confirmed that the project is technically and economically feasible. Environmental Assessment of the project is progressing.

Harmony

Our Harmony gold project on British Columbia's west coast provides us with a longer-term development opportunity.

Aley

Aley is an early-stage niobium project located in north-central British Columbia.

continued progression

November 2006

Taseko assumes full operations at Gibraltar after Ledcor's withdrawal from the Gibraltar JV.

In an attempt to accelerate our growth, we launch a takeover bid for bcMetals. Ultimately unsuccessful at this acquisition, the Company continues to pursue other targets.

December 2006

After completing a successful 2006 drilling program, Gibraltar mineral reserves are increased by 40%, an addition of 74 million tons.

January 2007

A $3.5 million refurbishment of the SX-EW plant at Gibraltar is completed and the first cathode copper since 1998 is produced.

May 2007

We commence detailed engineering for a second phase expansion at Gibraltar which will ultimately increase production from 46,000 to 55,000 tons per day. Upon completion, Gibraltar will be the second-largest open pit copper mine in Canada.

June 2007

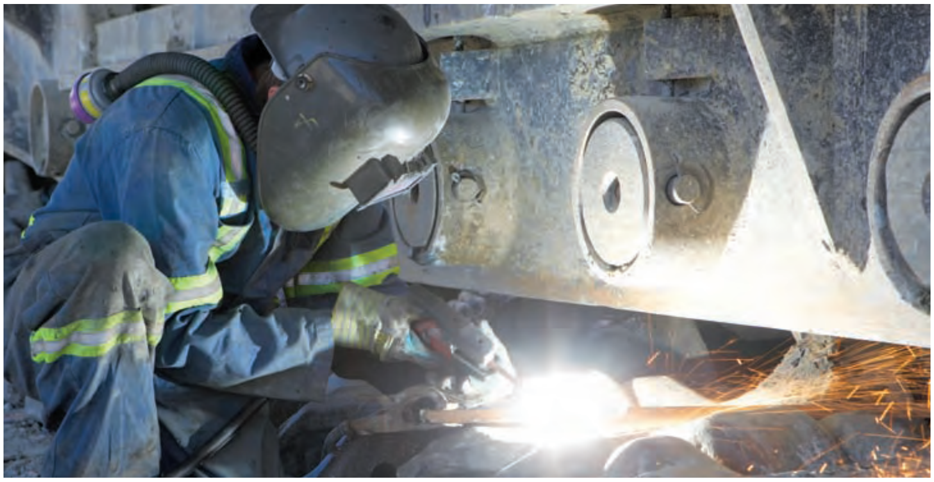
We acquire the Aley niobium property in north-central BC and complete an initial exploration program on the property during the summer.

September 2007

After the completion of a $10 million drilling program, an additional 128 million tons (or 50%) is added to Gibraltar mineral reserves, extending the mine life to 19 years. Contained copper is increased to 2.4 billion pounds and contained molybdenum to 69 million pounds.

Taseko is added to the S&P/TSX Global Mining Index and S&P/TSX Global Gold Index.

Results from the Prosperity feasibility study confirm that the project is technically and economically feasible. The mine will produce 4.7 million ounces of gold and 2 billion pounds of copper over a 20-year mine life.



2008 Goals

Gibraltar

- Complete Phase I expansion (achieved January 2008) and continue Phase II modernization
- Implement new technologies to reduce operating costs
- Evaluate and carry out mine optimization opportunities to maximize profitability of operation
- Streamline all management systems – accounting, materials management, cost reporting and health, safety and environment
- Negotiate a long-term labour agreement (achieved October 2007)

Projects

- Complete Environmental Assessment and move through the permitting process for Prosperity
- Continue evaluating opportunities to reduce feasibility study capital and operating costs on all internal growth projects
- Evaluate new mining and processing concepts, including mine development opportunities for Harmony
- Engage First Nations communities in discussions to advance the Prosperity and Harmony projects

Corporate Initiatives

- Strengthen corporate management personnel to facilitate growth opportunities
- Evaluate and initiate strategic acquisitions that will be accretive to shareholders

president's message

Continued Success

This year was outstanding for Taseko in terms of financial results and operational performance as well as in our ability to move forward quickly with our Gibraltar expansion and modernization plan. Looking ahead, we see the efforts of the organization over the past year setting the foundation for continued success in the years to come.

Strong Financial Results

In fiscal 2007, Taseko achieved record revenues of $218 million, a 35 percent increase over 2006 revenues of $162 million. Operating profit was up 93 percent and cash flow from operations increased 55 percent. After-tax earnings for the year improved 47 percent to $48 million, compared to $33 million in 2006. At fiscal year-end, our share price closed at $5.20 on the TSX, an increase of 115 percent for the year, which surpasses last year's gain of 83 percent. Taseko has now posted two consecutive years of substantial growth and strong financial results, an impressive record.

A Focused Long-Term Strategy

Over the past two years, we have set in motion our plan for developing Taseko into a leading British Columbia-based mining company. An essential element of our strategy is Gibraltar, our core asset and the foundation for launching future growth initiatives.

We realized some time ago that to make Gibraltar a more efficient and productive mining operation, we needed to reduce costs, increase production and extend the mine life. In the past, Gibraltar was affected by the cyclical nature of the commodities market and the mine's operation was dependent on high metal prices. We have developed a focused long-term strategy to address this situation. We began by examining effective cost-containment approaches, and then devised a detailed plan that would include a major mine expansion and an aggressive drilling program for the Gibraltar deposits.

On Budget and On Schedule

I am pleased to report that we are accomplishing our objectives at Gibraltar. The expansion project is scheduled for completion in 2008 – on budget and on schedule – and Gibraltar's mine life has increased to 19 years. We have accomplished a great deal in a short amount of time, for which I give full credit to our dedicated staff and to the engineering and construction companies we have retained. It is because of their concerted teamwork that we will meet our goals of creating a modern, low-cost, long-life mine at Gibraltar.

Yet what is truly remarkable is that while we have been working to expand the mine, we have also been steadily improving our production output and lowering our production costs. In each fiscal quarter of 2007, copper production has consistently increased, from 10.6 million pounds in the first quarter to 16.8 million pounds in the last quarter. As our production numbers rose, our copper production costs decreased, from US$1.19 per pound in the first quarter to US$0.82 in the last quarter. These numbers illustrate that we are heading in the right direction and the initiatives we began two years ago are beginning to pay off.

Continued Growth

With Gibraltar as our foundation, we believe Prosperity, Harmony and Aley will be our building blocks. These projects, which are all wholly-owned by Taseko, will be crucial to our Company's continued growth and show the greatest potential for generating long-term shareholder wealth.

In particular, we see Prosperity as our most promising project. In late 2007, we announced the results of a feasibility study confirming that the project is technically and economically feasible. The deposit has proven and probable reserves of 487 million tonnes and is one of the largest undeveloped gold-copper deposits in Canada. We have promoted open communications with First Nations and all stakeholders involved, and have moved the project forward to the Environmental Assessment stage. Prosperity, when developed, will add dramatically to the value of our Company and contribute significantly to the provincial economy, and especially to that of the Cariboo-Chilcotin region, which has been hit hard by challenges in the forest industry, particularly the mountain pine beetle infestation. I believe that we have the expertise and experience to build this mine and we look forward to working with both the federal and provincial governments as well as regional and local communities to see that achieved.

Upside Potential

In addition to Prosperity, we will be advancing the Harmony and Aley projects. Harmony was considered a longer-term prospect in the past, but a recent land use decision has designated the project area as a mineral development zone. With that added degree of certainty from the provincial government regarding land use in the Queen Charlotte Islands Haida Gwaii, we believe the time is right to advance this gold project.

The Aley project, located in northern BC, was added to our portfolio in 2007. Aley hosts a niobium deposit, which is used to make high strength steels and has many other technological and industrial applications. The metal currently sells for about $30 per kilogram and the market is growing at five to eight percent annually. We believe Aley hosts one of the world's largest niobium deposits outside of Brazil. As world supply is dominated by only three producers, there is significant upside potential to be realized.

Excellence in All Areas

Our success as a company is clearly reflected in our employees' commitment to excellence in all areas. This commitment extends to our relationships with our Board of Directors, investors, employees, suppliers and the local communities where we work, and it is reflected by how we conduct our activities.

Safety is an important priority at Taseko and we work hard to ensure that a culture of safety permeates the workplace. This principle includes our environmental policies and we remain vigilant at protecting our surroundings.

An organization is only as good as its people, and at Taseko we are fortunate to have talented employees and a Board of Directors that continues to guide the Company toward long-term success. I would like to thank everyone in the Company for their extraordinary efforts over the past year, and also to acknowledge our shareholders, stakeholders and local communities for their willingness to work with us as we continue to build Taseko into a leading mid-tier mining company.

Russell E. Hallbauer
President and Chief Executive Officer

continued

expansion

Assets in Production, Development and Exploration

To be successful, a mining company must own properties in the production, development and exploration stages. Producing assets generate cash and support a company's growth initiatives. Development stage projects are critical to ensure a company's medium-term growth prospects. And exploration projects provide longer-term growth potential.

Taseko has world-class assets in each of these stages – and all will be integral in transforming our organization into a leading mid-tier mining company.

Production: One of Canada's Largest Copper Mines

Taseko is a producer. Since the restart of the Gibraltar mine in 2004, over 150 million pounds of copper and 1.8 million pounds of molybdenum have been produced. The mine is now halfway through a major two-phase expansion and modernization project that will more than double its 2007 production. The combination of a 19-year mine life and average annual production of 115 million pounds of copper and 1.4 million pounds of molybdenum makes Gibraltar the second-largest open pit copper mine in Canada and a strong foundation on which to build our Company.

Development: Significant Mining Projects in the Works

Taseko's two development projects, Prosperity (gold/copper) and Harmony (gold), offer exciting short- to medium-term growth opportunities.

Our Prosperity project is the largest active mining project in British Columbia. In mid-2007, we completed a feasibility study demonstrating that the project is economically and technically feasible. Our team is currently working with all levels of government to move the project into the Environmental Assessment review phase. We are targeting a 2012 production date for the mine, which is projected to produce 247,000 ounces of gold and 108 million pounds of copper annually for 20 years.

Harmony, Taseko's three million ounce gold deposit, is located on the Queen Charlotte Islands off the coast of British Columbia. Work on the Harmony project was reactivated in 2007 with management focused on updating historical exploration work, reviewing the metallurgical flow sheet and assessing environmental and First Nations issues. With the Land and Resource Management Plan now signed off by the provincial government and First Nations, we have a starting point to begin discussions with both groups.

Exploration: Acquiring a Project with High Value Potential

In mid-2007, we purchased the Aley niobium project located in north-central British Columbia approximately 140 kilometres north of MacKenzie. This high-grade niobium deposit offers tremendous potential for Taseko, and we will perform further exploration work in the summer of 2008. Niobium, similar to molybdenum, is a high value metal used to make high tensile steels. The niobium market is rapidly growing, with only three producers currently dominating global supply.


TRINITY
GIBRALTAR

continued production

Q What can we expect for the cash cost of production in the wake of the Phase 1 and 2 expansions at Gibraltar?

Tom Bishop
BI Research, Connecticut

A When commodity prices are high, as they are today, many companies overlook the importance of reducing operating costs. Not Taseko. Cost improvements at Gibraltar are at the top of management's priority list. Our goal is to reduce Gibraltar's long-term operating costs so that the mine will always generate positive cash flow, even at the bottom of the cycle. With copper prices in the US$3 range, this may not seem very important today, but as with any commodity, the price will certainly cycle downwards at some point in the future.

In early 2006, as industry fundamentals continued to strengthen, we recognized the intrinsic value at Gibraltar, a 35-year-old operation with long-life reserves. We decided to proceed with a $75 million expansion and modernization project to increase Gibraltar's production capacity, upgrade the milling equipment and ultimately reduce operating costs.

In 2006, production costs averaged US$1.25 per pound of copper, and in 2007 they were reduced to US$1.03 per pound. While an 18 percent cost reduction in the span of one year is a great accomplishment, there still remains significant potential for further reductions. In the fourth quarter of 2007, which was Taseko's best production quarter to date, we brought costs down to US$0.82 per pound.

Looking forward, the first phase of the mill expansion and modernization project is nearing completion. This phase will provide an immediate 50 percent increase in production and enable us to lower costs again. For fiscal 2008, our plan is to produce approximately 80 million pounds of copper and one million pounds of molybdenum.

In mid-2007, we announced a second phase mill upgrade that will cost an additional $40 million and will increase production from 2009 onwards.

As well, in October 2007 we signed a 4.5 year extension to the labour agreement with our employees at Gibraltar. This agreement provides long-term labour stability and locks in a significant portion of our production costs.

We are also examining our off-property costs, which include the cost of transporting Gibraltar concentrate to the end markets as well as treatment and refining charges. The treatment and refining contract that has been in place for the last four years will expire in 2008. Our goal over the next few months is to lock into a new long-term contract and secure this component of our cost structure.

Gibraltar is clearly in a unique position in today's industry – a large-scale mine capable of producing 115 million pounds of copper and 1.4 million pounds of molybdenum annually, with a 19-year mine life and a declining cost structure.


10

prosperity continued

How much confidence do you have in the estimated project capital cost for Prosperity provided in the feasibility study, given industry cost pressures?

Orest Wowkodaw
Canaccord Adams, Toronto

A Rapidly escalating costs are one of the largest issues facing the mining industry today – both operating and construction capital costs. Taseko, with its world-class assets, is fortunate to have a cost structure that is moving in the opposite direction to the rest of the industry.

In 2007, we completed the feasibility study for Prosperity, which is currenlty the largest mining project in British Columbia. The feasibility study, which took more than one year and $2 million to complete, confirmed that the project is technically and economically feasible. While we completed the feasibility study with assistance from a number of engineering firms, Taseko management was heavily involved in the process from start to finish, giving us great confidence in the capital cost estimate of $800 million.

