

United.
Committed.
Open.

Taseko

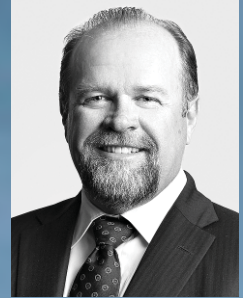


The Year in Review

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- March 2012** > Aley resources increased and upgraded to a Measured and Indicated Resource of 286 million tonnes with an average grade of 0.37% Nb₂O₅ (0.20% COG)
 - May 2012** > Agreement reached with the Tsay Keh Dene to support the exploration program and environmental studies at Aley
 - September 2012** > New Prosperity Environmental Impact Statement is submitted to Federal Review Panel established for the environmental assessment of the project
 - October 2012** > Gibraltar receives the award for Metal Mine Reclamation from the British Columbia Technical and Research Committee on Reclamation
 - December 2012** > Gibraltar Mine signs long-term labour agreement
> 2012 Gross profit of \$51.7 million
> 2012 Production: 89.7 million pounds of copper and 1.3 million pounds of molybdenum (100% basis)
 - March 2013** > Participation and Cooperation Agreement finalized between the Gibraltar Mine and the Williams Lake Indian Band
 - April 2013** > Put options purchased for approximately 40% of Taseko's share of production for Q1 2014 with a strike price of US\$3.00 per pound
> Q1 2013 production: 23.2 million pounds of copper and 355 thousand pounds of molybdenum (on a 100% basis)

2012 production (100% basis):
89.8 million lbs of copper
1.3 million lbs of molybdenum





Russell E. Hallbauer
President and CEO

President's Message to Shareholders

Year in Review

2012 was a busy year for Taseko and even though economic uncertainties persisted, we made steady progress on our business. The completion of Gibraltar Development Plan 3 ("GDP3") on time and on budget was the pivotal success of the year. While mining companies worldwide were dealing with capital expenditure overruns, cost inflation, and asset write downs, our Company was able to deliver an investment plan that will be the catalyst for increased production and lower operating costs for the years ahead, and will provide the foundation for future growth.

Many of our shareholders have never had the opportunity to visit an open pit mine, never mind one the size of Gibraltar, which is now the fourth largest open pit copper mine in North America. Thus, it is very difficult to put into perspective the scale of a mine like Gibraltar. Below are a few statistics from the recently completed GDP3 construction project, which may help to put the project and Gibraltar into context. I urge you all to go to our website and look at the chronology of photos that will help you better understand your Company.

- > More than 1,000,000 total project man hours of work to complete GDP3
- > 15,000 cubic yards of concrete
- > 4,000 tons of steel
- > 692 truckloads of material and equipment shipped to site
- > 265,000 meters of cable – enough cable to circle the earth six and a half times
- > 30,000 metres of pipe
- > 1,715 vales

During the 18-month construction period and the working of over one million man hours, there were zero Lost Time Injuries (LTI). LTI is industry wide metric used to measure safety performance. A great accomplishment for the construction teams.

From a financial perspective, we had a solid year. \$18 million was spent on New Prosperity and Aley advancing these projects towards construction decisions. While earnings are an important aspect of our business we will not focus on maximizing near term earnings at the expense of value creating opportunities. We maintained a hedging strategy to ensure Gibraltar can remain cash flow positive in the event of a copper price collapse. Gross profit for 2012, which is the ultimate driver of our business, was \$51.7 million from the sale of 66 million pounds of copper and one million pounds of molybdenum.

Built on a Solid Foundation

Our commitment to the growth and success of Gibraltar has laid the foundation for the Company. This commitment dates back to 1999, when the operation was first purchased. After being on care and maintenance for five years, the mine restarted in 2004. Since then, with the commitment of the management team, all our dedicated employees and the world class engineering firms we work with, it has been transformed from an aging operation with a 40-month mine plan into a modern, world class, 165 million pound per year operation, with a 25 year mine life and 700 employees. A true testament to the foresight of the Company's management team.

The GDP3 project, completed in December 2012, was the construction of a standalone 30,000 ton per day concentrator, built alongside the existing 55,000 ton per day facility plus the construction of a new molybdenum plant. The new concentrator will increase annual copper production by roughly 50% and the new molybdenum plant will increase annual production to 2.5 million pounds. Additionally, significant upgrades to the mine fleet were made with the purchase of a new Caterpillar shovel, 18 haul trucks and two production drills.

