TASEKO ANNOUNCES 2009 YEAR END RESULTS

March 18, 2010, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE Amex: TGB) ("Taseko" or the "Company") reports the results for the three and twelve months ended December 31, 2009. Except where otherwise noted, all currency amounts are stated in Canadian dollars.

For the year ended December 31, 2009, Taseko had operating profit of $48.3 million and earnings before tax and other items of $27.0 million, compared to an operating profit of $28.1 million for the 15 months year ended December 31, 2008. For the quarter ended December 31, 2009, the operating profit was $15.7 million and earnings before tax and other items was $3 million. Other items include an unrealized (non cash) loss attributable to derivative instruments.

Annual revenue was $188.9 million from the sale of 68.1 million pounds of copper and 0.7 million pounds of molybdenum at average realized prices of US$2.31 per pound and US$11.02 per pound, respectively.

Russell Hallbauer, President and CEO of Taseko commented, “The significant increase in metal prices in 2009, combined with steadily improving operational performance at our Gibraltar Mine, contributed to the strong earnings and cash flow for the year. Financially, we are in excellent shape with sufficient cash on hand to fund all capital expenditures at Gibraltar in 2010. Our Gibraltar team is making steady progress on construction projects and the new in-pit crusher/conveyor system, which is expected to begin its commissioning phase later this month.”

Mr. Hallbauer continued, “Public hearings regarding the federal environmental assessment review of our Prosperity Project will commence on March 22 in Williams Lake. These hearings will take place in the local communities and are expected to last six weeks. Local support remains very strong and we are confident that all the hard work undertaken will create positive consequences through this final phase of the environmental assessment.

The financing elements of the $815 million Prosperity Project are being advanced with the timing of these initiatives aligned with the overall project schedule. In addition to the approximately $180 million from the sale of 25% of Gibraltar, which is expected to close imminently, we continue to work towards the sale of 20-25% of Prosperity’s gold production for proceeds of approximately $350 million. Including Gibraltar cash flow, we anticipate having at least 75% of the cash requirements to build Prosperity committed by the time we receive federal approval.”

Highlights

Gibraltar Production and Sales

- In the 12 months ended December 31, 2009, production was 70.3 million pounds of copper and 0.6 million pounds of molybdenum, 12 percent and 14 percent higher, respectively, than in the same period in 2008.

- In the 12 months ended December 31, 2009, copper in concentrate sales was 65.9 million pounds and 2.2 million pounds of copper cathode was sold. Molybdenum in concentrate sales was 0.7 million pounds.

The following table is a summary of operating statistics:

	Three months ending December 31, 2009	Twelve months ending December 31, 2009
Total tons mined (millions)[1]	11.3	34.9
Tons of ore milled (millions)	3.2	13.0
Stripping ratio	2.2	1.8
Copper grade (%)	0.319	0.319
Molybdenum grade (%Mo)	0.010	0.011
Copper recovery (%)	84.1	82.3
Molybdenum recovery (%)	20.9	24.4
Copper production (millions lb) [2]	17.4	70.3
Molybdenum production (thousands lb)	113	629
Foreign Exchange ($C/$US)	1.06	1.14
Copper production costs, net of by-product credits[3], per lb of copper	US$1.67	US$1.24
Off property costs for transport, treatment (smelting & refining) & sales per lb of copper	US$0.31	US$0.30
Total cash costs of production per lb of copper	US$1.98	US$1.54

[1] Total tons mined includes sulphide ore, low grade stockpile material, overburden, and waste rock which were moved from within pit limit to outside pit limit during the period.
[2] Copper production includes concentrate and cathode.
[3] By-product credit is calculated on a three month total and averaged over the quarter.

Total cash costs for the quarter ended December 31, 2009 were approximately US$0.44/lb above the annual average. This was the result of the combination of low production in October due to milling lower than deposit average grades because of a geotechnical event in July 2009, costs associated with removal by a contractor of very loose soils at the location of the geotechnical event in July 2009, and an increased strip ratio as the mine moved back to the mine site average strip ratio based on continued strength in the price of copper. The higher costs were partially off-set by increased copper recoveries related to the completion of commissioning of the cleaner and regrind circuits.

The following table illustrates fourth quarter of 2009 copper production and recovery with the results from the first two months of 2010:

	October 2009	November 2009	December 2009	January 2010	February 2010
Mill Throughput (millions, tons)	1.1	1.1	1.0	1.2	1.2
Recoveries (%)	79.9	82.8	89.8	88.9	90.1
Production (millions, pounds)	4.8	5.7	6.8	8.7	6.8

Gibraltar Fixed Infrastructure Upgrades and Installations

Improvements to the concentrator and ore handling facilities at Gibraltar continued through the fourth quarter. The higher capacity cleaner flotation circuit and modern regrind tower mill completed in August were fully commissioned in mid-November providing the recovery improvements listed in the table above.

As at March 16, construction is approximately 95% complete on the new in-pit 60-inch by 89-inch crusher and conveyor system which, when completed and commissioned, will reduce operating costs and improve mine productivity by replacing the smaller original Gibraltar crusher and supplanting approximately three diesel-powered haulage trucks with an electrically driven overland conveyor belt.

Replacement of the current single-line tailings system with a two line system and substitution of the natural gas fired concentrate dryer with a filter press are planned to be completed in the second and third quarter, respectively. This equipment will reduce operating cost, provide a more stable operating platform, and will be able to manage increased volume as mill throughput increases.

Detailed engineering is near completion on a semi-autogenous grinding (SAG) mill direct feed system which is designed to improve mill availability, increase throughput and reduce costs by eliminating the complicated secondary crusher and fine ore feed system. The new direct feed system will also allow larger mill feed more appropriate for autogenous grinding than can be achieved with the current system. Completion of construction of the direct feed system is expected in the fourth quarter of 2010.

Prosperity

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.

On January 14, 2010, Taseko received the environmental assessment certificate for the Prosperity Project from the British Columbia Provincial Ministry of Environment. This is an important milestone as it is the provincial government which is responsible for mine development in British Columbia. The Provincial Mines Act permit application is planned to be submitted to the Ministry of Energy, Mines, and Petroleum Resources before the end of March 2010.

The federal process, conducted by a three-person Panel operating under defined Terms of Reference are required to complete their work in a timely and efficient manner. The hearings are scheduled to commence in late March and be completed in early May of 2010. Following conclusion of the hearings, the Panel will submit their findings to the Federal Minister of Environment for a decision. This process is expected to be completed by mid 2010.

Taseko will host a conference call on Friday, March 19, 2010 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific) to discuss these results. The conference call may be accessed by dialing (888) 300-2318, or (719) 325-2112 internationally. A live and archived audio webcast will also be available at www.tasekomines.com.

The conference call will be archived for later playback until March 26, 2010 and can be accessed by dialing (888) 203-1112 in Canada and the United States, or (719) 457-0820 internationally and using the passcode 7449730.

For further information contact: Brian Bergot, Investor Relations – 778-373-4545, toll free 1-800-667-2114

Russell Hallbauer
President and CEO

No regulatory authority has approved or disapproved of the information in this news release.

Forward Looking Statements

This document contains "forward-looking statements" that were based on Taseko's expectations, estimates and projections as of the dates as of which those statements were made. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should" and similar expressions.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. These included but are not limited to:

- uncertainties and costs related to the Company's exploration and development activities, such as those associated with continuity of mineralization or determining whether mineral resources or reserves exist on a property;
- uncertainties related to the accuracy of our estimates of mineral reserves, mineral resources, production rates and timing of production, future production and future cash and total costs of production and milling;
- uncertainties related to feasibility studies that provide estimates of expected or anticipated costs, expenditures and economic returns from a mining project;
- uncertainties related to our ability to complete the mill upgrade on time estimated and at the scheduled cost;
- uncertainties related to the ability to obtain necessary licenses permits for development projects and project delays due to third party opposition;
- uncertainties related to unexpected judicial or regulatory proceedings;
- changes in, and the effects of, the laws, regulations and government policies affecting our exploration and development activities and mining operations, particularly laws, regulations and policies;
- changes in general economic conditions, the financial markets and in the demand and market price for copper, gold and other minerals and commodities, such as diesel fuel, steel, concrete, electricity and other forms of energy, mining equipment, and fluctuations in exchange rates, particularly with respect to the value of the U.S. dollar and Canadian dollar, and the continued availability of capital and financing;
- the effects of forward selling instruments to protect against fluctuations in copper prices and exchange rate movements and the risks of counterparty defaults, and mark to market risk;
- the risk of inadequate insurance or inability to obtain insurance to cover mining risks;
- the risk of loss of key employees; the risk of changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates;
- environmental issues and liabilities associated with mining including processing and stock piling ore; and
- labour strikes, work stoppages, or other interruptions to, or difficulties in, the employment of labour in markets in which we operate mines, or environmental hazards, industrial accidents or other events or occurrences, including third party interference that interrupt the production of minerals in our mines.

For further information on Taseko, investors should review the Company's annual Form 40-F filing with the United States Securities and Exchange Commission www.sec.com and home jurisdiction filings that are available at www.sedar.com.

Taseko Mines Limited

YEAR ENDED DECEMBER 31, 2009
MANAGEMENT'S DISCUSSION AND ANALYSIS

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Taseko Mines Limited

YEAR ENDED DECEMBER 31, 2009
MANAGEMENT'S DISCUSSION AND ANALYSIS

1.1 Date

This Management 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 twelve months ended December 31, 2009, the fifteen months ended December 31, 2008 and the year ended September 30, 2007, 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 March 16, 2010. 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 actual results or developments may differ materially from those projected in the forward-looking statements.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

This discussion 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 discussion 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.**

1.2 Overview

Taseko is a mining and mine development company with one operating mine, two advanced stage projects and one exploration project, all located in British Columbia, Canada. These are the Gibraltar copper-molybdenum mine, the Prosperity gold-copper property, the Harmony gold property and the Aley niobium property.

For 2009, Taseko has focused on production and operating cost improvements and completing capital upgrade projects at its Gibraltar mine. For Prosperity, Taseko focused on attaining environmental assessment approvals, as well as arranging project financing and concentrate marketing opportunities.

Taseko had an operating profit of $48.3 million and earnings before tax and other items of $27.0 million for the year ended December 31, 2009, compared to an operating profit of $28.1 million and a loss before tax and other items of $2.1 million for the fifteen months ended December 31, 2008. Other items include unrealized (non-cash) marked-to-market loss attributable to derivative instruments of $15.8 million.

During the year ended December 31, 2009, Gibraltar produced 70.3 million pounds of copper and 629 thousand pounds of molybdenum. Total cash costs[1] for the year averaged US$1.54 per pound of copper.

In the quarter ended December 31, 2009, the Gibraltar mine produced 17.4 million pounds of copper and 113 thousand pounds of molybdenum.

At Gibraltar, the cleaner and regrind circuit capital projects were completed and expected copper recovery improvements were being realized by the middle of the fourth quarter 2009. Other capital projects underway are the in-pit crusher and conveyor system and the tailings handling system which are both expected to be completed in the second quarter of 2010. The concentrate filter/dryer circuits upgrade is expected to be completed in the third quarter of 2010 and the Semi Autogenous Grinding (SAG) mill direct feed system construction is planned to begin during the second quarter of 2010 for completion in the fourth quarter of 2010.

The Company announced in November 2009 that it would establish a joint venture with Sojitz Corporation over the Gibraltar mine, whereby Sojitz would pay $179.5 million to acquire a 25% interest in the mine. Taseko would retain a 75% interest and will continue to operate the mine.

On January 14, 2010, Taseko received the environmental assessment certificate for the Prosperity Project from the British Columbia Provincial Ministry of Environment. The Company expects the Federal environmental assessment process to be complete by mid 2010. Applications for Provincial permits are being prepared and are expected to be submitted before the end of March.

During the year, Taseko announced a 70% increase in proven and probable mineral reserves at the Prosperity Project, from 487 million tonnes to 830 million tonnes based on a $5.50 Net Smelter Return cut-off (see Section 1.2.2). Under present mine design criteria, these reserves extend Prosperity's estimated mine life from 20 to 33 years.

1. Cash costs of production is a non-GAAP measure. This non-GAAP measure is intended to provide additional information to investors and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP (see 1.15.5). Cash costs of production is a common performance measure in the copper industry and includes direct cost of operations and related costs through to refined metal, excluding amortization.

During the year, Taseko repurchased/redeemed the entire US$30 million of Convertible Bonds that were outstanding. The Company also completed debt financings which included a US$50 million credit facility with Credit Suisse and Investec Bank PLC, a $9 million equipment loan with GE Capital and a $6.5 million royalty financing which pays a 6% royalty. In addition, the Company completed equity financings for net proceeds of $26.8 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.

Three-Month Sales

- Copper in concentrate sales volume in the three months ended December 31, 2009 was 16.2 million pounds compared to 17.6 million pounds of copper in concentrate sold during the three months ended December 31, 2008.
- Copper cathode sales volume in the three months ended December 31, 2009 was 0.6 million pounds compared to 0.9 million pounds in the three months ended December 31, 2008.
- The average price realized for sales of copper during the period was US$3.10 per pound, compared to US$1.26 per pound realized in the three months ended December 31, 2008.
- Molybdenum in concentrate sales volume in the three months ended December 31, 2009 was 97,000 pounds compared to 143,000 pounds sold in the three months ended December 31, 2008.
- The average price realized for sales of molybdenum for the three months ended December 31, 2009 declined to US$12.01 per pound, compared to US$19.96 per pound realized in the three months ended December 31, 2008.

Twelve-Month Sales

- Copper in concentrate sales during the twelve months ended December 31, 2009 was 65.9 million pounds, compared to sales of 61.6 million pounds in the twelve months ended December 31, 2008.
- Copper cathode sales during the twelve months ended December 31, 2009 was 2.2 million pounds, compared to 4.1 million pounds in the twelve months ended December 31, 2008.
- Molybdenum in concentrate sales during the twelve months ending December 31, 2009 was 0.7 million pounds, compared to sales volume of 0.6 million pounds in the twelve months ending December 31, 2008.

The following table illustrates the significant changes in the average prices for copper and molybdenum on a quarter by quarter basis over the past twelve months:

	Q1 2009	Q2 2009	Q3 2009	Q4 2009
LME Copper Price Average USD/lb	1.56	2.12	2.66	3.02
Molybdenum Oxide Price Average USD/lb	8.75	9.10	14.50	11.29

Year-end Inventory

- Copper concentrate inventory at December 31, 2009 was 3.8 million pounds compared to 4.1 million pounds at December 31, 2008.
- Copper cathode inventory at December 31, 2009 was 0.13 million pounds compared to 0.4 million pounds at December 31, 2008.
- Molybdenum in concentrate inventory at December 31, 2009 was 16,000 pounds compared to 77,000 pounds at December 31, 2008.

Gibraltar Mine Current Production and Cost Performance

The following table is a summary of operating statistics:

	Three months ending December 31, 2009	Twelve months ending December 31, 2009
Total tons mined (millions)[1]	11.3	34.9
Tons of ore milled (millions)	3.2	13.0
Stripping ratio	2.2	1.8
Copper grade (%)	0.319	0.319
Molybdenum grade (%Mo)	0.010	0.011
Copper recovery (%)	84.1	82.3
Molybdenum recovery (%)	20.9	24.4
Copper production (millions lb)[2]	17.4	70.3
Molybdenum production (thousands lb)	113	629
Foreign Exchange ($C/$US)	1.06	1.14
Copper production costs, net of by-product credits[3], per lb of copper	US$1.67	US$1.24
Off property costs for transport, treatment (smelting & refining) & sales per lb of copper	US$0.31	US$0.30
Total cash costs of production per lb of copper	US$1.98	US$1.54

1 Total tons mined includes sulphide ore, low grade stockpile material, overburden, and waste rock which were moved from within pit limit to outside pit limit during the period.
2 Copper production includes concentrate and cathode.
3 By-product credit is calculated on a three month total and averaged over the quarter.

Total cash costs for the quarter ended December 31, 2009 were approximately US$0.44/lb above the annual average. This was the result of the combination of low production in October due to milling lower than average deposit grades because of a geotechnical event in July 2009, costs associated with removal by a contractor of very loose soils at the location of the geotechnical event in July 2009, and an increased strip ratio as the mine moved back to the mine site average strip ratio based on continued strength in the price of copper. The higher costs were partially off-set by increased copper recoveries related to the completion of commissioning of the cleaner and regrind circuits.

The following table illustrates fourth quarter of 2009 copper production and recovery with the results from the first two months of 2010:

	October 2009	November 2009	December 2009	January 2010	February 2010
Mill Throughput (millions, tons)	1.1	1.1	1.0	1.2	1.2
Recoveries (%)	79.9	82.8	89.8	88.9	90.1
Production (millions, pounds)	4.8	5.7	6.8	8.7	6.8

Fixed Infrastructure Upgrades and Installations

Improvements to the concentrator and ore handling facilities at Gibraltar continued through the fourth quarter. The higher capacity cleaner flotation circuit and modern regrind tower mill completed in August were fully commissioned in mid-November providing the recovery improvements listed in the table above.

As at the date of the MD&A, construction is approximately 95% complete on the new in-pit 60-inch by 89-inch crusher and conveyor system which, when completed and commissioned, will reduce operating costs and improve mine productivity by replacing the smaller original Gibraltar crusher and supplanting approximately three diesel-powered haulage trucks with an electrically driven overland conveyor belt.

Replacement of the current single-line tailings system with a two line system and substitution of the natural gas fired concentrate dryer with a filter press are planned to be completed in the second and third quarter of 2010, respectively. This equipment will reduce operating cost, provide a more stable operating platform, and will be able to manage increased volume as mill throughput increases.

