United.
Committed.
Open.

Taseko

Annual Report **2011**

The Year in Review

February 2011
> Gibraltar Development Plan 3 (GDP3) approved by the Taseko Board; annual copper and molybdenum production to increase to 180 million lbs and 3 million lbs, respectively

April 2011
> Issues Senior Notes for total proceeds of US$200 million; due in 2019 and have an annual interest rate of 7.75%

May 2011
> Gibraltar's Proven and Probable Reserves increase by 80%, to 802 million tons (0.20% COG)
> GDP3 construction commences

June 2011
> Purchase put options on ~90% of the Company's 2012 copper production, ensuring a minimum selling price of US$3.50 per pound

November 2011
> New Prosperity enters into Federal Environmental Assessment process

January 2012
> 2011 gross profit of $86.3 million and net earnings of $27.0 million
> 2011 production: 82.9 million lbs of copper and 1.3 million lbs of molybdenum (100% basis)

February 2012
> Company commences a normal course issuer bid for up to 10 million common shares, which is approximately 5.1% of the Company's issued shares

March 2012
> Aley resources increased and upgraded to a Measured and Indicated Resource of 286 million tonnes with an average grade of 0.37% Nb_2O_5 (0.20% COG)

April 2012
> Q1 2012 production: 20.8 million lbs of copper and 438,000 lbs of molybdenum (100% basis)

May 2012
> Agreement reached with Tsay Keh Dene to support the exploration program and environmental studies at Aley

2011 production: **83 million** lbs of copper and **1.3 million** lbs of molybdenum (100% basis)

Russell E. Hallbauer
President and CEO

President's Message to Shareholders

Year in Review

2011 was a building year for Taseko where we advanced our three key assets: Gibraltar production steadily increased and we commenced Gibraltar Development Plan 3 to increase capacity to 85,000 tons per day; New Prosperity re-entered the environmental assessment process after a year of additional engineering studies; and, at Aley, we completed a major drilling and exploration program. These initiatives are the cornerstone of ongoing growth for the Company and the subsequent increase in shareholder value.

Employee health and safety is a core focus of management. At Gibraltar, our efforts to improve in these areas are reflected in our 2011 safety performance. The combined medical aid and lost time injury frequency rate has steadily improved since restarting the mine and in 2011 was reduced by nearly 40% over 2010.

Financially, 2011 was another strong year for Taseko. Gross profit for the year was $86.3 million, with net earnings of $27.0 million ($0.14 per share) from the sale of our share of 82.9 million pounds of copper and 1.3 million pounds of molybdenum. Additionally, we took advantage of a window in the high yield debt market to issue $200 million of eight year senior notes and ended the year with over $275 million cash.

Gibraltar Production

2011 Copper and molybdenum production at Gibraltar was 82.9 million pounds and 1.3 million pounds, respectively. Copper production was slightly lower than the previous year as a result of mining lower grade ore and the loss of milling capacity associated with de-bottlenecking the SAG direct feed system. Molybdenum production, however, increased by over 40%, as compared to the prior year, as a result of significant improvements in molybdenum metal recovery.

Gibraltar Development Plan 3 (GDP3)

A common theme in the mining industry over the past number of years has been capital cost overruns. It is true that it is much more expensive to build a mine today than, say, 10 years ago, but we believe capital costs increases of 20%, 40% and even much higher, are largely a function of improper cost management. These cost escalations should not be the industry norm. We have just completed a cost review with our lead engineering firm and the project remains on budget. As of today, GDP3 construction is nearly 40% complete and approximately 75% of the originally budgeted $325 million is now committed. The project is on time and expected to begin commissioning in December this year.

GDP3 will have a substantial impact on Gibraltar's production levels. The project includes the construction of a standalone 30,000 ton per day concentrator, built alongside the existing 55,000 ton per day facility. The additional capacity provided by GDP3 will increase Gibraltar's annual copper production capacity by a further 60 million pounds, to 180 million pounds, at the life of mine average grade. Included in GDP3 will be the construction of a new molybdenum plant which will nearly triple annual production to three million pounds.

New Prosperity

Taseko's wholly-owned New Prosperity Gold-Copper Project provides long-term value for the Company.

