Taseko Mines Limited

Building wealth through developing and operating major copper & gold mines

TASEKO ANNOUNCES EARNINGS FOR THIRD QUARTER 2011

This release should be read with the unaudited financial statements and management's discussion and analysis available at www.tasekomines.com and filed on www.sedar.com. Our financial results are prepared in accordance with IFRS and expressed in Canadian dollars, unless otherwise noted. Sales and production volumes for the Company's 75%-owned Gibraltar mine are presented on a 100% basis unless otherwise indicated.

November 9, 2011, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE Amex: TGB) announces third quarter 2011 operating profit[1] of $63.6 million and net earnings of $30.0 million, or $0.15 per share, compared to $0.7 million net earnings reported in the third quarter of 2010.

Highlights

- Operating profit[1] was $63.6 million in the third quarter 2011, in comparison to operating profit of $8.2 million in the third quarter of 2010. Operating profit included $25.2 million gross profit from Taseko's 75% ownership of Gibraltar operations along with hedging gains of $48.3 million.

- Net operating costs of production[1] declined throughout the quarter from US$1.91/lb in July to US$1.61 /lb in August and US$1.36/lb in September as a result of cost control initiatives and increased molybdenum recovery.

- The Company's share of Gibraltar's copper production and sales volumes for the third quarter 2011 was 16.0 million lbs and 21.8 million lbs, respectively.

- The Gibraltar Development Plan 3 ("GDP3") project is on budget, with a planned completion in December 2012. Gibraltar's joint venture partner, Cariboo Copper Corporation ("Cariboo Copper"), has approved GDP3.

- New Prosperity has entered the Federal environmental review process, as announced by the Canadian Environmental Assessment Agency ("CEAA") on November 7th, 2011.

- Advancement of the Aley Niobium project continues, with an inferred resource of 159 million tons grading 0.43%[2] (assumes 0.20% of Nb_2O_5 cut off); a feasibility study and concurrent upgrade of resources to measured and indicated category is expected to be completed in 2012.

Russell Hallbauer, President and CEO of Taseko, remarked *"We are continuing to make progress on Gibraltar operations and on our key projects during the third quarter, illustrating our strategy to create shareholder value by growing the company organically."*

Mr. Hallbauer added, *"Gibraltar site production costs declined throughout the quarter as a result of site personnel's successes in cost controls and molybdenum recovery improvement. In addition, the GDP3 project is advancing on time and on budget, with more than 60% of costs committed and confirmed. We are also pleased to announce that Cariboo Copper has approved their participation in the project.*

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[1] Operating profit and net operating costs of production are non-GAAP financial performance measures. See pages 20-23 of our MD&A.

[2] See September 12th, 2011 news release titled "Taseko Announces Inferred Resource at Aley Niobium Project"

Mr. Hallbauer continued, *"New Prosperity has entered into the Federal environmental review process, an important step in the advancement of the project. CEAA's commitment to a maximum 12 month timeline and assurance that information obtained from the previous environmental process will be used is evidence of their commitment to work effectively with us in this process. We look forward to moving the project forward in the coming months."*

"The 2011 resource drilling program at Aley was concluded in September with a total of 16,800 meters drilled in 65 holes. This new geological information along with engineering and environmental baseline work will be the basis of a feasibility study and resource upgrade expected to be completed in 2012. Currently Aley has an inferred resource of 159 million tonnes grading 0.43% Nb_2O_5 announced."

Taseko will host a conference call on Thursday, November 10, 2011 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific) to discuss these results. The conference call may be accessed by dialing (877) 303-9079 in Canada or (970) 315-0461internationally. A live and archived audio webcast will also be available at www.tasekomines.com.

The conference call will be archived for later playback until November 17, 2011 and can be accessed by dialing ((855) 859-2056 in Canada and the United States, or (404) 537-3406 internationally and using the passcode 20402490.

For further information on Taseko, please see the Company's website www.tasekomines.com or contact:
Investor Relations - 778-373-4533, toll free 1-877-441-4533

Russell Hallbauer
President and CEO

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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
Management's Discussion and Analysis ("MD&A")

This management's discussion and analysis ("MD&A") is intended to help the reader understand Taseko Mines Limited ("Taseko", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the unaudited interim consolidated financial statements and notes thereto, prepared in accordance with IFRS for the three and nine month periods ended September 30, 2011 (collectively, the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this MD&A. This MD&A should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2010, prepared in accordance with Canadian GAAP, the related MD&A, and the most recent Form 40-F/Annual Information Form on file with the US Securities and Exchange Commission and Canadian provincial securities regulatory authorities.

This MD&A is prepared as of November 9, 2011. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Cautionary Statement on Forward-Looking Information

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 we believe 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. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements. We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable law. Further information concerning risks and uncertainties associated with these forward-looking statements and our business may be found in our most recent Form 40-F/Annual Information Form on file with the US Securities and Exchange Commission and Canadian provincial securities regulatory authorities.

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FINANCIAL HIGHLIGHTS

SUMMARY OF FINANCIAL DATA	Three months ended September 30,		Nine months ended September 30,	
($ in thousands, except per share amounts)	**2011**	**2010**	**2011**	**2010**
Financial Data				
Revenues	$84,204	$37,540	$191,354	$169,501
Operating profit [2]	63,586	8,168	82,185	50,524
Net earnings	30,028	728	34,668	123,807
Per share ("EPS") [1]	0.15	0.00	0.18	0.67
Adjusted net earnings [2]	4,282	6,276	14,117	20,265
Per share ("adjusted EPS") [1]	0.02	0.03	0.07	0.11
EBITDA [2]	53,920	3,646	70,598	151,563
Adjusted EBITDA [2]	15,418	11,548	39,212	41,143
Capital expenditures	16,313	26,115	34,973	38,417
			Sept. 30, 2011	**Dec. 31, 2010**
Cash and equivalents			$268,083	$211,793
Dual currency deposits within marketable securities			100,982	-
Non-cash working capital [2]			159,177	3,879
Net (cash) debt [2]			(27,026)	(173,460)
Equity			501,020	458,404

[1] Calculated using weighted average number of shares outstanding under the basic method.

[2] Operating profit, adjusted net earnings, adjusted EPS, EBITDA, adjusted EBITDA, non-cash working capital and net (cash) debt are non-GAAP financial performance measures with no standard definition under IFRS. See pages 20-23 of this MD&A.

THIRD QUARTER RESULTS

- Total revenues were $84.2 million in the quarter compared to $37.5 million in the prior-year quarter, reflecting a 152% increase in copper pounds sold.
- Realized copper prices were US$3.73 per pound in third quarter 2011, compared to US$3.78 per pound in third quarter 2010. Our realized copper price is lower than the London Metals Exchange average price of US$4.07 per pound in third quarter 2011 due to the provisional pricing of 8.9 million pounds of Gibraltar's (100%) copper concentrate at quarter end using the copper price forward curve at a time when copper prices were near their lowest point for the quarter.
- Operating profit was $63.6 million in the quarter, in comparison to operating profit of $8.2 million in the third quarter of 2010.
- We realized net earnings of $30.0 million in the quarter, compared to net earnings of $0.7 million in the prior-year quarter.
- Third quarter 2011 results included a $48.3 million unrealized gain on copper derivatives due to the hedges the Company has put in place for 90% of its share of Gibraltar's copper production for the remainder of 2011 and for 2012. This compares to a $5.0 million unrealized loss on copper derivatives included in the third quarter 2010 net earnings.
- Adjusted net earnings for the third quarter were $4.3 million, a decrease from adjusted net earnings of $6.3 million for the prior-year period. Adjusted EPS for the third quarter 2011 was $0.02 compared to $0.03 for the third quarter 2010.

- Adjusted EBITDA for the third quarter 2011 was $15.4 million, an increase over adjusted EBITDA of $11.5 million for the prior-year period.
- Our share of Gibraltar's copper production and sales volumes for third quarter 2011 was 16.0 million pounds and 21.8 million pounds, respectively. In third quarter 2010, copper production and sales volumes were 19.3 million pounds and 8.7 million pounds, respectively. The increase in copper sales volumes reflects the sale of a large amount of copper concentrate on hand at the end of the second quarter of 2011 as well as initiatives undertaken during the quarter to maximize shipments of copper concentrate in the quarter.

Nine Month Results

- Total revenues were $191.4 million in the first three quarters of 2011 compared to $169.5 million in the prior-year period, reflecting higher realized prices in 2011 compared to 2010. The Company's share of Gibraltar's copper sales volumes for the first three quarters of 2011 were in line with copper sales volumes for the first three quarters of 2010.
- Realized copper prices of US$4.01 per pound in first three quarters of 2011 compared to US$3.35 per pound in the first three quarters of 2010 reflect the increase in market copper prices. Realized copper prices are lower than the London Metals Exchange average price of US$4.20 per pound for the three quarters of 2011 due in part to the provisional pricing of 8.9 million pounds of Gibraltar's (100%) copper concentrate at September 30, 2011.
- Operating profit was $82.2 million in the first three quarters of 2011, in comparison to operating profit of $50.5 million in the first three quarters of 2010.
- Net earnings for the first three quarters of 2011 were $34.7 million, compared to $123.8 million in the prior-year period. Included in the 2011 results were $44.9 million in unrealized gains on copper derivatives and a $6.4 million gain on the sale of marketable securities and dividend income. Included in the prior-year period's net earnings is a $65.3 million after-tax gain on contribution to the joint venture, $30.6 million in historical tax reserves and interest reversals and $11.4 million unrealized gains on copper derivatives.
- Adjusted net earnings for the first three quarters of 2011 were $14.1 million, a decrease from adjusted net earnings of $20.3 million for the prior-year period. Adjusted EPS for the first three quarters 2011 was $0.07 compared to $0.11 for the first three quarters 2010.
- Adjusted EBITDA for the first three quarters 2011 was $39.2 million, a decrease over adjusted EBITDA of $41.1 million for the prior-year period.
- Our share of Gibraltar's copper production and sales volumes for first three quarters of 2011 were 45.4 million pounds and 45.3 million pounds, respectively. In the first three quarters 2010, copper production and sales volumes were 57.5 million pounds and 45.6 million pounds, respectively. The decrease in production volumes primarily reflects the formation of the Gibraltar joint venture on March 31, 2010.

RECENT DEVELOPMENTS AND MARKET REVIEW

New Prosperity copper-gold project

On November 7, the Company has been advised that a 'Notice of Commencement' has been posted by the Canadian Environmental Assessment Agency ("CEAA") related to the New Prosperity project. The Notice of Commencement confirms that the project description has met all criteria required for an environmental assessment and that a panel review will be conducted by the Federal review agency. The Minister of the Environment indicated that CEAA will complete this review in not more than 12 months and that CEAA would use information gathered in the previous environmental assessment to manage this timeline.

Market review

The market price for copper is a primary driver of our profitability and our ability to generate operating cash flow. There was significant volatility in the price of copper during the third quarter of 2011 with spot prices ranging from US$3.16 per pound to US$4.46 per pound. The spot price for copper closed at US$3.23 per pound on September 30, 2011, near the low for the third quarter. In contrast, the average spot price for copper during the third quarter of 2011 was US$4.07 per pound which represented a US$0.78 per pound or 24% increase from the US$3.29 per pound level for the prior-year period.

While emerging economies, especially China, continue to demonstrate strong growth, concerns regarding European debt and a slowing economic recovery in the United States created significant volatility in financial and commodity markets during the quarter. Substantial risk and therefore volatility in financial and commodity markets will likely continue until further clarity is achieved. This volatility can cause rapid declines in our copper prices which can have a significant effect on our profitability.

In an effort to address the potential impact of this copper price volatility on our future profitability we have purchased copper puts for approximately 90% of our share of 2012 production creating a US$3.50 floor for this period. These puts were paid for by selling calls at an average price of US$5.08 per pound. We also have purchased puts for the fourth quarter of 2011 at US$3.50 per pound covering a similar percentage of our copper production levels.

The benefits from our hedging strategy became apparent during the third quarter with a realized gain in the month of September of $1.3 million (offset by realized losses for the three months of $3.1 million) and an unrealized gain of $48.3 million on copper derivative instruments. We intend to maintain our strategy of opportunistically hedging our share of copper production as a means of future operating margin protection.

Under our two copper concentrate sales agreements, a portion of our copper concentrate sales had not yet settled at the end of the third quarter. At September 30, 2011, Gibraltar (100%) had 22.1 million pounds of copper in concentrate not yet settled. Of this amount, pricing was fixed on 13.2 million pounds and the residual 8.9 million pounds was subject to final pricing. We are able to fix copper prices under one of our copper concentrate sales agreements based on accumulating threshold tonnage levels in the Vancouver warehouse. This contractual feature along with our hedging program serves to mitigate our exposure to copper price volatility. The unpriced copper is valued at quarter end using the copper price forward curve at that point in time.

The results of our operations are affected by the Canadian dollar/US dollar exchange rate. Our product sales are denominated in US dollars while the majority of our operating expenses are denominated in Canadian dollars. Fluctuations in the Canadian dollar/US dollar exchange rate can have a significant effect on operating results; however, changes in this rate have historically been correlated with offsetting changes in copper prices which have mitigated this effect.