In 2012, copper and molybdenum production at Gibraltar was 89.7 million pounds and 1.3 million pounds, respectively. Copper production was slightly lower than expected due to the impact of GDP3 construction activities. However, since the new mill was handed over to operations on March 28th, 2013, following a planned 10 week commissioning schedule, production has been steadily increasing to design capacity.

I'd like to personally thank the GDP3 construction team and the engineering and construction companies for all their efforts over the past 18 months. It is because of their teamwork that we have met our goal of steadily growing the Company.

Building Blocks to Further Success

With Gibraltar as Taseko's cornerstone, New Prosperity and Aley are the building blocks to further growth.

Taseko's wholly-owned New Prosperity Gold-Copper Project will generate long-term value for the Company. We are actively working on this project and continue to advance through the Federal Environmental Assessment (EA) process. The new project design, which addresses the environmental concerns identified in the original environmental assessment process, and importantly, includes the preservation of Fish Lake, entered into the EA Panel Review process in November 2011.



Initiatives implemented in 2012 were driven to **create organic growth** and **deliver shareholder value**



The Company anticipates the next step of the process, the public panel hearings, to commence in mid-2013. Following the hearings, the Panel will prepare a report that will provide the basis for the Federal Government's decision on the granting of the Environmental Assessment Certificate.

Advancing Taseko's 100% owned Aley Niobium Project, located in northern British Columbia, was another key objective in 2012.

Significant progress was made on the Aley metallurgical testwork in 2012 and we were able to finalize the process flowsheet. This was not an easy task given the extremely limited technical information on niobium production. Other work includes construction engineering and environmental studies.

The completion of a NI 43-101 compliant reserve is a major milestone for 2013. 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 0.37% Nb₂O₅ (at a 0.2% Nb₂O₅ cutoff) and contains 739 million kilograms of niobium.

Both projects continue to hold exciting potential for our various stakeholders, included shareholders and the local communities.

Our Commitment

In addition to our commitment of advancing of our Company's assets, we are also committed to our workforce, the environment, and the communities in which we operate, including First Nations.

Employees

Safety is an important priority at Taseko and we work hard to ensure that a culture of safety permeates the workplace. The combined medical aid and LTI frequency rate has steadily improved since restarting the mine and in 2012 was reduced by nearly 40% over 2011.

A long-term labour agreement was signed in December with Gibraltar's unionized employees. The agreement, in place until May 31, 2016, provides a fair deal for our unionized employees and also long-term, stable labour costs.

Environmental Recognition

As stewards of the environment, we are proud of our reputation as a responsible mining company.

At Gibraltar, 2011 marked the beginning of several large-scale reclamation and research projects that will be carried out throughout the life of the mine. This proactive approach proved

successful, as Gibraltar was recognized with the Award for Metal Mining Reclamation from British Columbia Technical and Research Committee on Reclamation in September 2012. This award is the result of the Company's forward looking approach to reclamation and responsible mining.

First Nations

We have always had good working relationships with many local First Nations, but within the last year we have made efforts to formalize these partnerships.

In May 2012, the Company signed an agreement with the Tsay Keh Dene to support the exploration program and environmental studies for the development of Aley. In addition, in April 2013, a Participation and Cooperation Agreement was finalized between Gibraltar and the Williams Lake Indian Band. Both agreements are extensive in nature and will provide education and training opportunities, as well as economic development initiatives.

These agreements reflect our Company's commitment to work together with First Nations communities in a mutually beneficial manner. We are aligned with the local communities in our interest to ensure the Company continues to generate local value and opportunity through environmentally sound mining practices.

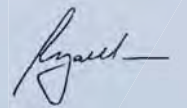
The Road Ahead

I am very excited about the near-term prospects for Taseko. After seven years of continuous investment at Gibraltar, we are now ready to demonstrate the quality of this asset. Construction is officially complete and the facility is in fantastic shape to produce record levels of copper in 2013.

The path to an EA decision on New Prosperity has been a long one but we remain confident that 2013 will have many positive developments as we move toward the construction of one of Canada's largest gold-copper mines.

I would like to thank all our stakeholders for persevering through these challenging economic times and for their continued support of Taseko and its management team.

Kind regards,



Russell E. Hallbauer
President and Chief Executive Officer



Mineral Reserves & Resources

Gibraltar

Mineral Reserves @ 0.20% Cu Cut-Off (December 2012)

	Size (M Tonnes)	Grade Cu (%)	Grade Mo (%)	Recoverable Metal Cu (B lbs)	Contained Metal Cu (B lbs)
P&P Reserves	770	0.301	0.008	4.1	4.6
M&I Resources	919	0.301	0.008	-	5.5

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. Reserves and Resources were updated as of December 31, 2012.