We are actively working on this project, which holds exciting potential for the Company's stakeholders, including shareholders and local communities. In November 2011, the project entered into a new federal review process that will examine Taseko's revised plans. These revised plans address the environmental concerns identified in the original environmental assessment process, and importantly, includes the preservation of Fish Lake.

The process, being led by the Canadian Environmental Assessment Agency, will use information gathered in the previous review and is expected to be completed in November 2012.

Aley

The advancement of Taseko's 100% owned Aley Niobium Project, located in northern British Columbia, has been given a high priority over the past year.

In March 2012, we announced a 170% resource increase and upgrade at Aley. The new Measured and Indicated Resource is 286 million tonnes with an average grade of

Initiatives implemented in 2011 were driven to **create organic growth** and **deliver shareholder value**

0.37% Nb_2O_5 (at a 0.2% Nb_2O_5 cutoff) and contains 739 million kilograms of niobium. The confirmation of a Measured and Indicated resource provides additional confidence that the deposit will support a long life, low cost mine.

Planned activities in 2012 include the construction of an access road, further metallurgical test work and completion of a feasibility study. We expect to make an investment decision in early 2013.

Market Review

The market price for copper is the primary driver of the Company's profitability and our ability to generate operating cash flow. During 2011, the average price of copper was roughly US$4.00 per pound, which is nearly 20% higher than the average price in 2010. Although copper pricing was strong in 2011, it remained volatile and declined in the last few months of the year, before rebounding again in early 2012.

We believe it is prudent financial management to ensure a minimum revenue stream. In order to minimize the impact of the copper price volatility, we implemented a hedging strategy in 2009 using put options to secure a minimum price. For 2012, put options were purchased for approximately 90% of our share of copper production, creating a US$3.50 per pound floor for the year.

Looking into 2012

Taseko's management team looks forward to unlocking shareholder value in 2012. Our near-term organic growth at Gibraltar is driven by a fully-funded mine development program, which will nearly double annual copper production and provide a three year payback and a 35% internal rate of return. In addition, we have a diversified 100% owned gold, copper and niobium project pipeline providing the Company with strong mid-term growth potential.

I would like to thank all of our employees for their continued hard work and commitment in 2011. It is their dedication that has brought the Company to the position it is at today. In addition, we have the opportunity to work with world class suppliers and partners. Together, the Board and Management of your Company look forward to 2012 as we continue to grow the Company and unlock shareholder value.

Kind regards,

Russell E. Hallbauer
President and Chief Executive Officer

Mineral Reserves & Resources

Gibraltar

Mineral Reserves @ 0.20% Cu Cut-Off (May 2011)

	Size (M Tonnes)	Grade Cu (%)	Grade Mo (%)	Recoverable Metal Cu (B lbs)	Contained Metal Cu (B lbs)
P&P Reserves	802	0.30	0.008	4.3	4.8
M&I Resources	950	0.30	0.008	-	5.7

The resource and reserve estimation was completed by Gibraltar mine staff under the supervision of Scott Jones, P.Eng., Vice President, Engineering and a Qualified Person under National Instrument 43-101. Mr. Jones 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 metal prices of US$2.25/lb for copper and US$14.00/lb for molybdenum and a foreign exchange of US$0.85/C$1.00. Mr. Jones has reviewed this release. A technical report will be filed on www.sedar.com.

New Prosperity

Mineral Reserves @ C$5.50 NSR/t Cut-Off (November 2009)

	Size (M Tonnes)	Grade Au (g/t)	Grade Cu (%)	Recoverable Metal Au (M oz)	Recoverable Metal Cu (B lb)	Contained Metal Au (M oz)	Contained Metal Cu (B lb)
P&P Reserves	830	0.41	0.23	7.7	3.6	11.0	4.2
M&I Resources	1,011	0.41	0.24	-	-	13.3	5.3

The mineral resource and reserve estimations were completed by Taseko staff under the supervision of Scott Jones, P.Eng., Vice-President, Engineering and a Qualified Person under National Instrument 43-101. Mr. Jones 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 for the reserves used long term metal prices of US$1.65/lb for copper and US$650/oz for gold and a foreign exchange of C$0.82 per US dollar. A technical report was filed on www.sedar.com.