FINANCIAL PERFORMANCE

Earnings

In third quarter 2011, we recorded net earnings of $30.0 million compared to net earnings of $0.7 million in the third quarter 2010. The increase in net earnings compared to third quarter 2010 is primarily driven by an increase in copper sales volumes and $48.3 million in unrealized gains on copper derivatives. Adjusted net earnings were $4.3 million in third quarter 2011, compared to $6.3 million in third quarter 2010. Adjusted net earnings for the third quarter 2011 were negatively impacted by a $4.5 million realized loss on financial instruments and $4.0 million in consulting expenses.

In the first three quarters of 2011, we recorded net earnings of $34.7 million compared to net earnings of $123.8 million in the first three quarters of 2010. The decrease in net earnings compared to first three quarters of 2010 is primarily driven by the recognition of a pre-tax $97.1 million gain realized on the formation of the Gibraltar joint venture during the first quarter of 2010. Adjusted net earnings were $14.1 million in first three quarters 2011, compared to adjusted net earnings of $20.3 million for the same period in 2010.

The significant items impacting adjusted earnings in the third quarter 2011 include: $35.5 million of unrealized gains on our copper put option contracts, net of tax; $1.7 million in losses on the change in fair value of financial instruments; and $8.0 million of foreign currency translation loss related to our US-dollar denominated cash, accounts receivable and long-term debt balances on a net basis.

The significant items impacting adjusted earnings in the first three quarters of 2011 include: $33.0 million of unrealized gains on our copper put option contracts, net of tax; $3.3 million in losses on the change in fair value of financial instruments; $6.4 million in gains on the sale of marketable securities plus dividend income received; $12.6 million of foreign currency translation losses related to our US-dollar denominated cash, accounts receivable and long-term debt balances; and a $2.9-million loss on contribution to the Gibraltar joint venture, net of tax. We remove the foreign currency translation impact and the unrealized gains on the derivative instruments from our adjusted net earnings measure as they are not indicative of a realized economic gain/loss or the underlying performance of the business in the period. The realized gains/losses on these monetary items and derivative positions are reflected in net earnings in the period in which the position is settled.

EBITDA was $53.9 million in third quarter 2011, compared to EBITDA of $3.6 million in third quarter 2010. Adjusted EBITDA was $15.4 million in third quarter 2011, compared to $11.5 million in the prior-year quarter. The increase in adjusted EBITDA compared to the prior-year quarter reflects the increase sales volumes which were partially offset by higher costs of sales.

EBITDA was $70.6 million in the first three quarters of 2011, compared to EBITDA of $151.6 million in the prior-year period. Adjusted EBITDA was $39.2 million in the first three quarters of 2011, compared to adjusted EBITDA of $41.1 million in the prior-year period.

Revenues

In third quarter 2011, copper revenues totaled $79.8 million, up 135% compared to the third quarter 2010, primarily due to 152% higher copper sales volumes. The increase in sales volumes is primarily due to timing of shipments of copper concentrate. At the end of the second quarter 2011, there was a large amount of copper concentrate in inventory on hand that was sold during the third quarter 2011 along with a portion of the copper produced during the third quarter, for a total of 21.8 million pounds of copper sold. Realized copper prices were US$3.73 per pound in third quarter 2011, compared to US$3.78 per pound in third quarter 2010. Copper averaged US$4.07 per pound in third quarter 2011 based on London Metals Exchange prices for the period, compared to US$3.29 per pound in the prior-year quarter. The difference between realized copper prices and the average market price for the third quarter 2011 reflects the pricing of 8.9 million pounds of copper concentrate not yet settled using the copper price forward curve as at September 30, 2011. The spot price for copper closed near the low for the third quarter at US$3.23 per pound on September 30, 2011.

In the first three quarters of 2011, copper revenues totaled $177.9 million, up 12% compared to the prior-year period primarily due to higher realized copper prices. Our share of the Gibraltar mine's sales volumes stayed relatively constant period over period. Realized copper prices of US$4.01 per pound in first three quarters of 2011 compared to US$3.35 per pound in the first three quarters of 2010 reflect the increase in market copper prices. Copper averaged US$4.20 per pound in first three quarters 2011 based on London Metals Exchange prices for the period, and compared to US$3.25 per pound in the prior-year period.

Molybdenum revenues totaled $3.2 million in third quarter 2011 which is comparable to the prior-year quarter. For the first three quarters of 2011, molybdenum sales totaled $10.9 million, up 15% compared to the first three quarters of 2010. Silver sales were $1.2 million and $2.6 million during the third quarter 2011 and the first three quarters of 2011, respectively.

Cost of sales

Cost of sales was $59.0 million in third quarter 2011 compared to $21.3 million recorded in the prior-year quarter. The 177% increase in cost of sales quarter over quarter reflects the 152% increase in copper sales volumes in third quarter 2011 compared to the prior-year quarter (as explained above in *Revenues*), as well as higher direct mining costs including higher diesel, tires, labour, repairs and maintenance, and explosives costs.

Cost of sales for the first three quarters of 2011 was $124.3 million compared to $105.3 million recorded in the prior-year period. The 18% increase in cost of sales period over period reflects an increase in tons mined during the first three quarters of 2011 compared to the prior-year period, in part due to a planned increase in stripping activities during 2011. The strip ratio increased to 2.8 during the first three quarters of 2011, from 2.3 in the first three quarters of 2010. In addition, we have experienced some inflationary pressures in direct mining costs including higher labour, repairs and maintenance, diesel, grinding media and explosives costs.

Other expenses and income

General and administrative expenses for third quarter 2011 were $4.2 million, up from $3.2 million in the prior-year quarter. The increase is due to higher compensation costs primarily due to headcount increases in our engineering group, as well as increased consulting costs related to our expansion projects.

General and administrative expenses for first three quarters of 2011 were $15.7 million, up from $13.9 million in the prior-year period. The increase is due to higher compensation costs due to headcount increases referenced above.

Exploration and evaluation expense in the third quarter 2011 was $5.9 million, up from $3.6 million in the prior-year period due to increased exploration activities on the Aley niobium project.

Exploration and evaluation expense in the first three quarters of 2011 was $7.7 million, an increase from the $6.1 million spent in the first three quarters of 2010. The increase in exploration and evaluation expenses in first three quarters of 2011 is related to increased exploration activity at the Aley project.

Other operating income was $42.6 million in third quarter 2011 compared to other operating expense of $4.8 million in third quarter 2010. Included in the third quarter 2011 income is $48.3 million of unrealized gains on the derivatives used in our copper price protection program, offset by $1.8 million in realized losses on copper derivatives and $4.0 million in consulting expenses related to the consultants engaged to work with the Gibraltar management team to achieve improvements in operational performance and, as a consequence, financial performance. In third quarter 2010, a $5.0 million unrealized loss was recognized on the derivatives used in our copper price protection program.

Other operating income was $30.9 million in the first three quarters of 2011 compared to other operating income of $0.2 million in prior-year period. Included in the first three quarters income is $44.9 million of unrealized gains and $10.5 million in realized losses on the derivatives used in our copper price protection program. This compares to $11.4 million in unrealized gains and $11.5 million in realized losses on the derivatives used in our copper hedging program in the prior-year period.

On March 31, 2010, we entered into an agreement with Cariboo Copper Corp. ("Cariboo") whereby we contributed certain assets and liabilities of the Gibraltar mine into an unincorporated joint venture and Cariboo paid the Company $186.8 million to acquire a 25% interest in the joint venture. As a result of this transaction, we recognized a gain in the amount of $100.4 million. Subsequent to recording the initial gain on contribution, adjustments for a $3.4-million loss and a $1.1-million gain were recorded in the third and fourth quarters of 2010, respectively. During 2011, the construction of the SAG direct feed system was completed. Under the terms of the agreement with Cariboo, the Company assumed 100% of the capital costs in excess of the capital budget for the SAG direct feed system in place at the time of the joint venture formation. The Company recognized a loss on contribution to the joint venture of $4.0 million during the first three quarters of 2011 as a result of costs incurred on the project above the 2010 capital budget. We may have additional adjustments to the gain on contribution to the joint venture in future periods as the joint venture attempts to realize some salvage value from items made redundant by the construction of the SAG direct feed system.

Finance expenses incurred in the third quarter 2011 were $13.1 million, compared to $3.1 million in the third quarter 2010. Included in the third quarter 2011 finance expenses was $1.7 million due to the changes in fair value of financial instruments, $4.5 million in realized losses on financial instruments, $0.7 million in accretion expenses related to the provision for environmental rehabilitation, $1.4 million in foreign exchange loss and interest expense of $4.7 million. This compares to a $0.5 million in accretion expenses related to the provision for environmental rehabilitation, $2.0 million in foreign exchange losses and interest expense of $0.7 million in the prior-year quarter. The quarter-over-quarter increase in interest expense is due to the issuance of the Notes early in the second quarter 2011.

Finance expenses incurred in the first three quarters of 2011 were $26.5 million, compared to $7.1 million in the first three quarters of 2010. Included in the first three quarters of 2011 finance expenses was $3.3 million due to the changes in fair value of financial instruments, $1.6 million in accretion expenses related to the provision for environmental rehabilitation, $9.8 million in interest expense, $5.7 million in realized losses on financial instruments and $6.1 million in foreign exchange loss Included in the first three quarters of 2010 were $3.5 million in interest expense, $1.4 million in accretion expenses related to the provision for environmental rehabilitation and $2.1 million in non-recurring losses on the extinguishment of debt.

Finance income was $4.4 million in third quarter 2011 compared to the $5.1 million recognized in the prior-year quarter. Third quarter finance income was from $4.4 million of interest income, compared to $2.2 million in interest income and $3.0 million in gains on the sale of marketable securities for the third quarter of 2010.

Finance income was $16.0 million in the first three quarters of 2011, compared to $19.1 million in the prior-year period. Included in the first three quarters finance income is $9.6 million of interest income, primarily earned on the investment of cash assets in dual currency deposits, along with $6.0 million in gains on the sale of marketable securities. Included in the first three quarters 2010 finance income is $13.7 million of interest income, primarily due to the recovery of interest expense in the amount of $8.1 million in second quarter 2010 associated with reversal of historical tax reserves. In addition, there were $4.1 million in gains on the sale of marketable securities and foreign exchange gains of $1.4 million included in finance income for the first three quarters of 2010.

Income tax

Income tax expense was $18.7 million in third quarter 2011 compared to income tax expense of $2.5 million in third quarter 2010. The income tax expense in 2011 is higher than in the prior-year quarter due to deferred tax expense recorded with respect to the income associated with the copper hedging program which was much higher than in 2010. In addition, the difference between depreciation rates used for tax purposes compared to rates used for accounting purposes contributed to a higher deferred tax expense than in the prior year's quarter.

The income tax expense for the first three quarters of 2011 was $25.3 million, compared to income tax expense of $29.7 million in the first three quarters of 2010.

The effective tax rate for income in the first three quarters of 2011 was 42.1% which is higher than the expected statutory corporate tax rate of 26.5%. This was primarily due to the movement in deferred taxes related to BC Mineral taxes, which accounted for approximately 7.9% of the difference. Certain items that are deductible for income tax purposes are not deductible for BC Mineral tax purposes which had the effect of increasing the effective tax rate. In addition, permanent differences such as non-deductible share-based compensation accounted for approximately 3.0% of the difference. When these significant permanent differences are applied to the net income year-to-date, they impact the effective tax rate significantly. Other items such as the impact of the reduction of corporate tax rates created minor impacts on the effective tax rate.

REVIEW OF OPERATIONS AND PROJECTS

Gibraltar mine

OPERATING STATISTICS (100% BASIS)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2011	**2010**	**2011**	**2010**
Tons mined (millions)	13.7	14.0	42.1	36.7
Tons milled (millions)	4.0	3.9	10.9	11.1
Stripping ratio	2.9	2.4	2.8	2.3
Copper				
Grade (%)	0.293	0.358	0.308	0.340
Recovery (%)	87.2	89.4	88.2	89.3
Production (million pounds)	20.5	24.9	59.0	67.6
Sales (million pounds)	28.0	11.1	58.9	52.6
Molybdenum				
Grade (%)	0.012	0.013	0.012	0.013
Recovery (%)	33.5	24.7	35.8	23.9
Production (thousand pounds)	324	253	943	665
Sales (thousand pounds)	319	260	940	663
Copper cathode				
Production (million pounds)	0.8	0.8	1.6	1.3
Sales (million pounds)	1.2	0.4	1.6	0.6
Per unit data [1,4]				
Operating cash costs [2] (US$ per pound)	$1.91	$1.43	$2.09	$1.53
By-product credits [3] (US$ per pound)	($0.28)	($0.18)	($0.30)	($0.21)
Net operating cash costs of production [1] (US$ per pound)	$1.64	$1.25	$1.78	$1.33

[1] Operating cash costs and net operating cash costs of production are non-GAAP financial performance measures with no standard definition under IFRS. See pages 20-23 of the Company's MD&A.