There are also other factors that bolster our belief that this capital cost estimate is reasonable and achievable. The project's location is very conducive to construction and mining activities. The climate is relatively mild with a nominal amount of annual precipitation. Additionally, with Prosperity located just 165 kilometres by road from the City of Williams Lake, only minimal upgrades are required for project access. Another key advantage is that we have experience operating in this region, as Gibraltar is 225 kilometres north-east of Prosperity in an area with a very similar climate and landscape.

Over and above the advantages of Prosperity's location, we benefit from many other synergies. Now at the halfway point of our major $130 million expansion at Gibraltar, we are familiar with all the input costs (steel, concrete, labour, etc.) associated with a construction project like Prosperity. The in-pit crusher we purchased for Gibraltar is identical to the one we will use at Prosperity. We also believe we can reduce the pre-development costs outlined in the feasibility study by using equipment from Gibraltar for site preparation work.

Finally, as the expansion at Gibraltar winds down over the next year, we will be able to transfer our in-house expertise for the build-out of Prosperity.

We are therefore very confident in the estimated capital cost for this project. In fact, given the synergies and advantages outlined above, we believe we have the potential to reduce the capital costs of Prosperity from the $800 million stated in the feasibility study.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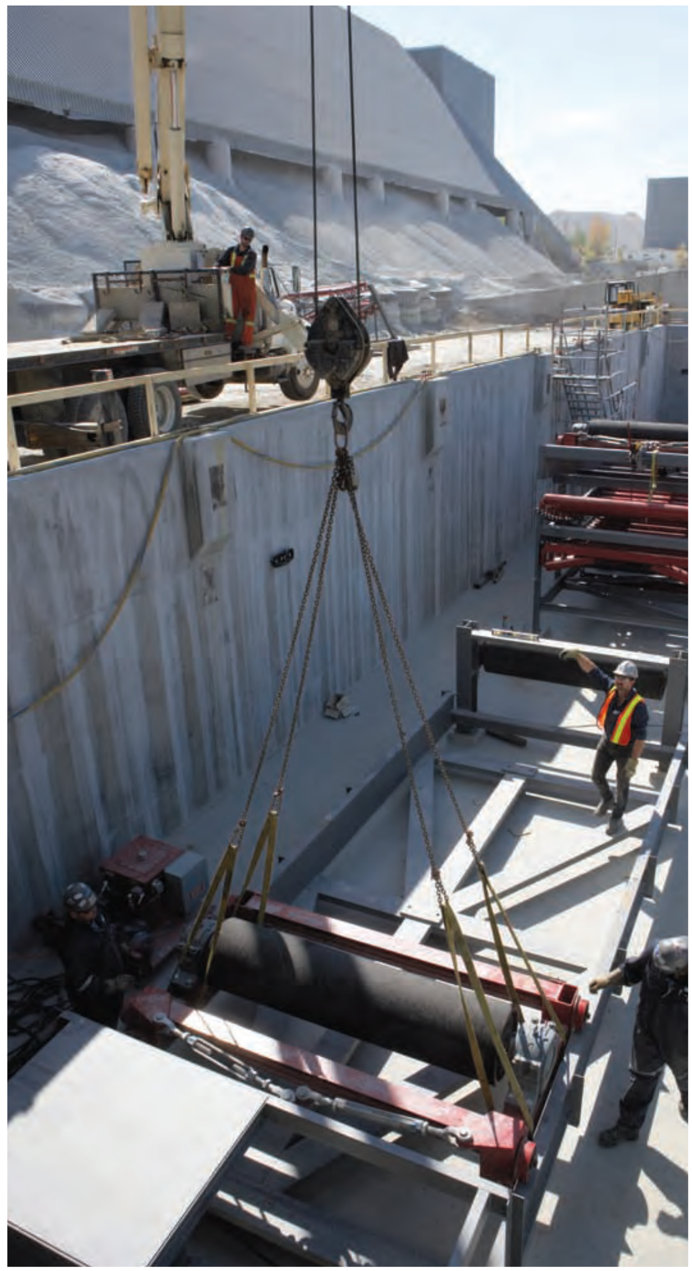


continued reliability

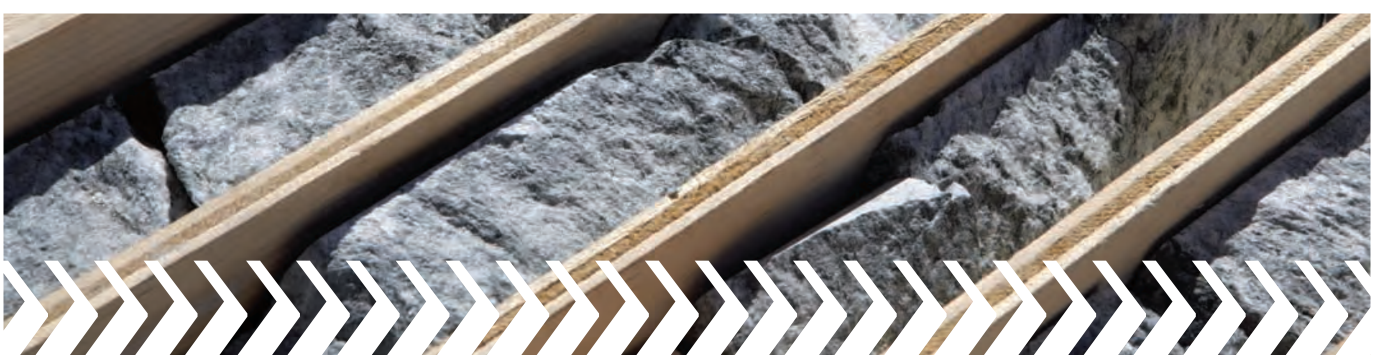
Q Taseko's management team and board of directors have much more experience than Taseko's three-year operating history would suggest. What are your criteria in seeking merger opportunities, given that many valuable mineral properties are in the hands of less experienced explorers or operators?

John Tumazos
Very Independent Research, New Jersey

A Growth is a key element of our strategy. We believe that our diverse portfolio of assets provides an important base for long-term growth. However, beyond growth from these current projects, we continue to actively investigate potential strategic alliances with mining companies that would enhance Taseko's enterprise value and increase our net present value and net asset value. Our senior management team meets regularly to assess potential targets and to benchmark these against our organic growth opportunities, particularly the rapidly advancing Prosperity project and an additional expansion at Gibraltar. To date, organic projects, such as the development of Prosperity, show the greatest potential for creating long-term shareholder wealth. Simply put, our own projects keep beating any potential external targets that we've evaluated. That being said, as expenditures at Gibraltar decrease towards the end of 2008, and we achieve higher production levels of over 100 million pounds of copper annually, Taseko's goal is to be fully prepared to leverage these higher net cash flows into new mining development opportunities.

When we analyze other projects, we have to put a contingency on buying those projects – whether they are in different jurisdictions or have infrastructure that needs to be built out. We also examine different ways that we can add value to these projects. Specifically, many junior exploration and development companies do not have the mine building and operating expertise that we have at Taseko. With our Prosperity project at an advanced stage, we have an in-depth understanding of the input costs associated with large-scale projects that other companies may not have to the same extent. We continue to monitor and assess a number of targets knowing that it is very likely that we may be able to add value if the current owners encounter difficulties with a financing, face issues in a feasibility study or struggle operationally.

Over the past two years, we have entered into confidentiality agreements and discussions with other companies. We approach these dialogues with the view that any new mining opportunity must offer greater value than investing in our existing projects: it must maximize our enterprise rate of return and contribute to our long-term growth.



continued

commodities

Mineral Reserves		Proven		Probable		Total		Recoverable Metal
		Tons (millions)	Grade (% Cu)	Tons (millions)	Grade (% Cu)	Tons (millions)	Grade (% Cu)	Pounds (billions)
Copper	Gibraltar	307	0.313	77	0.296	384	0.310	2.1
		Tonnes (millions)	Grade (%Cu)	Tonnes (millions)	Grade (% Cu)	Tonnes (millions)	Grade (% Cu)	Pounds (billions)
	Prosperity	286	0.25	201	0.18	487	0.220	2.0
		Tons (millions)	Grade (% Mo)	Tons (millions)	Grade (% Mo)	Tons (millions)	Grade (% Mo)	Pounds (millions)
Molybdenum	Gibraltar	307	0.009	77	0.010	384	0.009	31.1
		Tonnes (millions)	Grade (g/t Au)	Tonnes (millions)	Grade (g/t Au)	Tonnes (millions)	Grade (g/t Au)	Ounces (millions)
Gold	Prosperity	286	0.47	201	0.37	487	0.43	4.7

Mineral Resources		Measured		Indicated		Total	
		Tons (millions)	Grade (% Cu)	Tons (millions)	Grade (% Cu)	Tons (millions)	Grade (% Cu)
Copper	Gibraltar	320	0.307	209	0.311	529	0.309
		Tonnes (millions)	Grade (% Cu)	Tonnes (millions)	Grade (% Cu)	Tonnes (millions)	Grade (% Cu)
	Prosperity	547	0.27	463	0.21	1011	0.24
		Tons (millions)	Grade (% Mo)	Tons (millions)	Grade (% Mo)	Tons (millions)	Grade (% Mo)
Molybdenum	Gibraltar	320	0.008	209	0.005	529	0.007
		Tonnes (millions)	Grade (g/t Au)	Tonnes (millions)	Grade (g/t Au)	Tonnes (millions)	Grade (g/t Au)
Gold	Prosperity	547	0.46	463	0.34	1011	0.41

Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Gibraltar

The resource and reserve estimation was completed in 2007 by Gibraltar mine staff under the supervision of Ian S. Thompson, P. Eng., Superintendent of Engineering and a Qualified Person under National Instrument 43-101. Reserves and resources are estimated at 0.20% Cu cut-off, based on long-term metal prices of US$1.50/lb for copper and US$10.00/lb for molybdenum and an exchange rate of US$0.80/C$1.00. There are also oxide reserves (see Taseko's Annual Information Form for fiscal 2007).

Prosperity

The resource and reserve estimation was reviewed by Scott Jones, P.Eng., Vice President, Engineering, for Taseko and a Qualified Person under National Instrument 43-101. Reserves are estimated at $5.25 net smelter return per tonne cut-off and resources at 0.14% Cu cut-off. Reserves are based on a 2007 feasibility study that used long-term metal prices of US$1.50/lb for copper, US$575/oz for gold, and an exchange rate of US$0.80/C$1.00. The reserve estimate takes into consideration all geologic, mining, milling, and economic factors, and is stated according to Canadian standards. Under US standards, no reserve declaration is possible until a full feasibility study is completed and financing and permits are acquired.

1.1 Date

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Taseko Mines Limited ("Taseko", or the "Company") for the years ended September 30, 2007 and 2006, prepared in accordance with Canadian generally accepted accounting principles, and is publicly available on SEDAR at www.sedar.com.

This MD&A is prepared as of December 13, 2007. 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 mining and mineral exploration company with four properties located in British Columbia, Canada. These are the Gibraltar copper-molybdenum mine and three exploration projects: the Prosperity gold-copper property, the Harmony gold property and the Aley niobium property.

In fiscal 2007, Taseko continued to focus on expansion of the concentrator and other production improvements at the Gibraltar mine, completion of a feasibility study and acquisition of a Project Approval for the Prosperity project, and review of potential acquisitions to provide for further corporate growth.

During the year ended September 30, 2007, Taseko had an operating profit of $105.7 million, and net earnings after tax of $48.3 million, as compared to an operating profit of $54.9 million, and net earnings after tax of $32.9 million for the same period in fiscal 2006.

A $2 million feasibility study on the Prosperity gold-copper Project was completed in the fourth quarter, confirming the technical and economic feasibility of the project.

The majority of the work on the Phase One expansion of the Gibraltar concentrator is nearing completion and commissioning of the SAG mill began in mid December. Completion of all stages of the Phase One is scheduled for February 2008 and ramp up to full production planned to occur in the following six month period. The Phase Two expansion is on schedule for completion by late 2008.

In October 2007, the Company closed a bought deal short form prospectus offering financing, with an over-allotment option, raising gross proceeds of $42.6 million. The Company also completed a private placement financing in November for gross proceeds of $7.6 million.

1.2.1 Gibraltar Mine

Taseko's 100% owned Gibraltar mine is located north of the City of Williams Lake in south-central British Columbia.

Fiscal 2007 Sales and Inventory

Copper

- Copper in concentrate sales for the year were 53.4 million pounds.
- Copper cathode sales for the year were 2.1 million pounds.
- Copper in concentrate inventory at September 30, 2007 was 4.64 million pounds, compared to 8.35 million pounds at the end of the previous fiscal year.
- Copper cathode inventory at the end of the quarter was 0.33 million pounds, as compared to nil at the end of the previous year.

Molybdenum

- Molybdenum in concentrate sales during the year were 0.6 million pounds.
- At the end of the year, molybdenum in concentrate inventory was 18,100 pounds, compared to 32,400 pounds at the end of fiscal 2006.

Fiscal 2007 Production

The following table is a summary of the operating statistics for fiscal 2007 compared to fiscal 2006.

	Fiscal 2007	Fiscal 2006
Total tons mined (millions)[1]	35.4	38.4
Tons of ore milled (millions)	9.5	10.9
Stripping ratio	2.6	2.4
Copper grade (%)	0.328	0.285
Molybdenum grade (%Mo)	0.011	0.010
Copper recovery (%)	77.5	79.1
Molybdenum recovery (%)	29.6	41.2
Copper production (millions lb)[2]	51.8	49.1
Molybdenum production (thousands lb)	580	821
Copper production costs, net of by-product credits[3], per lb of copper	US$1.03	US$1.25
Off property costs for transport, treatment (smelting & refining) & sales per lb of copper	US$0.35	US$0.25
Total cash costs of production per lb of copper	US$1.38	US$1.50

[1] Total tons mined includes sulphide ore,oxide ore, low grade stockpile material,overburden, and waste rock which were moved from within pit limit to outside pit limit during the period.

[2] 2007 copper production includes 49.4 M lb in concentrate and 2.4 M lb in cathode.

[3] The by-product credit is based on pounds of molybdenum and ounces of silver sold.