Detailed engineering is near completion on a SAG mill direct feed system which is designed to improve mill availability, increase throughput and reduce costs by eliminating the complicated secondary crusher and fine ore feed system. The new direct feed system will also allow larger mill feed more appropriate for autogenous grinding than can be achieved with the current system. Completion of construction of the direct feed system is expected in the fourth quarter of 2010.

Labour and Safety

The number of active personnel at the site at the end of December 2009 was 377, compared to 397 personnel at the end of December 2008.

There were 2 lost time accidents during the quarter and 7 during the year.

Environmental

There was one reportable incident during the quarter, which was the only reportable incident in 2009.

Mineral Reserves

Taseko completed a drill program and engineering study on the Oakmont ground of the Gibraltar property in 2008. These programs have confirmed an extension of the Gibraltar mineral deposit (Gibraltar Extension) and increased the mine's mineral reserves by 28% to 472 million tons.

Gibraltar's proven and probable reserves as of December 31, 2009 are tabulated below:

Gibraltar Mine Mineral Reserves At 0.20% copper cut-off				
Pit	**Category**	**Tons (millions)**	**Cu (%)**	**Mo (%)**
Connector	Proven	40.4	0.296	0.010
	Probable	14.8	0.271	0.009
	Subtotal	**55.2**	**0.289**	**0.010**
Gibraltar East	Proven	66.8	0.286	0.008
	Probable	33.3	0.285	0.013
	Subtotal	**100.1**	**0.286**	**0.010**
Granite	Proven	178.3	0.325	0.009
	Probable	21.6	0.319	0.009
	Subtotal	**199.9**	**0.324**	**0.009**
Gibraltar Extension (new reserves)	Proven	75.4	0.352	0.002
	Probable	29.3	0.304	0.002
	Subtotal	**104.7**	**0.339**	**0.002**
Total		459.9	0.315	0.008

The mineral reserves above are based on the published reserves at December 31, 2008 and depleted for ore production from the Granite pit in 2009. The estimate 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.

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.

Mineral Reserves and Resources

During the fourth quarter, the Company announced the results of a review of the mineral reserves for the Prosperity Project. The reserves (tabulated below) are based on a $5.50 net smelter return ("NSR") cut-off using gold and copper prices of $650/oz and $1.65/lb, respectively.

Prosperity Project Mineral Reserves – November 2009 at C$5.50 NSR/t cut-off							
Category	Tonnes (millions)	Grade		Recoverable Metal		Contained Metal	
		Au (g/t)	Cu (%)	Au (M oz)	Cu (B lb)	Au (M oz)	Cu (B lb)
Proven	481	0.46	0.26	5.0	2.4	7.1	2.8
Probable	350	0.35	0.18	2.7	1.2	3.9	1.4
Total	**831**	**0.41**	**0.23**	**7.7**	**3.6**	**11.0**	**4.2**

Note: Recoveries for Cu and Au are 87% and 69% respectively

There are additional estimated measured and indicated resources totaling 180 million tonnes grading 0.37 g/t gold and 0.32% copper, containing 2.1 million ounces of gold and 1.3 billion pounds of copper (assuming 100% recoveries). 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. A technical report has been filed on www.sedar.com.

Cautionary regarding differences in US and Canadian Criteria for Reserves

The mineralized material at the Prosperity project is currently classified as measured and indicated resources, and a portion of it qualifies under Canadian mining disclosure standards as proven and probable reserves. Readers are cautioned that no part of the Prosperity project's mineralization is yet considered to be a reserve under US mining standards as all necessary mining permits and project financing would be required in order to classify the project's mineralized material as an economically exploitable reserve.

Permitting

The Ministry of Environment of British Columbia accepted Taseko's Environmental Assessment report on March 13, 2009 and proceeded under provisions of the Environmental Assessment Act with an Environmental Assessment Office ("EAO") led review of this Project in a coordinated manner with the Canadian Environmental Assessment Agency ("CEAA") on their respective provincial and federal environmental assessment processes.

On January 14, 2010, Taseko received the environmental assessment certificate for the Prosperity Project from the British Columbia Provincial Ministry of Environment. This is an important milestone as it is the provincial government which is responsible for mine development in British Columbia. The Provincial Mines Act permit application is planned to be submitted to the Ministry of Energy, Mines, and Petroleum Resources before the end of March 2010.

The federal process, conducted by a three-person Panel operating under defined Terms of Reference are required to complete their work in a timely and efficient manner. The hearings are scheduled to commence in late March and be completed in early May of 2010. Following conclusion of the hearings, the Panel will submit their findings to the Federal Minister of Environment for a decision. This process is expected to be completed by mid 2010.

1.2.3 Harmony Project

Taseko holds 100% of the Harmony gold project, located on the Queen Charlotte-Haida Gwaii on the northwest coast of British Columbia. The Company has undertaken property maintenance and environmental monitoring activities at Harmony since acquiring the project in 2001.

Taseko is considering initiating a pre-feasibility level study in 2010 of Harmony to further evaluate the project. The Company initiated a review of engineering work on the project in late 2007 following the designation of the area as a mineral development zone under the Queen Charlotte-Haida Gwaii Land and Resource Management Plan.

1.2.4 Aley Project

Taseko holds 100% of the Aley niobium project in northern British Columbia. The Company is considering additional exploration work in 2010 to advance this project.

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.

1.2.5 Market Trends

Copper prices had been on an overall upward trend between late 2003 and October 2008; in mid-2008, the copper market deficit, caused by strong demand growth and struggling production and a lack of new development projects, reached its peak. There was an unprecedented 70% drop in prices over the six months from July to December 2008 as a result of uncertainty in global financial markets. The average copper price in 2008 was US$3.15/lb. Prices stabilized in January 2009 and then began to increase. The average copper price in 2009 was US$2.34/lb. Price strength has continued in 2010, averaging US$3.25/lb up to the date of this report.

Gold prices were volatile in late 2008, dropping below US$800/oz for a two-week period in September, and again from mid October through November. The average gold price for 2008 was US$871/oz and US$974/oz in 2009. The average price in 2010 to the date of this report is US$1,111/oz.

Molybdenum prices increased from US$7.60/lb in 2003 to peak at US$34/lb in 2005. Prices averaged US$25.53/lb in 2006 and US$30.47/lb in 2007. Molybdenum prices dropped significantly in late 2008, but averaged US$28.98/lb based on strength earlier in the year. Molybdenum prices continued to drop in 2009 to about US$8.00/lb in early May, but improved after that and averaged US$11.28/lb for the year. The average price in 2010 to the date of this report is US$15.32/lb.

The Company sells its products in United States dollars but its expenses are denominated primarily in Canadian dollars. The twelve-month average at December 31, 2009 for one United States dollar was 1.14 Canadian dollars. At December 31, 2009, one United States dollar was equivalent to 1.05 Canadian dollars. Current forecasts anticipate continued strength in the Canadian dollar.

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 December 31		As at September 30
Balance Sheets	**2009**	**2008**	**2007**
Current assets	$ 92,316	$ 41,283	$ 94,619
Mineral properties	32,631	32,610	18,407
Plant and equipment	305,205	292,390	158,492
Other assets	104,943	111,962	105,745
Total assets	$ 535,095	$ 478,245	$ 377,263
Current liabilities	$ 75,179	$ 112,053	$ 44,589
Other liabilities	163,223	131,285	169,014
Shareholders' equity	296,693	234,907	163,660
Total liabilities & shareholders' equity	$ 535,095	$ 478,245	$ 377,263

	Year ended December 31	Fifteen months ended December 31	Year ended September 30
Statements of Operations	**2009**	**2008**	**2007**
Revenue	$ 188,902	$ 231,678	$ 218,426
Cost of sales	132,434	196,261	109,533
Depletion, depreciation and amortization	8,150	7,363	3,155
Operating profit	48,318	28,054	105,738
Accretion of reclamation obligation	968	1,451	1,777
Exploration	3,407	11,864	8,967
Foreign exchange loss (gain)	(8,800)	4,032	233
Gain on asset retirement obligation change of estimates	–	(6,917)	(4,570)
Gain on convertible bond repurchase	(1,630)	–	–
General and administration	8,382	11,896	6,501
Gain on sale of marketable securities	(188)	(1,034)	(1,508)
Interest and other income	(7,402)	(9,701)	(11,093)
Interest expense	8,265	8,284	5,947
Interest accretion on convertible debt	1,260	2,938	2,922
Stock-based compensation	5,696	6,442	6,771
Realized loss on derivative instruments	11,330	–	–
Change in fair market value of financial instruments	–	886	1,925
Earnings (loss) before other items	$ 27,030	$ (2,087)	$ 87,866
Other items:			
Unrealized loss on derivative instruments	15,775	–	–
Earnings (loss) before income taxes:	11,255	$ (2,087)	$ 87,866
Current income tax expense (recovery)	669	(2,151)	3,959
Future income tax expense (recovery)	25	(3,446)	35,645
Earnings (loss) for the year	$ 10,561	$ 3,510	$ 48,262
Other comprehensive income (loss):			
Unrealized gain (loss) on reclamation deposits	(1,040)	1,859	(419)
Unrealized gain (loss) on marketable securities/investments	14,263	(11,295)	4,710
Reclassification of realized gain on sale of marketable securities	(188)	(1,152)	(1,508)
Tax effect	(1,779)	1,570	(445)
Other comprehensive income (loss)	$ 11,256	$ (9,018)	$ 2,338
Total comprehensive income (loss)	$ 21,817	$ (5,508)	$ 50,600
Basic earnings (loss) per share	$ 0.06	$ 0.02	$ 0.37
Diluted earnings (loss) per share	$ 0.06	$ 0.02	$ 0.36
Basic weighted average number of common shares outstanding	173,170	142,062	129,218
Diluted weighted average number of common shares outstanding	180,835	156,928	142,278

1.4 Summary of Quarterly Results

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

	Dec 31 2009	Sept 30 2009	June 30 2009	Mar 31 2009	Dec 31 2008	Sept 30 2008	June 30 2008	Mar 31 2008
Current assets	92,316	90,209	75,950	58,357	41,283	80,250	114,611	124,105
Mineral properties	32,631	32,617	32,617	32,619	32,610	32,095	29,916	19,142
Plant and equipment	305,205	303,434	301,891	295,094	292,390	266,872	222,729	202,679
Other assets	104,943	107,686	107,707	112,321	111,962	132,977	113,159	112,926
Total assets	**535,095**	**533,946**	**518,165**	**498,391**	**478,245**	**512,194**	**480,415**	**458,852**
Current liabilities	75,179	58,949	61,503	91,195	112,053	65,663	41,484	29,976
Other liabilities	163,223	183,856	165,341	166,596	131,285	176,456	173,755	182,419
Shareholders' equity	296,693	291,141	291,321	240,600	234,907	270,075	265,176	246,457
Total liabilities and shareholders' equity	**535,095**	**533,946**	**518,165**	**498,391**	**478,425**	**512,194**	**480,415**	**458,852**
Revenue	55,966	40,132	52,632	40,172	10,576	57,615	53,206	65,357
Mine site operating costs	32,160	24,528	26,203	25,454	42,021	40,924	29,633	28,854
Transportation and treatment	5,724	4,554	7,609	6,202	7,054	9,500	6,042	7,194
Amortization	2,421	1,677	2,142	1,910	1,979	2,029	1,563	1,091
Operating profit (loss)	**15,661**	**9,373**	**16,678**	**6,606**	**(40,478)**	**5,162**	**15,968**	**28,218**
Expenses:								
Accretion of reclamation obligation	250	245	239	234	183	326	322	313
Asset retirement obligation change of estimates	–	–	–	–	(4,504)	–	–	–
Exploration	1,519	805	549	534	1,088	3,363	3,047	2,243
Foreign exchange loss (gain)	(681)	(3,108)	(7,941)	2,930	3,249	1,142	600	(1,000)
Gain on convertible bond repurchase	–	(948)	(682)	–	–	–	–	–
General and administration	2,197	1,752	2,104	2,329	2,220	2,143	2,245	2,472
Interest expense and accretion charges	1,935	2,041	2,765	2,784	3,839	1,603	1,857	2,032
Interest and other income	(1,702)	(1,529)	(1,987)	(2,184)	(1,362)	(1,668)	(1,897)	(2,239)
Loss (gain) on sale of marketable securities	(1,004)	816	–	–	–	120	(586)	(568)
Loss on equipment disposal	–	–	–	–	701	–	161	–
Realized loss on derivative instrument	7,762	3,568	–	–	–	–	–	809
Stock-based compensation	2,385	1,073	1,581	657	1,054	(85)	1,103	1,598
	12,661	4,715	(3,372)	7,284	6,468	6,944	6,852	5,660
Earnings (loss) before other items	3,000	4,658	20,050	(678)	(46,946)	(1,782)	9,116	22,558
Other Items:								
Unrealized loss on derivative instruments	4,237	8,829	2,709	–	–	–	–	–
Earnings (loss) before income taxes	(1,237)	(4,171)	17,341	(678)	(46,946)	(1,782)	9,116	22,558
Income tax expense (recovery)	766	(1,822)	5,936	(4,186)	(7,303)	(8,653)	5,317	6,357
Earnings (loss) for the period	**(2,003)**	**(2,349)**	**11,405**	**3,508**	**(39,643)**	**6,871**	**3,799**	**16,201**
Earnings (loss) per share – basic	(0.01)	(0.01)	0.07	0.02	(0.29)	0.05	0.03	0.11
Earnings (loss) per share –diluted	(0.01)	(0.01)	0.06	0.02	(0.26)	0.05	0.02	0.10

1.5 Results of Operations

In October 2008, the Company announced that it would change its year end from September 30 to December 31. As a result, in accordance with National Instrument 51-102CP, "*Continuous Disclosure Obligations*", this management discussion and analysis compares the twelve months ending December 31, 2009 ("fiscal 2009") and the fifteen months ending December 31, 2008 ("fiscal 2008").

During fiscal 2009, Taseko generated operating profit of $48.3 million compared to $28.1 million during fiscal 2008 and earnings before tax and other items of $27 million for fiscal 2009, compared to a loss before tax and other items of $2.1 million for fiscal 2008. Other items include unrealized (non-cash) marked-to-market loss attributable to derivative instruments related to the copper hedging program of $15.8 million. No such losses were recognized in fiscal 2008 as the Company did not participate in a copper hedging program during the comparative period.

During fiscal 2009, Taseko generated cash outflow from operating activities of $26.8 million as compared to an inflow of $46.9 million for the fiscal 2008. The cash outflow from operating activities in fiscal 2009 resulted in part from paying off the negative pricing adjustments that occurred in fiscal 2008 that were settled during fiscal 2009. A $26.9 million negative pricing adjustment was recorded at December 31, 2008 related to the rapid deterioration in base metal prices, including copper and molybdenum in the quarter ended December 31, 2008. There were no negative pricing adjustments at December 31, 2009.

The Company recognized revenues of $188.9 million in fiscal 2009, compared to $231.7 million in fiscal 2008. Revenues consisted of copper concentrate sales of $172.5 million (2008 – $194.6 million), molybdenum concentrate sales of $8.8 million (2008 – $21.9 million), silver concentrate sales of $2.0 million (2008 – $1.6 million), and copper cathode sales of $5.6 million (2008 – $13.6 million). The decrease in revenue was the result of higher copper shipments in fiscal 2008 mainly due to an extended reporting period of fifteen months in 2008 compared to twelve months in 2009 as well as a lower average realized copper price. For fiscal 2009, 68.1 million pounds of copper (concentrate and cathode) were sold compared to 77.9 million pounds of copper (concentrate and cathode) for fiscal 2008. The average price per pound of copper sold decreased to US$2.31 per pound for fiscal 2009, down from US$2.68 per pound for fiscal 2008. Molybdenum sales decreased to 0.7 million pounds for fiscal 2009 from 0.8 million pounds for fiscal 2008 mainly due to the extended reporting period in fiscal 2008. The average price per pound of molybdenum sold decreased to US$11.02 per pound for fiscal 2009, down from US$28.19 per pound for fiscal 2008.

Cost of sales for fiscal 2009 was $132.4 million, compared to $196.3 million for fiscal 2008. Cost of sales for fiscal 2009 consists of total production cost of $109.60 million (2008 – $158.8 million) and a negative concentrate inventory adjustment of $1.3 million (2008 – $2.4 million). Also included in cost of sales is transportation and treatment costs, which were $24.1 million for fiscal 2009 (2008 – $35 million). Cost of sales was lower during fiscal 2009 mainly due to the extended reporting period for fiscal 2008 as well as decreases in the labour force and input costs, business improvement projects implemented and a reduced strip ratio.

Amortization expense for fiscal 2009 was $8.2 million compared to $7.4 million in fiscal 2008. The increase is the result of the capital equipment additions as well as the utilization of several new pieces of equipment related to the concentrator expansion. Mining and milling assets are amortized using the units of production method based on tons mined and tons milled during the period and divided by the estimated tonnage to be mined and milled in the mine plan.

Exploration expenses decreased to $3.4 million in fiscal 2009 compared to $11.9 million in fiscal 2008, due to a lower level of exploration activity at the Company's Prosperity project as it underwent the environmental assessment review (see Section 1.2.2). Exploration expenses of $.05 million (fiscal 2008 – $6.2 million) at Gibraltar were capitalized as exploration expenditures.

General and administrative ("G&A") costs decreased to $8.4 million in fiscal 2009 from $11.9 million in fiscal 2008, mainly due to an extended reporting period of fifteen months in fiscal 2008 as well as the Company's cost cutting initiatives, including lower staffing levels related to Prosperity, and the Gibraltar mill expansion during the comparative period.

Stock-based compensation was $5.7 million in fiscal 2009 compared to $6.4 million in fiscal 2008. The decrease is mainly due to the extended reporting period in fiscal 2008.