[2] Operating cash costs are comprised of direct mining costs which include personnel costs, mine site general & administrative costs, non-capitalized stripping costs, maintenance & repair costs, operating supplies and external services. Non-cash costs, such as share-based compensation and depreciation, have been excluded.

[3] By-product credits are calculated based on actual sales of molybdenum and silver for the period, divided by the total pounds of copper produced during the period.

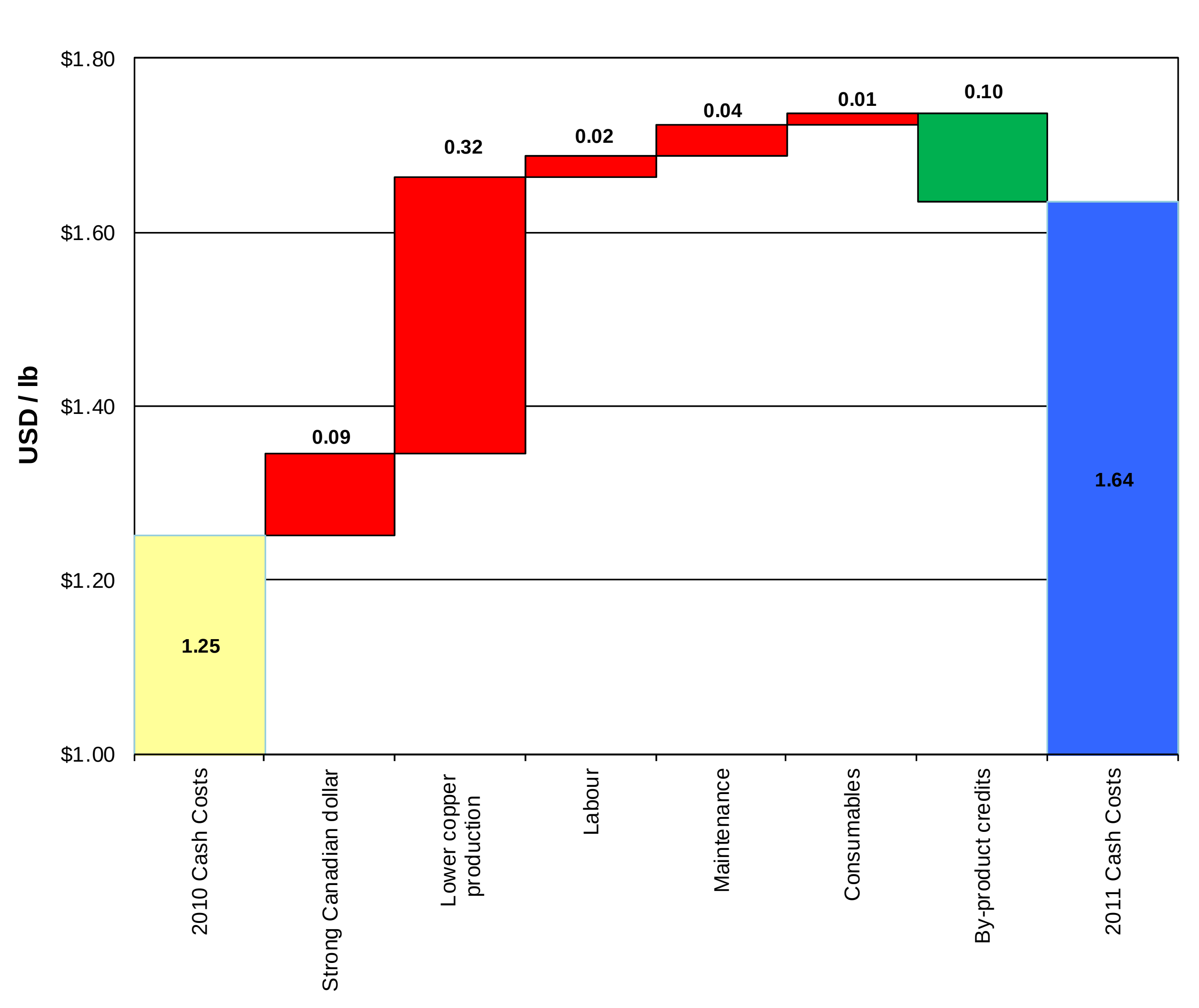
[4] Per unit data may not sum due to rounding.

The Gibraltar mine's third quarter 2011 copper production was 21.3 million pounds, a 17% decrease from the 25.7 million pounds produced in the third quarter 2010 due to lower head grade. Mill optimization efforts continue with mill throughput of just over 50,000 ton per day being realized at quarter end. It is anticipated that "debottlenecking" of the mill will be well in hand by year end allowing mill throughput to move towards optimum rates.

The Gibraltar mine's copper production for the first three quarters of 2011 was 60.6 million pounds, down 12% compared to the prior year period mainly due to lower head grade. Copper production for the first three quarters of 2011 was also hampered by harsh winter conditions tie-in of the SAG direct feed system, the reline of the west rougher flotation bank and failure of the feed-end trunnion on Ball Mill #1.

Molybdenum production during third quarter 2011 was 324 thousand pounds, up 28% compared to the prior-year quarter, largely due to a 36% increase in molybdenum recovery. Molybdenum production during the first three quarters of 2011 was 943 thousand pounds, up 42% compared to the prior-year period, also attributable to a significant improvement in molybdenum recovery as a result of operational and technical improvements to the molybdenum separation circuit.

Figure 1: Net operating cash costs of production[1,2] per pound
(third quarter 2010 compared to third quarter 2011)

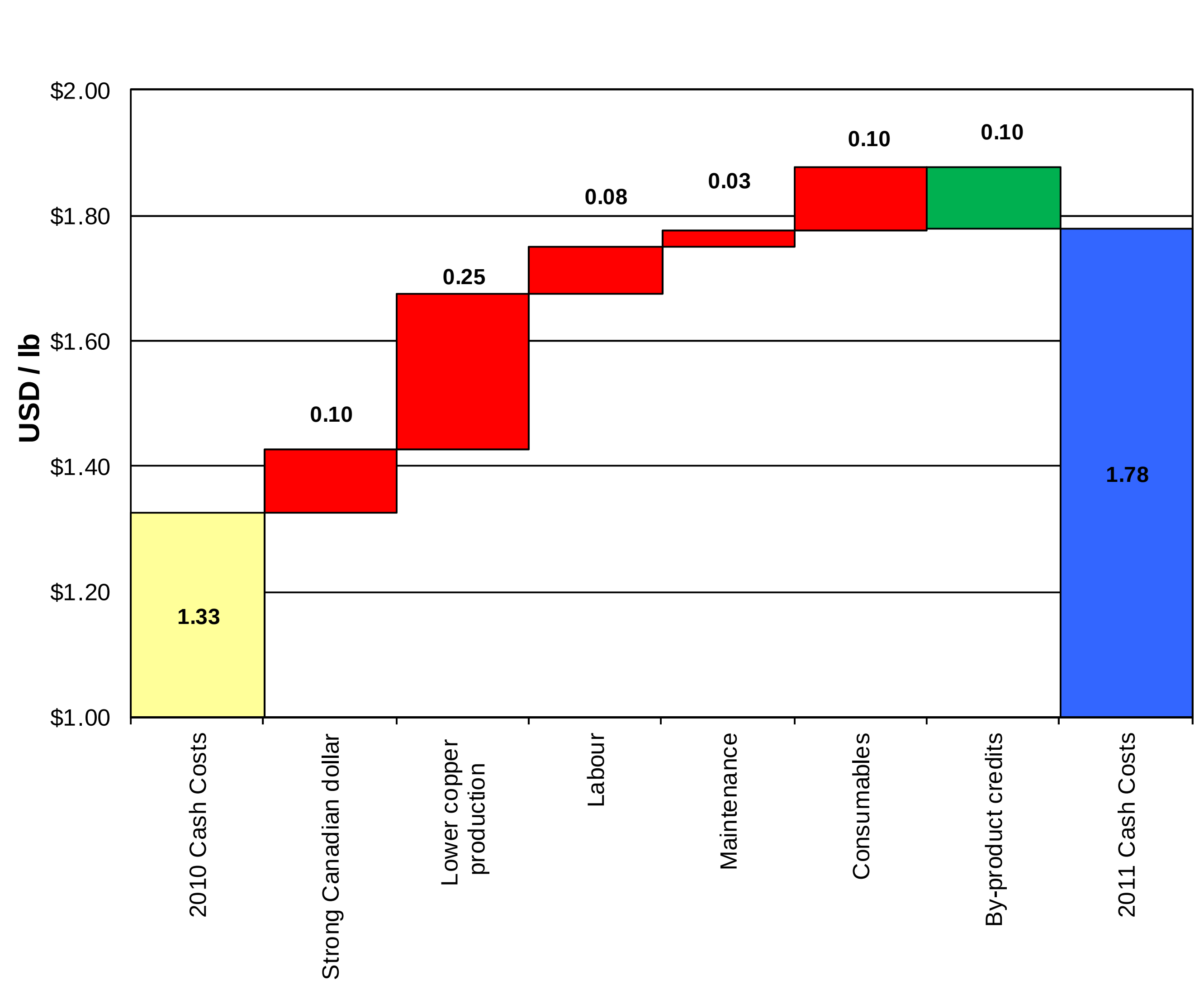


[1] Net operating cash costs of production is a non-GAAP financial performance measure with no standard definition under IFRS. See pages 20-23 of the Company's MD&A.

[2] Per unit cash costs of production may not sum due to rounding.

In the third quarter 2011, total net operating cash costs per pound of copper produced averaged US$1.64, a 31% increase over the US$1.25 averaged during third quarter 2010. Total cash costs are comprised of operating cash costs and offsite costs, net of by-product credits. Operating cash costs include personnel costs, mine site general and administrative costs, maintenance and repair costs, operating supplies and external services. Operating cash costs per unit of production were adversely impacted in third quarter 2011 by a higher strip ratio, lower copper grades, the strengthening of the Canadian dollar compared to the US dollar, and increased costs associated consumables. These cost increases were mitigated by a 58% increase in by-product credits during the third quarter 2011 to US$0.28 per pound of copper produced. By-product credits are comprised of molybdenum and silver sales during the quarter, divided by the total pounds of copper produced during the same period.

Figure 2: Net operating cash costs of production[1,2] per pound
(first three quarters of 2010 compared to first three quarters of 2011)



[1] Net operating cash costs of production is a non-GAAP financial performance measure with no standard definition under IFRS. See pages 20-23 of the Company's MD&A.

[2] Per unit cash costs of production may not sum due to rounding.

In the first three quarters of 2011, net operating cash costs per pound of copper produced averaged US$1.78, a 34% increase over the US$1.33 averaged during the prior-year period. Operating cash costs were adversely impacted in the first three quarters of 2011 by a 21% reduction in copper production, the strengthening of the Canadian dollar compared to the US dollar, and increased direct mining costs including higher labour, repairs and maintenance, diesel, electricity, grinding media and explosives costs. These cost increases were mitigated by a 47% increase in by-product credits to US$0.30 per pound of copper produced during the first three quarters of 2011.

The tie in of the SAG direct feed system was completed in May 2011, and has eliminated the secondary crusher bottleneck. The tie in will allow Gibraltar to optimize the mill throughput in order to get the mill up to its designed capacity of 55,000 tons per day, which we expect to achieve by year end.

In early July, we engaged consultants to work with the Gibraltar management team over a 23-week period to design and execute programs to achieve changes in operational performance and, as a consequence, financial performance. The estimated cost of the engagement is $8.25 million of which $5.4 million was incurred in the third quarter 2011 ($4.0 million is our 75% share of the cost). The medium- and long-term benefits are expected to far exceed the cost of the program, with initial operating impacts expected during the current fiscal year.

Gibraltar Development Plan (GDP3)

Total GDP3 Project capital cost is estimated at $325 million and orders have been placed for approximately 61% of the project capital requirements. Engineering Procurement and Construction Management (EPCM) activities on the $237-million infrastructure portion of the expansion continue to progress well. Major equipment purchases for the concentrator are nearly complete and the focus of the detailed engineering activities is now shifting from specification, tendering and evaluation of equipment to design of the structural, mechanical and electrical systems. Orders and contracts for 50% of the infrastructure portion of the project budget and for all major mining equipment have now been placed. To date equipment and contract costs are on budget and equipment deliveries meet or better project schedule requirements.

Construction activities at the site continue to advance as planned. Demolition of the redundant fine ore stockpile has been completed as has the relocation of site services from the construction areas. Bulk excavation for the new concentrator and the molybdenum plant is complete and civil concrete works commenced in August. The molybdenum building foundation has been completed and concrete placement for the concentrator building foundation and grinding mill foundations is well underway. Erection of the molybdenum plant building structure is also complete and the building siding is currently being installed.

The project remains on schedule and on budget. Commissioning of the facilities is scheduled to commence in December of 2012.

On November 9, 2011, Cariboo gave its consent for GDP3 and will begin funding its 25% share of the project costs.