Total tons mined in the current fiscal year were 3 million less than in fiscal 2006. This measurement has been affected by many factors over the two year period and a direct comparison is not necessarily a meaningful performance indicator. The amount mined in 2007 was kept in line with mill feed in order to maintain the long term mining sequence while controlling expenditures. The amount mined in the first two quarters of 2007 was below plan as a result of mechanical availability of mining equipment and difficult mining conditions in the newly opened Granite Pit. In the final two quarters, the strip ratio was maintained to match actual mill throughput. Total tons mined in the latter half of 2007 was higher than in the same period of fiscal 2006.

Copper in concentrate production during fiscal 2007 was 49.4 million pounds, an increase from 49.1 million pounds produced in fiscal 2006. Lower mill throughput and copper recovery were offset by higher copper grades. 2.4 million pounds of copper in cathode were also produced from the SX/EW plant that was brought into production during the second quarter. Molybdenum produced in concentrate was 580,000 pounds, a decrease from 821,000 pounds produced in fiscal 2006.

Fourth Quarter 2007 Sales and Inventory

Copper

- Copper in concentrate sales for the quarter were 11.7 million pounds of copper, an increase from the 5.0 million pounds of copper sold during the same quarter in fiscal 2006.
- Copper in cathode sales were 1.5 million pounds compared to none in the same quarter of fiscal 2006.
- The average price realized for sales of copper in the quarter was US$3.63 per pound compared to US$3.23 per pound the previous year.

Molybdenum

- Molybdenum concentrate sales in the quarter were 0.16 million pounds of molybdenum, a decrease from the 0.17 million pounds sold in the same quarter of fiscal 2006.
- The average price realized for sales of molybdenum in the quarter was US$28.88 per pound compared to US$24.10 per pound received during the last quarter of fiscal 2006.

Fourth Quarter Production

The following is a summary of the operating statistics for the fourth quarter of 2007 (Q4 2007) compared to the same quarter in fiscal 2006 (Q4 2006).

	Q4 2007	Q4 2006
Total tons mined (millions)	10.1	9.6
Tons milled (millions)	2.6	2.8
Stripping ratio	2.9	2.3
Copper grade (%)	0.391	0.293
Molybdenum grade (% Mo)	0.012	0.009
Copper recovery (%)	78.2	79.3
Molybdenum recovery (%)	22.5	40.3
Copper production[1] (millions lb)	16.8[1]	12.8
Molybdenum production (thousands lb)	148	197
Copper production costs, net of by-product credits[2], per lb of copper	US$0.82	US$1.38
Off property costs for transport, treatment (smelting & refining) & sales per lb of copper	US$0.39	US($1.35)[3]
Total cash costs of production per lb of copper	US$1.21	US$0.03

[1] 2007 copper production includes 15.8 M lb in concentrate and 1.0 M lb in cathode.

[2] The by-product credit is based on pounds of molybdenum and ounces of silver sold.

[3] Off property costs includes proceeds from Glencore Ltd arbitration, resulting in a credit for off property costs and reducing the total cash costs for Q4 2006.

Tons mined were higher in the fourth quarter of fiscal 2007 compared to fiscal 2006. Ore milled was slightly lower in Q4 2007 compared to the same quarter of the prior year as a result of low mill mechanical availability in July; however, mill availability was over 90% for August and September.

Copper recovery was slightly lower in Q4 2007 compared with the same quarter in fiscal 2006 as the flotation circuit was changed over to the new high volume tank cells during the early part of the quarter. Recoveries in the second half of the quarter were over 80% as the new circuit came on-line. Molybdenum production was lower than fiscal 2006 as a result of mechanical issues in the molybdenum circuit. These issues have now been addressed and molybdenum production is back in line with expectations.

Copper in concentrate production during the quarter was 15.8 million pounds of copper, compared to 12.7 million pounds produced in the last quarter of fiscal 2006. Copper in cathode production during the quarter was 1.0 million pounds, compared to nil in the same quarter of fiscal 2006. Molybdenum in concentrate production in the quarter was 0.15 million pounds, a 25% decrease from 0.2 million pounds in the same quarter of fiscal 2006.

Costs per pound of copper produced were below the same quarter in 2006 due to increased metal production. This was partially offset by increased costs for tires, fuel, and contracted maintenance labour.

Concentrator Expansion Project

A two phase expansion is underway at the concentrator facility at Gibraltar. The first phase involves installation of a new Semi Autogenous Grinding (SAG) mill as well as installation of ten new flotation cells and various upgrades to increase the ore processing capacity to 46,000 tons per day (tpd).

All components for the SAG mill have been installed and testing of the individual systems began in mid November. Commissioning of the SAG mill began in the middle of December 2007. The Phase One expansion also requires the conversion of the three rod mills to ball mills which is planned to occur during the January and February 2008. Ramp up to the full 46,000 tpd rate will take place over the following six months.

The Phase Two expansion consists of modernizing and increasing the capacity of the regrind, cleaner flotation, and concentrate circuits, installing a two stage tailings pumping system and adding a pebble crusher to the SAG mill circuit. Phase two is designed to increase concentrator capacity to 55,000 tpd. Work is proceeding on schedule for completion by late 2008.

Labour and Safety

The number of personnel at the end of the fiscal year was 357, compared to 281 at the end of fiscal 2006. In October 2007, an extension to the labour agreement at the Gibraltar Mine was successfully ratified by the unionized employees. This new agreement will be in place until May 31, 2012.

There were two lost time accidents during the year. Both were of a relatively minor nature and the employees have returned to work.

2007 Production

METAL PRODUCTION FROM THE GIBRALTAR MINE IN FISCAL 2007 (millions pounds)

	Q1	Q2	Q3	Q4
Copper in Concentrate	10.6	11.2	11.8	15.8
Cathode Copper	0	0.6	0.8	1.0
Total Copper	**10.6**	**11.8**	**12.6**	**16.8**
Molybdenum in Concentrate	0.12	0.16	0.15	0.15

Fourth quarter 2007 production of 16.8 million pounds of copper - 15.8 million pounds in concentrate plus 1 million pounds of cathode copper represents a 58% increase of primary metal production over the first quarter of 2007, and is equivalent to an annualized production rate of 67.2 million pounds of copper.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

This section uses the terms 'measured resources' and 'indicated resources'. The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.

Cautionary Note to Investors Concerning Estimates of Inferred Resources

This section uses the term 'inferred resources'. The Company advises investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. 'Inferred resources' have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of economic studies, except in rare cases. Investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable.

Mineral Resources and Reserves

There were two increases to Gibraltar's mineral reserves during 2007 which resulted in, as of September 30, 2007, the following tonnage and grades:

GIBRALTAR MINE MINERAL RESERVES

As at September 30, 2007 at 0.20% copper cut-off

Pit	Category	Tons (millions)	Cu (%)	Mo (%)
Pollyanna	Proven	3.8	0.334	0.008
	Probable	0.4	0.279	0.008
	Subtotal	**4.2**	**0.329**	**0.008**
Connector	Proven	40.4	0.296	0.010
	Probable	14.8	0.271	0.009
	Subtotal	**55.2**	**0.289**	**0.010**
Gibraltar Additional	Proven	66.8	0.286	0.008
	Probable	33.3	0.285	0.013
	Subtotal	**100.1**	**0.286**	**0.010**
Granite	Proven	157.6	0.324	0.010
	Probable	23.9	0.322	0.009
Granite Additional	Proven	38.1	0.329	0.002
	Probable	4.5	0.322	0.004
	Subtotal	**224.1**	**0.325**	**0.008**
Total		**383.6**	**0.310**	**0.009**

In addition to the above mineral reserves, Gibraltar has the following mineral resources:

GIBRALTAR MINE MINERAL RESOURCES

As at September 30, 2007 at 0.20% copper cut-off

Category	**Tons** (millions)	**Cu** (%)	**Mo** (%)
Measured	320	0.307	0.008
Indicated	209	0.311	0.005
Total	**529**	**0.309**	**0.007**

Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The mineral resource and reserve estimations were completed by Gibraltar mine staff under the supervision of Ian S. Thompson, P.Eng., Superintendent of Engineering, and a qualified person under National Instrument 43-101. Mr. Thompson has verified the methods used to determine grade and tonnage in the geological model, reviewed the long range mine plan, and directed the updated economic evaluation. The estimates used long term meta prices of US$1.50/lb for copper and US$10.00/lb for molybdenum and a foreign exchange of US $0.80 per CDN$1.00. A technical report is filed on www.sedar.com.

1.2.2 Prosperity Project

Taseko holds a 100% interest in the Prosperity property, located 125 kilometers southwest of the City of Williams Lake. The property hosts a large porphyry gold-copper deposit amenable to open pit mining.

In September 2007, the Company announced the positive results of a feasibility study for the Project, which further validated the results of an earlier prefeasibility study indicating the following reserves:

PROSPERITY MINERAL RESERVES

At $5.25 NSR/tonne Cut-Off

Category	**Tonnes** (millions)	**Gold** (g/t)	**Copper** (%)
Proven	286	0.47	0.25
Probable	201	0.37	0.18
Total	**487**	**0.43**	**0.22**

An economic analysis of the project, based on the conclusions from the feasibility study, is presented as follows:

- A projected exchange rate of US$0.80/C$1.00.
- A long term copper price of US$1.50 per pound of copper.
- A long term gold price of US$575 per ounce of gold.
- Pre-production capital cost of $807 million.
- Operating cost of $6.26 per tonne milled over the life of the mine.
- Net Present Value (NPV) of $260 million at 7.5% discount rate
- Internal Rate of Return of 12%.

The proposed development plan would include a pre-production period of two years involving construction of the 124 km long, 230 kV transmission line; upgrading and extension of current road access and mine site clearing; site infrastructure, processing, and tailings starter dam construction; removal and storage of overburden; and pre-production development.

The mine plan contemplates a large-scale conventional truck and shovel open pit mining and milling operation.

The processing plant has been designed with a nominal capacity of 70,000 tonnes per day. The plant consists of a single 12-meter diameter SAG mill, two 7.9-meter diameter ball mills, followed by processing steps that include bulk rougher flotation, regrinding, cleaner flotation, thickening and filtering to produce a copper-gold concentrate. The copper-gold concentrate would be hauled with highway trucks to an expanded load-out facility at McLeese Lake, where Gibraltar's concentrate is loaded, for rail transport to various points of sale, but mostly through the Port of Vancouver for shipment to smelters/refineries around the world.

Based on this study, the project would employ up to 450 permanent hourly and staff personnel, and approximately 60 contractor personnel.

The sensitivity of the project to metals price assumptions is presented in the following table:

	$US1.40/lb Cu $US550/oz Au	**$US1.50/lb Cu $US575/oz Au**	$US1.75/lb Cu $US600/oz Au	$US2.00/lb Cu $US650/oz Au
Pre-tax NPV ($C millions)	87	**260**	594	991
Internal Rate of Return (%)	9	**12**	17	22

The feasibility study updated and expanded work done to 2000, and was a combined effort by HATCH, Knight Piesold Engineering, and Taseko's engineering team, completed under the supervision of Scott Jones, P. Eng., Vice President Engineering, Taseko Mines Limited, a qualified person under National Instrument 43-101. A technical report has been filed at www.sedar.com.

The Company believes there are additional opportunities for improved economic performance through further optimization of the concentrator flowsheet and a reduction in indirect costs and work will continue on these aspects of the project. The decision to build the project is dependent on the successful outcome of environmental assessment, permitting, and financing, all of which are ongoing or under development.

The Project is currently in Environmental Assessment Process. The federal responsible authorities, the Department of Fisheries and Oceans, Transport Canada, and Natural Resources Canada, have recommended to the Federal Minster of Environment that the project be referred to a Joint Panel Review. Provincially, the Executive Director of the Environmental Assessment Office has also referred the project to the Provincial Minister of Environment for a decision regarding a Joint Panel Review. Taseko is actively engaged with federal and provincial regulatory agencies in the review of the Project and are also engaged in discussions with local First Nations and other communities.

1.2.3 Harmony Project

In late 2007, after the completion of the Queen Charlotte-Haida Gwaii Land and Resource Management Plan designated the area in which the Harmony Project is located as a mineral development zone, Taseko initiated a review of the metallurgical flow sheet and prior mine development planning to establish further work programs. Plans are being developed to move the Project forward in 2008.

Property maintenance and environmental monitoring activities have continued at Harmony.

1.2.4 Aley Project

In June 2007, Taseko acquired 100% of the Aley niobium project in northern British Columbia through the acquisition of all of the issued and outstanding shares in the capital of a private company, for total cash consideration to the acquired company's shareholders of $1,500,000 as well as a share issuance to the value of $2,970,000 (consisting of 894,730 common shares). Taseko purchased the residual net smelter royalty from Teck Cominco for total cash consideration of $300,000 and the issuance of units with a value of $835,200 (consisting of 240,000 common shares and 120,000 warrants). Each warrant is exercisable into one common share at $3.48 until June 4, 2009.

The Aley property hosts a niobium deposit. Niobium is a metal used in making high strength steels required in the manufacture of automobiles, bridges, pipes, jet turbines and other high technology applications. The metal is currently selling for $30/kg and the market is growing at 5-8% per year. Currently, the world supply is dominated by only two producers: CBMM, a Brazilian miner and Iamgold which operates the Niobec Mine in Quebec.

Taseko successfully completed an initial exploration program on the Aley deposit in 2007, and plans to do an accelerated drilling and engineering work program in the summer of 2008 to advance the Aley Project toward a feasibility study.

1.2.5 Market Trends

Overall, copper prices have been increasing since late 2003, averaging US$3.03/lb in 2006. As a result of increasing supply, prices dropped slightly in early 2007, but have increased again since mid February. The average price to the end of November 2007 is US$3.23/lb.

Overall, gold prices have been increasing for more than three years. The gold price has averaged approximately US$687.57/oz in 2007 to end of November.

Molybdenum prices increased from US$7.60/lb to US$34/lb in 2004, and peaked at an average price of US$34/lb in 2005. Prices stabilized in 2006, averaging US$25.53/lb over the year, and have strengthened in 2007, averaging approximately US$30.47/lb.

1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in thousands of Canadian dollars except per share amounts.