New Prosperity

Mineral Reserves @ C\$5.50 NSR/t Cut-Off¹

	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	181	0.40	0.30	-	-	2.3	1.1
Total	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.

¹ A technical report has been filed on www.sedar.com.

Aley

Mineral Reserves @ 0.20% Nb₂O₅ Cut-Off (March 2012)

	Size (M Tons)	Grade Nb ₂ O ₅ (%)	Contained Metal Nb (M kgs)
M&I Resources	286	0.37	739

The 0.20% Nb₂O₅ 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.

Two-Year Financial Highlights

Consolidated Balance Sheets (Cdn\$ in thousands)

	As at December 31,	
	2012	2011
ASSETS		
Current Assets		
Cash and Equivalents	\$ 134,995	\$ 277,792
Accounts Receivable	28,966	39,909
Other Financial Assets	29,865	86,147
Inventories	27,556	23,290
Current Tax Receivables	2,309	7,437
Prepays	5,123	2,348
	228,814	436,923
Other Financial Assets	102,737	111,641
Property, Plant and Equipment	631,997	440,565
Intangible Assets	5,438	5,438
Prepays	4,500	165
Other Receivable	12,961	-
	\$ 986,447	\$ 994,732
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 42,938	\$ 33,005
Current Portion of Long-term Debt	18,067	13,753
Interest Payable	3,213	3,284
Other Financial Liabilities	10,995	10,972
	75,213	61,014
Long-Term Debt	234,793	218,502
Other Financial Liabilities	35,162	46,286
Provision for Environmental Rehabilitation	106,517	96,022
Deferred Tax Liabilities	71,480	76,091
	\$ 523,165	\$ 497,915
EQUITY		
Share Capital	368,128	378,393
Contributed Surplus	37,487	33,040
Accumulated Other Comprehensive Income (Loss)	(5,365)	(1,398)
Retained Earnings	63,032	86,782
	463,282	496,817
	\$ 986,447	\$ 994,732

Consolidated Statements of Comprehensive Income (Loss)

(Cdn\$ in thousands, except share and per share amounts)

	Year ended December 31,	
	2012	2011
Revenue	\$ 253,607	\$ 251,866
Cost of Sales	(201,911)	(165,565)
Gross Profit	51,696	86,301
General and Administrative	(19,084)	(21,100)
Exploration and Evaluation	(17,807)	(10,411)
Other Operating Income (Expenses)	(30,541)	5,175
Loss on Contribution to Joint Venture	-	(3,987)
	\$ (15,736)	\$ 55,978
Finance Expenses	(14,912)	(22,492)
Finance Income	12,092	17,270
Foreign exchange Loss	(701)	(6,489)
(Loss) Earnings Before Income Taxes	(18,556)	50,756
Income Tax Recovery (Expense)	2,891	(23,782)
Net (Loss) Earnings for the Year	\$ (15,665)	\$ 26,974
Other Comprehensive Loss		
Unrealized Gain (Loss) on Available-for-sale Financial Assets, Net of Tax	(2,726)	(2,401)
Realized Gains on Available-for-sale Financial Assets, Net of Tax	(1,241)	(5,246)
Total Comprehensive Loss for the Year	\$ (3,967)	\$ (7,647)
Total Other Comprehensive Income (Loss) for the Year	\$ (19,632)	\$ 19,327
Adjusted Net Earnings	\$ 1,854	\$ 17,783
Earnings (Loss) Per Share		
Basic	(0.08)	\$0.14
Diluted	(0.08)	\$0.14
Weighted-Average Shares Outstanding		
Basic	192,599	193,213
Diluted	192,599	197,748







Corporate Information

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Annual General Meeting

June 6, 2013
Terminal City Club, Vancouver, BC Canada

Shares Listed

TSX: TKO NYSE MKT: TGB

Senior Officers

Russell Hallbauer
President, CEO and Director

Ron Thiessen
Chairman

John McManus
Senior Vice President, Operations

Brian Battison
Vice President, Corporate Affairs

Scott Jones
Vice President, Engineering

Dave Rouleau
Vice President, Operations

Rob Rotzinger
Vice President, Capital Projects



**Authentically
Ambitious**