New Prosperity project

We have recently revised our plans for the New Prosperity project and have developed a new design proposal which adds construction costs and life of mine operating expenditures of approximately $300 million to the original design. The new plan responds to concerns identified during the Federal review process and in February 2011, the Company submitted a new project description to the Federal Government. The Federal Government accepted the new project description during the third quarter.

On November 7, the Company has been advised that a 'Notice of Commencement' has been posted by the Canadian Environmental Assessment Agency ("CEAA") related to the New Prosperity project. The Notice of Commencement confirms that the project description has met all criteria required for an environmental assessment and that a panel review will be conducted by the Federal review agency. The Minister of the Environment indicated that CEAA will complete this review in not more than 12 months and that CEAA would use information gathered in the previous environmental assessment to manage this timeline.

Aley project

We recently completed our 2011 exploration program at the Aley project, which included a total of 16,800 meters of resource drilling in 65 holes in the central zone. This drilling was targeted to provide sufficient infill drill density to achieve a measured and indicated status for the resource and to investigate those areas in which the resource is open to expansion. Final assay results from the drill program are anticipated in the fourth quarter.

Field work completed also included 900 meters of geotechnical drilling and drilling of 11 hydrogeological holes for purposes of characterizing ground water and hydraulic conductivity.

Metallurgical testwork is in progress consistent with previous metallurgical work on Aley but using sample material collected from the central zone in 2010.

Environmental baseline studies were initiated including:

- Climate, Air and Noise
- Hydrology/Hydrogeology
- Water Quality
- Soils and Terrain
- Vegetation and Ecosystem Mapping
- Wildlife
- Aquatic Ecology
- Fish and Fish Habitat
- Archaeology
- Traditional Use Studies
- Socio-economics, Human Health and Ecological Risks

We remain on track for a completed feasibility study on the Aley niobum project in 2012.

FINANCIAL CONDITION REVIEW

Balance Sheet review

Total assets were $991.7 million at September 30, 2011, representing a 38% increase from the total assets of $718.1 million at December 31, 2010. The increase is primarily a result of the net proceeds received from the US$200.0 million Notes offering which we closed in the second quarter, along with an increase in the rehabilitation cost asset (RCA).

Our asset base is comprised principally of non-current assets including property, plant and equipment, reflecting the capital intensive nature of the mining business. Our current assets include cash, accounts receivable, marketable securities and inventories (supplies and production inventories), along with other current assets that are primarily prepaid expenses and deposits. Production inventories, accounts receivable and cash balances fluctuate in relation to our shipping and cash settlement schedules, which provide for payment typically either one or four months after the month of arrival at the receiving port.

Total liabilities increased by $231.0 million since December 31, 2010 to $490.7 million as at September 30, 2011. This increase reflects the Notes issuance and an increase in the provision for environmental rehabilitation (PER).

The PER valuation is impacted by the changes in discount and inflation rates as at each quarter end. The volatility in the markets during the third quarter 2011 extended to the Bank of Canada benchmark bond rates which are used as the proxies for discount rates. The long-term benchmark bond, which has the greatest impact on our calculation, decreased to 2.77% as at September 30, 2011 compared to 3.55% as at June 30, 2011 and 3.35% as at September 30, 2010. Given the long time frame over which environmental rehabilitation expenditures are expected to be incurred, the amounts of the provision and asset are sensitive to even the slightest change in estimates of discount and inflation rates.

As at November 9, 2011, there were 195,561,995 common shares outstanding. In addition, there were 12,301,400 director, employee and contractor stock options outstanding with exercise prices ranging between $1.00 and $5.74 per share. More information on these instruments and the terms of their exercise is set out in note 14 of our 2010 year-end financial statements.

Liquidity, Cash Flow and Capital Resources

At September 30, 2011, the Company had cash and equivalents of $268.1 million, as compared to $211.8 million at December 31, 2010. An additional $101.0 million of highly liquid money market instruments are recorded as marketable securities, as these instruments have maturity dates greater than three months from the date of acquisition. We maintained our strategy of retaining significant liquidity to fund operations and the GDP3 expansion.

The Company's primary source of liquidity is operating cash flow. In the third quarter of 2011, operating cash flow was an outflow $5.0 million compared to an inflow of $33.3 million for the prior-year period. The current quarter's operating cash flow was negatively impacted by an increase in non-cash working capital, higher exploration expenditures quarter over quarter and spending on consulting fees during the quarter.

Operating cash flow for the nine-month period ended September 30, 2011 was an inflow of $3.9 million compared to an inflow of $56.8 million for the prior-year period. Additionally, operating cash flow for the 2011 periods reflect the formation of the Gibraltar joint venture on March 31, 2010 and the corresponding 25% decrease in our share of the Gibraltar mine's operating cash flow since that date.

The principal use of operating cash flows is capital expenditures. With the issuance of the Notes, a future use of operating cash flow may be repayment of debt.

Future changes in market copper and molybdenum prices could impact the timing and amount of cash available for future investment in capital projects and/or other uses of capital. To partially mitigate these risks, we enter into copper hedges on our share of Gibraltar copper production. Alternative sources of funding for future capital or other liquidity needs include future operating cash flow, strategic partnerships, such as the Gibraltar joint venture and the Franco-Nevada gold stream transaction, and debt or equity financings. These alternatives are continually evaluated to determine the optimal mix of capital resources to address our capital needs and minimize our weighted average cost of capital.

Cash used in investing activities in the third quarter of 2011 amounting to $1.0 million is mainly due to capital expenditures of $16.3 million and purchase of investments of $73.7 million, offset by proceeds from the sale and maturity of investments of $87.9 million and interest received of $1.5 million. The comparable for the third quarter of 2010 was $27.2 million of cash used in investing activities including capital expenditures of $26.1 million, purchase of investments of $15.1 million, and proceeds from the sale of marketable securities of $14.0 million.

Cash used in investing activities for the nine-month period ended September 30, 2011 was $144.7 million principally due to the investment in dual currency deposits ("DCD") with terms greater than three months compared to cash generated from investing activities of $143.8 million for the prior-year period. A DCD is a derivative instrument which combines a money market deposit with a currency option to provide a higher yield than that available for a standard deposit. The currency in which the Company receives payment upon maturity of the DCD is dependent on the prevailing spot foreign exchange rate at maturity. DCDs with maturity dates of three months or less are classified as cash and equivalents. During the first three quarters of 2011, a total of $212.8 million was invested in marketable securities, DCDs with terms greater than three months, and copper hedging contracts.. In addition, $35.0 million was invested in property, plant and equipment, offset by $99.6 million in proceeds on the sale and maturity of investments, and interest received of $4.1 million. The 2010 nine-month period reflects the $186.8 million in cash received for the 25% contribution to the joint venture, offset by capital expenditures and purchase of investments.

Cash used in financing activities was $3.1 million for the quarter ended September 30, 2011, compared to cash provided by financing activities of $12.5 million for the prior-year period due to the new equipment loan obtained in the prior year period.

Cash provided by financing activities for the nine-month period ended September 30, 2011 was $183.8 million compared to cash used in financing activities of $39.7 million for the prior-year period. The 2011 nine-month period includes $192.0 million in proceeds from the Notes offering, $7.3 million in proceeds from common shares issued, offset by debt issuance costs of $6.1 million and repayment of debt. This compares to a use of cash used in financing activities for the corresponding period last year of $39.7 million primarily related to the prepayment of the senior credit facility.

Hedging Strategy

We implemented our hedging program in 2009 as copper prices were recovering from the commodity pricing collapse that occurred in late 2008 and early 2009. Since that time, our strategy has been to hedge at least 50% of our copper production using put options that are either purchased or funded by the sale of calls that are significantly out of the money using either a zero-cost basis or funded basis.

The amount and duration of our hedge position is based on our assessment of business-specific risk elements combined with the copper pricing outlook. Currently we have 90% of our estimated share of 2012 Gibraltar production hedged at $3.50 per pound. This increased hedging level is based on the potential risks associated with a copper price correction during the build-out of GDP3. This corresponds with a period of heightened vulnerability given the scope of the capital expenditure and working capital requirements during 2012. The project is scheduled to be completed and commissioned in late 2012. We are hedged at similar levels of production (over 90%) for the balance of 2011 at $3.50 per pound.

We review our copper price and quantity exposure at least quarterly to ensure that adequate revenue protection is in place. Our hedge positions are typically extended adding incremental quarters at established put strike prices to provide the necessary price protection. Occasionally, we may choose to take advantage of short-term movements in copper prices to extend hedged positions on an opportunistic basis.

Considerations on the cost of the hedging program include an assessment of Gibraltar's estimated production costs, anticipated copper prices and estimated gross margins during the relevant period.

Commitments and Contingencies

The Company expects to incur capital expenditures during the next five years for both the Gibraltar mine and other projects. The other projects are at various stages of development, from preliminary exploration through to permitting. The ultimate decision to incur capital expenditures at each potential site is subject to positive results which allow the project to advance past decision hurdles.

At September 30, 2011, capital commitments associated with GDP3 totaled $31.0 million on a 100% basis. Capital commitments for all other projects were $0.9 million. Our share of total commitments was $31.9 million at the end of the third quarter. On November 9, 2011, Cariboo gave its consent for GDP3 and will begin funding its 25% share of the project costs.

On April 15, 2011, we completed an offering of US$200 million in aggregate principal of 7.75% senior notes which mature on April 15, 2019. Interest is payable semi-annually on April 15 and October 15, commencing October 15, 2011. The Company may redeem some or all of the Notes at any time on or after April 15, 2015 at redemption prices ranging from 103.875% to 100%, plus accrued and unpaid interest to the date of redemption. Prior to April 15, 2015, all or part of the Notes may be redeemed at 100% plus a "make-whole" premium, plus accrued and unpaid interest to the date of redemption. In addition, until April 15, 2014, we may redeem up to 35% of the principal amount of Notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 107.75%, plus accrued and unpaid interest to the date of redemption. The Notes are guaranteed on a senior unsecured basis by two of the Company's existing subsidiaries, and future subsidiaries of the Company other than immaterial subsidiaries. The subsidiary guarantees will, in turn, be guaranteed by Taseko.

There have been no other material changes to the Company's contractual obligations during the third quarter 2011.

SUMMARY OF QUARTERLY RESULTS

	2011			2010				2009 [3]
($ in thousands, except per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	84,204	48,349	58,801	108,959	37,540	56,453	75,508	55,966
Net earnings (loss)	30,028	(1,113)	5,753	25,550	728	44,783	78,296	(2,003)
EPS [1]	0.15	(0.01)	0.03	0.13	0.00	0.24	0.43	(0.01)
Adjusted net earnings (loss) [2]	4,282	1,863	7,971	42,332	6,276	3,335	10,655	(695)
Adjusted EPS [1]	0.02	0.01	0.04	0.23	0.03	0.02	0.06	0.00
EBITDA [2]	53,920	1,815	14,864	43,538	3,646	22,270	125,648	(115)
Adjusted EBITDA [2]	15,418	7,555	16,239	65,230	11,548	8,882	20,715	2,437
(US$ per pound, except where indicated)								
Realized copper price [2]	3.73	4.25	4.28	4.12	3.78	3.18	3.31	3.10
Total cash costs of sales [2]	2.33	2.37	2.08	1.71	1.79	2.08	1.65	2.23
Copper sales (million pounds)	21.8	10.7	12.8	25.2	8.7	16.5	20.5	16.8

[1] Calculated using weighted average number of shares outstanding under the basic method. Sum of all the quarters may not add up to the yearly total due to rounding.

[2] Adjusted net earnings (loss), adjusted EPS, EBITDA, adjusted EBITDA, realized copper price and total cash costs of sales are non-GAAP financial performance measure with no standard definition under IFRS. See pages 21-24 of the Company's MD&A.

[3] Information for 2009 is presented in accordance with Canadian GAAP and was not required to be restated to IFRS.

Our financial results for the last eight quarters reflect: volatile copper and molybdenum prices that impact realized sales prices; variability in the quarterly sales volumes due to timing of shipments which impacts revenue recognition; and, more recently, a trend of increasing production costs primarily caused by inflationary pressures. The net earnings in first quarter 2010 include a gain of $65.3 million on the contribution to the joint venture, net of tax.

IFRS

We adopted IFRS effective January 1, 2011. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010. For a discussion of our significant accounting policies, refer to note 2 of the Financial Statements.

Elected exemptions

IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. We elected to take the following IFRS 1 optional exemptions as of the transition date of January 1, 2010:

- Not to apply the requirements of IFRS 3, *Business Combinations,* and restate business combinations that occurred prior to the transition date.
- To apply the requirements of IFRS 2, *Share-based Payments*, to share options granted which had not vested as at the transition date.
- To apply the borrowing cost exemption and to prospectively apply IAS 23, *Borrowing Costs.*
- To not retrospectively apply IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities.* The simplified approach to calculating the net book value of the asset related to the provision for environmental rehabilitation ("PER") was applied. The PER calculated on the transition date in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* was discounted back to the date the liability first arose, at which date the corresponding asset was set up, and then accumulated depreciation was recalculated as at the transition date.