		As at September 30	
Balance Sheets	**2007**	**2006**	**2005**
Current assets	$ 94,619	$ 149,447	$ 58,380
Mineral properties	18,407	2,628	3
Other assets	264,237	145,386	132,614
Total assets	$ 377,263	$ 297,461	$ 190,997
Current liabilities	44,589	47,863	52,205
Other liabilities	169,014	148,664	109,682
Shareholders' equity	163,660	100,934	29,110
Total liabilities & shareholders' equity	$ 377,263	$ 297,461	$ 190,997

		Year ended September 30	
Statements of Operations	**2007**	**2006**	**2005**
Revenue	$ 218,426	$161,900	$ 87,638
Cost of sales	(109,533)	(103,628)	(71,348)
Amortization	(3,155)	(3,412)	(2,657)
Operating profit	$ 105,738	$ 54,860	$ 13,633
Accretion of reclamation obligation	1,777	1,732	1,574
Exploration	8,967	3,544	506
Foreign exchange loss (gain)	233	(289)	34
Gain on asset retirement obligation change of estimates	(4,570)	–	–
Loss on sale of equipment	–	–	2,161
Loss on extinguishment of capital leases	–	240	–
General and administration	6,501	5,286	2,412
Ledcor termination fee	–	3,500	–
Gain on sale of marketable securities	(1,508)	–	–
Interest and other income	(11,093)	(7,170)	(10,548)
Interest expense	5,947	4,594	3,175
Interest accretion on convertible debt	2,922	1,280	1,075
Restart project	–	–	6,347
Stock-based compensation	6,771	3,182	1,129
Change in fair market value of financial instruments	1,925	–	–
Earnings before income taxes	$ 87,866	$ 38,961	$ 5,768
Current income tax expense (recovery)	3,959	4,397	(4,099)
Future income tax expense (recovery)	35,645	1,648	(13,423)
Earnings for the year	$ 48,262	$ 32,916	$ 23,290
Other comprehensive income (loss):			
Unrealized loss on reclamation deposits	(419)	–	–
Unrealized gain (loss) on marketable securities/investments	4,710	–	–
Reclassification of realized gain on sale of marketable securities	(1,508)	–	–
Tax effect	(445)	–	–
Other comprehensive income	$ 2,338	–	–
Total comprehensive income	$ 50,600	$ 32,916	$ 23,290
Basic earnings per share	$ 0.37	$ 0.29	$ 0.23
Diluted earnings per share	$ 0.36	$ 0.26	$ 0.21
Basic weighted average number of common shares outstanding	129,218	113,554	100,022
Diluted weighted average number of common shares outstanding	142,278	126,462	110,733

1.4 Summary of Quarterly Results

Expressed in thousands of Canadian dollars, except per-share amounts. Small differences are due to rounding.

	Sep 30 2007	Jun 30 2007	Mar 31 2007	Dec 31 2006	Sep 30 2006	Jun 30 2006	Mar 31 2006	Dec 31 2005
Current assets	94,619	97,907	114,756	129,940	149,447	68,651	64,839	57,067
Mineral properties	18,407	15,986	5,468	3,554	2,628	3	3	3
Other assets	264,237	225,638	200,304	167,332	145,386	134,459	132,713	132,684
Total assets	**377,263**	**339,531**	**320,528**	**300,826**	**297,461**	**203,113**	**197,555**	**189,754**
Current liabilities	44,589	35,225	36,426	37,411	47,863	39,330	40,815	41,238
Other liabilities	169,014	155,070	151,799	149,912	148,664	97,588	109,158	109,528
Shareholders' equity	163,660	149,236	132,303	113,503	100,934	66,195	47,582	38,988
Total liabilities and shareholders' equity	**377,263**	**339,531**	**320,528**	**300,826**	**297,461**	**203,113**	**197,555**	**189,754**
Revenue	(53,998)	(55,907)	(51,624)	(56,897)	(23,196)	(59,922)	(37,511)	(41,271)
Mine site operating costs	17,062	21,399	18,962	30,809	8,829	31,866	22,574	26,047
Transportation and treatment	5,220	4,714	5,062	6,305	(7,581)	8,973	6,643	6,277
Amortization	667	1,374	677	437	898	812	852	849
Expenses:								
Accretion of reclamation obligation	760	339	339	339	433	433	433	433
Conference and travel	98	72	156	168	223	39	84	71
Consulting	198	138	167	80	137	104	78	115
Exploration	2,320	2,188	2,546	1,913	(155)	2,958	471	270
Interest expense and accretion charges	2,042	2,199	2,722	1,906	1,678	2,311	1,043	1,082
Ledcor termination fee	–	–	–	–	3,500	–	–	–
Legal, accounting and audit	443	130	484	163	(81)	1,061	334	363
Office and administration	975	833	905	762	(107)	1,047	665	390
Shareholder communications	99	140	134	113	101	183	97	69
Trust and filing	23	20	118	81	55	23	215	21
Interest and other income	(2,901)	(2,434)	(2,978)	(2,778)	(2,418)	(1,579)	(1,546)	(1,627)
Gain on sale of marketable securities	–	–	(1,509)	–	–	–	–	–
Income taxes expense (recovery)	15,727	6,739	11,485	5,653	(1,968)	5,603	2,410	–
Asset retirement obligation change of estimates	(4,570)	–	–	–	–	–	–	–
Foreign exchange loss (gain)	756	1,454	(472)	(1,505)	(132)	323	(448)	(32)
Stock-based compensation	1,817	1,865	2,330	759	731	1,685	535	231
Change in fair value of financial instruments	617	2,331	(995)	(28)	–	–	–	–
Earnings for the period	**12,645**	**12,406**	**11,491**	**11,720**	**19,053**	**4,080**	**3,071**	**6,712**
Earnings per share - basic	0.10	0.10	0.09	0.09	0.16	0.04	0.03	0.06

1.5 Results of Operations

Year ended September 30, 2007 ("2007") versus year ended September 30, 2006 ("2006")

The Company's pre-tax earnings for 2007 increased to $87.9 million, compared to $39.0 million in 2006 due mainly to higher volume of copper and molybdenum sold and higher realized metal prices for sales during the year. The Company's after-tax earnings for 2007 increased to $48.3 million, compared to $32.9 million in 2006.

The Company reported revenues of $218.4 million, compared to $161.9 million in the previous year. Revenues consisted of copper concentrate sales of $191.1 million (2006 – $139.1 million), molybdenum concentrate sales of $18.6 million (2006 – $21.6 million), silver concentrate sales of $1.3 million (2006 – $1.2 million), and copper cathode sales of $7.4 million (2006 – Nil). Revenues increased due to significantly higher copper prices and a more pounds of copper sold. The average price per pound of copper concentrate sold increased to US$3.30 per pound, up from US$2.44 per pound in the previous year. The Company also sold 53.4 million pounds of copper concentrate and 2.1 million pounds of copper cathode in 2007 compared to 51.0 million pounds of copper concentrate in 2006.

Cost of sales for 2007 was $109.5 million, compared to $103.6 million in 2006. Cost of sales for 2007 consists of total production cost of $79.3 million (2006 – $91.3 million) and a concentrate inventory adjustment of $8.9 million (2006 – ($2.0 million)). Also included in cost of sales is transportation and treatment costs, which were $21.3 million for 2007 (2006 – $14.3 million). The increase in cost of sales for the year was due to higher transportation and treatment charges compared to the previous year.

Amortization expense for 2007 was $3.2 million compared to $3.4 million in 2006. During 2007, the Company increased its mineral reserves at the Company's Gibraltar mine, thereby extending the life of the mine. Consequently, the rates of amortization of the Company's property, plant and equipment, the carrying values of the reclamation liability, and the Company's future income taxes have been revised to reflect the extended mine life.

Exploration expenses increased to $9.0 million in 2007 compared to $3.5 million in 2006, due to a higher level of exploration activity at the Company's Prosperity and Aley projects. The exploration expenditures were focused mainly on the initial stages of preparing an environmental impact assessment and updated feasibility study for the Prosperity project (completed). Exploration expenses of $7.4 million at Gibraltar were capitalized as the exploration expenditures resulted in the discovery of additional mineral reserves that will allow for increases in future production at the Gibraltar mine.

General and administrative costs increased to $6.5 million in 2007 from $5.3 million in 2006, mainly due to salaries and benefits (2007 – $4.3 million; 2006 – $1.9 million) resulting from higher staffing levels to support the Company's exploration projects, expansion at Gibraltar and general corporate activities. Conference and travel (2007 – $0.5 million; 2006 – $0.4 million); consulting (2007 – $0.6 million; 2006 – $0.3 million) and shareholder's communication (2007 – $0.5 million; 2006 – $0.45 million) all increased in 2007 due to higher staffing levels and an increase in corporate activities. This was offset by reduced legal fees of $0.4 million in 2007 as legal fees in 2006 were higher due to an arbitration proceeding.

Stock-based compensation increased to $6.8 million in the current year compared to $3.2 million in 2006 as a result of share purchase options granted and a higher fair value on the options granted during the year.

Interest and other income increased significantly to $11.1 million as compared to $7.2 million in 2006. The increase was due to interest earned on the Company's increasing average cash balances. Interest expense and interest accretion increased by $3.0 million in 2007 due to the Company recognizing a complete year of accretion and interest payments in 2007 on its convertible bonds, compared to one month in 2006.

Current income tax of $4.0 million (2006 – $4.4 million) and future income taxes of $35.6 million (2006 – $1.6 million) were recorded during the year. The increase in income taxes is due mainly to the depletion of tax pools as a result of the Company's continued profitability and changes in timing differences on the Company's tax and accounting assets and liabilities.

The Company also has a tax liability provision of $24.6 million (2006 – $21.1 million) recorded on the Company's balance sheet recorded in fiscal 2004 in accordance with Canadian generally accepted accounting principles.

1.6 Liquidity

At September 30, 2007, Taseko had working capital of $50.0 million, as compared to a $101.6 million at September 30, 2006. The decrease in working capital was primarily a result of significant capital expenditures made during the year on the Company's mine expansion activities.

Management anticipates that revenues from copper, molybdenum and copper cathode, along with current cash balances will be sufficient to cover operating costs, working capital, and the Gibraltar mill expansion.

On October 30, 2007, the Company closed the "bought deal" short form prospectus offering of 7,115,385 common shares at a price of $5.20 per Common share. The Company granted to the underwriters an over-allotment option to purchase up to an additional 1,067,307 common shares at $5.20. The underwriters elected to exercise the over-allotment option in full at the closing, resulting in an aggregate gross proceeds to the Company of $42.5 million. On November 13, 2007, the Company completed a private placement financing. The Company issued 1,455,100 shares at a price of $5.20 per share for gross proceeds of $7.6 million.

Other than those obligations disclosed in the notes to its audited annual financial statements for the year ended September 30, 2007, the Company has no other long term debt, capital lease obligations, operating leases or any other long term obligations.

1.7 Capital Resources

The Company had no commitments for material capital expenditures as of September 30, 2007.

The Company has purchase orders in the normal course of operations for capital equipment required for the Gibraltar expansion project. The orders have specific delivery dates and financing of this equipment would be through existing resources.

The Company has no lines of credit or other sources of financing.

1.8 Off-Balance Sheet Arrangements

None.

1.9 Transactions with Related Parties

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 carries out geological, engineering, corporate development, administrative, financial management, investor relations, and other management activities for, and incurs third party costs on behalf of, the Company. The Company reimburses HDI on a full cost-recovery basis.

Costs for services rendered and costs incurred on behalf of the Company by HDI during the year ended September 30, 2007 were $4.9 million, as compared to $2.9 million in the year of 2006. The increase over prior fiscal year is due to higher staffing levels required to support the increase in general corporate development and exploration activities.

Taseko held a convertible promissory note ("Note") issued by Continental, a public company which is a related party by virtue of certain common directors. The Note had a right to participate in future Continental equity financings. In February 2007, the Company redeemed the Note for cash at 105% of its principal face value and used its pre-emptive right to participate in a private placement consisting of equity units ("Units") of Continental at a price of Cdn$1.65 per Unit. Each Unit consists of one common share of Continental and one Continental common share purchase warrant, exercisable at a price of Cdn$1.80 per share for a one year period from the completion of the financing. As a result, Taseko used the proceeds from the Note to subscribe for 7,318,182 Units of Continental.

1.10 Fourth Quarter

The Company reported revenues of $54.0 million, compared to $55.9 million in the previous quarter and $23.2 million in the fourth quarter of 2006. The average price per pound of copper concentrate sold increased to US$3.63 per pound in the fourth quarter, up from US$3.53 per pound in the previous quarter and US$3.23 per pound in the same quarter in 2006.

Revenues consisted of copper concentrate sales of $43.7 million compared to $ $47.8 million for the previous quarter and $18.2 million in the fourth quarter of 2006, molybdenum concentrate sales of $4.8 million compared to $5.6 million for the previous quarter and $5 million in the fourth quarter of 2006, silver concentrate sales of $0.3 million compared to $0.4 million for the previous quarter and $0.1 million in the fourth quarter of 2006 and copper cathode sales of $5.2 million compared to $2.1 million for the previous quarter.

Cost of production for the period was $17.1 million, compared to $21.4 million in the previous quarter, and $8.8 million in the same quarter of 2006. Costs of production consist of total production cost for the period of $23.4 million, compared to $20.8 million in the previous quarter and $24.8 million in the same quarter of the previous year; less concentrate inventory addition of $6.3 million, compared to inventory reduction of $0.6 million in the previous quarter and addition of $15.9 million in the fourth quarter of 2006.

Transportation and treatment costs for the fourth quarter amounted to a $5.2 million compared to $4.7 million in the previous quarter and a recovery of $7.6 million for the same period last year. The recovery of transportation and treatment costs in the fourth quarter was due to the August 2006 arbitration ruling in favor of the Company.

Amortization expense of $0.7 million for the fourth quarter compared to $1.4 million in the previous quarter and $0.9 million for the fourth quarter of 2006. Amortization during the previous quarter was significantly higher due to the write-down of the old software used in the Gibraltar Mine which was replaced by a new system.

1.11 Proposed Transactions

None.