Interest and other income decreased to $7.4 million as compared to $9.7 million in fiscal 2008. The decrease was due to lower interest rates and the extended reporting period in fiscal 2008. Interest expense and interest accretion decreased to $9.5 million in fiscal 2009 compared to $11.2 million in fiscal 2008 mainly due to an extended reporting period in fiscal 2008 as well as the redemption of the Company's convertible bonds during fiscal 2009. The Company recorded a foreign exchange gain of $8.8 million for fiscal 2009 compared to a loss of $4.0 million in fiscal 2008. The gain is due to the strengthening of the Canadian dollar and the revaluation of certain US-dollar denominated liabilities at December 31, 2009.

The Company recorded no gain resulting from the change in estimate of reclamation obligation compared to a gain of $6.9 million for fiscal 2008 since there were no revised estimates relating to Gibraltar's mine life in fiscal 2009.

The Company recorded a realized loss of $11.3 million (2008 – $Nil) and unrealized loss of $15.8 million (2008 – $Nil) on derivative instruments as a result of the decrease in fair value of the producer call and put option contracts with Credit Suisse which commenced during the 2009 fiscal year.

Current income tax expense of $0.7 million (2008 – recovery of $2.2 million) and future income taxes expense of $0.03 million (2008 – recovery of $3.4 million) were recorded for the twelve months ended December 31, 2009.

1.6 Liquidity

At December 31, 2009, the Company had cash and equivalents of $35.1 million, as compared to $4.6 million at December 31, 2008. In addition, the Company had working capital of $17.1 million, as compared to working capital deficiency of $70.8 million at December 31, 2008. The increase in working capital was primarily a result of additional funding raised from financing activities discussed in Section *1.7 Capital Resources* as well as the steady increase in both copper and molybdenum prices and sales volumes since December 2008.

At March 16, 2010, the Company's cash and equivalents had increased to approximately $51.7 million.

Management anticipates that sales from copper and molybdenum concentrate and copper cathode, along with the various financing activities disclosed in Section *1.7 Capital Resources*, the 24-month mine plan and implemented cash management strategies will be sufficient to fund current operations and satisfy obligations as they come due. Management is actively monitoring all commitments and planned expenditures necessary to maintain operational objectives for the upcoming fiscal year.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and equivalents. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements. The Company's cash and equivalents are invested in business accounts with a major Canadian financial institution and are available on demand for the Company's programs.

The following are the principal maturities of contractual obligations (in thousands of Canadian dollars):

As at December 31, 2009	Contractual Obligations	2010	2011	2012	Over 3 years
Accounts payable and accrued liabilities	$ 14,821	$ 14,821	$ –	$ –	$ –
Amounts due to a related party	13	13	–	–	–
Long-term credit facility	52,550	21,896	26,275	4,379	–
Capital lease obligations	15,636	4,543	4,266	4,215	2,612
Long-term equipment loan	10,112	2,701	2,701	4,710	–
Total liabilities	$ 93,132	$ 43,974	$ 33,242	$ 13,304	$ 2,612

During the year, the Company completed the repurchase/redemption of the US$30 million in convertible bonds that it had outstanding. In Q2 2009, the Company repurchased US$7.5 million of the convertible bonds from one of its bondholders for the purpose of cancellation. During Q3 2009, the Company repurchased another US$12.5 million of the convertible bonds for the purpose of cancellation. In addition, the remaining bondholders exercised the “put” right on the final US$10 million.

The Company currently has a US$50 million 36-month term credit facility with Credit Suisse. In addition, the Company also has long-term equipment loans with a carrying value of $8.7 million. The Company is also committed to equipment purchases in relation to its expansion activities at the Gibraltar Mine in the amount of $23 million.

The Company also 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 will be through existing cash resources.

Other than those obligations disclosed in the notes to the audited consolidated financial statements of the Company for the year ended December 31, 2009, the Company has no other material capital commitments for capital expenditures, long-term debt, capital lease obligations, operating leases or any other long-term obligations.

1.7 Capital Resources

The Company's primary sources of liquidity and capital resources are our cash flow provided from operations as well as equity and debt financings.

Debt Financings

(i) Credit Suisse Term Facility

In February 2009, the Company entered into and drew upon a US$30 million 36-month term facility agreement (the "Facility") with Credit Suisse. During Q3 2009, the Company and Credit Suisse, as Facility Agent, and Investec Bank plc amended the Facility to increase the existing Facility by an additional US$20 million and the Company drew these additional funds. Under the amended facility agreement, the US$50 million Facility is repayable commencing April 2010 and every second month thereafter in equal installments of US$4.2 until February 2012. The Facility bears interest at LIBOR plus 5 percent which is due and payable bi-monthly. The long-term credit facility security provided under the terms of the relevant agreements includes certain equipment of the Gibraltar Mine, a general security pledge, and the treatment and refining off-take agreement in addition to a corporate guarantee.

The Facility requires a maximum total debt to total equity ratio of 55%, a minimum tangible net worth of $150 million, a maximum production cost threshold of $1.56 per lb of copper to December 31, 2009 and minimum debt service coverage ratios of 135%. As at December 31, 2009, the Company is in compliance with its financial covenants. The Company has the option at any time after 18 months from February, 2009 to prepay the Facility.

The Company incurred financing fees of $1.7 million to obtain the Facility. This amount is being amortized to interest expense using the effective interest rate method.

(ii) Long-Term Equipment Loan

During the year, the Company entered into a 36-month term equipment loan agreement to finance the purchase of equipment for the Gibraltar Mine. The principal amount of the loan is $9 million. The loan is secured by the underlying equipment at the Gibraltar Mine.

The equipment loan is repayable commencing one month after inception in 35 equal monthly installments in the amount of $0.225 million until 2012. The last installment is payable in 2012 in the amount of $2.8 million. The equipment loan bears a fixed interest rate at 8.63% per annum.

Equity Financings

On April 15, 2009, the Company completed a "bought deal" short form prospectus offering (the "Offering") of 13,793,104 common shares at a price of $1.45 per common share (the "Offering Price"). A syndicate of underwriters led by Raymond James Ltd. and including Wellington West Capital Markets Inc., Canaccord Capital Corporation, Jennings Capital Inc. and Paradigm Capital Inc. (collectively, the "Underwriters") acted as Underwriters in connection with the Offering.

The Company granted to the Underwriters an over-allotment option to purchase up to an additional 2,068,965 common shares at the Offering Price. The Underwriters elected to exercise the over-allotment option in full, resulting in aggregate gross proceeds of the total offering to the Company of $23.0 million.

In addition, the Company also completed a private placement financing of 3,628,015 shares at $1.45 per common share for gross proceeds of $5.3 million. A finder's fee of 6% of the proceeds of the private placement financing was paid.

The net proceeds from the Offering were used for discharge of accounts payable and general working capital.

During the year ended December 31, 2009, 9,085,715 warrants issued in December 2008 were exercised for total proceeds of $7.7 million and 1,161,749 options were exercised for the total proceeds of $1.4 million.

Other Financings

During the year, the Company entered into an agreement with an unrelated investment partnership, Gibraltar Royalty Limited Partnership ("GRLP"). Gibraltar sold to GRLP a royalty for $6.5 million.

Annual royalties are payable by Gibraltar to GRLP at rates ranging from $0.003 per pound to $0.004 per pound of copper produced during the period from September 1, 2009 to December 31, 2030 (the “Royalty Period”). These royalty payments are recognized as an expense during the year.

The Company classified the principal balance of royalty obligation as a financial liability to be settled in a future period. The Company has a pre-emptive option to repurchase ("call") the royalty obligation by acquiring the GRLP partnership units after March 1, 2010 to December 31, 2012 in consideration of a payment which is equal to the funds received by the Company plus a 20% premium payable in the Company’s shares or cash. GRLP also has a right to sell ("put") its GRLP partnership units to the Company at fair value after April 1, 2010 to December 31, 2012. However, this “put” right is subject to the Company's pre-emptive right to exercise the "call" in advance of any "put" being exercised and completed.

As at the date of the MD&A, the Company gave notice to the GRLP unit holders of the Company’s intention to exercise its “call” option through the issuance 1,556,355 shares of the Company

1.8 Off-Balance Sheet Arrangements

None.

1.9 Transactions with Related Parties

Hunter Dickinson Services Inc. ("HDSI") (formerly Hunter Dickinson Inc.) is a private company owned equally by several public companies, one of which is Taseko. HDSI 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 HDSI on a full cost-recovery basis per agreement dated June 1, 2008.

Costs for services rendered and costs incurred on behalf of the Company by HDSI during the fiscal period ended December 31, 2009 were $2.7 million, as compared to $8.9 million in fiscal 2008. The decrease over prior year is due to lower staffing levels required from HDSI as Taseko has added additional full-time employees to its staff.

1.10 Fourth Quarter

For the three months ended December 31, 2009 ("Q4 2009"), Taseko generated operating profit of $15.6 million compared to an operating loss of $40.4 million during the three months ended December 31, 2008 ("Q5 2008").

No negative pricing and inventory adjustments were recorded in Q4 2009. A $21.9 million negative pricing adjustment was recorded in Q5 2008 related to the rapid deterioration in base metal prices, including copper and molybdenum. The result of these adjustments was a net loss before tax and other items of $46.9 million for Q5 2008 as compared to net income before tax and other items of $3.0 million for Q4 2009. Other items include unrealized (non-cash) marked-to-market loss attributable to derivative instruments related to the copper hedging program in the amount of $4.2 million. No such losses were recognized in Q5 2008 as the Company did not participate in a copper hedging program during the comparative period.

The Company recognized revenues of $56.0 million in the three months ended December 31, 2009 ("Q4 2009"), compared to $40.1 million in the three months ended September 30, 2009 ("Q3 2009") and $10.6 million in the three months ended December 31, 2008 ("Q5 2008").

There were no negative pricing or inventory adjustment in Q4 2009. Revenues in Q4 2009 consisted of copper concentrate sales of $52.9 million compared to $34.7 million for Q3 2009 and $7.6 million for Q5 2008. Molybdenum concentrate sales were $0.7 million in the quarter compared to $3 million for Q3 2009 and $1.2 million for Q5 2008. Silver concentrate sales were $0.6 million for the quarter compared to $0.3 million for Q3 2009 and $0.5 million for Q5 2008 and copper cathode sales were $1.8 million for the quarter compared to $1.3 million for Q3 2009 and $1.3 million Q5 2008.

Cost of production for the quarter was $32.2 million, compared to $24.5 million in Q3 2009, and $42.0 million in Q5 2008. Cost of production consists of total production cost for the period of $31.9 million (Q3 2009 – $27.7 million; Q5 2008 – $30.9 million) plus concentrate inventory adjustment of $0.3 million (Q3 2009 – inventory adjustment of $3.2 million; Q5 2008 – negative inventory adjustment of $11.1 million). Transportation and treatment costs for the quarter amounted to $5.7 million (Q3 2009 – $4.6 million; Q5 2008 – $7.0 million).

Amortization expense of $2.5 million for the current quarter was higher compared to Q3 2009 of $1.7 million and Q5 2008 of $2.0 million due to the utilization of new equipment. Mining and milling assets are amortized using the units of production method based on tons mined and milled during the period and divided by the estimated tonnage to be mined and milled in the mine plan.

Exploration expenses for the quarter were $1.5 million, compared to $0.8 million in Q3 2009, and $1.1 million in Q5 2008.

General and administrative ("G&A") expense for the quarter was $2.2 million, compared to $1.8 million in Q3 2009, and $2.2 million in Q5 2008, which has been relatively constant throughout the periods.

Stock-based compensation expense for the quarter was $2.4 million, compared to a credit of $1.1 million in Q3 2009, and $1.1 million of expense in Q5 2008 as a result of the amortization of stock-based compensation on options granted during prior periods.

Interest and other income for the quarter was $1.7 million, compared to $1.5 million in Q3 2009, and $1.3 million in Q5 2008. The slight increase was mainly due to higher cash balances in Q4 2009.

Interest expense and accretion for the quarter was $1.9 million, compared to $2.0 million in Q3 2009 and $3.8 million in Q5 2008 due the relative lower rates and accretion charges related to the Credit Suisse Term Facility compared to the convertible bonds which were redeemed in Q3 2009.

The Company recorded foreign exchange gain for the quarter of $0.7 million, compared to a gain of $3.1 million in Q3 2009, and a loss of $3.2 million in Q5 2008. As the Company reports in Canadian dollars, the gain is due to the strengthening of the Canadian dollar and the revaluation of certain US-dollar denominated liabilities at December 31, 2009.

The Company recorded no gains resulting from the change in estimate of reclamation obligation since there were no extensions of estimated mine life during the quarter, compared to $4.5 million in Q5 2008 when there was an increase in the estimated mine life of the Gibraltar Mine.

The Company recorded a realized loss of $7.8 million (Q3 2009 – $3.6 million, Q5 2008 – $Nil) and unrealized loss of $4.2 million (Q3 2009 – $8.8 million, Q5 2008 – $Nil) on derivative instruments as a result of the decrease in fair value of the producer call and put option contracts with Credit Suisse which commenced during the 2009 fiscal year.

1.11 Proposed Transactions

The Company announced in November 2009 that it would establish a joint venture with Sojitz Corporation over the Gibraltar mine, whereby Sojitz would pay $179.5 million to acquire a 25% interest in the mine. Taseko retains a 75% interest and continues to operate the mine.

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 fiscal period ended December 31, 2009. 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:

(a) 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.

Under the Company’s concentrate sales contracts, final copper and molybdenum prices are set based on a specified future quotational period and the average market metal price in that period. Typically, the quotational periods for copper are either one or four months after the date of arrival at the port of discharge and for molybdenum is three months 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. 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.

In a period of unusual price volatility, as experienced in fiscal 2008, the effect of mark-to-market price adjustments related to the quantity of copper or molybdenum which remains to be settled could be significant. For changes in quantities upon receipt of new information and assay, the provisional sales quantities are adjusted as well.

(b) Asset Retirement Obligations (“ARO”)

The Company recognizes 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.

The ARO are based on management’s estimates, taking into account various factors such as the reclamation method, legal requirements, and current technology. The estimated amount of the reclamation cost is adjusted for estimated inflation at 2.5% per year, and in 2032 dollars is expected to be spent over a period of approximately three years beginning in 2032. After discounting the estimated reclamation costs to be spent in 2032, a net present value of the ARO was estimated at $9.8 million as at December 31, 2009 using credit-adjusted risk free rates of 7.1% to 10%. These individual assumptions can be subject to change and can materially affect the recognized amount of the liability.

(c) Mineral Resources and Reserves

The mineral reserves and resources in the Company's mineral properties are determined in accordance with *National Instrument 43-101*, *"Standards of Disclosure for Mineral Projects"*, issued by the Canadian Securities Administrators ("CSA"). Management uses numerous assumptions in estimating mineral reserves and mineral resources. The accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

There are numerous uncertainties inherent in estimating mineral reserves and mineral resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Company's financial position and results of operations.

(d) Depletion, Depreciation and Impairment

The majority of the Company's plant and equipment are amortized using the units of production method based on tons mined or milled, divided by the estimated tonnage to be recovered as outlined in the mineral reserve estimate.

Mineral property interests, plan 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. No impairment was identified for the Gibraltar Mine and the Company's other exploration projects for the year ended December 31, 2009 as the Company concluded that there were no significant impairment indicators.

If the Company determines that there has been an impairment because its prior estimates of future cash flows have proven to be inaccurate due to reductions in the price of copper and molybdenum, increases in the costs of production, and/or reductions in the amount of reserves expected to be recovered, the Company would be required to write down the recorded value of its mineral property interest, plant and equipment, which would reduce the Company's earnings and net assets.

(e) 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.

(f) Stock-based Compensation

The Company records all stock-based payments 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. Management uses several assumptions such as the Company's stock price volatility, the risk free interest rate and the expected life of the options in order to estimate the fair value of the stock-based compensation. These assumptions can be subject to change and can materially affect the recognized amount of stock-based compensation.

(g) Inventories

Finished goods and work-in-process are valued at the lower of the average production costs or net realizable value. The assumptions used in the valuation of work-in-process inventories include estimates of copper and molybdenum contained in the stockpiles and an assumption of the copper price expected to be realized when the stockpiles are processed into concentrate. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the recorded value of its work-in-process inventories, which would reduce the Company's earnings and working capital.

(h) Copper Hedging Program

The Company's copper hedging contracts are recorded at fair value. Changes in the fair values of the copper hedging contracts are recognized in net income for the period. Several assumptions such as copper's price volatility, the risk free interest rate and copper forward curves are used in order to estimate the fair value of the copper hedges. These assumptions can be subject to change and can materially affect the recognized amount of both the realized and unrealized gains (losses) on derivative financial instruments reflected in the Company's financial statements.

1.13 Change in Accounting Policies including Initial Adoption

Effective January 1, 2009, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

(a) Section 3064 – Goodwill and Intangibles

The Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064 which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. This new section establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company evaluated the impact of this new standard and concluded that this standard did not have a significant impact on the Company's consolidated financial statements.

(b) EIC 173 – Credit Risk and the Fair value of Financial Assets and Financial Liabilities

The AcSB issued EIC-173 which requires the Company to consider its own credit risk as well as the credit risk of its counterparties when determining the fair value of financial assets and liabilities, including derivative financial instruments. The standard is effective for the first quarter of fiscal 2009 and is required to be applied retrospectively without restatement of prior periods. The adoption of this standard did not have an impact on the valuation of financial assets or liabilities of the Company.

(c) EIC 174 – Mining Exploration Costs

The AcSB issued EIC-174, "*Mining Exploration Costs"*, which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have been applied in the preparation of the Company's financial statements and did not have an impact on the valuation of the Company's mineral properties.

(d) Fair Value Hierarchy

During the year, CICA Handbook Section 3862, *Financial Instruments – Disclosures,* was amended to require enhanced disclosures about the relative reliability of the data, or "inputs", that an entity uses to measure the fair values of its financial instruments. It requires financial instruments measured at fair value to be classified into one of three levels in the "fair value hierarchy" according to the relative reliability of the inputs used to estimate the fair values. The Company has provided this disclosure in its consolidated financial statements.