Impact of adoption of IFRS on financial reporting

The following tables contain summaries of the adjustments to equity and to total comprehensive income as a result of the adoption of IFRS. The transition to IFRS has resulted in numerous financial statement presentation changes. A description of each of the adjustments and financial statement presentation change is outlined in note 20 of the Financial Statements.

	Ref.	December 31, 2010	September 30, 2010	January 1, 2010
Equity under GAAP		$469,951	$440,279	$296,693
Change in accounting policy for depreciation	(i)	(4,252)	(4,434)	(3,585)
Reversal of impairment	(ii)	3,338	3,366	4,574
Provision for environmental rehabilitation	(iii)	(14,290)	(13,683)	(16,731)
Share-based compensation	(iv)	-	-	-
Deferred income tax	(v)	3,657	3,495	4,584
Equity under IFRS		$458,404	$429,023	$285,535

	Ref.	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2010	Year ended December 31, 2010
Total Comprehensive Income under GAAP		$3,869	$124,243	$150,271
Change in accounting policy for depreciation	(i)	(487)	(1,952)	(1,772)
Reversal of impairment	(ii)	(24)	(71)	(99)
Provision for environmental rehabilitation	(iii)	(480)	(1,236)	(1,843)
Share-based compensation	(iv)	-	638	1,149
Deferred income tax	(v)	341	117	280
Gain on contribution to joint venture	(vi)	-	3,044	3,044
Total Comprehensive Income under IFRS		$3,219	$124,783	$151,030

The conversion to IFRS did not have an impact on total cash costs of production per pound of copper or total cash costs of sales per pound of copper.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are presented in note 2 of the Financial Statements. The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas where judgment is applied include reserve and resource estimation; asset valuations and the measurement of impairment charges or reversals; finished and in-process inventory quantities; plant and equipment lives; tax provisions; provisions for environmental rehabilitation; and share-based compensation. Key estimates and assumptions made by management with respect to these areas have been disclosed in the notes to the Financial Statements as appropriate.

The accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions made and judgment used in the engineering and geological interpretation, and may be subject to revision based on various factors. Changes in reserve and resource estimates may impact the carrying value of property, plant and equipment; the calculation of depreciation expense; the capitalization of stripping costs incurred during production; and the timing of cash flows related to the provision for environmental rehabilitation.

Changes in forecast prices of commodities, exchange rates, production costs and recovery rates may change the economic status of reserves and resources. Forecast prices of commodities, exchange rates, production costs and recovery rates, and discount rates assumptions, either individually or collectively, may impact the carrying value of derivative financial instruments, inventory, property, plant and equipment, and intangibles, as well as the measurement of impairment charges or reversals.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures.

Our internal control system over financial reporting was designed to provide reasonable assurance to 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 IFRS, 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.

Our internal control system over disclosure controls and procedures was designed to provide reasonable assurance that other financial information disclosed publicly fairly presents in all material respects the financial condition, results of operations and cash flows of the Company. Our processes were designed to ensure that the information disclosed by the Company is recorded, processed, summarized and reported within the appropriate time periods and is accumulated and communicated to management, as appropriate, to allow timely decisions regarding required disclosure.

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 reporting and disclosure.

Other than changes related to our conversion to IFRS, there have been no changes in our internal control over financial reporting and disclosure during the period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

RELATED PARTY TRANSACTIONS

Hunter Dickinson Services Inc. ("HDSI") is a private company which has certain directors in common with the Company. HDSI carries out geological, engineering, corporate development, administrative, financial management, investor relations, and other management activities for the Company. The terms and conditions of the transactions are similar to transactions conducted on an arm's length basis. During third quarter 2011, the Company incurred general and administrative expenses of $0.5 million and exploration and evaluation expenses of $0.2 million with HDSI. During the first three quarters of 2011, the Company incurred general and administrative expenses of $1.4 million and exploration and evaluation expenses of $0.7 million, and prepaid rent of $1.0 million with HDSI.

The Gibraltar joint venture pays a management fee to the Company for services rendered as operator of the Gibraltar mine. During third quarter 2011, the Company has earned $0.2 million of other operating income for these services rendered, and a total of $0.6 million earned for the first three quarters of 2011.

NON-GAAP PERFORMANCE MEASURES

This document includes certain non-GAAP performance measures that do not have a standardized meaning prescribed by IFRS. These measures may differ from those used by, and may not be comparable to such measures as reported by, other issuers. The Company believes that these measures are commonly used by certain investors, in conjunction with conventional IFRS measures, to enhance their understanding of the Company's performance. These measures have been derived from the Company's financial statements and applied on a consistent basis. The following tables below provide a reconciliation of these non-GAAP measures to the most directly comparable IFRS measure.

Total cash costs per pound

Total cash costs of sales include all costs absorbed into inventory, as well as by-product credits, treatment & refining costs and transportation costs, less non-cash items such as depreciation and share-based compensation. Total cash costs per pound sold are calculated by dividing the aggregate of the applicable costs by copper pounds sold. Total cash costs of production are total cash costs of sales adjusted for the net movement in inventory during the period. Total cash costs per pound produced are calculated by dividing the aggregate of the applicable costs by copper pounds produced. These measures are calculated on a consistent basis for the periods presented.

($ in thousands, unless otherwise indicated)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Cost of sales	**$59,030**	**$21,302**	**$124,330**	**$105,298**
Less non-cash items:				
Depreciation	(4,608)	(1,621)	(9,945)	(7,751)
Share-based compensation	(92)	-	(178)	-
Less by-product credits:				
Molybdenum	(3,192)	(3,220)	(10,878)	(9,463)
Silver	(1,163)	(300)	(2,597)	(1,608)
Total cash costs of sales	**$49,975**	**$16,161**	**$100,732**	**$86,476**
Total copper sold (thousand pounds)	21,849	8,667	45,339	45,642
Total cash costs per pound sold	$2.29	$1.86	$2.22	$1.89
Average exchange rate for the period (CAD/USD)	0.9807	1.0395	0.9781	1.0362
Total cash costs of sales (US$ per pound)	**$2.33**	**$1.79**	**$2.27**	**$1.83**
Total cash costs of sales	$49,975	$16,161	$100,732	$86,476
Net change in inventory	(15,906)	13,041	(3,654)	11,668
Total cash costs of production	**$34,069**	**$29,202**	**$97,078**	**$98,144**
Less offsite costs:				
Treatment and refining costs	(4,085)	(1,915)	(8,659)	(7,806)
Transportation costs	(4,325)	(2,200)	(9,708)	(11,246)
Net operating cash costs	**$25,659**	**$25,087**	**$78,711**	**$79,092**
Total copper produced (thousand pounds)	15,994	19,256	45,412	57,473
Total cash costs per pound produced	$1.60	$1.30	$1.73	$1.38
Average exchange rate for the period (CAD/USD)	0.9807	1.0395	0.9781	1.0362
Net operating cash costs of production (US$ per pound)	**$1.64**	**$1.25**	**$1.78**	**$1.33**

Cash margins

Cash margins represent average realized copper price per pound sold less total cash costs of sales per pound.

($ in thousands, unless otherwise indicated)	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Average realized copper price sales (US$ per pound)	$3.73	$3.78	$4.01	$3.35
Less:				
Total cash costs of sales (US$ per pound)	$2.33	$1.79	$2.27	$1.83
Cash margin (US$ per pound)	**$1.40**	**$1.99**	**$1.74**	**$1.52**

Operating profit

Operating profit represents gross profit adjusted for other operating income or expenses, less general and administrative expenses.

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands, except per share amounts)	**2011**	**2010**	**2011**	**2010**
Gross profit	**$25,174**	**$16,238**	**$67,024**	**$64,203**
Other operating income (expenses)	42,645	(4,828)	30,884	219
General and administrative expenses	(4,233)	(3,242)	(15,723)	(13,898)
Total operating profit	**$63,586**	**$8,168**	**$82,185**	**$50,524**

Adjusted net earnings

Adjusted net earnings removes the effect of the following transactions from net earnings as reported under IFRS:

- Unrealized gains/losses on derivative instruments;
- Gains/losses on the sale of marketable securities;
- Changes in the fair value of financial instruments;
- Foreign currency translation gains/losses; and
- Non-recurring transactions, including non-recurring tax adjustments.

Management believes these transactions do not reflect the underlying operating performance of our core mining business and are not necessarily indicative of future operating results. Furthermore, unrealized gains/losses on derivative instruments, changes in the fair value of financial instruments, and foreign currency translation gains/losses are not necessarily reflective of the underlying operating results for the reporting periods presented.

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands, except per share amounts)	**2011**	**2010**	**2011**	**2010**
Net earnings	**$30,028**	**$728**	**$34,668**	**$123,807**
Unrealized (gain)/loss on derivatives, net of tax	(35,515)	3,586	(32,981)	(8,141)
Gain on sale of marketable securities	-	(2,973)	(6,443)	(4,087)
Changes in fair value of financial instruments	1,667	-	3,349	-
Foreign currency translation losses (gains)	7,968	2,496	12,594	(21)
Loss on extinguishment of debt	-	-	-	2,136
Loss/(gain) on contribution to joint venture, net of tax	134	2,439	2,930	(62,829)
Non-recurring tax adjustments	-	-	-	(30,600)
Adjusted net earnings	**$4,282**	**$6,276**	**$14,117**	**$20,265**
Adjusted EPS	**$0.02**	**$0.03**	**$0.07**	**$0.11**

EBITDA and adjusted EBITDA

EBITDA represents net earnings before interest, income taxes, and depreciation. We present EBITDA because we consider it an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry, many of which present EBITDA when reporting their results. We believe issuers of "high yield" securities also present EBITDA because investors, analysts and rating agencies consider it useful in measuring the ability of those issuers to meet debt service obligations. We believe EBITDA is an appropriate supplemental measure of debt service capacity, because cash expenditures on interest are, by definition, available to pay interest, and tax expense is inversely correlated to interest expense because tax expense goes down as deductible interest expense goes up; depreciation is a non-cash charge.

We present adjusted EBITDA as a further supplemental measure of our performance and ability to service debt. We prepare adjusted EBITDA by adjusting EBITDA to eliminate the impact of a number of items we consider non-recurring or do not consider indicative of our ongoing operating performance. You are encouraged to evaluate each adjustment and the reasons we consider them appropriate for supplemental analysis.

Adjusted EBITDA is calculated by adding to EBITDA certain items of expense and deducting from EBITDA certain items of income that we believe are not likely to recur or are not indicative of our future operating performance consisting of:

- Unrealized gains/losses on derivative instruments;
- Gains/losses on the sale of marketable securities;
- Changes in the fair value of financial instruments;
- Foreign currency translation gains/losses; and
- Non-recurring transactions.

While some of the adjustments are recurring, we believe the elimination of the gain on the contribution to the joint venture, loss on the extinguishment of debt, and gains/losses on the sale of marketable securities do not reflect the underlying performance of our core mining business and are not necessarily indicative of future results. Furthermore, unrealized gains/losses on derivative instruments, foreign currency translation gains/losses and changes in the fair value of financial instruments are not necessarily reflective of the underlying operating results for the reporting periods presented.

	Three months ended September 30,		**Nine months ended September 30,**	
($ in thousands, except per share amounts)	**2011**	**2010**	**2011**	**2010**
Net earnings	**$30,028**	**$728**	**$34,668**	**$123,807**
Add:				
Depreciation	4,804	1,935	10,458	8,183
Interest expense	4,752	652	9,760	3,434
Interest income	(4,387)	(2,167)	(9,571)	(13,658)
Income tax expense	18,723	2,498	25,283	29,747
EBITDA	$53,920	$3,646	$70,598	$151,563
Adjustments:				
Unrealized (gain)/loss on derivative instruments	(48,320)	5,015	(44,873)	(11,386)
Gain on sale of marketable securities	-	(2,973)	(6,443)	(4,087)
Changes in fair value of financial instruments	1,667	-	3,349	-
Foreign currency translation losses	7,968	2,496	12,594	(21)
Loss on extinguishment of debt	-	-	-	2,136
Loss/(gain) on contribution to joint venture	183	3,364	3,987	(97,062)
Adjusted EBITDA	**$15,418**	**$11,548**	**$39,212**	**$41,143**

Taseko Mines Limited

Condensed Interim Consolidated Financial Statements
September 30, 2011
(unaudited)

TASEKO MINES LIMITED

Consolidated Statements of Comprehensive Income

(unaudited)

(Cdn$ in thousands, except per share amounts)	Note	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Revenues	4	$ 84,204	$ 37,540	$ 191,354	$ 169,501
Cost of sales	5	(59,030)	(21,302)	(124,330)	(105,298)
Gross profit		25,174	16,238	67,024	64,203
General and administrative		(4,233)	(3,242)	(15,723)	(13,898)
Exploration and evaluation		(5,909)	(3,619)	(7,747)	(6,119)
Other operating income (expenses)	6	42,645	(4,828)	30,884	219
Gain (loss) on contribution to joint venture	3	(183)	(3,364)	(3,987)	97,062
		57,494	1,185	70,451	141,467
Finance expenses	7	(13,129)	(3,099)	(26,513)	(7,050)
Finance income	8	4,387	5,140	16,014	19,137
Earnings before income taxes		48,752	3,226	59,952	153,554
Income tax expense	9	(18,724)	(2,498)	(25,284)	(29,747)
Net earnings for the period		**$ 30,028**	**$ 728**	**$ 34,668**	**$ 123,807**
Other comprehensive income (loss)					
Unrealized gains (losses) on available-for-sale financial assets, net of tax		(2,974)	2,491	(918)	976
Realized gains on available-for-sale financial assets, net of tax		-	-	(5,246)	-
Total other comprehensive income (loss) for the period		**$ (2,974)**	**$ 2,491**	**$ (6,164)**	**$ 976**
Total comprehensive income for the period		**$ 27,054**	**$ 3,219**	**$ 28,504**	**$ 124,783**
Earnings per share					
Basic		$ 0.15	$ –	$ 0.18	$ 0.67
Diluted		$ 0.15	$ –	$ 0.18	$ 0.64
Weighted average shares outstanding (thousands)					
Basic		195,349	184,975	192,351	185,748
Diluted		200,993	192,419	197,995	193,192

The accompanying notes are an integral part of these consolidated financial statements.