1.12 Critical Accounting Estimates

The Company's significant accounting policies are presented in notes 3 and 4 of the audited consolidated statements for the year ended September 30, 2007. 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 consolidated financial statements.

These estimates include:

- mineral resources and reserves,
- the carrying values of concentrate inventories and supplies inventories,
- the carrying values of mineral properties,
- the carrying values of property, plant and equipment,
- rates of amortization of property, plant and equipment,
- the carrying values of the reclamation liability,
- the carrying values of the convertible debentures and conversion rights,
- income taxes,
- the valuation allowances for future income taxes,
- the carrying values of the receivables from sales of concentrate,
- the carrying values of deferred revenue,
- the assumptions used in determining the 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.

During the year ended September 30, 2007, the Company increased its mineral reserves at the Company's Gibraltar mine, thereby extending the life of the mine. Consequently, the rates of amortization of the Company's property, plant and equipment, the carrying values of the reclamation liability, and the Company's future income taxes have been revised to reflect the extended mine life.

Mining and milling assets are amortized using the units of production method based on tons mined and milled divided by the estimated tonnage to be recovered in the mine plan. An increase in recoverable reserves results in higher estimated tonnage to be recovered in the mine plan and hence a reduced annual amortization rate.

1.13 Change in Accounting Policies including Initial Adoption

Effective October 1, 2006, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. As required by the transitional provisions of these new standards, these new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

(a) Financial Instruments – Recognition and Measurement (Section 3855)

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations or accumulated other comprehensive income, depending on the classification of the related instruments.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the asset or liability. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to October 1, 2006 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.

- Available-for-sale financial assets are measured at fair value. Changes in fair value are included in other comprehensive income until the gain or loss is recognized in income.

- Held for trading financial instruments are measured at fair value. All changes in fair value are included in net earnings in the period in which they arise.

- All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. Changes in fair value are included in net earnings in the period in which they arise, except for hedge transactions which qualify for hedge accounting treatment in which case gains and closes are recognized in other comprehensive income.

In accordance with this new standard, the Company has classified its financial instruments as follows:

- Marketable securities are classified as available-for-sale securities. Such securities are measured at fair market value in the consolidated financial statements with unrealized gains or losses recorded in comprehensive income. At the time securities are sold or otherwise disposed of, gains or losses are included in net earnings.

- The Company's investment in a convertible promissory note of Continental Minerals Corporation ("Continental") contained an embedded derivative which required separation from the host contract and was measured at fair value. This change in accounting policy resulted in a mark-to-market adjustment of $307 to deficit and a similar increase to the carrying value of the Company's investment in Continental at October 1, 2006. In February 2007, the Company redeemed the convertible promissory note for cash.

- Reclamation deposits invested in government backed securities are classified as available-for-sale securities and are carried at fair market value, with the unrealized gain or loss recorded in shareholders' equity as a component of other comprehensive income. These amounts will be reclassified from accumulated other comprehensive income to net earnings when the investment is sold. Previously, reclamation deposits were carried at cost, less provision for other than a temporary decline in value.

- Investment in promissory note relating to the Red Mile Resources No. 2 Limited Partnership Agreement ("Red Mile") is classified as a loan and receivable.
- Convertible bonds and debenture are classified as held-to maturity and are measured at amortized costs.
- In accordance with this new standard, deferred financing costs relating to the issuance of the convertible bonds are no longer presented as a separate asset on the balance sheet and are now included in the carrying value of the term loan, and are amortized to interest expense using the effective interest rate method.

The carrying amounts of cash and equivalents, accounts receivable, restricted cash, reclamation deposits, and accounts payable and accrued liabilities approximate their fair values due to their short term nature.

The fair values of the Boliden 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 value of the investment and advances from related parties because of the related party nature of such amounts and the absence of a secondary market for such instruments.

(b) Hedging (Section 3865)

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any financial instruments which qualify for hedge accounting.

(c) Comprehensive Income (Section 1530)

Comprehensive income is the change in the Company's shareholder equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains or losses on available-for-sale investments. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. Accumulated other comprehensive income is presented as a new category in shareholders' equity.

Accordingly, the Company now reports a consolidated statement of comprehensive income and includes the account "accumulated other comprehensive income" in the shareholders' equity section of the consolidated balance sheet.

1.14 Financial Instruments and Other Instruments

Please refer to Section 1.13 above.

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.

1.15.1 Additional Disclosure for Venture Issuers without Significant Revenue

Not applicable. The Company is not a Venture Issuer.

1.15.2 Disclosure of Outstanding Share Data

The following details the share capital structure as at December 13, 2007, 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				140,246,830
Share purchase option	March 27, 2009	$ 2.07	30,000	
	March 27, 2009	$ 2.18	153,000	
	March 27, 2009	$ 2.68	110,000	
	February 24, 2010	$ 3.07	909,000	
	July 3, 2010	$ 4.03	130,000	
	September 28, 2010	$ 1.15	1,128,334	
	September 28, 2010	$ 2.07	70,000	
	September 28, 2010	$ 2.18	100,000	
	March 28, 2011	$ 2.18	442,000	
	March 28, 2011	$ 2.63	360,000	
	March 28, 2011	$ 2.68	90,000	
	August 22, 2011	$ 4.09	338,500	
	February 24, 2012	$ 3.07	1,818,000	5,678,834
Warrants	June 4, 2009	$ 3.48	120,000	120,000
Convertible debenture,				
Boliden Westmin (Canada) Limited	July 21, 2009	$ 5.14	3,307,393	3,307,393
Convertible bonds	August 29, 2011	US$ 3.35	8,955,224	8,955,224
Preferred shares redeemable into Taseko Mines				
Limited common shares				12,483,916

1.15.3 Internal Controls over Financial Reporting Procedures

The management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and the board of directors regarding the preparation and fair presentation of published financial statements. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of internal control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that internal control over financial reporting was effective as of September 30, 2007 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

During the year ended September 30, 2007, the Company completed the implementation of a new Enterprise Resource Planning (ERP) system at one of its subsidiaries, Gibraltar Mines Ltd ("Gibraltar"). In connection with this ERP system implementation, the Company updated its internal controls over financial reporting, as necessary, to accommodate modifications to its business processes and accounting procedures. Gibraltar's financial statements constitute approximately 52% of the Company's total assets and 100% of net sales as of the year ended September 30, 2007. Other than the system implementation at Gibraltar, no other changes in internal controls over financial reporting occurred during the most recent fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

1.15.4 Disclosure Controls and Procedures

As of the end of the period covered by this report, our management carried out an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in reports that we file or submit under the Exchange Act.

It should be noted that while our Chief Executive Officer and our Chief Financial Officer believe that our disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that our disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met.

KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone 604 691 3000
Fax 604 691 3031
Internet www.kpmg.ca

AUDITORS' REPORT

To the Shareholders of Taseko Mines Limited

We have audited the consolidated balance sheets of Taseko Mines Limited ("the Company") as at September 30, 2007 and 2006 and the consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended September 30, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2007 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Vancouver, Canada
December 13, 2007

Consolidated Balance Sheets

(Expressed in thousands of Canadian Dollars)

	September 30 2007	September 30 2006
ASSETS		
Current assets		
Cash and equivalents	$ 37,636	$ 89,408
Restricted cash (note 10)	4,400	–
Marketable securities and investments (note 6)	18,542	11,500
Accounts receivable	12,021	9,342
Advances to related party (note 11)	807	–
Inventory (note 5)	18,058	24,218
Prepaid expenses	1,069	1,221
Current portion of future income taxes (note 15)	–	11,601
Current portion of promissory note (note 8(e))	2,086	2,157
	94,619	149,447
Deferred financing costs	–	1,382
Mineral properties, plant and equipment (note 9)	176,898	43,445
Reclamation deposits (note 13)	33,396	32,004
Promissory note (note 8(e))	72,350	71,009
Future income taxes (note 15)	–	174
	$ 377,263	**$ 297,461**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 30,435	$ 21,962
Current portion of deferred revenue (notes 3(b) and 8(e))	175	19,759
Current portion of royalty obligation (note 8(e))	2,086	2,157
Income taxes	6,573	3,985
Current portion of future income taxes (note 15)	5,320	–
	44,589	47,863
Income taxes (note 15)	24,645	21,058
Royalty obligation (note 8(e))	63,330	64,632
Deferred revenue (note 8(e))	1,050	1,225
Convertible debt (note 12)	41,008	42,774
Site closure and reclamation costs (note 13)	17,441	18,975
Future income taxes (note 15)	21,540	–
	213,603	196,527
Shareholders' equity		
Share capital	205,040	197,592
Equity component of convertible debt (note 12)	13,655	13,655
Tracking preferred shares (note 7)	26,642	26,642
Contributed surplus	8,633	3,648
Accumulated other comprehensive income	2,338	–
Deficit	(92,648)	(140,603)
	163,660	100,934
Subsequent event (note 17)		
Commitments (note 8)		
	$ 377,263	**$ 297,461**

See accompanying notes to consolidated financial statements.
Approved by the Board of Directors.

Russell E. Hallbauer
Director

Jeffrey R. Mason
Director

Consolidated Statements of Operations and Comprehensive Income

(Expressed in thousands of Canadian Dollars, except for per share and share amounts)

	Years ended September 30		
	2007	2006	2005
Revenue			
Copper	$ 199,872	$ 140,341	$ 71,946
Molybdenum	18,554	21,559	15,692
	218,426	161,900	87,638
Cost of sales	(109,533)	(103,628)	(71,348)
Depletion, depreciation and amortization	(3,155)	(3,412)	(2,657)
Operating profit	105,738	54,860	13,633
Expenses (income)			
Accretion of reclamation obligation	1,777	1,732	1,574
Exploration	8,967	3,544	506
Foreign exchange	233	(289)	34
Asset retirement obligation change of estimates (note 13)	(4,570)	–	–
Loss on extinguishment of capital leases	–	240	–
Loss on sale of equipment	–	–	2,161
General and administration	6,501	5,286	2,412
Gain on sale of marketable securities (note 6)	(1,508)	–	–
Ledcor termination fee (note 8(a))	–	3,500	–
Interest and other income	(11,093)	(7,170)	(10,548)
Interest expense	5,947	4,594	3,175
Interest accretion on convertible debt (note 12)	2,922	1,280	1,075
Restart project	–	–	6,347
Stock-based compensation	6,771	3,182	1,129
Change in fair value of financial instruments	1,925	–	–
	17,872	15,899	7,865
Earnings before income taxes	87,866	38,961	5,768
Income tax recovery (expense) (note 15)	(3,959)	(4,397)	4,099
Future income tax recovery (expense) (note 15)	(35,645)	(1,648)	13,423
Earnings for the year	$ 48,262	$ 32,916	$ 23,290
Other comprehensive income (loss)			
Unrealized loss on available-for-sale reclamation deposit	(419)	–	–
Unrealized gain on available-for-sale marketable securities / investments (note 6)	4,710	–	–
Reclassification of realized gain on sale of marketable securities	(1,508)	–	–
Tax effect	(445)	–	–
Other comprehensive income	$ 2,338	$ –	$ –
Total comprehensive income	$ 50,600	$ 32,916	$ 23,290
Earnings per share (note 14(d))			
Basic	$ 0.37	$ 0.29	$ 0.23
Diluted	0.36	0.26	0.21
Weighted average number of common shares outstanding (in thousands)			
Basic	129,218	113,554	100,022
Diluted	142,278	126,462	110,733

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian Dollars, except for per share and share amounts)

	Years ended September 30		
	2007	2006	2005
Operating activities			
Earnings for the year	$48,262	$ 32,916	$ 23,290
Items not involving cash			
Asset retirement obligation change in estimate	(4,570)		
Accretion of reclamation obligation	1,777	1,732	1,574
Depreciation, depletion and amortization	3,155	3,412	2,657
Interest accretion on convertible debt	2,922	1,280	1,075
Loss on extinguishment of capital leases	–	240	–
Loss on sale of equipment	–	–	2,161
Stock-based compensation	6,771	3,182	1,129
Future income taxes	35,645	1,648	(13,423)
Unrealized foreign exchange loss (gain)	(3,307)	49	–
Gain on sale of marketable securities	(1,508)	–	–
Change in fair value of financial instruments	1,925	–	–
Changes in non-cash operating working capital			
Accounts receivable	(2,679)	(2,596)	(3,980)
Advances to related parties	(833)	89	–
Inventories	6,160	(3,344)	(20,874)
Prepaids	152	693	(1,704)
Accrued interest income on promissory note	(1,270)	(4,311)	(4,145)
Accounts payable and accrued liabilities	8,499	8,789	(1,301)
Deferred revenue	(19,759)	4,836	14,398
Accrued interest expense on royalty obligation	(1,371)	1,463	1,433
Income taxes	6,175	5,399	(4,099)
Site closure and reclamation expenditures	(167)	(71)	–
Cash provided by (used in) operating activities	85,979	55,406	(1,809)
Investing activities			
Purchase of property, plant and equipment	(127,032)	(16,146)	(8,264)
Purchase of mineral property interest (note 8(f))	(1,800)	–	–
Proceeds received on sale of property, plant and equipment	–	–	22,068
Restricted cash	(4,400)	5,000	(5,000)
Reclamation deposits	(20)	(13,000)	–
Accrued interest income on reclamation deposits	(1,791)	(723)	(634)
Investments	(21,564)	–	–
Proceeds from redemption and disposal of investments	16,999	–	–
Investment in convertible promissory note	–	(11,500)	–
Cash provided by (used in) investing activities	(139,608)	(36,369)	8,170
Financing activities			
Principal repayments under capital lease obligation	–	(15,077)	(7,274)
Bank operating loan	–	–	(1,857)
Common shares issued for cash, net of issue costs	1,857	31,893	9,606
Convertible bonds issued, net of issue costs	–	31,826	–
Cash provided by financing activities	1,857	48,642	475
Increase (decrease) in cash and equivalents	(51,772)	67,679	6,836
Cash and equivalents, beginning of year	89,408	21,729	14,893
Cash and equivalents, end of year	**$ 37,636**	**$ 89,408**	**$ 21,729**

Supplementary cash flow disclosures (note 16)
See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(Expressed in thousands of Canadian Dollars, except for per share and share amounts)