(e) Amendments to CICA 3855

The CICA amended Handbook Section 3855-*Financial Instruments-Recognition and Measurement* to provide additional guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category, amend the definition of loans and receivables, amend the categories of financial assets into which debt instruments are required or permitted to be classified, amend the impairment guidance for held-to-maturity debt instruments and require reversal of impairment losses on available-for-sale debt instruments when conditions have changed. These amendments were effective for fiscal years beginning on or after November 1, 2008. These new standards did not have a material impact on the Company's consolidated financial statements.

(f) New Accounting Standards Not Yet Adopted:

(i) Business Combinations/Consolidated Financial Statements/Non-Controlling Interests

The AcSB issued CICA Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements,* and 1602*, Non-Controlling Interests* which superseded current Sections 1581, *Business Combinations* and 1600 *Consolidated Financial Statements*. These new Sections replace existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These Sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these Sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. The Company is currently evaluating the impact of the adoption of these changes on its consolidated financial statements.

ii) Transition to International Financial Reporting Standards ("IFRS")

The AcSB confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011.

Accordingly, the Company will be required to present its financial statements in accordance with IFRS for its fiscal year beginning January 1, 2011. As the comparative period ending December 31, 2010 will also require presentation in accordance with IFRS, the Company's transition date for converting to IFRS is January 1, 2010 (the "Transition Date"). The following discussion provides further information about the Company's IFRS convergence activities.

Management of IFRS Convergence Project

The Company has begun the process of transitioning from GAAP to IFRS. It has established a formal project plan, allocated internal resources and engaged expert consultants, monitored by a Steering Committee to manage the transition from GAAP to IFRS reporting. The Steering Committee regularly updates the Audit Committee and the Board of Directors with the progress of the convergence project through communication and meetings.

The Company is in the process of evaluating its overall readiness to transition from GAAP to IFRS including the readiness of its staff, Board of Directors, Audit Committee and auditors.

The IFRS convergence project instituted consists of three primary phases, which in certain cases will occur concurrently as IFRS is applied to specific areas:

- Phase 1 - Initial Scoping and Impact Assessment Analysis: to isolate key areas that will be impacted by the transition to IFRS.
- Phase 2 - Evaluation and Design: to identify specific changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statements.
- Phase 3 - Implementation and Review: to execute the changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policy changes and training programs across the Company's finance and other staff, as necessary. This will culminate in the collection of financial information necessary to compile IFRS compliant financial statements, including embedding IFRS principles in business processes, and Audit Committee review and approval of the financial statements.

The Company is now in the evaluation and design phase having completed most of the initial scoping and impact assessment in Q4 2009. A detailed timetable has been prepared to manage the transition and to monitor the progress of the transition project. At the date of preparing this MD&A, the Steering

Committee has presented the project plan and its initial scoping and impact assessment to the Audit Committee. We expect to complete the quantification of financial statement impacts by Q2 2010.

First-time Adoption of International Financial Reporting Standards

IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), sets forth guidance for the initial adoption of IFRS. Commencing for the period ended March 31, 2011 the Company will restate its comparative fiscal 2010 financial statements for annual and interim periods to be consistent with IFRS. In addition, the Company will reconcile equity and net earnings from the previously reported fiscal 2010 GAAP amounts to the restated 2010 IFRS amounts.

IFRS generally requires that first-time adopters retrospectively apply all IFRS standards and interpretations in effect as at the first annual reporting date. IFRS 1 provides for certain mandatory exceptions and optional exemptions to this general principle.

The Company anticipates using the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based Payments*, to equity instruments granted which had not vested as of the Transition Date;
- to apply the borrowing cost exemption and apply IAS 23, *Borrowing Costs*, prospectively from the Transition Date; and
- to elect not to comply with IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, for changes in such liabilities that occurred before the Transition Date.

Changes to estimates previously made are not permitted. The estimates previously made by the Company under GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

Impact of Adoption of IFRS on Financial Reporting

While GAAP is in many respects similar to IFRS, conversion will result in differences in recognition, measurement, and disclosure in the financial statements. Based on a high-level scoping assessment, the following financial statement areas are expected to be significantly impacted:

Property, Plant and Equipment (PP&E)

Under IAS 16, *Property, Plant and Equipment*, are recognized initially at cost if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Costs include all expenditures directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. There is no specific guidance in IFRS relating to deferred stripping costs during the production phase. However, these types of costs do meet the definition of an asset under IAS 16 given that the Company's current accounting policy is to capitalize these costs since it provides a probable future economic benefit or a betterment (which implies future economic benefit).

Under IAS 16, each part of an item of PP&E with a cost that is significant in relation to the total cost of the item shall be depreciated separately. In order to meet this requirement, componentization is generally required. The Company does not currently componentize to the same level as would be required under IFRS. Componentization would be required only to the extent that different depreciation methods or rates are appropriate and those components are material. In addition major inspections or overhaul costs are identified and accounted for as a separate component under IFRS if that component is used for more than one period. The Company does not currently have a policy for major overhaul costs. Practically, this should be factored into the determination of the components of PP&E.

Income Taxes

IAS 12, *Income Taxes*, requires the recognition of deferred tax assets or liabilities for all deductible and taxable temporary differences except for temporary differences created in a transaction that is:

(a) not a business combination and
(b) at the time of the transaction, affects neither accounting profit nor taxable profit.

Under GAAP, the Company recognizes a deferred tax liability on temporary differences arising on the initial recognition of the Aley mineral property interest and Oakmont net profit interest (where the accounting basis of the asset acquired exceeded its tax basis) in a transaction which was not a business combination and affected neither accounting profit/(loss) nor taxable profit/(loss).

As of the Transition Date, the Company will derecognize all deferred tax liabilities which had been previously recognized on the initial acquisition of the Aley mineral property interest and the Oakmont net profit interest since these transactions are deemed not to be a business combination and affected neither accounting profit/(loss) nor taxable profit/(loss) with a corresponding reduction in the related asset.

In addition, a deferred tax asset is recognized to the extent it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Under GAAP, tax assets are recognized if it is more likely than not. Probable is not defined in IAS 12. However, entities have often used a definition of more likely than not similar to GAAP. However, IAS 12 does not preclude a higher threshold. Accordingly, a difference will not result as long as the Company uses more likely than not as its definition of probable.

Impairment of Assets

Per IAS 36, *Impairment of Assets*, an entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity should estimate the recoverable amount of the asset. The indicators of impairment are generally consistent with those of GAAP. An asset should be written down to its recoverable amount if the recoverable amount is less than its carrying value.

The recoverable amount is equal to the higher of the fair value less cost to sell and its value in use. It is not necessary to determine both if one indicates no impairment exists. The value in use is based on a discounted cash flow model. This approach is different than GAAP (i.e. one step model under IFRS compared to two step model under GAAP).

To the extent possible, individual assets should be tested for impairment. However, if it is not possible to determine the recoverable amount of an individual asset, an entity should determine the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs. The definition of a CGU is different from the Canadian definition of an Asset Group.

In addition, the Company has in the past written down mineral property amounts for certain mineral properties. Under IAS 36, the Company would be required to reconsider whether there is any indication that an impairment loss recognized in a prior period may no longer exist or has decreased on transition and thereafter on an annual basis. If such indicators exist, a new recoverable amount should be calculated and all or part of the impairment charge should be reversed to the extent the recoverable amount exceeds its carrying value. This is different than GAAP where write ups are not permitted.

Asset Retirement Obligations ("ARO")

Under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* an ARO is recognized when there is a legal or constructive obligation to restore a site for damage that has already occurred, it is probable a restoration expense will be incurred and the cost can be estimated reliably. This is different than GAAP where only legal obligations are considered.

Cost includes the cost of dismantling and removing items and restoring the site on which it is located, the obligation for which is incurred either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories. This is different from GAAP where all change in ARO are recognized as a cost of the related asset.

Under IFRS, the amount recognized as a provision shall be the best estimate of the expenditures required to settle the present obligation. This is significantly different from GAAP where third party costs are required. Under IAS 37, the provision would be based on management's best estimate. This estimate could be a third party cost if it is management's intention to hire a third party to complete the work or an internal estimate of the cost if the Company intends to use its own equipment and resources to do this work.

Where the effect of the time value of money is material, the amount of the provision should be the present value of the expenditures expected to be required to settle the obligation. This is consistent with GAAP. However, the discount rate used would be a pre-tax rate specific to the liability rather than the Company's credit adjusted risk free rate and should not reflect risks for which the future cash flow estimates have been adjusted. Unwinding of the discount (i.e. accretion) is included in finance costs.

The ARO provision should be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Changes may result from changes in the amount or timing of the cash out flows or changes in discount rates. This is different from GAAP where changes in discount rates alone would not result in a change in the ARO. Accordingly, the Company will need to assess the discount rate applicable to the ARO on an ongoing basis. As the Company has elected to apply the IFRS exemption related to asset retirement obligations, the Company will not retroactively adjust the obligation on transition for changes in discount rate that may have occurred from time to time.

IFRS Impact on Our Organization

The conversion to IFRS will impact the way the Company presents its financial results. The first financial statements prepared using IFRS (i.e. interim financial statements for the three months ended March 31, 2011) will be required to include numerous notes disclosing extensive transitional information and full disclosure of all new IFRS accounting policies.

The Company has obtained an understanding of IFRS from intensive training of its finance personnel. Further, our finance personnel include employees who have prepared financial statements under IFRS previously.

The Company is currently evaluating the impact of the conversion on its accounting systems and has not determined whether significant changes to its accounting systems are required. The Company expects to complete this evaluation by Q3 2010.

In addition, the Company will evaluate its internal and disclosure control processes as a result of its conversion to IFRS, assess the impacts of adopting IFRS on its contractual arrangements to identify any material compliance issues such as its debt covenants and other commitments and consider the impacts the transition will have on its internal planning process and compensation arrangements. The Company expects to complete this evaluation by Q3 2010.

1.14 Financial Instruments and Other Instruments

All financial instruments, including derivatives, are included on the Company's balance sheet and measured either at fair value or amortized cost. Changes in fair value are 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. 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. Please refer to note 3(d) of the accompanying audited consolidated financial statements for the list of the Company's financial instruments and their classifications.

The Company is exposed in varying degrees to financial instrument related risks. The Company's board of directors approves and monitors the risk management processes, including treasury policies, counterparty limits, controlling and reporting structures. The Company is exposed to the following risks from its financial instruments:

a.) *Credit Risk* – Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its receivables and marketable securities. In general, the Company manages its credit exposure by transacting only with reputable counterparties. The Company monitors the financial condition of its customers and counterparties to contracts.

b.) Liquidity Risk – The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements.

c.) *Market Risk* – The significant market risk exposures to which the Company is exposed are foreign exchange risk, interest rate risk and commodity price risk. These are discussed further below:

i) Foreign exchange risk

The Company's revenues from the production and sale of copper and molybdenum are denominated in US dollars. However the Company's operating expenses are primarily incurred in Canadian dollars and its liabilities are primarily denominated in Canadian dollars. The results of the Company's operations are subject to currency transaction risk and currency translation risk. The operating results and financial position of the Company are reported in Canadian dollars in the Company's consolidated financial statements. The fluctuation of the US dollar in relation to the Canadian dollar will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company's revenues and treatment and transportation charges are substantially denominated in US dollars, whereas all other expenses are substantially denominated in Canadian dollars. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

A 10% change of the US dollar against the Canadian dollar as at December 31, 2009 would have changed earnings before income taxes by approximately $13 million for the year ended December 31, 2009. This analysis assumes that all other variables, in particular interest rates, remain constant.

ii) Interest rate risk

The Company is exposed to interest rate risk on its credit facility with Credit Suisse, equipment loans and capital leases. The credit facility bears interest at LIBOR plus 5%. The equipment loans and capital leases bear interest at a fixed rate. A change of 10% in the LIBOR rate for the year ended December 31, 2009 would have changed earnings before income taxes by approximately $0.086 million for the year ended December 31, 2009. This assumes all other variables, in particular foreign currency rates, remain constant.

iii) *Commodity price risk*

The value of the Company's mineral resource properties is related to the price of gold, copper, molybdenum and niobium and the outlook for these minerals. Gold, copper, molybdenum and niobium prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

The profitability of the Company's operations is highly correlated to the market price of copper, molybdenum, niobium and gold. If metal prices decline for a prolonged period below the cost of production of the Company's Gibraltar mine, it may not be economically feasible to continue production.

A 10% change in copper and molybdenum prices during the year ended December 31, 2009 would have affected net earnings by approximately $16 million. This analysis assumes that all other variables remain constant.

During fiscal 2009, the Company introduced a copper hedging program. The program is a part of the Company's risk management strategy and was conceived due to the copper price variability experienced in fiscal 2008 and the perceived need to mitigate the potential risks to revenue and operating margins.

The strategy used to manage copper price risk is called a "zero cost cap and collar" whereby the Company buys a copper "put" option and simultaneously sells an offsetting "call" option. The Company intends to review its hedge position from time to time in light of prevailing market and economic conditions.

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 March 16, 2010, 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				184,484,831
Share purchase option	03-Jul-10	$4.03	60,000	
	28-Sep-10	$1.15	90,000	
	24-Feb-11	$4.50	93,000	
	28-Mar-11	$2.18	342,000	
	28-Mar-11	$2.63	40,000	
	22-Aug-11	$4.09	15,000	
	10-Dec-11	$1.00	1,298,800	
	24-Feb-12	$3.07	165,000	
	24-Feb-12	$4.50	135,000	
	07-Jul-12	$1.90	14,000	
	30-Jul-12	$2.17	57,000	
	15-Jan-13	$4.77	1,043,500	
	10-Dec-13	$1.00	2,915,000	
	12-Jan-14	$1.15	2,010,334	
	21-Apr-14	$1.71	1,546,834	
	2-Dec-14	$4.14	150,000	
	5-Jan-15	$4.46	1,925,000	
	15-Jan-15	$4.14	150,000	
	28-Jan-15	$5.00	210,000	
	16-Feb-15	$4.59	120,000	
				12,380,468
Preferred shares redeemable into Taseko Mines Limited common shares				12,483,916

1.15.3 Internal Controls over Financial Reporting Procedures

The Company's management is responsible for establishing and maintaining adequate internal control 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, the Company's management has concluded that internal control over financial reporting was effective as of December 31, 2009 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with GAAP.

There have been no significant changes in internal controls over financial reporting during the fiscal period ended December 31, 2009 that could 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

Disclosure controls and procedures are those controls and procedures that are designed to ensure that the information required to be disclosed in the filings under applicable securities regulations is recorded, processed, summarized and reported within the time periods specified. As at December 31, 2009, under the supervision and with the participation of the Company's management, including the Chief Executive the Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

There have been no significant changes in the Company's disclosure controls and procedures during the fiscal period ended December 31, 2009 that could have materially affected or are reasonably likely to materially affect the Company's disclosure controls and procedures.

1.15.5 Non GAAP Measures

This document includes certain non-GAAP performance measures including "cash production costs" that do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company believes that these measures are commonly used, in conjunction with conventional GAAP measures, by certain investors to enhance their understanding of the Company's performance. The Company's use of these non-GAAP measures is intended to provide additional information that should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP. The following table provides a reconciliation of the non-GAAP measures to reported GAAP measures:

Cash Production Cost

	Twelve months ending 31-Dec-09
GAAP operating costs (in thousands of CAD)	**$ 109,964**
Less: inventory adjustments	(324)
Less: molybdenum credits	(8,786)
Less: silver credits	(2,001)
Net operating costs (in thousands of CAD)	98,853
Total copper production (in thousands of lbs)	70,347
Cost per lb (CAD)	1.41
Average exchange rate	1.1308
Cost per lb (USD)	**$ 1.24**
GAAP treatment and transportation costs (in thousands of CAD)	24,089
Total copper sales (in thousands of lbs)	71,096
Treatment and transportation per lb of copper (in CAD)	0.34
Average exchange rate	1.1308
Treatment and transportation cost per lb (in USD)	**$ 0.30**
Total cash cost per lb of copper (in USD)	**$ 1.54**

1.15.6 Risk Factors

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Taseko and could cause the Company's operating and financial performance to differ materially from the estimates described in forward-looking statements relating to the Company.

Volatility in Metals Prices

The profitability of the Gibraltar Mine and the financial results, exploration, development and mining activities on the Company's other properties, are directly related and sensitive to the market price of copper, gold, molybdenum and other metals. Metal prices fluctuate widely and are affected by numerous factors beyond the Company's control, including global supply and demand, expectations with respect to the rate of inflation, the exchange rates of the United States dollar to other currencies, interest rates, forward selling by producers, production and cost levels in major producing regions, global or regional political, economic or financial situations and a number of other factors such as the sale or purchase of commodities by various commodity traders, production costs of major mineral producing countries and the cost of substitutes.

Financing

The Company has been successful at financing its projects and operations over the years. However, the Company's ability to continue its exploration, assessment, development and operational activities will depend on the resource industry generally, which is cyclical in nature, and which may, in turn, affect the Company's ability to attract financing, including joint venture financing, debt or bank financing, equity financing or production financing arrangements. Failure to obtain, or difficulty or delay in obtaining, requisite financing could result in delay of certain projects or postponement of further exploration, assessment or development of certain properties or projects. Financing through the issuance of equity will result in dilution of existing shareholders.

Taseko's Prosperity Project Risks

On January 14, 2010, Taseko received the environmental assessment certificate for the Prosperity Project from the British Columbia Provincial Ministry of Environment. The Company expects the Federal environmental assessment process to be complete by mid 2010. Applications for Provincial permits are being prepared and are expected to be submitted before the end of March 2010. Failure to obtain such certificates and permits in a timely manner or at all will delay or even lead to abandonment of the Prosperity Project which would likely negatively affect the Company's share price.