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(unaudited)

(Cdn$ in thousands)	Note	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Operating activities					
Net earnings for the period		$ 30,028	$ 728	$ 34,668	$ 123,807
Adjustments for:					
Depreciation		4,804	1,935	10,458	8,183
Income tax expense	9	18,724	2,498	25,284	29,747
Income tax paid		(8,675)	(591)	(33,485)	(1,386)
Share-based compensation		1,451	1,176	6,651	7,102
Unrealized loss (gain) on derivatives	6	(48,320)	5,015	(44,873)	(11,386)
Finance expenses		2,231	764	10,418	5,872
Finance income		(1,495)	(5,157)	(10,112)	(6,361)
Loss (gain) on contribution to joint venture	3	-	3,364	-	(97,062)
Other operating activities	18	934	380	8,594	843
Net change in non-cash working capital	18	(4,673)	23,203	(3,725)	(2,537)
Cash provided by (used for) operating activities		(4,991)	33,315	3,878	56,822
Investing activities					
Purchase of property, plant and equipment		(16,313)	(26,115)	(34,973)	(38,417)
Purchase of investments and other assets		(73,728)	(15,124)	(212,829)	(18,324)
Interest received		1,495	677	4,117	1,081
Proceeds from sale of investments and assets		87,908	14,049	99,560	203,260
Other investing activities	18	(400)	(692)	(595)	(3,852)
Cash provided by (used for) investing activities		(1,038)	(27,205)	(144,720)	143,748
Financing activities					
Repayment of debt		(2,746)	(1,377)	(7,829)	(54,549)
Interest paid		(526)	(289)	(1,713)	(2,095)
Common shares issued for cash		151	88	7,347	2,862
Proceeds from debt issuance	14	-	14,077	192,020	14,077
Debt issuance cost	14	-	-	(6,052)	-
Cash provided by (used for) financing activities		(3,121)	12,499	183,773	(39,705)
Effect of exchange rate changes on cash and equivalents		17,974	1,662	13,359	(530)
Increase in cash and equivalents		8,824	20,271	56,290	160,335
Cash and equivalents, beginning of period		259,259	175,146	211,793	35,082
Cash and equivalents, end of period		**$ 268,083**	**$ 195,417**	**$ 268,083**	**$ 195,417**

TASEKO MINES LIMITED

Consolidated Balance Sheets

(unaudited)

(Cdn$ in thousands)	Note		September 30, 2011		December 31, 2010		January 1, 2010
ASSETS							
Current assets							
Cash and equivalents		$	268,083	$	211,793	$	35,082
Marketable securities			114,372		18,521		11,856
Accounts receivable			36,485		21,918		12,505
Inventories	10		20,417		21,286		21,792
Other current assets			46,494		7,782		9,962
			485,851		281,300		91,197
Property, plant and equipment	11		395,598		337,513		362,714
Intangibles			5,438		5,438		5,438
Other assets	12		104,810		93,825		102,821
		$	**991,697**	**$**	**718,076**	**$**	**562,170**
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities		$	36,807	$	23,137	$	14,833
Current portion of long-term debt			13,040		10,315		27,678
Income tax liabilities			–		24,528		370
Other current liabilities			8,744		7,648		30,318
			58,591		65,628		73,199
Long-term debt	14		228,017		28,018		46,525
Provision for environmental rehabilitation			79,157		53,129		50,700
Deferred tax liabilities			76,219		60,771		47,934
Other liabilities	13		48,693		52,126		58,277
			490,677		259,672		276,635
EQUITY							
Share capital	15(a)		376,870		365,553		350,376
Contributed surplus			31,927		26,193		19,532
Accumulated other comprehensive income ("AOCI")	15(d)		85		6,249		4,576
Retained earnings (deficit)			92,138		60,409		(88,949)
			501,020		458,404		285,535
		$	**991,697**	**$**	**718,076**	**$**	**562,170**

Commitments and contingencies	19
Subsequent events	21

The accompanying notes are an integral part of these consolidated financial statements.

TASEKO MINES LIMITED

Consolidated Statements of Changes in Equity

(unaudited)

(Cdn$ in thousands)	Note	Share capital	Contributed surplus	AOCI	Retained earnings (deficit)	Total
Balance at January 1, 2010		$ 350,376	$ 19,532	$ 4,576	$ (88,949)	$ 285,535
Exercise of options		2,862	–	–	–	2,862
Transfer to share capital for options exercised		2,097	(2,097)	–	–	–
Shares issued		8,741	–	–	–	8,741
Share-based compensation		–	7,102	–	–	7,102
Total comprehensive income for the period		–	–	976	123,807	124,783
Balance at September 30, 2010		**$ 364,076**	**$ 24,537**	**$ 5,552**	**$ 34,858**	**$ 429,023**
Balance at January 1, 2011		$ 365,553	$ 26,193	$ 6,249	$ 60,409	$ 458,404
Exercise of options		1,788	–	–	–	1,788
Transfer to share capital for			–			
options exercised		917	(917)	–	–	–
Preferred shares redemption	15(b)	(26,642)	–	–	(2,939)	(29,581)
Shares issued	15(b)	35,254	–	–	–	35,254
Share-based compensation	15(c)	–	6,651	–	–	6,651
Total comprehensive income for the period		–	–	(6,164)	34,668	28,504
Balance at September 30, 2011		**$ 376,870**	**$ 31,927**	**$ 85**	**$ 92,138**	**$ 501,020**

The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

Taseko Mines Limited (the "Company") is a corporation governed by the *British Columbia Business Corporations Act.* The condensed interim consolidated financial statements of the Company as at and for the three and nine month periods ended September 30, 2011 comprise the Company, its subsidiaries and its 75% interest in the Gibraltar joint venture since its formation on March 31, 2010. The Company is principally engaged in the production and sale of metals, as well as related activities such as exploration and mine development, within the province of British Columbia. Seasonality does not have a significant impact on the Company's operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements form part of the period covered by the first IFRS annual financial statements and IFRS 1, *First Time Adoption of International Financial Reporting Standards* has been applied. These condensed interim consolidated financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended December 31, 2010 prepared in accordance with Canadian GAAP ("GAAP") and in consideration of the IFRS disclosures in note 20.

Note 20 provides an explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company. This note includes disclosure of the Company's elected transition exemptions and reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under GAAP to those reported for those periods and at the date of transition under IFRS.

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS. Preparation on this basis resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 9, 2011.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for fair-value-through-profit-or-loss, available-for-sale and derivative financial instruments which are measured at fair value.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Non-Canadian dollar monetary assets and liabilities are translated into Canadian dollars at the closing exchange rate as at the balance sheet date. Non-monetary assets and liabilities, revenues and expenses are translated in Canadian dollars at the prevailing rate of exchange on the dates of the transactions. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise noted.

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas where judgment is applied include reserve and resource estimation; asset valuations and the measurement of impairment charges or reversals; finished and in-process inventory quantities; plant and equipment lives; tax provisions; provisions for environmental rehabilitation; valuation of derivative instruments and share-based compensation. Key estimates and assumptions made by management with respect to these areas have been disclosed in the notes to these consolidated financial statements as appropriate.

The accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions made and judgment used in the engineering and geological interpretation, and may be subject to revision based on various factors. Changes in reserve and resource estimates may impact the carrying value of property, plant and equipment; the calculation of depreciation expense; the capitalization of stripping costs incurred during production; and the timing of cash flows related to the provision for environmental rehabilitation.

Changes in forecast prices of commodities, exchange rates, production costs and recovery rates may change the economic status of reserves and resources. Forecast prices of commodities, exchange rates, production costs and recovery rates, and discount rates assumptions, either individually or collectively, may impact the carrying value of derivative financial instruments, inventory, property, plant and equipment, and intangibles, as well as the measurement of impairment charges or reversals.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company, either directly or indirectly. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances, transactions, income and expenses are eliminated in preparing the consolidated financial statements.

Joint ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e., when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Joint venture arrangements that involve the joint control, and often the joint ownership, by the venturers of one or more assets contributed to, or acquired for the purpose of, the joint venture and dedicated to the purposes of the joint venture are referred to as jointly controlled assets ("JCA"). The assets are used to obtain benefits for the venturers. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. These joint ventures do not involve the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer has control over its share of future economic benefits through its share of the JCA.

The Company reports its interests in a JCA using the proportionate consolidation method. The Company combines its proportionate share of the joint venture’s individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the consolidated financial statements. Unrealized income and expenses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

(d) Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred and the amount of revenue is reasonably determinable. These conditions are generally satisfied when title passes to the customer. Cash received in advance of meeting these conditions is recorded as deferred revenue.

Under the terms of the Company's concentrate and cathode sales contracts, the final sales amount is based on final assay results and quoted market prices in a period subsequent to the date of sale. Revenues for these sales are recorded at the time of shipment, which is also when the risks and rewards of ownership transfer to the customer, based on an estimate of metal contained using initial assay results and forward market prices on the expected date that final sales prices will be fixed. The period between provisional pricing and final settlement can be between one and four months. This provisional pricing mechanism represents an embedded derivative. The embedded derivative is recorded at fair value each reporting period by reference to forward market prices until the date of final pricing, with the changes in fair value recorded as an adjustment to revenue.

(e) Financial instruments

Financial assets and liabilities are recognized on the balance sheet when the Company becomes party to the contractual provisions of the instrument. The classification of financial instruments dictates how these assets and liabilities are measured subsequently in the Company's financial statements.

Financial instruments at fair value through profit or loss ("FVTPL")

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of selling in the near term. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVTPL. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for the period. Financial assets in this category include cash and equivalents and derivatives.

The Company may enter into derivative financial instruments to manage exposure to commodity price fluctuations (primarily copper) and to improve the returns on its cash assets. These instruments are designated as non-hedge derivative instruments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Accounts receivable are assessed for evidence of impairment at each reporting date, with any impairment recognized in earnings for the period. Financial assets in this category include accounts receivable and the promissory note.

Available-for-sale financial assets

Marketable securities, except for those marketable securities that are derivative instruments, and reclamation deposits are designated as available-for-sale and recorded at fair value. Unrealized gains and losses are recognized in other comprehensive income until the securities are disposed of or when there is evidence of impairment in value. If impairment in value has been determined, it is recognized in earnings for the period.

Financial liabilities

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company has accounted for accounts payable and accrued liabilities, debt and the royalty obligation under this method.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(f) Exploration and evaluation

Exploration and evaluation expenditures relate to the initial search for a mineral deposit and the subsequent evaluation to determine the economic potential of the mineral deposit. The exploration and evaluation stage commences when the Company obtains the legal right or license to begin exploration. This stage ends when management determines that there is sufficient evidence to support probability of future mining operations of economically recoverable reserves, and requires significant judgment on the part of management.

Exploration and evaluation expenditures are recognized in earnings in the period in which they are incurred. Once it is expected that expenditures can be recovered by future exploitation or sale, they are considered development costs and capitalized as part of mineral properties within property, plant and equipment.

Exploration activities primarily consist of expenditures relating to drilling programs and include: researching and analyzing existing exploration data; conducting geological mapping studies; and taking core samples for analysis. Evaluation activities include: examination and testing of extraction methods and metallurgical/treatment processes; studies related to assessment of transportation and infrastructure requirements; market and finance studies; and detailed economic evaluations to determine whether development of the reserves is commercially justifiable, including the preparation of scoping, preliminary feasibility and final feasibility studies.

(g) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes direct labour and materials; non-capitalized stripping costs; depreciation; freight; and overhead costs. Net realizable value is determined with reference to relevant market prices, less applicable variable selling costs and estimated remaining costs of completion to bring the inventory into its saleable form.