	Year ended September 30, 2007		Year ended September 30, 2006		Year ended September 30, 2005	
Common shares	**Number of shares**		**Number of shares**		**Number of shares**	
Balance at beginning of the year	128,388,175	$ 197,592	103,457,316	$ 160,830	94,767,619	$ 150,481
Share purchase options at $0.25 per share	–	–	–	–	50,000	13
Share purchase options at $0.30 per share	–	–	–	–	100,000	30
Share purchase options at $0.38 per share	–	–	–	–	20,000	8
Share purchase options at $0.40 per share	–	–	–	–	22,500	9
Share purchase options at $0.55 per share	–	–	1,500,000	825	610,000	336
Share purchase options at $0.81 per share	–	–	–	–	45,000	36
Share purchase options at $1.15 per share	409,833	471	451,833	520	–	–
Share purchase options at $1.29 per share	75,000	97	60,000	77	–	–
Share purchase options at $1.36 per share	–	–	1,970,000	2,679	270,000	367
Share purchase options at $1.40 per share	–	–	3,405,500	4,768	44,500	62
Share purchase options at $1.50 per share	–	–	10,000	15	–	–
Share purchase options at $1.65 per share	–	–	–	–	10,000	17
Share purchase options at $2.07 per share	233,300	483	33,333	69	–	–
Share purchase options at $2.18 per share	244,000	532	7,500	16	–	–
Share purchase options at $2.63 per share	20,000	53	–	–	–	–
Share purchase options at $2.68 per share	27,500	74	–	–	–	–
Share purchase options at $3.07 per share	48,000	147	–	–	–	–
Share issued for the purchase of mineral property interest (note 8(f))	1,134,730	3,805	–	–	–	–
Fair value of stock options allocated to shares issued on exercise	–	1,786	–	4,869	–	743
Share purchase warrants at $0.40 per share	–	–	375,000	150	–	–
Share purchase warrants at $0.75 per share	–	–	3,913,332	2,935	2,313,336	1,735
Share purchase warrants at $1.40 per share	–	–	8,000,000	11,200	–	–
Share purchase warrants at $1.66 per share	–	–	5,204,361	8,639	–	–
Private placement at $1.45 per share, net of issue costs	–	–	–	–	5,204,361	6,994
Balance at end of the year	130,580,538	$ 205,040	128,388,175	$ 197,592	103,457,316	$ 160,830
Equity component of convertible debt						
Balance at beginning of the period		13,655		9,823		9,823
Convertible bonds - August 2006		–		3,832		–
Balance at end of the year		$ 13,655		$ 13,655		$ 9,823
Tracking preferred shares						
Balance at beginning and end of the year		$ 26,642		$ 26,642		$ 26,642
Contributed surplus						
Balance at beginning of the year		3,648		5,335		4,948
Stock-based compensation		6,771		3,182		1,129
Fair value of stock options allocated to shares issued on exercise		(1,786)		(4,869)		(742)
Balance at end of the year		$ 8,633		$ 3,648		$ 5,335
Accumulated other comprehensive income						
Balance at beginning of the year		–		–		–
Unrealized loss on reclamation deposits		(419)		–		–
Unrealized gains on available-for-sale marketable securities (note 6)		4,710		–		–
Reclassification of realized gain on sale of marketable securities		(1,508)		–		–
Tax effect		(445)		–		–
Balance at end of the year		$ 2,338		$ –		$ –
Deficit						
Balance at beginning of the year, as originally reported		(140,603)		(173,519)		(196,809)
Adjustment to opening deficit - change in accounting policy (note 4)		(307)		–		–
Net earnings for the year		48,262		32,916		23,290
Balance at end of the year		$ (92,648)		$ (140,603)		$ (173,519)
TOTAL SHAREHOLDERS' EQUITY		$ 163,660		$ 100,934		$ 29,111

See accompanying notes to consolidated financial statements.

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 September 30, 2007, the Company's principal business activities related to the operations of the Gibraltar Copper Mine, and exploration on the surrounding properties as well as exploration on the Company's 100% owned Prosperity Gold-Copper Property, Harmony Gold Property and Aley Niobium Property. The Gibraltar property 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 (also known as Haida Gwaii), British Columbia. The Aley Niobium property is located in north eastern British Columbia, near the city of Mackenzie.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and all of its subsidiaries. All material intercompany accounts and transactions have been eliminated.

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. At September 30, 2007, of the $37,636 cash and cash equivalents held by the Company, $34,717 (US$34,898) were held in United States-dollar-denominated cash and equivalents (2006 – $81,560 (US$72,959)).

(b) Revenue recognition

Revenue from the sales of metal in concentrate is recognized when persuasive evidence of a sales agreement exists, the title and risk is transferred to the customer, collection is reasonably assured, and the price is reasonably determinable. Revenue from the sales of metal may be subject to adjustment upon final settlement of shipment weights, assays and estimated metal prices. Adjustments to revenue for metal prices are recorded monthly and other adjustments are recorded on final settlement. Cash received in advance of meeting these revenue recognition criteria is recorded as deferred revenue. At September 30, 2007, the Company had deferred revenues of $Nil (2006 – $19,584) pertaining to cash received in advance of title and risk passing to the customer.

Under the Company's concentrate sales contracts, final copper and molybdenum prices are set based on a specified future quotational period and the market metal price in that period. Typically, the quotational period for copper is four months after the date of arrival at the port of discharge and for molybdenum is one month after the month of shipment. Revenues are recorded under these contracts at the time title passes to the buyer and are based on the forward price for the expected settlement period. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on the average applicable price for a specified future period, and generally occurs from one to five months after shipment. The price adjustment features in the Company's receivables are treated as embedded derivatives for accounting purposes and as such, are marked-to-market through earnings from the date of sale through the date of final pricing.

(c) Inventory

Concentrate inventory consists of finished goods, work-in-process inventories and stockpiled ore. Concentrate inventory is valued based on the lower of average production cost and net realizable value. Production costs include the cost of raw materials, direct labour, mine-site overhead expenses and depreciation.

The costs of removing waste material in the process of mining ore, referred to as "stripping costs", are considered costs of the extracted minerals and recognized as a component of concentrate inventory to be recognized in cost of sales in the same period as the revenue from the sale of the concentrate inventory.

Supplies inventory is valued at the lower of average cost and replacement cost.

Copper cathode inventory consist of finished goods in the form of copper cathode sheets. Copper cathode inventory is valued at the lower of average production cost and net realizable value.

(d) Plant and equipment

Plant and equipment are stated at cost less accumulated amortization. Mining and milling assets are amortized using the units of production method based on tons mined and milled, respectively, divided by the estimated tonnage to be recovered in the mine plan. During the year, the Company extended the life of its Gibraltar mine. Consequently, the useful life over which the Company's mining and milling assets are depreciated has been extended to reflect their additional use from an extended mine life. Amortization for all other assets is calculated using the declining balance method at rates ranging from 10% to 50% per annum. Repairs and maintenance expenditures are charged to operations as incurred. Major improvements and replacements which extend the useful life of the asset are capitalized as incurred.

The costs of removing overburden material to access mineral reserve deposits, referred to as "pre-stripping costs" are accounted for as variable production costs to be included in the cost of inventory produced, unless the overburden removal activity can be shown to be a betterment of the mineral property, in which case these costs are capitalized. Betterment occurs when the overburden removal activity provides access to additional sources of mineral deposit reserves that will be produced in future periods which would not have otherwise been accessible in the absence of the pre-stripping activity. These deferred costs are amortized using the units of production basis to cost of sales over the life of the mineral deposit reserves.

(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. Exploration expenditures incurred subsequent to the mining operations which do not increase production or extend the life of operations are expensed in the period incurred.

The Company capitalizes development expenditures which have (a) a probable future benefit which the Company can obtain, (b) result from a past transaction, and (c) occur on property controlled by the Company on mineralized ore bodies that have, or are determined to have as a result of these costs, economically mineable mineral reserves. Acquisition costs and 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.

Mineral property acquisition costs include the cash consideration and the fair market value of common shares 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 accumulated acquisition costs, less write-downs and accumulated amortization, and does not necessarily reflect present or future values.

(f) Site closure and reclamation costs

The Company accounts for site closure and reclamation costs in accordance with Canadian Institute of Chartered Accountants ("CICA") 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 are capitalized to 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. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability, and the related asset retirement cost is capitalized as part of the carrying amount of the related long-lived asset. In the event the required decrease in the asset retirement cost is in excess of the carrying value, the excess amount is recorded as a change in estimate in the statement of operations.

(g) Impairment of long-lived assets

Long-lived assets, including mineral properties, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount and the fair value less costs to sell, and are no longer amortized.

(h) 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 of issue.

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.

(i) Stock-based compensation

The Company has a share option plan which is described in note 14(b). The Company records all stock-based payments granted on or after October 1, 2002 using the fair value method.

Under the fair value 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, and are charged to operations over the vesting period. The offset is credited to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(j) 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 or 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.

(k) Functional currency and foreign currency translations

The Company's functional currency is the Canadian dollar as the Canadian dollar is the currency of the primary economic environment in which the Company operates. While the Company receives its metal sales revenues in United States dollars, the majority of the Company's supplies, labor, and services are denominated in Canadian dollars. All of the business operations of the Company are located in Canada. A majority of the Company's financings are in Canadian dollars.

Foreign currency monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Non-monetary assets, liabilities, revenues and expenses are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of the transactions. Foreign exchange gains and losses are included in earnings.

For operations considered self-sustaining, of which the Company has none, foreign currency assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the fiscal period. The resulting foreign exchange gains and losses are accumulated in a separate component of shareholders' equity until there has been a realized reduction in the net investment in such operations.

(l) Earnings per common share

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

Diluted earnings per share is calculated using the treasury stock method, whereby all "in the money" options, warrants and equivalents are assumed to have been exercised at the beginning of the period and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the year. Dilution for convertible bonds and debentures is calculated on an if-converted basis.

(m) Variable interest entities

The Company accounts for variable interest entities ("VIE") in accordance with CICA Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG15"). AcG15 prescribes the application of consolidation principles for entities that meet the definition of a VIE. An enterprise holding other than a voting interest in a VIE could, subject to certain conditions, be required to consolidate the VIE if it is considered its primary beneficiary whereby it would absorb the majority of the VIE's expected losses, receive the majority of its expected residual returns, or both.

(n) 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 year. Significant areas requiring the use of management estimates relate to the impairment of mineral property interests and plant and equipment, the balances of reclamation liability, income taxes, valuation allowances for future income tax assets, rates for depletion, depreciation and amortization, the assumptions used in computing stock-based compensation, the fair value of the option to convert the debenture into common shares and future cash flows related thereto, receivables from sales of concentrate and valuation of concentrate inventory, and the determination of mineral reserves and mine life. Actual results could differ from these estimates.

(o) 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.

(p) Comparative figures

Certain of the prior years' comparative figures have been restated to conform with the presentation adopted for the current year.

4. CHANGES IN ACCOUNTING POLICY

Effective October 1, 2006, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. As required by the transitional provisions of these new standards, these new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

(a) Financial Instruments – Recognition and Measurement (Section 3855)

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations or accumulated other comprehensive income, depending on the classification of the related instruments.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the asset or liability. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to October 1, 2006 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.
- Available-for-sale financial assets are measured at fair value. Changes in fair value are included in other comprehensive income until the gain or loss is recognized in income.
- Held for trading financial instruments are measured at fair value. All changes in fair value are included in net earnings in the period in which they arise.
- All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. Changes in fair value are included in net earnings in the period in which they arise, except for hedge transactions which qualify for hedge accounting treatment in which case gains and closes are recognized in other comprehensive income.

In accordance with this new standard, the Company has classified its financial instruments as follows:

- Marketable securities are classified as available-for-sale securities. Such securities are measured at fair market value in the consolidated financial statements with unrealized gains or losses recorded in comprehensive income. At the time securities are sold or otherwise disposed of, gains or losses are included in net earnings.
- The Company's investment in a convertible promissory note of Continental Minerals Corporation ("Continental") contained an embedded derivative which required separation from the host contract and was measured at fair value. This change in accounting policy resulted in a mark-to-market adjustment of $307 to deficit and a similar increase to the carrying value of the Company's investment in Continental at October 1, 2006. In February 2007, the Company redeemed the convertible promissory note for cash (note 6).
- Reclamation deposits invested in government bonds and treasury bills are classified as available-for-sale securities and are carried at fair market value, with the unrealized gain or loss recorded in shareholders' equity as a component of other comprehensive income. These amounts will be reclassified from accumulated other comprehensive income to net earnings when the investment is sold. Previously, reclamation deposits were carried at cost, less provision for other than a temporary decline in value.
- Promissory note relating to the Red Mile Resources No. 2 Limited Partnership Agreement ("Red Mile") is classified as a loan and receivable.
- Convertible bonds and debenture are classified as held-to maturity and are measured at amortized costs.
- In accordance with this new standard, deferred financing costs relating to the issuance of the convertible bonds are no longer presented as a separate asset on the balance sheet and are now included in the carrying value of the term loan, and are amortized to interest expense using the effective interest rate method.

The carrying amounts of cash and equivalents, accounts receivable, restricted cash, reclamation deposits, and accounts payable and accrued liabilities approximate their fair values due to their short term nature.

The fair values of the Boliden convertible debenture (note 12(b)) 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 value of the investment and advances from related parties because of the related party nature of such amounts and the absence of a secondary market for such instruments.

(b) Hedging (Section 3865)

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any financial instruments which qualify for hedge accounting.

(c) Comprehensive Income (Section 1530)

Comprehensive income is the change in the Company's shareholder equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains or losses on available-for-sale investments. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. Accumulated other comprehensive income is presented as a new category in shareholders' equity.

Accordingly, the Company now reports a consolidated statement of comprehensive income and includes the account "accumulated other comprehensive income" in the shareholders' equity section of the consolidated balance sheet.