Furthermore, the feasibility assumes specified, long-term price levels for gold and copper. The prices of these metals have historically been volatile, and the Company has no control of or influence on its price, which is determined in international markets. There can be no assurance that the price of gold or copper will remain at current levels or that it will not decline below the prices assumed in the feasibility study.

The Prosperity Project will require substantial financing, including a possible combination of debt and equity financing. There can be no assurance that debt and/or equity financing will be available on acceptable terms. Other general risks include those typical of very large construction projects, including the general uncertainties inherent in engineering and construction costs, the need to comply with generally increasing environmental regulation, and accommodation of local and community concerns.

The economics of the feasibility study are sensitive to the US Dollar and Canadian Dollar exchange rate, and this rate has been subject to large fluctuations in the last several years.

Increased Costs Could Affect Profitability

The cash cost of production is frequently subject to great variation from one year to the next due to a number of factors, such as changing strip ratios, ore grade, metallurgy, cost of supplies and services (for example, electricity and fuel) and the exchange rate of supplies and services denominated in foreign currencies. If these costs used in connection with the Company's operations were to increase significantly, and remain at such levels for a substantial period, the Company's cash flows from operations may be negatively affected. The Company prepares estimates of future production and unit cash costs of production annually. No assurance can be given that such estimates will be achieved. Failure to achieve production or cost estimates or material increases in operating or capital costs could have an adverse impact on the Company's future cash flows, profitability, results of operations and financial condition.

Taseko's Harmony Project and Aley Project Contain No Known Reserves of Ore

Although there are known bodies of mineralization on the Harmony and Aley Projects, there are currently no known reserves or body of commercially viable ore and additional work is required before Taseko can ascertain if any mineralization may be economic. Exploration for minerals is a speculative venture necessarily involving substantial risk. If the expenditures Taseko makes on these properties do not result in discoveries of commercial quantities of ore, the exploration and acquisition expenditures will be written off and the value of Taseko stock could be negatively impacted. Under SEC reserve recognition rules, the Prosperity Project does not contain any reserves.

Exchange Rate Risk

The Company is subject to currency exchange rate risk because prices of copper and molybdenum are denominated in United States dollars and, accordingly, the Company's revenues will be received in United States dollars. The Company's expenses are almost entirely denominated in Canadian dollars. The Company currently does not engage in foreign exchange hedging. Any strengthening in the Canadian dollar will negatively impact the profitability of the Company's mining operations.

Uncertain Project Realization Values

The Company annually undertakes a detailed review of the life-of-mine plans for its operating properties and an evaluation of the Company's portfolio of development projects, exploration projects and other assets. The recoverability of the Company's carrying values of its operating and development properties are assessed by comparing carrying values to estimated future net cash flows from each property.

Factors which may affect carrying values include, but are not limited to: copper, molybdenum and gold prices; capital cost estimates; mining, processing and other operating costs; grade and metallurgical characteristics of ore; and mine design and timing of production. In the event of a prolonged period of depressed copper prices, the Company may be required to take additional material write-downs of its operating and development properties.

General Mining Risks

Mining is an inherently risky business with large capital expenditures and cyclical metals markets. Factors beyond the control of Taseko will affect the marketability of any minerals discovered and mined. The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of ore are discovered at the Prosperity Project and the Harmony Project, a profitable market will exist for the sale of minerals produced by Taseko. Factors beyond the control of Taseko may affect the marketability of any substances discovered. Metal prices, in particular copper, molybdenum and gold prices, have fluctuated widely in recent years. Prices are determined in international markets over which the Company has no influence.

The operations of Taseko may require licenses and permits from various governmental authorities. There can be no assurances that Taseko will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and operations at its projects.

Although the Company maintains high environmental standards for all of its projects, there are almost always public concerns about new mining projects and any significant public opposition to the Prosperity Project will increase the likelihood that its development is delayed or prevented.

Taseko also competes with many companies possessing far greater financial resources and technical facilities for the acquisition of mineral concessions, claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees.

Typical mining risks are also that estimated reserves are not of the size or grade estimated, and adverse geological or ground conditions, adverse weather conditions, potential labour problems, and availability and cost of equipment procurement and repairs can impact operations.

Taseko’s Share Price is Volatile

In recent years, the market price of a publicly traded stock, especially a resource issuer like Taseko, has experienced a high level of price and volume volatility. Taseko’s shares have ranged between $0.36 and $20.00 in the last 18 years and between approximately $6.28 and $0.69 in the last three years.

The wide fluctuation in market prices of securities may not necessarily be related to the operating performance, underlying asset values or prospects of the Company. Other factors impacting share prices may include the strength of the economy, market perceptions of the attractiveness of particular industries, and the breadth of the public market for the stock. The price of the securities of the Company is also likely to be significantly affected by short-term changes in commodity prices, other precious metal prices or other mineral prices, currency exchange fluctuations and the political environment. The effect of these and other factors on the market price of the common shares on the TSX and the NYSE Amex suggest that Taseko’s shares will continue to be volatile.

Environmental Considerations

The estimation of the existing reclamation liability related to the Gibraltar Mine is not free from uncertainty. Mining always entails risks of spills, pollution, reclamation, and other liabilities and obligations, which like other mining companies, may adversely affect Taseko. If these challenges are not properly assessed or if rules become more onerous, Taseko could be materially adversely affected.

Significant Potential Equity Dilution

Taseko had 12,380,468 share purchase options in-the-money at March 16, 2010. In addition, shares are potentially issuable in 2011 on conversion of Gibraltar's class of Preferred Shares issued for the Harmony project. All of the foregoing may likely act as an upside constraint on the trading price of Taseko's shares.

Taseko Mines Limited

CONSOLIDATED FINANCIAL STATEMENTS

FISCAL PERIODS ENDED
DECEMBER 31, 2009 and 2008 and SEPTEMBER 30, 2007

(Expressed in thousands of Canadian Dollars)

KPMG LLP
Chartered Accountants
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Canada

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AUDITORS' REPORT

To the Shareholders of Taseko Mines Limited

We have audited the consolidated balance sheets of Taseko Mines Limited ("the Company") as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for the year ended December 31, 2009, the fifteen months ended December 31, 2008 and the year 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 December 31, 2009 and 2008 and the results of its operations and its cash flows for the year ended December 31, 2009, the fifteen months ended December 31, 2008 and the year ended September 30, 2007 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 16, 2010

TASEKO MINES LIMITED

Consolidated Balance Sheets

(Expressed in thousands of Canadian Dollars)

		December 31 2009		December 31 2008
ASSETS				
Current assets				
Cash and equivalents	$	35,082	$	4,587
Restricted cash (note 11)		3,153		4,400
Marketable securities and investments (note 7)		11,856		3,138
Accounts receivable		12,505		4,606
Inventory (note 5)		21,792		20,340
Prepaid expenses		2,112		329
Advances for equipment (note 23(a))		1,119		499
Current portion of promissory note (note 20(a))		4,697		3,384
		92,316		41,283
Advances for equipment (note 23(a))		2,122		5,882
Reclamation deposits (note 15)		29,421		32,396
Promissory note (note 20(a))		73,400		73,684
Mineral property interests, plant and equipment (note 10)		337,836		325,000
	$	**535,095**	**$**	**478,245**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Bank indebtedness (note 13)	$	–	$	5,737
Accounts payable and accrued liabilities		14,821		53,036
Amounts due to a related party (note 12)		13		1,772
Current portion of long-term credit facility (note 17)		21,896		–
Convertible debt (note 14)		–		35,219
Current portion of long-term loan obligations (note 16)		5,782		3,324
Current portion of deferred revenue (note 20(a))		175		175
Current portion of royalty obligations (note 20)		11,208		3,384
Liability under derivative instruments (note 19)		18,935		–
Income taxes payable		370		937
Current portion of future income taxes (note 21)		1,979		8,469
		75,179		112,053
Income taxes (note 21)		32,299		30,685
Royalty obligations (note 20)		57,621		60,973
Deferred revenue (note 20(a))		656		831
Long-term credit facility (note 17)		29,609		–
Long-term loan obligations (note 16)		16,916		13,100
Site closure and reclamation obligation (note 15)		9,807		10,366
Future income taxes (note 21)		16,315		15,330
		238,402		243,338
Shareholders' equity				
Share capital (note 18)		323,734		285,690
Equity component of convertible debt (note 14)		–		3,832
Tracking preferred shares (note 8)		26,642		26,642
Contributed surplus		20,318		14,561
Accumulated other comprehensive gain (loss)		4,576		(6,680)
Deficit		(78,577)		(89,138)
		296,693		234,907
Commitments (note 23)				
Subsequent events (note 7, 9(b), 20(b) and 24)				
	$	**535,095**	**$**	**478,245**

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors

/s/ Ronald W. Thiessen
Ronald W. Thiessen
Director

/s/ Russell E. Hallbauer
Russell E. Hallbauer
Director

TASEKO MINES LIMITED

Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	Year Ended December 31, 2009	Fifteen Months Ended December 31, 2008	Year Ended September 30, 2007
Revenue			
Copper	$ 180,115	$ 209,784	$ 199,872
Molybdenum	8,787	21,894	18,554
	188,902	231,678	218,426
Cost of sales	132,434	196,261	109,533
Depletion, depreciation and amortization	8,150	7,363	3,155
Operating profit	48,318	28,054	105,738
Expenses (income)			
Accretion of reclamation obligation (note 15)	968	1,451	1,777
Asset retirement obligation change of estimates (note 15)	–	(6,917)	(4,570)
Change in fair value of financial instruments	–	886	1,925
Exploration	3,407	11,864	8,967
Foreign exchange loss (gain)	(8,800)	4,032	233
Gain on convertible bond repurchase (note 14(a))	(1,630)	–	–
General and administration	8,382	11,896	6,501
Interest accretion on convertible debt (note 14)	1,260	2,938	2,922
Interest and other income	(7,402)	(9,701)	(11,093)
Interest expense	8,265	8,284	5,947
Gain on sale of marketable securities	(188)	(1,034)	(1,508)
Realized loss on derivative instruments (note 19)	11,330	–	–
Stock-based compensation	5,696	6,442	6,771
	21,288	30,141	17,872
Earnings (loss) before other items	27,030	(2,087)	87,866
Other items			
Unrealized loss on derivative instruments (note 19)	15,775	–	–
Earnings (loss) before income taxes	11,255	(2,087)	87,866
Current income tax expense (recovery) (note 21)	669	(2,151)	3,959
Future income tax expense (recovery) (note 21)	25	(3,446)	35,645
Net earnings for the year	$ 10,561	$ 3,510	$ 48,262
Other comprehensive income (loss)			
Unrealized gain (loss) on available-for-sale reclamation deposit	(1,040)	1,859	(419)
Unrealized gain (loss) on available-for-sale marketable securities	14,263	(11,295)	4,710
Reclassification of realized gain (loss) on sale of marketable securities	(188)	(1,152)	(1,508)
Tax effect	(1,779)	1,570	(445)
Other comprehensive income (loss)	$ 11,256	$ (9,018)	$ 2,338
Total comprehensive income (loss)	$ 21,817	$ (5,508)	$ 50,600
Earnings per share			
Basic	$ 0.06	$ 0.02	$ 0.37
Diluted	$ 0.06	$ 0.02	$ 0.36
Weighted average number of common shares outstanding (expressed in thousands)			
Basic	173,170	142,062	129,218
Diluted	180,835	156,928	142,278

See accompanying notes to consolidated financial statements.

TASEKO MINES LIMITED

Consolidated Statements of Shareholders' Equity

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

	Year ended December 31, 2009		Fifteen Months Ended December 31, 2008		Year ended September 30, 2007	
Common shares	Number of shares		Number of shares		Number of shares	
Balance at beginning of the year	153,187,116	$ 285,690	130,580,538	$ 205,040	128,388,175	$ 197,592
Share purchase options at $1.00 per share	893,750	894	–	–	–	–
Share purchase options at $1.15 per share	66,333	76	–	–	409,833	471
Share purchase options at $1.29 per share	–	–	–	–	75,000	97
Share purchase options at $1.71 per share	33,666	58	–	–	–	–
Share purchase options at $1.90 per share	7,000	13	–	–	–	–
Share purchase options at $2.07 per share	50,000	103	30,000	62	233,300	483
Share purchase options at $2.18 per share	100,000	218	145,500	317	244,000	532
Share purchase options at $2.63 per share	–	–	–	–	20,000	53
Share purchase options at $2.68 per share	–	–	7,500	20	27,500	74
Share purchase options at $3.07 per share	11,000	34	78,500	241	48,000	147
Share purchase options at $4.09 per share	–	–	3,600	15	–	–
Share purchase options at $4.50 per share	–	–	5,000	23	–	–
Fair value of stock options allocated to shares issued on exercise	–	2,108	–	514	–	1,786
Shares issued for the purchase of royalty interest	–	–	1,000,000	5,220	1,134,730	3,805
Shares issued for debt conversion (note 14(b))	–	–	2,612,971	21,318	–	–
Equity financings at $5.20 per share, net of issue costs (note 18(b))	–	–	9,637,792	46,945	–	–
Equity financings at $0.70 per share, net of issue costs (note 18(b))	–	–	9,085,715	5,975	–	–
Equity financings at $1.45 per share, net of issue costs (note 18(b))	19,490,084	26,817	–	–	–	–
Warrants exercised (note 18(b))	9,085,715	7,723	–	–	–	–
Balance at end of the year	182,924,664	323,734	153,187,116	285,690	130,580,538	205,040
Equity component of convertible debt						
Balance at beginning of the year		3,832		13,655		13,655
Repurchase of convertible bond (note 14(a))		(3,832)		–		–
Convertible debenture conversion adjustment (note 14(b))		–		(9,823)		–
Balance at end of the year		–		3,832		13,655
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		14,561		8,633		3,648
Stock-based compensation (note 18(c))		5,696		6,442		6,771
Repurchase of convertible bond (note 14(a))		2,169		–		–
Fair value of stock options allocated to shares issued on exercise		(2,108)		(514)		(1,786)
Balance at end of the year		20,318		14,561		8,633
Accumulated other comprehensive income (loss)						
Balance at beginning of the year		(6,680)		2,338		–
Unrealized gain (loss) on reclamation deposits		(1,040)		1,859		(419)
Unrealized gain (loss) on available-for-sale marketable securities		14,263		(11,295)		4,710
Reclassification of realized loss on sale of marketable securities		(188)		(1,152)		(1,508)
Tax effect		(1,779)		1,570		(445)
Balance at end of the year		4,576		(6,680)		2,338
Deficit						
Balance at beginning of the year		(89,138)		(92,648)		(140,910)
Net earnings for the year		10,561		3,510		48,262
Balance at end of the year		(78,577)		(89,138)		(92,648)
TOTAL SHAREHOLDERS' EQUITY		$ 296,693		$ 234,907		$ 163,660

See accompanying notes to consolidated financial statements.

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian Dollars)

	Year Ended December 31, 2009	Fifteen Months Ended December 31, 2008	Year Ended September 30, 2007
Operating activities			
Net earnings for the year	$ 10,561	$ 3,510	$ 48,262
Items not involving cash			
Reclamation obligation change in estimate	–	(6,917)	(4,570)
Accretion of reclamation obligation	968	1,451	1,777
Depreciation, depletion and amortization	8,150	7,363	3,155
Interest accretion on convertible debt	1,260	2,938	2,922
Interest accretion on long-term credit facility	512	–	–
Stock-based compensation	5,696	6,442	6,771
Future income taxes	25	(3,446)	35,645
Foreign exchange loss (gain)	(8,839)	6,334	(3,307)
Gain on sale of marketable securities	(188)	(1,034)	(1,508)
Change in fair value of financial instruments	–	886	1,925
Gain on convertible debt repurchase (note 14)	(1,630)	–	–
Unrealized loss on derivative instruments (note 19)	15,775	–	–
Site closure and reclamation expenditures (note 15)	(1,590)	(183)	(167)
Changes in non-cash operating working capital			
Accounts receivable	(7,899)	7,415	(2,679)
Amounts due to a related party	(1,759)	2,579	(833)
Inventory	(1,452)	(2,282)	6,160
Prepaid expenses	(1,784)	741	152
Accrued interest income on promissory note	(1,029)	(2,632)	(1,270)
Accounts payable and accrued liabilities	(38,216)	22,603	8,499
Deferred revenue	(175)	(219)	(19,759)
Accrued interest expense on royalty obligation	(2,039)	(1,060)	(1,371)
Income taxes payable	(6,261)	2,358	6,175
Liability under derivative instruments (note 19)	3,160	–	–
Cash provided by (used for) operating activities	(26,754)	46,847	85,979
Investing activities			
Purchase of property, plant and equipment	(17,019)	(134,186)	(127,032)
Purchase of mineral property interest	–	–	(1,800)
Reclamation deposits	(45)	(109)	(20)
Funds released from reclamation deposits	3,900	5,000	–
Accrued interest income on reclamation deposits	(1,919)	(2,032)	(1,791)
Funds released from (deposited into) restricted cash	1,247	–	(4,400)
Investment in marketable securities	(4,421)	(254)	(21,564)
Proceeds from sale of marketable securities	9,966	3,360	16,999
Advance payments for equipment	–	(6,381)	–
Cash used for investing activities	(8,291)	(134,602)	(139,608)
Financing activities			
Proceeds (repayment) of bank indebtedness	(5,737)	5,737	–
Capital lease payments	(3,199)	(1,061)	–
Common shares issued for cash, net of issue costs	35,937	53,599	1,857
Principal repayment of loan obligations	(345)	–	–
Proceeds from loan obligations (note 16(b))	9,054	–	–
Proceeds from royalty obligation (note 20(b))	6,511	–	–
Re-purchase of convertible debt (note 14)	(33,678)	(3,569)	–
Proceeds from long term credit facility (note 17)	56,997	–	–
Cash provided by financing activities	65,540	54,706	1,857
Increase (decrease) in cash and equivalents	30,495	(33,049)	(51,772)
Cash and equivalents, beginning of year	4,587	37,636	89,408
Cash and equivalents, end of year	**$ 35,082**	**$ 4,587**	**$ 37,636**

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 December 31, 2009, 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 Copper Mines and the Prosperity 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

In September 2008, the Company’s Board of Directors approved a resolution to change the Company’s year end from September 30 to December 31. Accordingly, these financial statements are prepared as at December 31, 2009 and December 31, 2008, and for the year ended December 31, 2009, the fifteen months ended December 31, 2008 and the year ended September 30, 2007.