Work in process represents stockpiled ore and metals in the processing circuits that have not yet completed the production process, and are not yet in a saleable form. Finished goods inventory represents metals in saleable form that have not yet been sold. Materials and supplies inventories represent consumables used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

The quantity of recoverable metal in stockpiled ore and in the processing circuits is an estimate which is based on the tons of ore added and removed, expected grade and recovery. The quantity of recoverable metal in concentrate is an estimate using initial assay results.

(h) Property, plant and equipment

Land, buildings, plant and equipment

Land, buildings, plant and equipment are recorded at cost, including all expenditures incurred to prepare an asset for its intended use.

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

Depreciation is based on the cost of the assets less residual value. Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items and depreciated separately. Depreciation commences when an asset is available for use. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The depreciation rates of the major asset categories are as follows:

Land	Not depreciated
Buildings	Straight-line basis over 10-25 years
Plant and equipment	Units-of-production basis
Mining equipment	Straight-line basis over 5-20 years
Light vehicles and other mobile equipment	Straight-line basis over 2-5 years
Furniture, computer and office equipment	Straight-line basis over 2-3 years

Mineral properties

Mineral properties consist of the cost of acquiring and developing mineral properties. Once in production, mineral properties are amortized on a units-of-production basis.

Acquisition costs arise either as an individual asset purchase or as part of a business combination, and may represent a combination of either proven and probable reserves, resources, or future exploration potential. The estimated fair values attributable to proven and probable reserves and resources are recorded as mineral properties within property, plant and equipment. Exploration potential is recorded as an intangible asset.

Mineral property development costs include: stripping costs incurred in order to provide initial access to the ore body; stripping costs incurred during production that generate a future economic benefit by increasing the productive capacity or extending the productive life of the mine; capitalized exploration and evaluation costs; and capitalized interest.

Construction in progress

Construction in progress includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Construction in progress includes advances on long-lead items. Construction in progress is not depreciated. Once the asset is complete and available for use, the costs of construction are transferred to the appropriate category of property, plant and equipment, and depreciation commences.

Capitalized interest

Interest is capitalized for qualifying assets. Qualifying assets are assets that require a substantial period of time to prepare for their intended use. Capitalization ceases when the asset is substantially complete or if construction is interrupted for an extended period. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

Leased assets

Leased assets in which the Company receives substantially all the risks and rewards of ownership of the asset are capitalized as finance leases at the lower of the fair value of the asset or the estimated present value of the minimum lease payments. The corresponding lease obligation is recorded within debt on the balance sheet. Assets under operating leases are not capitalized and rental payments are included in earnings.

Impairment

The carrying amounts of the Company's non-financial assets are reviewed for impairment whenever circumstances suggest that the carrying value may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

The recoverable amount of an asset or cash generating unit ("CGU") is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or CGU's. If the recoverable amount of an asset or its related CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and the impairment loss is recognized in earnings for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not to an amount that exceeds the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in earnings.

(i) Intangibles

Mineral property acquisition costs arise either as an individual asset purchase or as part of a business combination, and may represent a combination of either proven and probable reserves, resources, or future exploration potential. When management has not made a determination that there is probable future economic benefit and the property is not imminently expected to move into development, the entire amount is considered acquired exploration potential and is classified as an intangible asset. When such property moves into development, the acquired exploration intangible asset is transferred to non-depreciable mineral properties within property, plant and equipment.

(j) Income taxes

Income tax on the earnings for the periods presented comprises current and deferred tax. Income tax is recognized in earnings except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Income tax is calculated using tax rates enacted or substantively enacted at the reporting date applicable to the period of expected realization or settlement.

Current tax expense is the expected tax payable on the taxable income for the year, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is determined using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities acquired (not in a business combination) that affect neither accounting nor taxable profit on acquisition; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they are not probable to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

(k) Share-based compensation

The fair-value method of accounting is used for the Company's share option plan. Fair value is measured at grant date using the Black-Scholes option pricing model and is recognized in earnings on a straight-line basis over the option vesting period, with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(l) Provisions

Environmental rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to retire an asset in the period in which the obligation occurs. Environmental rehabilitation activities include facility decommissioning and dismantling; removal and treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; and related costs required to perform this work and/or operate equipment designed to reduce or eliminate environmental effects. The provision for environmental rehabilitation ("PER") is adjusted each period for new disturbances, and changes in regulatory requirements, the estimated amount of future cash flows required to discharge the liability, the timing of such cash flows and the pre-tax discount rate specific to the liability. The unwinding of the discount is recognized in earnings as a finance cost.

When a PER is initially recognized, the corresponding cost is capitalized by increasing the carrying amount of the related asset, and is amortized to earnings on the same basis as the related asset. Costs are only capitalized to the extent that the amount meets the definition of an asset and represents future economic benefits to the operation.

Significant estimates and assumptions are made in determining the provision for environmental rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimation of the extent and cost of rehabilitation activities; timing of future cash flows that are impacted by changes in discount rates; inflation rate; and regulatory requirements.

Other provisions

Other provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Where the effect is material, the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The accretion expense is included in finance expense.

(m) Finance income and expenses

Finance income comprises interest income on funds invested, gains on the disposal of marketable securities, and changes in the fair value of derivatives included in cash and equivalents and marketable securities. Interest income is recognized as it accrues in earnings, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on the disposal of marketable securities, changes in the fair value of derivatives included in cash and equivalents and marketable securities, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in earnings using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(n) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise preferred shares and share options granted.

(o) New accounting standards

Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* and IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity's consolidated financial statements. IFRS 10 sets out three elements of control: a) power over the investee; b) exposure, or rights, to variable returns from involvement with the investee; and c) the ability to use power over the investee to affect the amount of the investors return. IFRS 10 sets out the requirements on how to apply the control principle. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows. IFRS 10 and IFRS 12 supersede IAS 27, *Consolidated and Separate Financial Statements* and SIC-12, *Consolidation – Special Purpose Entities*.

IFRS 10 and IFRS 12 are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of these standards on its financial statements.

Joint Arrangements

In May 2011, the IASB issued IFRS 11, *Joint Arrangements*, which provides guidance on accounting for joint arrangements. If an arrangement has joint control, IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved.

A joint operation is an arrangement where the jointly controlling parties have rights to the assets and obligations in respect of the liabilities relating to the arrangement. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues and expenses. A joint venture is an arrangement where the jointly controlling parties have rights to the net assets of the arrangement. A joint venture is accounted for using the equity method. Proportionate consolidation is no longer permitted.

This standard is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company is currently assessing the impact that IFRS 11 will have on its consolidated financial statements.

Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement so assumptions that market participants would use should be applied in measuring fair value.

IFRS 13 is effective for annual periods on or after January 1, 2013, with earlier application permitted. This standard is to be applied prospectively as of the beginning of the annual period in which it is initially applied and the disclosure requirements do not need to be applied in comparative periods before initial application. The Company is currently assessing the impact of this standard on its financial statements.

Other Comprehensive Income

In June 2011, the IASB and FASB issued amendments to standards to align the presentation requirements for other comprehensive income ("OCI"). The IASB issued amendments to IAS 1, *Presentation of Financial Statements* to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements.

The amendments to IAS 1 set out in *Presentation of Items of Other Comprehensive Income* and are effective for fiscal years beginning on or after July 1, 2012. The Company is currently assessing the impact of these amendments on its financial statements.

3. INTEREST IN JOINT VENTURE

On March 31, 2010, the Company entered into an agreement with Cariboo Copper Corp. ("Cariboo") whereby the Company contributed certain assets and liabilities of the Gibraltar mine into an unincorporated joint venture and Cariboo paid the Company $186,811 to acquire a 25% interest in the joint venture. The Company recognized a gain on contribution to the joint venture of $100,426.

The assets and liabilities contributed by the Company to the joint venture were mineral property interests, plant and equipment, inventory, prepaid expenses, reclamation deposits, capital lease obligations, and site closure and reclamation obligations.

Certain key strategic, operating, investing and financing policies of the joint venture require unanimous approval such that neither venturer is in a position to exercise unilateral control over the joint venture. The Company continues to be the operator of the Gibraltar mine.

Subsequent to recording the initial gain on contribution, adjustments have been made including a $3,364 loss and a $1,095 gain in the third and fourth quarters of 2010, respectively.

(Cdn$ in thousands - unaudited)

During 2011, the construction of the SAG direct feed system was completed. Under the terms of agreement with Cariboo, the Company assumed 100% of the capital costs in excess of the capital budget for the SAG direct feed system at the joint venture formation. The Company recognized a loss on contribution to the joint venture of $3,804 and $183 during the second and third quarters of 2011, respectively, as a result of funding Cariboo's portion of the SAG direct feed system project costs above the 2010 budgeted amount.

4. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Copper concentrate	$ 76,535	$ 32,956	$173,142	$156,915
Copper cathode	3,314	1,064	4,737	1,515
Total copper sales	$ 79,849	$ 34,020	$177,879	$158,430
Molybdenum concentrate	3,192	3,220	10,878	9,463
Silver	1,163	300	2,597	1,608
	$ 84,204	$ 37,540	$191,354	$169,501

5. COST OF SALES

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Direct mining costs	$ 46,011	$ 15,347	$ 96,018	$ 78,276
Depreciation	4,609	1,839	9,945	7,970
Treatment and refining costs	4,085	1,916	8,659	7,806
Transportation costs	4,325	2,200	9,708	11,246
	$ 59,030	$ 21,302	$124,330	$105,298

Cost of sales consists of direct mining costs (which include personnel costs, mine site general & administrative costs, non-capitalized stripping costs, maintenance & repair costs, operating supplies and external services), depreciation, and offsite costs comprised of treatment & refining costs and transportation costs.

6. OTHER OPERATING EXPENSES (INCOME)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Realized loss on copper derivative instruments	$ 1,820	$ -	$ 10,509	$11,542
Unrealized loss (gain) on copper derivative instruments	(48,320)	5,015	(44,873)	(11,386)
Consulting expenses*	4,043	-	4,043	-
Management fee income	(188)	(187)	(563)	(375)
	$ (42,645)	$ 4,828	$ (30,884)	$ (219)

* Consulting expenses are related to the consultants currently engaged to work with the Gibraltar management team to achieve improvements in operational performance.

(Cdn$ in thousands - unaudited)

7. FINANCE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
Interest expense	$ 4,752	$ 652	$ 9,760	$3,484
Accretion on PER	727	475	1,612	1,430
Change in fair value of financial instruments	1,667	-	3,349	-
Loss on extinguishment of debt	-	-	-	2,136
Realized loss on financial instruments	4,539	-	5,723	-
Foreign exchange loss	1,444	1,972	6,069	-
	$13,129	$ 3,099	$26,513	$7,050

8. FINANCE INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
Interest income	$ 4,387	$ 2,167	$ 9,571	$13,658
Dividend income	-	-	448	-
Gain on sale of marketable securities	-	2,973	5,995	4,087
Foreign exchange gain	-	-	-	1,392
	$ 4,387	$ 5,140	$16,014	$19,137

9. INCOME TAX EXPENSE

	Three months ended September 30,		Nine months ended September 30,	
	2011	**2010**	**2011**	**2010**
Current expense (recovery)	$ 7,913	$(3,622)	$ 8,842	$ 4,341
Deferred expense	10,811	6,120	16,442	25,406
	$18,724	$ 2,498	$25,284	$29,747

10. INVENTORIES

	September 30, 2011	December 31, 2010	January 1, 2010
Work in process	$ 1,923	$ 1,514	$ 1,896
Finished goods			
Copper concentrate	3,992	7,515	5,831
Copper cathode	760	982	178
Molybdenum concentrate	139	53	70
Materials and supplies	13,603	11,222	13,817
	$ 20,417	$ 21,286	$ 21,792

(Cdn$ in thousands - unaudited)

11. PROPERTY, PLANT & EQUIPMENT

	September 30, 2011	December 31, 2010	January 1, 2010
Depreciable assets:			
Mineral properties	$ 52,812	$ 54,015	$ 74,132
Rehabilitation cost asset	56,622	30,824	24,224
Total mineral properties	109,434	84,839	98,356
Plant and equipment	162,885	139,953	115,785
Mining equipment	96,003	92,638	82,359
Other	3,332	3,103	2,357
	$371,654	$320,533	$298,857
Non-depreciable assets:			
Construction in progress	23,944	16,980	63,857
	$395,598	$337,513	$362,714

The amounts in the table above are reported net of accumulated depreciation.