5. INVENTORY

	September 30 2007	September 30 2006
Copper concentrate	$ 6,623	$ 16,213
Ore in process	2,320	2,114
Materials and supplies	8,510	5,891
Copper cathode	605	–
	$ 18,058	$ 24,218

6. MARKETABLE SECURITIES AND INVESTMENTS

	Cost	Unrealized Gain/(Loss)	As at September 30, 2007 Fair Value
Continental Minerals Corporation – Common shares	$ 9,880	$ 2,566	$ 12,446
Continental Minerals Corporation – Warrants	3,118	(2,232)	886
Investment in other public companies	4,574	636	5,210
	$ 17,572	$ 970	$ 18,542

	Cost	Unrealized Gain/(Loss)	As at September 30, 2006 Fair Value
Continental Convertible Promissory Note	$ 11,500	$ –	$ 11,500

At September 30, 2006, the Company held a convertible promissory note ("Note") of Continental Minerals Corporation ("Continental"), a public company which is a related party by virtue of certain common directors. The Note contained a right to participate in Continental's equity financings at a 5% discount to the price paid by other parties in the financing. In February 2007, the Company redeemed the Note and exercised its pre-emptive right to participate in Continental's equity financing. The Company received the principal amount of the Note ($11,500) plus a 5% premium, for total proceeds of $12,100. The proceeds were used to subscribe for 7,318,182 equity units ("Units") of Continental at a price of $1.65 per Unit. Each Unit consisted of one common share of Continental and one Continental common share purchase warrant, exercisable at a price of $1.80 per share for a one year period from the completion of the financing, thus expiring February 20, 2008. The proceeds paid for the Units were allocated to the common shares and warrants received of Continental based on the pro-rated fair value of the common shares ($9,880) and warrants ($3,118) at the time of the financing.

At September 30, 2007, the estimated fair value of the Continental warrants was estimated at $886 (using an expected volatility of 48%, a risk free interest rate of 3.90%, expected dividends of nil and a remaining life of approximately 0.4 years). Consequently, a mark-to-market adjustment of $2,232 was charged to operations.

As at September 30, 2007, the Company held 7,827,726 common shares and 7,318,182 share purchase warrants of Continental.

In February 2007, the Company sold 3,234,900 common shares of bcMetals Corporation ("bcMetals"), a public corporation listed on the TSX Venture Exchange for $5,500 and a realized gain of $1,508. The shares of bcMetals were acquired over the period from November 2006 to February 2007.

7. 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, for 12,483,916 series "A" non-voting tracking preferred shares of Gibraltar and $2,230 cash. The tracking preferred shares were recorded at $26,642 and 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 of the Harmony Gold Property 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 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 $5.14 (as of September 30, 2007). 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 then 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.

8. MINERAL PROPERTY INTERESTS

	September 30, 2007	September 30, 2006
Gibraltar Copper Mine (note 8(a))	$ 10,062	$ 2,626
Prosperity Gold-Copper Property (note 8(b))	1	1
Harmony Gold Property (note 8(c))	1	1
Aley Niobium Property (note 8(f))	8,343	–
	$ 18,407	$ 2,628

(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 $3,325. The acquisition of the Gibraltar mine, which had been on care and maintenance since 1998, included plant and equipment and supplies inventory of the Gibraltar mine, and $8,000 of funds set aside for future reclamation. As part of its 1999 operating permits, the Company had agreed to incur a total of $4,000 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 $4,000 reclamation obligation required under the 1999 operating permits.

The agreement contained certain indemnification clauses. The $8,000 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 $3,570 of tax pools otherwise available to it. The Company has made a claim to BWCL for this estimated tax liability under the indemnification terms of the agreement. No amount has been recognized in these consolidated financial statements related to this claim.

During the year ended September 30, 2004, the Company commenced restart activities and entered into an agreement with Ledcor CMI Ltd. and Ledcor Mining Ltd. (together “Ledcor”), whereby Ledcor would finance certain equipment and commission, restart, and operate the Gibraltar mine. 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. Pursuant to the agreement, the Company was required to maintain a bank account with a balance of at least $5,000 in a “product revenue account”, for the purposes of providing a working capital reserve for operations and general administrative costs. The Company granted a general security agreement in favour of Ledcor in the amount of $5,800 and a second charge on certain mine equipment with an appraised fair value of at least $5,800.

In July 2006, the Company effected a notice of voluntary withdrawal from the agreement established with Ledcor. Under this notice, and effective November 2006, the Company assumed responsibility as operator of the Gibraltar mine and paid to Ledcor a termination fee of $3,500. This termination fee was accrued for in the consolidated financial statements for the year ended September 30, 2006 and was paid during the year ended September 30, 2007.

(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 $28,660 cash and share consideration to acquire the Prosperity property was written down to a nominal $1 value in fiscal 2001, to reflect the extended depressed conditions in the metals markets at that time.

In May 2005, the Company entered into an option agreement with Amarc Resources Ltd ("Amarc"), a public company with certain directors in common with Taseko, for Amarc to earn a 50% interest in the Wasp and Anvil properties currently held by Taseko, which are located approximately 15 kilometers southeast of the Company's Prosperity project. Amarc was the operator and could have acquired its interest by incurring $150 of exploration expenditures over a two year period. During the year ended September 30, 2006, Amarc terminated the option agreement on these properties.

(c) Harmony Gold Property

Under the terms of an arrangement agreement (note 7), 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 during the year ended September 30, 2004.

(d) Gibraltar Reclamation Trust Limited Partnership (“GRT Partnership”)

In December 2003, the GRT Partnership completed a private placement of limited partnership units for aggregate proceeds of $18,600, and entered into a joint venture arrangement with Gibraltar, with the purpose of restarting the Gibraltar mine with the funds raised. Gibraltar, 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 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 $22,230 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 of $4,500. In consideration for the guarantee, the Company issued 225,000 common shares at $2.00 per share to those directors and officers.

(e) Royalty Agreement (promissory note and royalty obligation)

In September 2004, the Company entered into agreements with an unrelated investment partnership, Red Mile Resources No. 2 Limited Partnership ("Red Mile"). Gibraltar sold to Red Mile a royalty for $67,357 cash, which cash was received on September 29, 2004. These funds were subsequently invested in a promissory note with a trust company and the Company pledged the promissory note along with interest earned and to be earned thereon for a total of $70,200 to secure its royalty obligations under the agreements.

At September 30, 2007, the promissory note amounted to $74,436 (2006 – $73,166), of which $2,086 (2006 – $2,157) is current, while the royalty obligation amounted to $65,416 (2006 – $66,789) of which $2,086 (2006 – $2,157) is current.

Pursuant to the agreements, the Company received an aggregate of $10,500 in fees and interest for services performed in relation to the Red Mile transaction, of which $5,250 was received in each of September and December of 2004, and included in interest and other income.

The amount of $5,250 received in September 2004 included $1,750 for indemnifying an affiliate of Red Mile from any claims relating to a breach by Gibraltar 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 $1,225 (2006 – $1,400) remaining as deferred as at September 30, 2007, of which $175 (2006 – $175) is classified as current.

Annual royalties will be payable by Gibraltar to Red Mile 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 the later of (i) December 2014 and (ii) five years after the end of commercial production from the mine. For the year ended September 30, 2007, Gibraltar paid a royalty of $0.0555 (2006 – $0.0607) per pound of copper produced to Red Mile. Gibraltar is entitled to 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 which is (i) approximately equal to the funds received by the Company less royalty payments to date, or (ii) fair value, whichever is lower. Under certain circumstances, the investors in Red Mile also have a right to sell ("put") their Red Mile partnership units to the Company at fair value; 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. The NPI is applicable for the years 2011 to 2014 and 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. No NPI is payable at September 30, 2007.

In accordance with AcG15, the Company has determined that the royalty agreement created certain variable interest entities for which the Company holds a variable interest. However, as the Company is not the primary beneficiary under the agreement, it is not required to consolidate any of such entities.

(f) Aley Niobium Property

In June 2007, the Company completed the acquisition of all the issued and outstanding shares in the capital of a private company with a project in northeastern British Columbia, Canada ("the Transaction"), for a total cash consideration to the acquired company's shareholders of $1,500 as well as a share settlement to the value of $2,970 (consisting of 894,730 common shares).

In the above Transaction, the Company also purchased the residual net smelter royalties from Teck Cominco Metals Limited ("Teck") for a total cash consideration to Teck of $300 and the issuance of units with a value of $835 (consisting of 240,000 common shares and 120,000 warrants). Each warrant is exercisable into one common share at $3.48 until June 4, 2009.

The following table summarizes the total purchase consideration of Aley and the NSR:

	Amount (in 000's)
Cash	$ 1,800
Issuance of 1,134,730 common shares	3,642
Issuance of 120,000 warrants	163
Total purchase consideration	$ 5,605

The total acquisition price has been allocated to the net assets acquired and liabilities assumed as follows:

	Amount (in 000's)
Current assets	$ 79
Mineral property interests	8,343
Current liabilities	(123)
Future income taxes	(2,694)
Total consideration paid, being cash, common shares and units	$ 5,605

The results of operations of this acquired company have been included in the Company's consolidated financial statements from the date of the acquisition.

9. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Plant and equipment - Gibraltar Mine

	September 30, 2007			September 30, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and equipment	$ 6,115	$ 1,905	$ 4,210	$ 6,060	$ 1,443	$ 4,617
Mine equipment	62,056	9,216	52,840	35,680	7,494	28,186
Plant and equipment	73,260	1,698	71,562	14,637	1,223	13,414
Vehicles	1,511	753	758	992	498	494
Computer equipment	3,178	2,225	953	1,766	915	851
Land	402	–	402	152	–	152
Deferred pre-stripping costs	32,949	–	32,949	285	–	285
Asset retirement costs (note 13)	1,426	–	1,426	–	–	–
Total Gibraltar mine	$ 180,897	$ 15,797	$ 165,100	$ 59,572	$ 11,573	$ 47,999
Mineral property interests (note 8)			$ 18,407			$ 2,628
Net asset retirement obligation adjustment			$ (6,609)			$ (7,182)
Mineral properties, plant and equipment			$ 176,898			$ 43,445

As at September 30, 2007, approximately $94,656 (2006 – $8,600) of plant and equipment is under construction and not being amortized.

10. RESTRICTED CASH

In February 2007, Taseko issued a standby letter of credit, collateralized by cash in the amount of $4,400, to British Columbia Hydro and Power Authority ("B.C. Hydro") to provide security for costs to be incurred by BC Hydro relating to the electrical system reinforcements required for the Gibraltar Expansion Project in accordance with "Credit Support Agreement" between Gibraltar and B.C. Hydro. Under the agreement, the Company is required to submit a standby letter of credit as a guarantee in the amount of $4,400 in order for B.C. Hydro to initiate procurement of major equipment as part of systems reinforcements. The letter of credit will be released over time, as Gibraltar consumes power.

11. RELATED PARTY TRANSACTIONS AND ADVANCES

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

Transactions	Years ended September 30 2007	2006	2005
Services rendered and expenses reimbursed			
Hunter Dickinson Inc. (a)	$ 4,936	$ 2,869	$ 1,223
Hunter Dickinson Group Inc. (b)	–	–	13

Advances to related party	September 30 2007	September 30 2006
Hunter Dickinson Inc. (a) (c)	$ 807	–

Advances from related party	September 30 2007	September30 2006
Hunter Dickinson Inc. (a) (c)	–	$ 26

(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. The liability of advances from related party at September 30, 2006 was recorded in accounts payable and accrued liabilities.

(b) Hunter Dickinson Group Inc. is a private company with certain directors in commonthat provided consulting services to the Company.

(c) Advances are non-interest bearing and due on demand.

12. CONVERTIBLE DEBT

	September 30 2007	September 30 2006
Liability Component		
Convertible Bonds – August 2006	$ 26,693	$ 29,761
Convertible Debenture – Boliden	14,315	3,013
Convertible Debt – Liability Component	$ 41,008	$ 42,774
Equity Component		
Convertible Bonds – August 2006	$ 3,832	$ 3,832
Convertible Debenture – Boliden	9,823	9,823
Convertible Debt – Equity Component	$ 13,655	$ 13,655

(a) Convertible Bonds – August 2006

On August 29, 2006 (the "Closing"), the Company issued US$30,000 in principal amount of five year convertible bonds due in 2011 (the "Bonds") to qualified institutional buyers. The Bonds are convertible into the Company's common shares. The Bonds constitute direct, unsubordinated, unsecured, general and unconditional obligations of the Company.

The Bonds were issued at 100% and, if not converted, will be redeemed at maturity at 101%. The Bonds carry coupon interest rates of 7.125% per annum. The Bonds are convertible at the holder's option after 40 days from issuance until August 19, 2011 at a conversion price of US$3.35, or up to 8,955,224 common shares of the Company, which was a premium of approximately 40% over the trading price of the Company's shares at the time of Closing. At any time after September 12, 2008, the Company will have the right to call for the conversion of the Bond into the number of shares as set out above, so long as the Company's shares trade at least 50% above the conversion price for at least 20 business days in any period of 30 consecutive business days. On August 29, 2009, the Bondholders have a one time right to redeem the Bonds at 100.60%.

For accounting purposes, the Bonds contain both a liability component and an equity component, being the holder's conversion right, which have been separately presented in the consolidated balance sheets. The Company has allocated the US$30,000 face value of the Bonds to the liability and equity components. At issuance, the Company estimated the fair value of the conversion option by deducting the present value of the future cash outflows of the Bonds from the face value of the principal of the Bonds. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 10.5% for a comparable debt instrument that excluded any conversion privilege by the holder. The residual carrying value of the Bonds is required to be accreted to the redemption value of the Bonds to the first redemption date of the Bonds based on an effective annual interest rate of 12%.