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 December 31, 2009, of the $35,082 cash and equivalents held by the Company, $30,719 (US$29,228) were held in United States dollar denominated cash and equivalents (December 31, 2008 – $2,169 (US$1,756)). Cash and equivalents excludes cash subject to restrictions (note 11).

(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 of ownership 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.

Under the Company's concentrate sales contracts, final copper and molybdenum prices are set based on a specified future quotational period and the average market metal price in that period. Typically, the quotational periods for copper are either one or four months after the date of arrival at the port of discharge and for molybdenum is three months 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. 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 metal in concentrate, ore-in-process 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.

Materials and supplies inventory is valued at the lower of average cost and net realizable value.

Copper cathode inventory consists 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.

Previous write-downs to net realizable value are reversed when there is a subsequent increase in the value of inventories.

(d) Financial Instruments

All financial instruments, including derivatives, are included on the Company's balance sheet and measured either at fair value or amortized cost. Changes in fair value are 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. 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 (loss).

- Available-for-sale financial assets are measured at fair value. Changes in fair value are included in other comprehensive income (loss) until the gain or loss is recognized in net earnings (loss) or if an impairment is determined to be other than temporary.

- Held for trading financial instruments are measured at fair value. All changes in fair value are included in net earnings (loss) 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 (loss) in the period in which they arise, except for cash flow hedge transactions which qualify for hedge accounting treatment in which case gains and losses are recognized in other comprehensive income (loss).

The Company had classified its financial instruments as follows:

Financial Instrument	Classification	Measurement
Cash and equivalents/ bank indebtedness	Held for Trading	Fair Value
Restricted cash	Held for Trading	Fair Value
Marketable securities and investments (i)	Available for Sale	Fair Value
Accounts receivable	Loans and Receivables	Amortized cost
Advances to a related party	Loans and Receivables	Amortized cost
Reclamation deposits (ii)	Available for Sale	Fair Value
Promissory note (iii)	Loan and Receivable	Amortized cost
Accounts payable and accrued liabilities	Other Financial Liability	Amortized cost
Advances from a related party	Other Financial Liability	Amortized cost
Convertible debt (iv)	Other Financial Liability	Amortized cost
Equipment loan obligations (note 16(b))	Other Financial Liability	Amortized cost
Credit facility (note 17)	Other Financial Liability	Amortized cost
Gibraltar Royalty Limited Partnership obligation (note 20(b))	Other Financial Liability	Amortized cost
Derivative liability (v)	Held for Trading	Fair Value

i.) Marketable securities and investments are classified as available-for-sale securities and are measured at fair market value with unrealized gains or losses recorded in other comprehensive income (loss). At the time securities are sold or otherwise disposed of, gains or losses are included in net earnings (loss).

ii.) Reclamation deposits invested in government bonds and treasury bills are classified as available-for-sale securities and are measured at fair market value, with unrealized gains or losses recorded in other comprehensive income (loss). At the time securities are sold or otherwise disposed of, gains or losses are included in net earnings (loss).

iii.) The Promissory note relating to the Red Mile Resources No. 2 Limited Partnership Agreement ("Red Mile") is classified as a loan and receivable.

iv.) The debt components of the Convertible bonds and debenture are classified as other financial liabilities and are measured at amortized cost.

v.) Derivative instruments are recorded at fair value. Changes in the fair values of derivative instruments are recognized in net earnings (loss) for the period. The Company may enter into derivative instruments to manage exposure to fluctuations in metal prices, primarily copper. These derivative instruments are a part the Company's risk management strategy. The Company has elected not to apply hedge accounting to these instruments. Therefore, the changes in fair value are recorded in earnings.

The Company also discloses quantitative and qualitative information that enable users to evaluate the significance of financial instruments on the Company's financial performance, and the nature and extent of risks arising from financial instruments to which the Company is exposed during the year and at the balance sheet date. In addition, the Company discloses management's objectives, policies and procedures for managing these risks. These disclosures are presented in note 6.

(e) 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 2008, 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 "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 stripping costs are amortized using the units of production basis to cost of sales over the life of the mineral deposit reserves.

(f) 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.

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.

(g) Site closure and reclamation costs

The Company recognizes 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.

(h) Impairment of long-lived assets

Long-lived assets, including mineral property interests, 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 in 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.

(i) 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.

(j) Stock-based compensation

The Company has a share option plan which is described in note 18(c). The Company records all stock-based payments 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.

(k) 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.

(l) 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, labour, and services are denominated in Canadian dollars. All of the business operations of the

Company are located in Canada. The 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.

(m) Earnings (loss) per common share

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

Diluted earnings (loss) 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.

(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, plant and equipment, reclamation liability, income taxes, valuation allowances for future income tax assets, rates for depletion, depreciation and amortization, assumptions used in computing stock-based compensation, 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, the determination of mineral reserves and mine life and the estimation of the fair value of derivative liabilities. 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) Going Concern (Amendments to Section 1400)

Canadian GAAP requires management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. In assessing the appropriateness of the going concern assumption, management is required to consider all available information about the future which is at least, but not limited to, twelve months from the balance sheet date and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

As at December 31, 2009 and to the date of these financial statements, the Company determined that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

4. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted with no restatement to prior period financial statements.

(a) Section 3064 – Goodwill and Intangibles

The Canadian Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064 which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. This new section establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company evaluated the impact of this new standard and concluded that this standard did not have a significant impact on the Company's consolidated financial statements.

(b) EIC 173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

The AcSB issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*, which requires the Company to consider its own credit risk as well as the credit risk of its counterparties when determining the fair value of financial assets and liabilities, including derivative financial instruments. The standard is effective for the first quarter of fiscal 2009 and is required to be applied retrospectively without restatement of prior periods. The adoption of this standard did not have an impact on the valuation of financial assets or liabilities of the Company.

(c) EIC 174 – Mining Exploration Costs

The AcSB issued EIC-174, *Mining Exploration Costs,* which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have been applied in the preparation of these financial statements and did not have an impact on the valuation of the Company's mineral properties.

(d) Fair Value Hierarchy

During the year, CICA Handbook Section 3862, *Financial Instruments – Disclosures* was amended to require enhanced disclosures about the relative reliability of the data, or "inputs", that an entity uses to measure the fair values of its financial instruments. It requires financial instruments measured at fair value to be classified into one of three levels in the "fair value hierarchy" according to the relative reliability of the inputs used to estimate the fair values. These disclosures are presented in note 6(b).

(Expressed in thousands of Canadian dollars, unless stated otherwise)

(e) Amendments to CICA 3855

The CICA amended Handbook Section 3855, *Financial Instruments – Recognition and Measurement* to provide additional guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category, amend the definition of loans and receivables, amend the categories of financial assets into which debt instruments are required or permitted to be classified, amend the impairment guidance for held-to-maturity debt instruments and require reversal of impairment losses on available-for sale debt instruments when conditions have changed. These amendments were effective for fiscal years beginning on or after November 1, 2008. This amendment did not have a material impact on the Company's consolidated financial statements.

(f) New Accounting Standards Not Yet Adopted:

i) International Financial Reporting Standards ("IFRS")

The AcSB has announced its decision to replace Canadian generally accepted accounting principles ("Canadian GAAP") IFRS for all Canadian publicly-listed companies. The AcSB announced that the changeover date will commence for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company to changeover to IFRS will be January 1, 2010. Therefore, the IFRS adoption will require the restatement for comparative purposes of amounts reported by the Company for the year ending December 31, 2010. During the year, the Company has established a formal project plan, allocated internal resources and engaged expert consultants, monitored by a steering committee to manage the transition from Canadian GAAP to IFRS reporting.

ii) Business Combinations/Consolidated Financial Statements/Non-Controlling Interests

The AcSB issued CICA Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements*, and 1602, *Non-Controlling Interests*, which superseded current Sections 1581, *Business Combinations* and 1600 *Consolidated Financial Statements*. These new Sections replace existing guidance on business combinations and consolidated financial statements to harmonize Canadian accounting for business combinations with IFRS. These Sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these Sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. The Company is currently evaluating the impact of the adoption of these changes on its consolidated financial statements.

5. INVENTORY

	December 31, 2009	December 31, 2008
Copper concentrate	$ 5,830	$ 6,114
Ore in-process	1,897	1,120
Copper cathode	178	612
Molybdenum	70	394
Materials and supplies	13,817	12,100
	$ 21,792	$ 20,340

At December 31, 2009, the Company recorded an adjustment of $ nil to reduce the concentrate inventory to its net realizable value (2008 – $1,504).

6. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Capital Management Objectives

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and to have sufficient liquidity available to fund suitable business opportunities as they arise.

The Company considers the components of shareholders' equity, as well as its cash and equivalents, credit facilities, and long-term equipment loans as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue equity, sell assets, or return capital to shareholders as well as issue or repay debt.

As at December 31, 2009, the Company is subject to externally-imposed capital requirements in the form of covenants relating to the long-term credit facility as discussed in note 17. As at December 31, 2009, the Company is in compliance with its financial covenants.

In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the Board of Directors. Management also actively monitors its financial covenants to ensure compliance.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments, having maturity dates of three months or less from the date of acquisition and that are readily convertible to known amounts of cash.

There were no changes to the Company's approach to capital management during the year ended December 31, 2009.

(b) Carrying Amounts and Fair Values of Financial Instruments

The fair value of a financial instrument is the price at which a party would accept the rights and/or obligations of the financial instrument from an independent third party. Given the varying influencing factors, the reported fair values are only indicators of the prices that may actually be realized for these financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

The fair values of 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 advances from related parties because of the related party nature of such amounts and the absence of a secondary market for such instruments. The fair value of the promissory note is not readily determinable with sufficient reliability due to the uncertainty around the maturities and the future cash flows associated with the promissory note.

Aside from the financial instruments mentioned above, the following table illustrates the classification of the Company's financial instruments recorded at fair value within the fair value hierarchy as at December 31, 2009:

	Financial assets at fair value				
	Level 1	Level 2	Level 3	December 31, 2009	December 31, 2008
Cash and equivalents	$ 35,082	$ –	$ –	$ 35,082	$ 4,587
Restricted cash (note 11)	3,153	–	–	3,153	4,400
Held for trading	38,235	–	–	38,235	8,987
Marketable securities and investments (note 7)	11,856	–	–	11,856	3,138
Reclamation deposits	29,421	–	–	29,421	32,396
Available for sale financial assets	41,277	–	–	41,277	35,534
Total financial assets at fair value	$ 79,512	$ –	$ –	$ 79,512	$ 44,521

	Financial liabilities at fair value				
	Level 1	Level 2	Level 3	December 31, 2009	December 31, 2008
Bank indebtedness	$ –	$ –	$ –	$ –	$ 5,737
Liability under derivative financial instruments (note 19)	–	18,935	–	18,935	–
	$ –	$ 18,935	$ –	$ 18,935	$ 5,737

(c) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees of financial instrument related risks. The Board approves and monitors the risk management processes, including treasury policies, counterparty limits, controlling and reporting structures. The types of risk exposure and the way in which such exposure is managed are provided as follows:

(i) Credit Risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its receivables and marketable securities. In general, the Company manages its credit exposure by transacting only with reputable counterparties. The Company monitors the financial condition of its customers and counterparties to contracts.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

(ii) Liquidity Risk

During the year, the Company secured a US$50,000 36-month term facility agreement (note 17) as well as a $9,054 long-term equipment loan (note 16(b)). The Company is also committed to equipment purchases in relation to its expansion activities at the Gibraltar Mine in the amount of $23,122 (note 23(a)).

The following are the principal contractual maturities of financial liabilities:

As at December 31, 2009	Contractual Obligations	2010	2011	2012	Over 3 years
Accounts payable and accrued liabilities	$ 14,821	$ 14,821	$ –	$ –	$ –
Amounts due to a related party	13	13	–	–	–
Long-term credit facility (note 17)	52,550	21,896	26,275	4,379	–
Long-term equipment loan (note 16(b))	10,112	2,701	2,701	4,710	–
Total liabilities	$ 77,496	$ 39,431	$ 28,976	$ 9,089	$ –

As at December 31, 2008	Contractual Obligations	2009	2010	2011	Over 3 years
Accounts payable and accrued liabilities	$ 53,036	$ 53,036	$ –	$ –	$ –
Bank overdraft facility	5,737	5,737	–	–	–
Amounts due to a related party	1,772	1,772	–	–	–
Convertible debt (note 14)	35,219	–	–	35,219	–
Total liabilities	$ 95,764	$ 60,545	$ –	$ 35,219	$ –

(iii) Market Risk

The significant market risk exposures to which the Company is exposed are commodity price risk, foreign exchange risk, and interest rate risk.

(a) Commodity Price Risk

During the year, the Company entered into producer put and call option contracts with Credit Suisse AG (“Credit Suisse”) and Investec Bank plc (“Investec”) for approximately 50% of its targeted copper production to December 2010 from its Gibraltar Mine (note 19).

A 10 percent strengthening of copper and molybdenum prices during the periods ended December 31, 2009 and December 31, 2008 would have affected net earnings by the amounts shown below. This analysis assumes that all other variables remain constant.

	December 31, 2009	December 31, 2008
Net Earnings	$ 16,180	$ 23,168

(Expressed in thousands of Canadian dollars, unless stated otherwise)

A 10 percent weakening of copper and molybdenum prices at December 31, 2009 and 2008 would have had the equal and opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(b) *Foreign Exchange Risk*

The Company had no foreign currency hedges in place during the year.

The Company's financial assets held in US dollars (stated in Canadian dollars) were:

Carrying value	December 31, 2009	December 31, 2008
Cash and equivalents	$ 30,719	$ 2,169
Restricted cash	3,153	–
Accounts receivable	10,802	–
Total financial assets	$ 44,674	$ 2,169

The Company's financial liabilities held in US dollars (stated in Canadian dollars) were:

Carrying value	December 31, 2009	December 31, 2008
Accounts payable and accrued liabilities	$ 705	$ 13,227
Convertible debt (note 14)	–	35,219
Derivative liability (note 19)	18,935	–
Long-term credit facility (note 17)	51,505	–
Total financial liabilities	$ 71,145	$ 48,446

The following exchange rates applied during the periods ended December 31, 2009 and December 31, 2008:

	Annual Average rate		Year end spot rate	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
CAD vs. USD	1.1420	1.0501	1.0510	1.2180

All of the Company's revenues are denominated in US dollars. A 10 percent weakening of the Canadian dollar against the US dollar at December 31, 2009 and December 31, 2008 would have affected net earnings by the amounts shown below. This analysis assumes that all other variables remain constant.

	December 31, 2009	December 31, 2008
Net Earnings	**$ 13,276**	**$ 12,613**

A 10 percent strengthening of the Canadian dollar against the US dollar at December 31, 2009 and 2008 would have had the equal and opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

(c) *Interest Rate Risk*

The long-term equipment loan (note 16(b)) carries a fixed interest rate of 8.60% per annum and as such is not subject to fluctuations in interest rate. The long-term credit facility (note 17) carries a floating interest of LIBOR plus 5%.

The exposure of the Company's financial assets to interest rate risk as at December 31, 2009 is as follows:

	Total	Weighted average effective interest rate (percent)	Weighted average period for which the interest rate is fixed (years)
Financial assets subject to floating interest rates	$ 35,082	0.32%	N/A
Financial assets subject to fixed interest rates	107,518	6.22%	6.44
Equity investments	11,856	N/A	N/A
Trade and other receivables	12,505	N/A	N/A
Total financial assets	$ 166,961		

The exposure of the Company's financial assets to interest rate risk as at December 31, 2008 is as follows:

	Total	Weighted average effective interest rate (percent)	Weighted average period for which the interest rate is fixed (years)
Financial assets subject to floating interest rates	$ 8,987	4.0%	N/A
Financial assets subject to fixed interest rates	109,464	6.3%	7.02
Equity investments	3,138	N/A	N/A
Trade and other receivables	4,606	N/A	N/A
Total financial assets	$ 126,195		

(Expressed in thousands of Canadian dollars, unless stated otherwise)

The exposure of the Company's financial liabilities to interest rate risk at December 31, 2009 is as follows:

	Total	Weighted average effective interest rate (percent)	Weighted average period for which the interest rate is fixed (years)	Weighted average period until maturity (years)
Financial liabilities subject to floating interest rates	$ 51,505	6.92%	N/A	2.09
Financial liabilities subject to fixed interest rates	15,221	7.49%	2.62	2.62
Derivative liability	18,935	N/A	N/A	N/A
Other liabilities	14,834	N/A	N/A	N/A
Total financial liabilities	$ 100,495			

The exposure of the Company's financial liabilities to interest rate risk at December 31, 2008 is as follows:

	Total	Weighted average effective interest rate (percent)	Weighted average period for which the interest rate is fixed (years)	Weighted average period until maturity (years)
Financial liabilities subject to floating interest rates	$ 5,737	4.0%	N/A	N/A
Financial liabilities subject to fixed interest rates	35,219	7.1%	2.6	2.6
Other liabilities	54,808	N/A	N/A	N/A
Total financial liabilities	$ 95,764			

A 10 percent increase of the LIBOR rate for the year ended December 31, 2009 and December 31, 2008 would have affected net earnings by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

	December 31, 2009	**December 31, 2008**
Net earnings (loss)	**$ (86)**	**$ 142**

A 10 percent decrease of the LIBOR rate for the year ended December 31, 2009 and December 31, 2008 would have had the equal and opposite effect on net earnings on the basis that all other variables remain constant.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

7. MARKETABLE SECURITIES AND INVESTMENTS

	As at December 31, 2009		
	Cost	Unrealized gain (loss)	Fair value
Continental Minerals Corporation – common shares	$ 7,026	$ 4,830	$ 11,856

	As at December 31, 2008		
	Cost	Unrealized gain (loss)	Fair value
Continental Minerals Corporation – common shares	$ 9,880	$ (7,297)	$ 2,583
Investment in other public companies	409	146	555
	$ 10,289	$ (7,151)	$ 3,138

As at December 31, 2009, the Company held 5,566,126 (2008 – 7,827,726) shares of Continental Mineral Corporation ("Continental"), a public company with certain directors in common with the Company.