Aley

Mineral Reserves @ 0.20% Nb_2O_5 Cut-Off (March 2012)

	Size (M Tons)	Grade Nb_2O_5 (%)	Contained Metal Nb (M kgs)
M&I Resources	286	0.37	739

The 0.20% Nb_2O_5 cut-off assumes a niobium price of US$50/kilogram and a 50% process recovery rate. G & A, processing and ore mining costs were assumed to be US$30/tonne milled plus waste mining costs of US$2.00/tonne. A 45° pit wall slope was generated to constrain the resource within the block model. The resource estimate was prepared by Ronald G. Simpson, P.Geo. with Geosim Services Inc., a Qualified Person independent of Taseko. A technical report will be filed on www.sedar.com.

Two-Year Financial Highlights

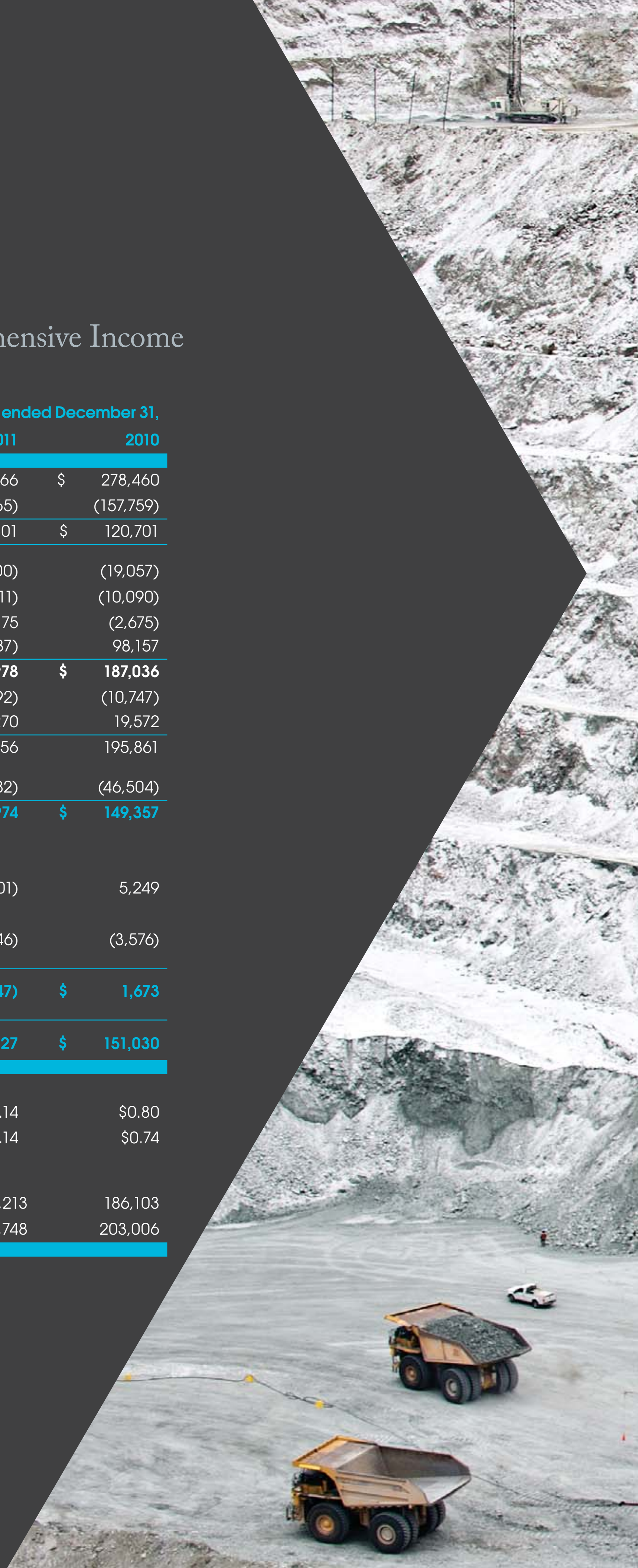
Consolidated Balance Sheets
(Cdn$ in thousands)