For the year ended September 30, 2007, interest and accretion relating to the debt totaled $3,989 (2006 – $296). The continuity of the Bond is as follows:

	Year ended September 30, 2007	**Year ended September 30, 2006**
Present value of convertible bonds		
Beginning of period	$ 29,761	$ 29,399
Unrealized foreign exchange loss (gain)	(3,306)	265
Finance cost reclassification (note 4(a))	(1,382)	–
Accretion for the year	1,620	97
End of period	26,693	29,761
Conversion right	3,832	3,832
Convertible bonds	$ 30,525	$ 33,593

Convertible Bonds	**September 30, 2007**	**September 30, 2006**
Summary of the convertible bond terms		
Principal amount of convertible debenture	US$ 30,000	US$ 30,000
Price per common share of the unexercised conversion right	US$ 3.35	US$ 3.35
Number of common shares potentially issuable under unexercised conversion right	8,955,224	8,955,224

(b) Convertible Debenture – Boliden

On July 21, 1999, in connection with the acquisition of the Gibraltar mine, the Company issued a $17,000 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 ($5.14 per share as at September 30, 2007). BWCL's purchase of the convertible debenture was receivable as to $4,000 in July 1999, $1,000 on October 19, 1999, $3,500 on July 21, 2000, and $8,500 by December 31, 2000, all of which were received. BWCL has the right to convert, in part or in whole 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. 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.

Accounting standards in Canada for compound financial instruments require the Company to allocate the proceeds received from the convertible debenture between (i) the estimated fair value of the holder's option to convert the debenture into common shares and (ii) the estimated 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 accreted to the face value of the convertible debenture over the life of the debenture by a charge to earnings. The continuity of the convertible debenture is as follows:

	Year ended September 30, 2007	**Year ended September 30, 2006**
Present value of convertible debenture		
Beginning of period	$ 13,013	$ 11,830
Accretion for the period	1,302	1,183
End of period	14,315	13,013
Conversion right	9,823	9,823
Convertible debenture	$ 24,138	$ 22,836

Boliden convertible debenture	**Year ended September 30, 2007**	**Year ended September 30, 2006**
Summary of the convertible debenture terms		
Principal amount of convertible debenture	$ 17,000	$ 17,000
Price per common share of the unexercised conversion right	$ 5.14	$ 4.89
Number of common shares potentially issuable under unexercised conversion right	3,307,393	3,476,482

13. SITE CLOSURE AND RECLAMATION OBLIGATIONS

The continuity of the provision for site closure and reclamation costs related to the Gibraltar mine is as follows:

Balance, September 30, 2004	$ 15,740
Changes during fiscal 2005:	
Accretion expense	1,574
Balance, September 30, 2005	17,314
Changes during fiscal 2006:	
Reclamation incurred	(71)
Accretion expense	1,732
Balance, September 30, 2006	18,975
Changes during fiscal 2007:	
Reclamation incurred	(167)
Accretion expense	1,777
Additional site closure and reclamation obligation recognized	4,449
Reduction in the present value of reclamation liability due to an extension in mine life	(7,593)
Balance, September 30, 2007	$ 17,441

During the year ended September 30, 2007, the value of the underlying site closure and reclamation obligation was revised to reflect an increase in the life of the Gibraltar mine. This change resulted in a revision to the timing of undiscounted cash flows associated with the carrying amount of the liability and a reduction in the present value of the site closure and reclamation obligation. Also during the year ended September 30, 2007, the Company increased its estimated reclamation costs to reflect higher than anticipated costs, a higher market risk premium and an increased area of disturbance during the year. The impact of these changes in estimates are:

- an increase to asset retirement costs included in mineral properties, plant and equipment and corresponding increase to reclamation obligation of $4,449 (2006 – $Nil).
- a decrease of $7,593 (2006 – $Nil) in the present value of the reclamation obligation due to an extension in the mine life.
- a gain of $4,570 (2006 – $Nil) resulting from a decrease in the asset retirement cost in excess of its carrying value.

The new estimated amount of the reclamation costs, adjusted for estimated inflation at 2.2% to 2.5% per year, in 2022 dollars, is $68,400 (2006 – $49,400) and is expected to be spent over a period of approximately three years beginning in 2022. The credit-adjusted risk free rates at which the estimated future cash flows have been discounted at 7.1% to 10%, which results in a net present value of $17,441 (2006 – $18,975). The accretion for the year ended September 30, 2007 of $1,777 (2006 – $1,732) is charged to the statement of operations.

As required by regulatory authorities, at September 30, 2007, the Company had cash reclamation deposits totaling $33,396 (2006 – $32,004) comprised of $33,186 (2006 – $31,814) for the Gibraltar mine, $30 (2006 – $15) for the Prosperity project, $175 (2006 – $175) for the Harmony project and $5 (2006 – $Nil) for the Aley Niobium Project. These deposits are invested in government bonds and treasury bills and bear interest at rates ranging from 3.05% to 11% per annum.

14. SHARE CAPITAL

(a) Authorized

Authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) Share purchase option plan

The Company has a share purchase option compensation plan (the "Plan") approved by the shareholders that allows it to grant options, subject to regulatory terms and approval, to its directors, employees, officers, and consultants. The Plan is based on a maximum number of eligible shares equaling a rolling percentage of up to 10% of the Company's outstanding common shares, calculated from time to time. Pursuant to the Plan, if outstanding options are exercised, or expire, and/or the number of issued and outstanding common shares of the Company increases, the options available to grant under the Plan increase proportionately. The exercise price of each option is set by the Board of Directors at the time of grant and cannot be less than the market price (less permissible discounts) on the Toronto Stock Exchange. Options may have a term of up to ten years and typically terminate 30 days following the termination of the optionee's employment, except in the case of retirement or death. Vesting of options is at the discretion of the Board at the time the options are granted.

The continuity of share purchase options is as follows:

	Number of shares	2007 Average Price	Number of shares	2006 Average Price	Number of shares	2005 Average Price
Opening balance	3,578,834	$ 1.78	9,280,500	$ 1.17	8,627,500	$ 1.13
Granted during the period	3,301,500	3.21	2,159,500	2.24	2,040,000	1.15
Exercised during the period	(1,057,633)	1.76	(7,438,166)	1.21	(1,172,000)	0.75
Expired/cancelled during period	(115,334)	2.20	(423,000)	0.91	(215,000)	1.47
Closing balance	5,707,367	$ 2.60	3,578,834	$ 1.78	9,280,500	$ 1.17
Average contractual remaining life (years)		3.40		3.70		1.69
Range of exercise prices		$1.15 - $4.09		$1.15 - $2.68		$0.55 - $1.50

The following table summarizes information about share purchase options outstanding at September 30, 2007:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at September 30 2007	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at September 30 2007	Weighted average exercise price
$1.15	1,128,334	3.00 years	$ 1.15	1,128,334	$ 1.15
$2.07 to $2.18	807,533	2.90 years	$ 2.17	495,866	$ 2.18
$2.63 to $3.07	3,303,000	3.62 years	$ 3.00	1,231,000	$ 2.94
$4.03 to $4.09	468,500	3.58 years	$ 4.07	–	–
	5,707,367	3.40 years	$ 2.60	2,855,200	$ 2.10

As at September 30, 2007, 2,855,200 (2006 – 1,452,177) of the options outstanding had vested with optionees and were exercisable.

The exercise prices of all share purchase options granted during the year were equal to the market price at the grant date. The weighted average assumptions used to estimate the fair value of options during the years ended September 30, 2007, 2006, and 2005 were:

	2007	2006	2005
Risk free interest rate	4%	4%	3%
Expected life	4.20 years	3.93 years	2.75 years
Volatility	68%	71%	90%
Expected dividends	nil	nil	nil

c) Share purchase warrants

The continuity of share purchase warrants during the year ended September 30, 2007 is as follows:

Expiry dates	Exercise price	Outstanding September 30, 2006	Issued	Exercised	Expired	Outstanding September 30, 2007
June 4, 2009	$3.48	–	120,000	–	–	120,000

The continuity of share purchase warrants during the year ended September 30, 2006 is as follows:

Expiry dates	Exercise price	Outstanding September 30, 2005	Issued	Exercised	Expired	Outstanding September 30, 2006
January 8, 2006	$0.40	375,000	–	(375,000)	–	–
December 31, 2005	$0.75	3,913,332	–	(3,913,322)	–	–
September 28, 2006	$1.40	8,000,000	–	(8,000,000)	–	–
September 18, 2006	$1.66	5,204,361	–	(5,204,361)	–	–
		17,492,693	–	(17,492,693)	–	–

The continuity of share purchase warrants during the year ended September 30, 2005 is as follows:

Expiry dates	Exercise price	Outstanding September 30, 2004	Issued	Exercised	Expired	Outstanding September 30, 2005
January 8, 2006	$0.40	375,000	–	–	–	375,000
December 31, 2005	$0.75	6,226,668	–	(2,313,336)	–	3,913,332
March 10, 2005	$2.25	3,900,000	–	–	(3,900,000)	–
September 28, 2006	$1.40	8,000,000	–	–	–	8,000,000
September 18, 2006	$1.66	–	5,204,361	–	–	5,204,361
		18,501,668	5,204,361	(2,313,336)	(3,900,000)	17,492,693

d) Earnings per share

The following table sets forth the computation of diluted earnings per share:

	2007	2006	2005
Earnings available to common shareholders	$ 48,262	$ 32,916	$ 23,290
Effect of assumed conversions:			
Accretion on convertible debenture/bonds	1,608	97	–
Interest on convertible bonds	2,368	199	–
Tax effect on interest on convertible bonds	(820)	(73)	–
Earnings available to common shareholders including assumed conversion:	$ 51,418	$ 33,139	$ 23,290
Basic weighted-average number of shares outstanding (in thousands)	129,218	113,554	100,022
Effect of dilutive securities:			
Stock options	1,438	3,332	1,431
Warrants	2	2,626	2,952
Tracking preferred shares	2,664	2,664	2,664
Convertible debenture/bonds	8,956	4,286	3,664
Diluted weighted-average number of shares outstanding (in thousands)	142,278	126,462	110,733
Earnings per share			
Basic	$ 0.37	$ 0.29	$ 0.23
Diluted	0.36	0.26	0.21

The following table lists the stock options and share issuable under convertible debentures excluded from the computation of diluted earnings per share because their inclusion would have been anti-dilutive for the periods presented (in thousands):

	2007	2006	2005
Stock options	3,302	2,025	570
Share purchase warrants	–	–	5,204
Shares issuable under convertible bonds	3,308	–	–

15. INCOME TAXES

Income tax expense (recovery) differs from the amount which would result from applying the statutory Canadian income tax rates (2007 – 34.1% 2006 – 36.6%, 2005 – 39.5%) for the following reasons:

	2007	2006	2005
Earnings before income taxes	$ 87,866	$ 38,961	$ 5,768
Expected tax expense based on statutory rates	29,980	14,268	2,278
Permanent differences	3,119	2,403	871
Adjustment to tax reserve	–	2,028	–
Deductions not allowable (allowable) for tax purposes	8,289	(1,360)	(2,912)
Recognition of previously unrecognized tax assets	(324)	(12,172)	(17,351)
Other	(1,460)	878	(408)
Tax expense (recovery) for the year	$ 39,604	$ 6,045	$ (17,522)
Presented as:			
Current income tax expense (recovery)	$ 3,959	$ 4,397	$ (4,099)
Future income tax expense (recovery)	35,645	1,648	(13,423)
	$ 39,604	$ 6,045	$ (17,522)

As at September 30, 2007 and 2006, the estimated tax effect of the significant components within the Company's future tax assets were as follows:

	2007	2006
Mineral properties	$ –	$ 4,907
Loss carry forwards	52	154
Royalty obligation	19,128	20,181
BC mining taxes	1,839	9,850
Other tax pools	733	720
	21,752	35,812
Valuation allowance	(13,613)	(13,937)
Future income tax assets	8,139	21,875
Partnership deferral	(5,320)	(4,288)
Reclamation obligation	(5,344)	(4,286)
Plant and equipment	(11,543)	(1,526)
Mineral properties and deferred stripping	(11,856)	–
Unrealized foreign exchange gain	(491)	–
Unrealized gain recorded in comprehensive income	(445)	–
Net future income tax asset (liability)	$ (26,860)	$ 11,775
Current portion – future income tax asset (liability)	$ (5,320)	$ 11,601
Long term future income tax asset (liability)	(21,540)	174
Net future income tax asset (liability)	$ (26,860)	$ 11,775

At September 30, 2007 the Company's tax attributes included capital losses totaling $nil (2006 – $900) which are available indefinitely to offset future taxable capital gains, and resource tax pools totaling approximately $14,000 (2006 – $16,800) which are available indefinitely to offset future taxable income. The Company also has non-capital losses of $169 to offset future taxable income which expire in 2027.

The Company has accrued a long term tax provision of $24,645 (2006 – $21,058) related to various tax pools.

16. 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:

	September 30 2007	September 30 2006	September 30 2005
Acquisition of assets under capital lease	$ –	$ –	$ (22,351)
Advances under capital lease		–	22,351
Increase in asset retirement costs included in mineral properties, plant and equipment (note 13)	1,426	–	–
Shares and units issued for the purchase of mineral property interests (note 8 (f))	3,805		
Fair value of stock options transferred to share capital from contributed surplus on exercise of options	1,786	4,869	742

	September 30 2007	September 30 2006	September 30 2005
Supplemental cash flow information			
Cash paid during the year for			
Interest	$ 2,138	$ 1,557	$ 1,045
Taxes	$ 63	$ 1,188	$ 1

17. SUBSEQUENT EVENTS

(a) On October 30, 2007, the Company closed a "bought deal" short form prospectus offering of 7,115,385 common shares at a price of $5.20 per Common share. The Company granted to the underwriters an over-allotment option to purchase up to an additional 1,067,307 common shares at $5.20. The underwriters elected to exercise the over-allotment option in full at the closing, resulting in an aggregate gross proceeds to the Company of $42,550.

(b) On November 13, 2007, the Company completed a private placement financing. The Company issued 1,455,100 shares at a price of $5.20 per share for gross proceeds of $7,566.

(c) On October 25, 2007, the Company announced an extension to the labour agreement at its Gibraltar Mine was successfully ratified by its unionized employees. This new agreement will be in place until May 31, 2012.

to be continued...

Taseko Mines Limited

1020 - 800 West Pender St.
Vancouver BC V6C 2V6
Canada

telephone 604 684 6365
facsimile 604 684 8092
toll free 800 667 2114

www.tasekomines.com
info@hdgold.com

Design and production by: Creative Spirit Communications Inc. - www.creativespirit.bc.ca