Subsequent to year end, the Company sold 403,800 shares of Continental for proceeds of $859.

8. 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 ("Harmony") 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, being their then fair value, and are designed to track and capture the value of Harmony and will be redeemed for common shares of Taseko upon a realization event, such as a sale of Harmony to a third party or commercial production at the Harmony or, at the option of Gibraltar, if a realization event has not occurred by 2011. Accordingly, the tracking preferred shares have been classified within shareholders' equity on the consolidated balance sheet.

The initial paid-up amount for the Gibraltar preferred shares is $62,770, subject to reduction prior to redemption for certain stated events. The amount will be reduced to the extent that the actual net proceeds of disposition of Harmony is less than $62,770, or to the extent that the fair market value of Gibraltar's interest in a mine at Harmony is determined to be less than $62,770. The paid-up amount (as adjusted) will be increased in the event Gibraltar receives consideration by way of granting an option to a third party which forfeits such option and also, in the event of any reduction of the paid-up amount (as adjusted), such amount will be credited to the account should the proceeds of disposition exceed the reduced paid-up amount (as adjusted) by an amount greater than the reduction. In no event will the paid-up amount (as adjusted) exceed $62,770 nor be less than $20,000. Net proceeds of disposition shall mean the fair value of all consideration received by Gibraltar as a consequence of a sale of Harmony, net of Gibraltar's reasonable costs of disposition, costs incurred by Gibraltar after the effective date in connection with Harmony, and a reasonable reserve for Gibraltar's taxes arising in consequence of the sale or other disposition of Harmony.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

On the occurrence of a realization event (as mentioned above), Gibraltar must redeem the Gibraltar preferred shares by distributing that number of Taseko common shares equal to the paid-up amount (as adjusted) divided by a deemed price per Taseko common share, which will vary dependent on the timing of such realization event. 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 $5.39 (as of December 31, 2009).

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.

9. MINERAL PROPERTY INTERESTS

		December 31 2009		December 31 2008
Gibraltar Copper Mine (note 9(a))	$	16,766	$	16,743
Prosperity Gold-Copper Property (note 9(b))		1		1
Harmony Gold Property (note 9(c))		1		1
Aley Niobium Property (note 9(d))		8,343		8,343
Oakmont Royalty Interest (note 9(e))		7,520		7,520
	$	32,631	$	32,608

(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 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 acquisition agreement contained certain indemnification clauses. The $8,000 of funds set aside for future reclamation was 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 purposes of providing a working capital reserve for operations and general administrative costs. The Company granted a general security agreement to Ledcor for $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 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.

Subsequent to year end, the Company received the environmental assessment certificate for the Prosperity Project from the British Columbia Provincial Ministry of Environment. The Company expects the Federal environmental assessment process to be completed in fiscal 2010.

(c) Harmony Gold Property

Under the terms of an arrangement agreement (note 8), the Company acquired a 100% interest in the Harmony Gold Property in fiscal 2002. The Company is considering initiating a pre-feasibility level study in fiscal 2010 of Harmony to further evaluate the project.

(d) 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 north-eastern 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 ("NSR") 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).

(Expressed in thousands of Canadian dollars, unless stated otherwise)

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

	Amount
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 Company is considering additional exploration work in fiscal 2010 to advance this project.

(e) Purchase of Oakmont Ventures Ltd.

On May 2, 2008, the Company completed the acquisition of all the issued and outstanding shares in the capital of a private company, Oakmont Ventures Ltd. ("Oakmont"), whose sole asset is the 30% net profits interest in certain claims that are part of the Gibraltar mine property located adjacent to the Gibraltar East pit. The acquisition was completed through the issuance of 1,000,000 common shares of the Company at the value of $5,220. The acquisition was accounted for under the purchase method.

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

	Amount
Mineral property interests	$ 7,520
Current liabilities	(43)
Future income taxes	(1,955)
Total consideration paid, being cash, common shares and units	$ 5,522

(Expressed in thousands of Canadian dollars, unless stated otherwise)

10. MINERAL PROPERTY INTERESTS, PLANT AND EQUIPMENT

Plant and equipment – Gibraltar Mine

	December 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net book value	Cost	Accumulated Amortization	Net book value
Buildings and equipment	$ 6,281	$ 2,807	$ 3,474	$ 6,115	$ 2,421	$ 3,694
Mine equipment	93,043	11,265	81,778	58,659	9,900	48,759
Plant and equipment	104,449	6,824	97,625	97,867	4,126	93,741
Vehicles	2,856	1,593	1,263	1,864	1,086	778
Computer equipment	3,390	3,130	260	3,390	2,870	520
Social assets	402	–	402	402	–	402
Deferred pre-stripping costs	52,535	5,307	47,228	52,535	2,358	50,177
Construction in progress	60,616	–	60,616	82,542	–	82,542
Assets under capital lease	18,222	333	17,889	17,521	13	17,508
Asset retirement costs	62	–	62	–	–	–
Net asset retirement obligation adjustment	(5,608)	–	(5,608)	(6,012)	–	(6,012)
Total Gibraltar mine	$ 336,248	$ 31,259	$ 304,989	$ 314,883	$ 22,774	$ 292,109
Other equipment and leasehold improvements	$ 423	$ 207	$ 216	$ 386	$ 103	$ 283
Total mineral property interests			32,631			32,608
Mineral properties, plant and equipment			**$ 337,836**			**$ 325,000**

As at December 31, 2009, approximately $61,429 (December 31, 2008 – $82,542) of plant and equipment is under construction related to the Company's expansion activities and not being amortized. Amortization recorded during the period reflects changes in accounting estimates during the period resulting from the increase in the life of the Gibraltar mine.

11. RESTRICTED CASH

During the year, the Company pledged $3,153 (USD$3,000) as a cash collateral in favour of Credit Suisse to obtain a waiver on a certain clause in the term facility agreement with Credit Suisse (note 17). Accordingly, this amount was classified as restricted cash as at December 31, 2009.

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 was 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 was released during the year upon the commencement of power consumption with the cash security being now reduced based on Gibraltar's consumption of power.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

12. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions	Year ended December 31, 2009	15 months ended December 31, 2008	Year ended September 30, 2007
Hunter Dickinson Services Inc.			
Services rendered to the Company and its subsidiaries and reimbursement of third party expenses	$ 2,709	$ 8,934	$ 4,936

Due to (from):	As at December 31, 2009	As at December 31, 2008
Hunter Dickinson Services Inc.	$ 13	$ 1,772

Hunter Dickinson Services Inc. ("HDSI") is a private company owned equally by several public companies, one of which is Taseko. HDSI 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 per agreement dated June 1, 2008. Transactions with HDSI are reflected in the Company's general and administration expenses and are measured at the exchange amount based on the agreement. Advances are interest bearing and due on demand.

The Company also has an investment in common shares of a related party as described in note 7.

13. BANK INDEBTEDNESS

During the prior year, the Company signed an overdraft facility with a Canadian financial institution for up to $10,000. The term of the facility bore interest at prime rate plus 1% and was secured against the Company's accounts receivable. The facility agreement stipulated that the facility will be terminated in the event the London Metal Exchange ("LME") monthly cash price of copper reduces below US$2.00 per pound. The facility was also subject to minimum working capital, interest and debt-to-equity ratio covenants. During the year ended December 31, 2009, the Company repaid the overdraft facility in full and had terminated the overdraft facility.

14. CONVERTIBLE DEBT

(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 "Bondholders"). The Bonds were convertible into the Company's common shares. The Bonds constituted direct, unsubordinated, unsecured, general and unconditional obligations of the Company. The Bonds were issued at 100% and, if not converted, could be redeemed at maturity at 101%. The Bonds carried coupon interest rates of 7.125% per annum. The Bonds also had a "put" right in August 2009 to be redeemed at 100.6%.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

During the year ended December 31, 2009, the Company repurchased US$20,000 of the Bonds from its Bondholders for the purpose of cancellation. In addition, the remaining Bondholders exercised the "put" right on the remaining US$10,000 in August 2009. The Company allocated the consideration paid on the extinguishment of the convertible bond to the liability and equity elements of the security based on their relative fair values at the date of the transaction. A gain of $1,630 which was attributed to the liability portion was recorded in the Company's statement of operations as a result of the convertible bond redemptions. A gain of $2,169 which was attributed to the equity portion was recorded in contributed surplus as a result of the convertible bond redemptions.

The continuity of the Bonds is as follows:

Convertible Bonds	**12 months ended December 31, 2009**	**15 months ended December 31, 2008**
Present value of convertible bonds		
Beginning of year	$ 35,219	$ 26,693
Accretion for the year	1,260	2,198
Foreign exchange loss (gain)	(2,833)	6,328
Repurchase/redemption of US$30 million of convertible bonds	(33,646)	–
End of year	–	35,219
Conversion right		
Beginning of year	3,832	3,832
Repurchase of convertible bonds	(3,832)	–
End of year	–	3,832
Convertible Bonds	$ –	$ 39,051

Convertible Bonds	December 31, 2009	December 31, 2008
Summary of the convertible bond terms:		
Principal amount of convertible debenture	N/A	US$ 30,000
Price per common share of the unexercised conversion right	N/A	US$ 3.35
Number of common shares potentially issuable under unexercised conversion right	N/A	8,955,224

(b) Convertible Debenture – NVI Mining Ltd (formerly Boliden Westmin (Canada) Limited)

On July 21, 1999, in connection with the acquisition of the Gibraltar Mine, the Company issued a $17,000 interest-free debenture (the "Debenture") to NVI Mining Ltd. ("NVI"), formerly Boliden Westmin (Canada) Limited. The Debenture was due on July 21, 2009 and was 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. NVI had 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.

On April 2, 2008, NVI issued a notice to the Company to convert the principal amount of the Debenture of $17,000 at an effective conversion rate of $5.14 per common share, which would have resulted in 3,307,393 common shares of the Company being issued to NVI. The Company issued 2,612,971 common shares to NVI and a cash payment of $3,569 in lieu of issuing the remaining 694,422 common shares as full and final settlement to NVI. The 2,612,971 shares were recorded at $21,318 in the Company's accounts to settle the carrying value of the liability and equity portion of the Debenture as at April 2, 2008. The continuity of the Debenture is as follows:

(Expressed in thousands of Canadian dollars, unless stated otherwise)

Liability component:		15 months ended December 31, 2008
Present value of convertible debenture	$	14,315
Accretion, net of interest, for the period		750
Balance		15,065
Conversion		(15,065)
Liability component		–
Equity component:		
Conversion right		9,823
Conversion		(9,823)
Equity component		–
Convertible debenture	$	–

15. 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, 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 obligation due to a revision in mine life		(7,593)
Balance, September 30, 2007	$	17,441
Changes during fiscal, 2008:		
Reclamation incurred		(183)
Accretion expense		1,451
Additional site closure and reclamation obligation recognized		366
Reduction in the present value of reclamation obligation due to a revision in mine life		(8,709)
Balance, December 31, 2008	$	10,366
Changes during fiscal 2009:		
Reclamation incurred		(1,590)
Accretion expense		968
Additional site closure and reclamation obligation recognized		63
Balance, December 31, 2009	**$**	**9,807**

During the 15 months ended December 31, 2008 and 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. The impact of these changes in estimates were:

(Expressed in thousands of Canadian dollars, unless stated otherwise)

- an increase to asset retirement costs included in mineral properties, plant and equipment and corresponding increase to reclamation obligation as at December 31, 2008 of $366 (September 30, 2007 – $4,449)
- a decrease as at December 31, 2008 of $1,426 (September 30, 2007 – $Nil) in asset retirement costs included in mineral properties, plant and equipment
- a decrease as at December 31, 2008 of $8,709 (September 30, 2007 – $7,593) in the present value of the reclamation obligation due to an extension in the mine life
- a gain for the 15 months ended December 31, 2008 of $6,917 (year ended September 30, 2007 – $4,570; year ended September 30, 2006 – $nil)

The new estimated amount of the reclamation costs, adjusted for estimated inflation at 2.5% per year, in 2032 dollars, as at December 31, 2008 was $90,000 (September 30, 2007 – $68,400) and is expected to be spent over a period of approximately three years beginning in 2032. 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 as at December 31, 2008 of $10,366 (September 30, 2007 – $17,441). The accretion for the year ended December 31, 2009 of $968 (2008 – $1,451, 2007 – $1,777) is charged to the statement of operations.

As required by regulatory authorities, at December 31, 2009, the Company had cash reclamation deposits totaling $29,421 (2008 – $32,396) comprised of $29,132 (2008 – $32,152) for the Gibraltar Mine, $75 (2008 – $30) for the Prosperity Project, $175 (2008 – $175) for the Harmony Project and $39 (2008 – $39) for the Aley Project. These deposits are invested in government bonds and treasury bills and bear interest at rates ranging from 3.55% to 5.85% per annum. During the year, the Government of British Columbia permitted the Company to withdraw $3,900 (2008 – $5,000) from the Gibraltar Mine reclamation deposit in exchange for security on certain equipment of the Gibraltar Mine.

16. LONG-TERM LOAN OBLIGATIONS

In addition to obligations under the Company's long-term credit facility as described in note 17, future obligations under capital leases and long-term loans are as follows:

As at December 31, 2009	Capital Lease Obligations (a)	Long-Term Equipment Loan (b)	Total Long-Term Loan Obligations
2010	$ 4,543	$ 2,701	$ 7,244
2011	4,266	2,701	6,967
2012	4,215	4,710	8,925
Thereafter until 2013	2,612	–.	2,612
Total payments	$ 15,636	$ 10,112	$ 25,748
Less: interest portion	(1,648)	(1,402)	(3,050)
Present value of obligations	$ 13,988	$ 8,710	$ 22,698
Current portion	(3,750)	(2,032)	(5,782)
Non-current portion	$ 10,238	$ 6,678	$ 16,916

(Expressed in thousands of Canadian dollars, unless stated otherwise)

As at December 31, 2008	Capital Lease Obligations (a)	Long-Term Equipment Loan (b)	Total Long-Term Loan Obligations
2009	$ 4,280	$ –	$ 4,280
2010	4,003	–	4,003
2011	4,003	–	4,003
Thereafter until 2013	6,614	–	6,614
Total payments	$ 18,900	$ –	$ 18,900
Less: interest portion	(2,476)	–	(2,476)
Present value of obligations	$ 16,424	$ –	$ 16,424
Current portion	(3,324)	–	(3,324)
Non-current portion	$ 13,100	$ –	$ 13,100

(a) Capital Lease Obligations

Included in property, plant and equipment are mining equipment that the Company acquired pursuant to three to four year capital lease agreements.

Capital lease obligations as detailed above are secured over plant and equipment and are repayable in monthly installments with fixed interest rates. The capital lease obligations bear a fixed interest rate at 5.93% - 8.80% per annum.

(b) Long-term Equipment Loan

During the period, the Company entered into 36-month term equipment loan agreements to finance the purchase of equipment for the Gibraltar Mine. The principal amount of the loan is $9,054. The loan is secured by the underlying equipment at the Gibraltar Mine.

The equipment loans are repayable commencing one month after inception in 35 equal monthly installments in the amount of $225 until 2012. The last installment is payable in 2012 in the amount of $2,841. The equipment loans bear a fixed interest rate at 8.6% per annum.

17. LONG-TERM CREDIT FACILITY

In February 2009, the Company entered into and drew upon a US$30,000 36-month term facility agreement (the “Facility”) with Credit Suisse. In September 2009, the Company and Credit Suisse, as Facility Agent, and Investec Bank plc (“Investec”) amended the Facility to increase the existing Facility by an additional US$20,000 and the Company drew an additional US$20,000. Under the amended facility agreement, the US$50,000 Facility is repayable commencing April 2010 and every second month thereafter in equal installments of US$4,167 until February 2012. The Facility bears interest at LIBOR plus 5 percent which is due and payable bi-monthly. The long-term credit facility security provided under the terms of the relevant agreements includes certain equipment of the Gibraltar Mine, a general security pledge, and the treatment and refining off-take agreement (note 23(b)) in addition to a corporate guarantee.

The Facility has financial covenants requiring a maximum total debt to total equity ratio of 55%, a minimum tangible net worth of $150,000, a maximum production cost threshold of $1.56 per lb of copper, minimum debt service coverage ratios of 135% and sufficient hedging in place to cover six-month forecasted operating costs and debt service requirements. Total debt is generally defined as all interest bearing liabilities, plus any guarantees of debt. Total equity is defined as total shareholder's equity including share capital, equity component of convertible debt, tracking preferred shares, contributed surplus, accumulated other comprehensive income (loss) and deficit. Tangible net worth is defined as total equity less amounts attributable to goodwill and other intangible assets and reserves attributable to interest of minority shareholders of the Company.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

As at December 31, 2009, the Company's is in compliance with these covenants. The Company's debt to equity was 33.6%, its tangible net worth was $296,693, its production cost is at $1.47 per lb of copper and its debt service coverage ratios were within the threshold set by the covenant. The Company has the option at any time after 18 months from the Utilization Date to prepay the Facility.