	As at December 31, 2011	2010
ASSETS		
Current Assets		
Cash and Equivalents	$ 277,792	$ 211,793
Accounts Receivable	39,909	21,918
Other Financial Assets	86,147	26,202
Inventories	23,290	21,286
Current Tax Receivables	7,437	-
Prepaids	2,348	534
	436,923	281,733
Other Financial Assets	111,641	93,825
Property, Plant and Equipment	440,565	341,098
Intangible Assets	5,438	5,438
Prepaids	165	-
	$ 994,732	**$ 722,094**
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 36,289	$ 23,796
Current Portion of Long-term Debt	13,753	10,315
Other Financial Liabilities	10,797	7,248
Current Tax Liabilities	-	24,528
Deferred Revenue - Royalty Obligation	175	175
	61,014	66,062
Long-Term Debt	218,502	28,018
Other Financial Liabilities	45,980	54,144
Provision for Environmental Rehabilitation	96,022	53,129
Deferred Tax Liabilities	76,091	59,518
Deferred Revenue - Royalty Obligation	306	481
	$ 497,915	**$ 261,352**
EQUITY		
Share Capital	378,393	365,553
Contributed Surplus	33,040	26,193
Accumulated Other Comprehensive Income (Loss)	(1,398)	6,249
Retained Earnings	86,782	62,747
	496,817	460,742
	$ 994,732	**$ 722,094**

Consolidated Statements of Comprehensive Income

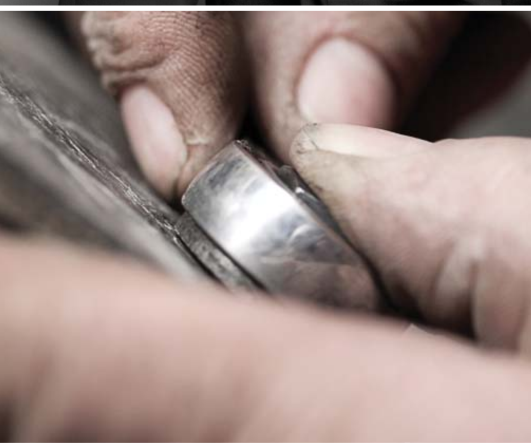
(Cdn$ in thousands, except per share amounts)

	Year ended December 31, 2011	2010
Revenue	$ 251,866	$ 278,460
Cost of Sales	(165,565)	(157,759)
Gross Profit	$ 86,301	$ 120,701
General and Administrative	(21,100)	(19,057)
Exploration and Evaluation	(10,411)	(10,090)
Other Operating Income (Expenses)	5,175	(2,675)
Gain (Loss) on Contribution to Joint Venture	(3,987)	98,157
	$ 55,978	**$ 187,036**
Finance Expenses	(22,492)	(10,747)
Finance Income	17,270	19,572
Earnings before Income Taxes	50,756	195,861
Income Tax Expense	(23,782)	(46,504)
Net Earnings for the Year	**$ 26,974**	**$ 149,357**
Other Comprehensive Income (Loss)		
Unrealized Gain (Loss) on Available-for-sale Financial Assets, Net of Tax	(2,401)	5,249
Realized Gains on Available-for-sale Financial Assets, Net of Tax	(5,246)	(3,576)
Total Comprehensive Income (Loss) for the Year	**$ (7,647)**	**$ 1,673**
Total Other Comprehensive Income for the Year	**$ 19,327**	**$ 151,030**
Earnings Per Share		
Basic	$0.14	$0.80
Diluted	$0.14	$0.74
Weighted-Average Shares Outstanding		
Basic	193,213	186,103
Diluted	197,748	203,006












Corporate Information

Head Office

15th Floor - 1040 West Georgia St.
Vancouver, BC V6E 4H1

Toll Free: (877) 441-4533
Main Phone: (778) 373-4533
Facsimile: (778) 373-4534

Website

tasekomines.com

Email

investor@tasekomines.com

Transfer Agent

Computershare Investor Services Inc.
Toll Free: (800) 564-6253

Annual General Meeting

June 1st, 2012
Terminal City Club, Vancouver, BC Canada

Shares Listed

TSX: TKO NYSE Amex: TGB

Senior Officers

Russell Hallbauer
President, CEO and Director

John McManus
Senior Vice President, Operations

Peter Mitchell
CFO

Brian Battison
Vice President, Corporate Affairs

Scott Jones
Vice President, Engineering

Dave Rouleau
Vice President, Operations

For Further Information Contact:

Investor Relations
15th Floor, 1040 West Georgia St.
Vancouver, BC V6E 4H1
778.373.4533 T
877.441.4533 TF
investor@tasekomines.com E

TSX: TKO / NYSE Amex: TGB
tasekomines.com