The Company incurred financing fees of $1,709 to obtain the Facility. This amount is being amortized to interest expense using the effective interest rate method.

Future principal payments are as follows:

	As at December 31, 2009
2010	$ 21,896
2011	26,275
2012	4,379
Total payments	$ 52,550
Less: unamortized financing fees	(1,045)
Present value of credit facility obligations	51,505
Current portion	(21,896)
Non-current portion	$ 29,609

18. SHARE CAPITAL

(a) Authorized

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

(b) Private Placements

Fiscal year ending December 31, 2009

On April 15, 2009, the Company completed a "bought deal" short form prospectus offering (the "Offering") of 13,793,104 common shares at a price of $1.45 per common share (the "Offering Price"). A syndicate of underwriters led by Raymond James Ltd. and including Wellington West Capital Markets Inc., Canaccord Capital Corporation, Jennings Capital Inc. and Paradigm Capital Inc. (collectively, the "Underwriters") acted as Underwriters in connection with the Offering.

The Company granted to the Underwriters an over-allotment option to purchase up to an additional 2,068,965 common shares at the Offering Price. The Underwriters elected to exercise the over-allotment option in full, resulting in aggregate gross proceeds to the Company of $23,000.

In addition, the Company also completed a private placement financing of 3,628,015 shares at $1.45 per common share for gross proceeds of $5,261. A finder's fee of 6% of the proceeds of the private placement financing was paid.

The Company incurred $1,444 in financing fees related to the Offering and the private placement. The net proceeds of $26,817 from the Offering were used for discharge of accounts payable and general working capital.

During the year, 9,085,715 warrants issued in December 2008 were exercised for total proceeds of $7,723.

Fiscal period ending December 31, 2008

In December 2008, the Company completed a private placement financing of 8,571,429 units (the "Units"), with each Unit consisting of one common share and one common share purchase warrant (a "Warrant"), at the issue price of $0.70 per Unit for gross proceeds of $6,000. Each Warrant entitles the holder to purchase one common share of the Company (a "Warrant Share") for a period of 24 months at the exercise price of $0.85 per Warrant Share in the first 12 months and $0.95 per Warrant Share in the second 12 months, subject to an acceleration of the expiry date to 30 days in the event the Company's common shares trade at a price of $1.50 or higher for a period of 10 trading days. A finder's fee of 6% of the proceeds of the private placement financing was paid in 514,286 units with each unit consisting of one common share and one common share purchase warrant.

In October 2007, the Company completed a short form prospectus offering of 7,115,385 common shares at a price of $5.20 per common share, and also granted to the underwriters an over-allotment option to purchase up to an additional 1,067,307 common shares at the same price, which over-allotment option was exercised in full, for aggregate gross proceeds to the Company of approximately $42,500. Financing fees of $2,553 were paid to the underwriters.

In November 2007, the Company completed a private placement financing of 1,455,100 common shares at a price of $5.20 per share for gross proceeds of approximately $7,600. A finder’s fee of $205 was paid in conjunction with the private placement.

(c) 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.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

The continuity of share purchase options is as follows:

	2009		2008		2007	
	Number of shares	Average Price	Number of shares	Average Price	Number of shares	Average Price
Opening balance	7,817,718	1.33	5,707,334	$ 2.60	3,578,834	$ 1.78
Granted during the year	3,983,500	1.50	8,472,050	2.19	3,301,500	3.21
Exercised during the year	(1,161,749)	1.20	(270,100)	2.48	(1,057,633)	1.76
Expired/cancelled during year	(254,834)	2.14	(6,091,566)	3.67	(115,367)	2.20
Closing balance	10,384,635	$1.40	7,817,718	$ 1.33	5,707,334	$ 2.60
Average contractual remaining life (years)		3.17		3.47		3.40
Range of exercise prices		$1.00 – $4.50		$1.00 - $5.45		$1.15 - $4.09

The following table summarizes information about share purchase options outstanding at December 31, 2009:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at December 31 2009	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31 2009	Weighted average exercise price
$1.00 to $1.15	7,711,801	3.11 years	$ 1.06	5,937,535	$ 1.08
$1.71 to $2.18	1,979,834	3.68 years	$ 2.17	874,169	$ 1.91
$2.63 to $3.07	240,000	1.71 years	$ 3.00	240,000	$ 3.00
$4.03 to $4.49	225,000	3.53 years	$ 4.11	125,000	$ 4.08
$4.50	228,000	1.74 years	$ 4.50	228,000	$ 4.50
	10,384,635	3.17 years	$ 1.39	7,404,704	$ 1.40

The following table summarizes information about share purchase options outstanding at December 31, 2008:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding at December 31 2008	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at December 31 2008	Weighted average exercise price
$1.00 to $1.15	6,588,384	3.77 years	$ 1.03	2,948,234	$ 1.06
$1.71 to $2.18	602,000	1.88 years	$ 2.17	568,699	$ 2.17
$2.63 to $3.07	291,000	2.37 years	$ 2.98	220,666	$ 2.95
$4.03 to $4.09	93,334	1.91 years	$ 4.05	58,400	$ 4.05
$4.50 to $5.45	243,000	2.71 years	$ 4.54	166,995	$ 4.56
	7,817,718	3.52 years	$ 1.33	3,962,994	$ 1.51

(Expressed in thousands of Canadian dollars, unless stated otherwise)

The fair value of the options that vested during the year is $5,696. The following are the weighted average assumptions used to estimate the fair value of options during the periods ended:

	2009	2008	2007
Risk free interest rate	1.9%	2.4%	4%
Expected life	3.17 years	3.52 years	4.20 years
Volatility	74%	65%	68%
Expected dividends	nil	nil	nil

d) Share purchase warrants

The continuity of share purchase warrants during the period ended December 31, 2009 is as follows:

Expiry dates	Exercise price	Outstanding December 31, 2008	Issued	Exercised	Expired	Outstanding December 31 2009
December 17, 2010	$0.85	9,085,715	–	9,085,715	–	–

The continuity of share purchase warrants during the period ended December 31, 2008 is as follows:

Expiry dates	Exercise price	Outstanding September 30 2007	Issued	Exercised	Expired	Outstanding December 31 2008
December 17, 2010	$0.85	–	9,085,715	–	–	9,085,715
February 22, 2008	$3.48	120,000	–	–	120,000	–

e) Earnings per share

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

	2009	**2008**	**2007**
Earnings available to common shareholders	$ 10,561	$ 3,510	$ 48,262
Effect of assumed conversions:			
Accretion on convertible debenture/bonds	–	–	1,608
Interest on convertible bonds	–	–	2,368
Royalty payments to GRLP (note 20(b))	130	–	–
Tax effect on interest on convertible bonds	(45)	–	(820)
Earnings available to common shareholders including assumed conversions:	10,646	3,510	51,418
Basic weighted-average number of shares outstanding (in 000's)	173,170	142,062	129,218
Effect of dilutive securities (in 000's):			
Stock options	3,244	5,142	1,438
Warrants	–	7,060	2
Potential shares issued in settlement of GRLP Royalty	1,757	–	–
Tracking preferred shares	2,664	2,664	2,664
Convertible debenture/bonds	–	–	8,956
Diluted weighted-average number of shares outstanding (in 000's)	180,835	156,928	142,278
Earnings per share			
Basic	$ 0.06	$ 0.02	$ 0.37
Diluted	$ 0.06	$ 0.02	$ 0.36

The following table lists the stock options and shares 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):

	2009	2008	2007
Stock options	7,141	2,626	3,302
Shares issuable under convertible bonds	–	8,956	3,308

19. DERIVATIVE FINANCIAL INSTRUMENTS

Consistent with the Company's existing strategy to manage its operating margins effectively in volatile copper markets, the Company entered into producer put and call option contracts for approximately 50% of its targeted copper production to the end of 2010 during the year. Contracts outstanding at December 31, 2009 are as follows:

Contract Period	Floor Price US$/lb	Cap Price US$/lb	Purchased metric tonnes (mt) of copper
May to December 2009 *	$ 1.88	$ 2.36	1,700
January to February 2010	$ 2.00	$ 2.51	3,000
February 2010 to March 2010	$ 2.00	$ 2.61	1,500
April to May 2010	$ 2.15	$ 2.73	3,000
June to December 2010	$ 2.50	$ 3.95	10,500

* Contract matured at December 31, 2009 and was paid in January, 2010.

Under the terms of the contract, the Company will receive the prevailing market copper price while within the price range. Should the market price be outside the price range, the Company will receive a minimum of the floor price or a maximum of the cap price if the market price is below the floor price and above the cap price respectively.

For accounting purposes, the Company determined that these contracts are derivative financial instruments that should be measured at fair value at each reporting date with all changes in fair value included in the net earnings (loss) in the period in which they arise. During the year ended December 31, 2009, the Company recorded a mark-to-market loss of $27,105 of which $11,330 (paid or accrued) was realized during the year ended December 31, 2009.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

The fair value of contracts outstanding at December 31, 2009 is as follows:

Option	Strike Price US$/lb	Notional Quantity mt of copper	Due Date	Fair Value (Liability)/Asset US$
Call option	$ 2.36	1,700	Dec 31, 2009	$ (3,006)
Call option	$ 2.51	3,000	Feb 26, 2010	(5,452)
Call option	$ 2.61	1,500	Mar 31, 2010	(2,425)
Call option	$ 2.73	3,000	May 31, 2010	(4,361)
Call option	$ 3.95	10,500	Dec 31, 2010	(4,606)
				$ (19,850)
Put option	$ 1.88	1,700	Dec 31, 2009	$ –
Put option	$ 2.00	3,000	Feb 26, 2010	–
Put option	$ 2.00	1,500	Mar 31, 2010	–
Put option	$ 2.15	3,000	May 31, 2010	33
Put option	$ 2.50	10,500	Dec 31, 2010	1,801
				$ 1,834
			Total Fair Value of Contracts (in USD)	$ (18,016)
			Total Fair Value of Contracts (in CAD)	$ (18,935)

The following table reconciles the Company's derivative financial instruments measured at fair value from January 1, 2009 to December 31, 2009:

	Fair value measurements
Balance at December 31, 2008	$ –
Purchases	–
Settlements	8,170
Loss included in net income	(27,105)
	$ 18,935

Losses on derivative financial instruments of $27,105 are presented in the statement of operations. Of this amount, $15,775 is classified as unrealized losses attributable to instruments that were held at December 31, 2009.

20. ROYALTY OBLIGATIONS

	December 31, 2009	December 31, 2008
Royalty Agreement – Red Mile No. 2 LP	$ 62,318	$ 64,357
Royalty Offering – Gibraltar Royalty LP	6,511	–
Total royalty obligations	$ 68,829	$ 64,357

(a) Royalty Agreement – Red Mile No. 2 LP (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. 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 December 31, 2009, the promissory note amounted to $78,097 (2008 – $77,068), of which $4,697 (2008 – $3,384) is current, while the royalty obligation amounted to $62,318 (2008 – $64,357) of which $4,697 (2008 – $3,384) 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 $831 (2008 – $1,006) remaining as deferred as at December 31, 2009, of which $175 (2008 – $175) is classified as current.

Annual royalties are 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 December 31, 2009, Gibraltar paid a royalty to Red Mile $4,697 (2008 – $3,384) at an average rate of $0.0686 (2008 – $0.0573) per pound of copper produced. 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 December 31, 2009 and 2008.

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.

(Expressed in thousands of Canadian dollars, unless stated otherwise)

(b) Royalty Offering – Gibraltar Royalty LP

During the year, the Company entered into an agreement with an unrelated investment partnership, Gibraltar Royalty Limited Partnership ("GRLP") whereby Gibraltar sold to GRLP a production royalty for $6,511 cash.

Annual royalties are payable by Gibraltar to GRLP at rates ranging from $0.003 per pound to $0.004 per pound of copper produced during the period from September 1, 2009 to December 31, 2030 (the "Royalty Period"). For the year ended December 31, 2009, Gibraltar paid $130 to GRLP. These royalty payments are recognized as an expense during the year.

The Company classified the principal balance of royalty obligation as a current financial liability to be settled in a future period. The Company has a pre-emptive option to repurchase ("call") the royalty obligation by acquiring the GRLP partnership units during the period from March 1, 2010 to December 31, 2012 in consideration of a payment which is equal to the funds received by the Company plus a 20% premium payable in the Company's shares or cash. GRLP also has a right to sell ("put") its GRLP partnership units to the Company at fair value during the period from April 1, 2012 to December 31, 2012. However, this "put" right is subject to the Company's pre-emptive right to exercise the "call" in advance of any "put" being exercised and completed. Subsequent to year end, the Company gave notice to the GRLP unit holders of the Company's intention to exercise its "call" option through the issuance 1,556,355 shares of the Company.

In accordance with AcG-15, *Consolidation of Variable Interest Entities*, 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.

21. INCOME TAXES

Income tax expense (recovery) differs from the amount which would result from applying the statutory Canadian income tax rates (2009 – 30.0%, 2008 – 31.4%, 2007 – 34.1%) for the following reasons:

	2009	2008	2007
Earnings (loss) before income taxes	$ 11,255	$ (2,087)	$ 87,866
Expected tax expense based on statutory rates	3,376	(657)	29,980
Permanent differences	1,141	6,790	3,119
Mineral tax	981	606	-
Future tax rate differences	(3,674)	1,215	8,289
Recognition of previously unrecognized tax assets	–	(13,613)	(324)
Other	(1,130)	62	(1,460)
Tax expense (recovery) for the year	$ 694	$ (5,597)	$ 39,604
Presented as:			
Current income tax expense (recovery)	$ 669	$ (2,151)	$ 3,959
Future income tax expense (recovery)	25	(3,446)	35,645
	$ 694	$ (5,597)	$ 39,604

(Expressed in thousands of Canadian dollars, unless stated otherwise)

As at December 31, 2009 and December 31, 2008, the estimated tax effect of the significant components within the Company's future tax assets were as follows:

	2009	2008
Loss carry forwards	$ 8,985	$ 5,260
Royalty obligation	16,343	17,966
BC mining taxes	1,952	3,867
Copper hedge and other tax pools	6,210	230
Future income tax assets	33,490	27,323
Partnership deferral	(5,820)	(6,944)
Reclamation obligation	(4,800)	(7,690)
Plant and equipment	(20,323)	(16,784)
Mineral properties and deferred stripping	(19,436)	(21,332)
Unrealized foreign exchange loss (gain)	(751)	503
Unrealized loss (gain) recorded in comprehensive income	(654)	1,125
Net future income tax liability	$ (18,294)	$ (23,799)
Current portion – future income tax liability	$ (1,979)	$ (8,469)
Long term future income tax liability	(16,315)	(15,330)
Net future income tax liability	**$ (18,294)**	**$ (23,799)**

At December 31, 2009 the Company's tax attributes included capital losses totaling $3,525 (2008 – $1,406) which are available indefinitely to offset future taxable capital gains, and resource tax pools totaling approximately $2,022 (2008 – $7,102) which are available indefinitely to offset future taxable income. The Company also has non-capital losses of $40,981 (2008 – $18,277) to offset future taxable income which expire in 2028 and 2029 respectively.

The Company has accrued a long-term tax provision of $32,299 (2008 – $30,685) related to various tax pools.

22. 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:

	December 31 2009	December 31 2008	September 30 2007
Acquisition of assets under capital lease	$ 765	$ 17,484	$ –
Conversion of convertible debenture (note 14(b))	–	21,318	–
Decrease in asset retirement costs included in mineral properties, plant and equipment (note 15)	–	1,426	–
Shares and units issued for the purchase of mineral property interests (note 9 (e) & (f))	–	5,220	3,805
Shares issued for finders fee	–	360	–
Fair value of stock options transferred to share capital from contributed surplus on exercise of options	2,108	514	1,786

Supplemental cash flow information			
Cash paid during the year for			
Interest	$ 4,461	$ 2,844	$ 2,138
Taxes	$ 98	$ 315	$ 63

23. COMMITMENTS

(a) Advances for equipment

As at December 31, 2009, the Company paid $3,241 in advance deposits for equipment to be received in next periods, of which $1,119 has been classified as current. The Company is further committed to equipment purchases in relation to its expansion activities in the amount of $23,122.

(b) Treatment and refining agreement

The Company commenced its six-year agreement with MRI Trading AG ("MRI"), a Swiss-based metal trading company, for the treatment and refining of Gibraltar copper concentrate during the period. Under the terms of the agreement, the Company has secured long-term and fixed rates for processing approximately 1.1 million tons of copper concentrate until December 31, 2014. The Company has the right to price payable copper within the concentrate based on a quotational period, declared prior to, and covering each ensuing calendar year.

(c) Joint Venture Agreement

In November 2009, the Company announced that it has signed a letter of intent with Sojitz Corporation ("Sojitz") to establish a joint venture over the Company's Gibraltar Copper Mine in which the Company and Sojitz will hold a 75% and 25% interest respectively. Sojitz will pay approximately $179,500 to the Company for its 25% interest. The Company will continue to be the operator of Gibraltar Copper Mine.

24. SUBSEQUENT EVENTS

Aside from subsequent events as disclosed at note 7, 9(b) and 20(b), the following subsequent events occurred as at March 16, 2010:

(a) Options grant

Subsequent to year end, the Company granted 3,448,500 options. The options were granted with an exercise price ranging from $4.46 to $5.00 per option expiring 5 years after grant.

(b) Options exercised

Subsequent to year end, 1,435,167 options were exercised for proceeds of $1,700.