12. OTHER ASSETS

	September 30, 2011	December 31, 2010	January 1, 2010
Reclamation deposits	$ 24,533	$ 23,266	$ 29,421
Promissory note	67,771	70,559	73,400
Copper put option contracts	12,216	-	-
Long-term portion prepaid lease	290	-	-
	$104,810	$ 93,825	$102,821

13. OTHER LIABILITIES

	September 30, 2011	December 31, 2010	January 1, 2010
Royalty obligations	$ 46,520	$ 51,645	$ 57,621
Copper call option contracts	1,823	-	-
Deferred revenue related to royalty agreement	350	481	656
	$ 48,693	$ 52,126	$ 58,277

14. DEBT

On April 15, 2011, the Company completed a public offering of US$200 million aggregate principal amount of senior notes (“the Notes”) due in 2019, bearing interest at an annual rate of 7.75%. Interest is payable semi-annually on April 15 and October 15, commencing October 15, 2011. The Company may redeem some or all of the Notes at any time on or after April 15, 2015 at redemption prices ranging from 103.875% to 100%, plus accrued and unpaid interest to the date of redemption. Prior to April 15, 2015, all or part of the Notes may be redeemed at 100% plus a make-whole premium, plus accrued and unpaid interest to the date of redemption. In addition, until April 15, 2014, the Company may redeem up to 35% of the principal amount of Notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 107.75%, plus accrued and unpaid interest to the date of redemption. The Notes are guaranteed on a senior unsecured basis by two of the Company's existing subsidiaries, and future subsidiaries of the Company other than immaterial subsidiaries. The subsidiary guarantees are, in turn, guaranteed by Taseko.

(Cdn$ in thousands - unaudited)

Net proceeds from this issue were $185,968 after underwriting discounts and issue costs totaling $6,052.

15. EQUITY

(a) Share capital

The Company's authorized share capital consists of an unlimited number of common shares (195,438,695 issued at September 30, 2011) with no par value.

	September 30, 2011	**December 31, 2010**	**January 1, 2010**
Common shares	$ 376,870	$ 338,911	$ 323,734
Tracking preferred shares	-	26,642	26,642
	$ 376,870	$ 365,553	$ 350,376

(b) Equity issued

During the first quarter of 2011, the Company sold one million of its common shares through at-the-market issuance for net proceeds of $5,559.

During the second quarter of 2011, Continental Minerals Corporation ("Continental") completed its previously-announced plan of arrangement with Jinchuan Group Ltd. Pursuant to the plan of arrangement, the outstanding preferred shares of Continental were exchanged for common shares of the Company, resulting in the issuance of 5,916,241 common shares and the redemption of all of the outstanding tracking preferred shares.

(c) Share-based compensation

During the first and second quarters of 2011, the Company granted 2,060,000 share options to executives and directors. These options have a weighted average exercise price of $5.16, with a term 5 years and vest in equal amounts over three years. The weighted-average fair value of the share option issues was estimated at $3.10 per share option. The option valuations were based on an average expected option life of 5 years, risk-free interest rates 2.24% and 2.26% and expected volatility of 76.80% and 83.76%.

During the first quarter of 2011, the Company granted 310,000 share options to employees. These options have an exercise price of $5.13, with a term of 3 years and vest in equal amounts over three years. The weighted-average fair value of the share options issued was estimated at $2.69 per share option. The option valuations were based on an average expected option life of 3 years, a risk-free interest rate of 2.24% and an expected volatility of 83.76%.

(d) Accumulated other comprehensive income ("AOCI")

AOCI is comprised of the cumulative net change in the fair value of available-for-sale financial assets, net of taxes, until the investments are sold or impaired.

(Cdn$ in thousands - unaudited)

16. FINANCIAL RISK MANAGEMENT

(a) Overview

In the normal course of business, the Company is inherently exposed to currency and commodity price risk. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company uses certain derivative instruments in order to mitigate these inherent business risks.

To manage the Company's operating margins effectively in volatile metals markets, the Company enters into copper option contracts. The amount and duration of the Company's hedge position is based on its assessment of business specific risk elements combined with the copper pricing outlook. Currently, the Company has 90% of its estimated share of 2012 Gibraltar production and the balance of 2011 Gibraltar production hedged at $3.50 per pound.

To improve the returns on its cash assets, the Company invests in dual currency deposits ("DCD"). A DCD is a derivative instrument which combines a money market deposit with a currency option to provide a higher yield than that available for a standard deposit. The currency that the Company receives upon maturity of the DCD is dependent on the prevailing spot foreign exchange rate at maturity.

The derivative instruments employed by the Company are not designated as hedges.

(b) Summary of derivatives at September 30, 2011

	Notional amount	Strike price	Term to maturity	Fair value	Presentation
Commodity contracts					
Copper put option contracts	18.5 million lbs	US$3.50/lb	Q4 2011	$ 7,013	Current assets
Copper put option contracts	51.3 million lbs	US$3.50/lb	Q1-Q3 2012	$ 31,249	Current assets
Copper put option contracts	17.2 million lbs	US$3.50/lb	Q4 2012	$ 12,216	Other assets
Copper call option contracts	51.3 million lbs	US$5.02 to $5.12/lb	Q1-Q3 2012	$ (2,593)	Current liabilities
Copper call option contracts	17.2 million lbs	US$5.02 to 5.12/lb	Q4 2012	$ (1,823)	Other liabilities
Dual currency deposits					
USD/CAD (5% to 7.06%)	US$55 million	0.98 to 1.075	< 90 days	$ (405)	Cash and equivalents
USD/CAD (4% to 8.65%)	US$105 million	0.9535 to 1.0775	> 90 days	$ (2,415)	Marketable securities
Share purchase warrants					
Publicly-traded company	1 million shares	$1.20	Q2 2012	$ 70	Marketable securities

(Cdn$ in thousands - unaudited)

17. RELATED PARTIES

The terms and conditions of the transactions with related parties are similar to transactions conducted on an arm's length basis.

	Transaction value for the three months ended		Transaction value for the nine months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Hunter Dickinson Services Inc.				
General and administrative expenses	$ 526	$ 473	$ 1,432	$ 1,542
Exploration and evaluation expenses	243	387	675	511
Prepaid rent	-	-	995	-
	$ 769	$ 860	$ 3,102	$ 2,053
Gibraltar joint venture				
Other operating income	$ 188	$ 187	$ 563	$ 375

	Balance due from (to) as at		
	September 30, 2011	December 31, 2010	January 1, 2010
Hunter Dickinson Services Inc.	$ (239)	$ (154)	$ 13

18. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Change in non-cash working capital				
Accounts receivable	$(12,334)	$ 13,300	$(14,567)	$ (815)
Inventories	17,566	(14,498)	869	(13,158)
Accounts payable and accrued liabilities	8,345	8,110	13,671	8,614
Deferred revenue	(14,168)	16,436	(131)	16,348
Other	(4,082)	(145)	(3,567)	(13,526)
	$ (4,673)	$ 23,203	$ (3,725)	$ (2,537)
Operating cash flows – other items				
Non-cash donation expense	$ -	$ 425	$ -	$ 928
Realized loss on copper derivative instruments	1,820	-	10,509	-
Reclamation expenditures	(886)	(45)	(1,915)	(85)
	$ 934	$ 380	$ 8,594	$ 843
Investing cash flows – other items				
Net cash reinvested in reclamation deposit	$ (400)	$ (465)	$ (583)	$ (1,003)
Advances to Gibraltar joint venture	-	(132)	-	(3,363)
Reclamation deposit	-	-	(12)	-
Restricted cash	-	(95)	-	514
	$ (400)	$ (692)	$ (595)	$ (3,852)

(Cdn$ in thousands - unaudited)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Non-cash investing and financing activities				
Shares issued for donation	$ -	$ 425	$ -	$ 982
Assets under capital lease	$ 6,559	$ 3,230	$ 7,241	$ 3,230
Shares issued for redemption of royalty obligation	$ -	$ -	$ -	$ 7,813
Shares issued for preferred shares redemption	$ -	$ -	$ 26,642	$ -

19. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Gibraltar Development Plan 3 expansion ("GDP3") requires the consent of Cariboo under the joint venture agreement because GDP3 represents a mine expansion of more than 30%. Pending Cariboo's consideration of its ultimate consent for, and participation in, GDP3, the Company made a commercial proposal to Cariboo in order to expedite progress on GDP3. The commercial proposal provides that the Company would fund 100% of GDP3 pending Cariboo either electing to pay its 25% share prior to completion of construction, plus interest, or if Cariboo did not so elect by that time, Taseko would recover Cariboo's 25% share of the project costs (plus interest) which is funded by Taseko, through priority on all the positive cash flow from the expansion, after which the parties would revert back to 75:25 for all of the Gibraltar mine operations. Cariboo is considering the proposal pending which Cariboo has advised the Company that while the commercial proposal is under consideration Cariboo has no objection to the Company proceeding with the expansion at Taseko's sole cost.

As at September 30, 2011, capital commitments for the Gibraltar Development Plan 3 (GDP3) expansion project totaled $31,043 on a 100% basis. Capital commitments for all other projects totaled $902, resulting in total capital commitments of $31,945 for the Company as at September 30, 2011.

(b) Contingency

As at September 30, 2011, the Company has guaranteed 100% of debt totaling $36,256 and 75% of debt totaling $10,553.

20. TRANSITION TO IFRS

(a) Elected exemptions

IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions as of the transition date of January 1, 2010:

- Not to apply the requirements of IFRS 3, *Business Combinations,* and restate business combinations that occurred prior to the transition date.
- To apply the requirements of IFRS 2, *Share-based Payments*, to share options granted which had not vested as at the transition date.
- To apply the borrowing cost exemption and to prospectively apply IAS 23, *Borrowing Costs.*
- To not retrospectively apply IFRIC 1, *Changes in Existing Decommissioning, Restoration and Similar Liabilities.* The simplified approach to calculating the net book value of the asset related to the PER was applied. The PER calculated on the transition date in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* was discounted back to the date the liability first arose, at which date the corresponding asset was set up, and then accumulated depreciation was recalculated as at the transition date.

(Cdn$ in thousands - unaudited)

(b) Reconciliation of Equity

	Ref.	December 31, 2010	September 30, 2010	January 1, 2010
Equity under GAAP		$ 469,951	$ 440,279	$ 296,693
Change in accounting policy for depreciation	(i)	(4,252)	(4,434)	(3,585)
Reversal of impairment	(ii)	3,338	3,366	4,574
Provision for environmental rehabilitation	(iii)	(14,290)	(13,683)	(16,731)
Share-based compensation	(iv)	-	-	-
Deferred income tax	(v)	3,657	3,495	4,584
Equity under IFRS		$ 458,404	$ 429,023	$ 285,535

(c) Reconciliation of Total Comprehensive Income

	Ref.	Three months ended Sept. 30, 2010	Nine months ended Sept. 30, 2010	Year ended December 31, 2010
Total Comprehensive Income under GAAP		$ 3,869	$ 124,243	$ 150,271
Change in accounting policy for depreciation	(i)	(487)	(1,952)	(1,772)
Reversal of impairment	(ii)	(24)	(71)	(99)
Provision for environmental rehabilitation	(iii)	(480)	(1,236)	(1,843)
Share-based compensation	(iv)	-	638	1,149
Deferred income tax	(v)	341	117	280
Gain on contribution to joint venture	(vi)	-	3,044	3,044
Total Comprehensive Income under IFRS		$ 3,219	$ 124,783	$ 151,030

References for (b) and (c)

i) Change in accounting policy for depreciation

Effective January 1, 2011, the Company changed its depreciation accounting policy with respect to certain components of property, plant and equipment as management believes it more appropriately reflects the use of the corresponding assets thereby resulting in more reliable and relevant presentation. The impact of this change in accounting policy has been retrospectively applied.

Mining equipment was previously depreciated using the units-of-production method based on tons mined which resulted in variability in the amount depreciated period to period. Mining equipment assets are usually fully deployed in day-to-day activities and have a readily determinable useful life. As such, management adopted a policy to depreciate these assets using the straight-line method over their estimated useful lives.

Buildings were previously depreciated using the declining balance method which results in more depreciation being taken in the initial years. Management views the utility of buildings to be relatively consistent over the lives of the buildings and has adopted a policy to depreciate these assets using the straight-line method.

ii) Reversal of impairment

Under IFRS, the Company is required to reconsider whether impairment losses recognized in prior periods no longer exist, or have 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 carrying value. This is not permitted under GAAP.

Based on the Company's analysis, an adjustment of $4,574 has been recorded on transition to IFRS to fully reverse an impairment loss recognized for the Gibraltar mine in fiscal 2001, as the mine subsequently restarted operations and is expected to continue to generate economic benefits for the foreseeable future. The Company concluded that the historical impairments recognized for Prosperity and Harmony should not be reversed.

As at September 30, 2010 and December 31, 2010, no additional impairment reversals were identified under IFRS; however, the transition adjustment had been reduced by 25% to reflect the formation of the Joint Venture. The amounts recorded in the table above include the incremental depreciation as a result of the impairment reversal on transition date.

iii) Provision for environmental rehabilitation

The Company has re-measured its PER as of the transition date and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. This calculation was done using best estimates of the historical risk-adjusted discount rates. Accumulated depreciation under IFRS was recalculated up to the transition date.

Under GAAP, the Company reduced the amount of its PER by expected cash inflows associated with future anticipated revenue-generating activities. Under IFRS, these amounts are recognized as a separate asset when recovery is virtually certain. The Company concluded that the conditions for virtual certainty do not exist and have excluded these revenues from its calculations under IFRS.

Accordingly, an adjustment was made to increase the asset by $24,162, to increase the PER by $40,893 and to decrease deferred income taxes by $5,814, for a total adjustment that decreased equity by $10,917 on the transition date.

As at September 30, 2010 and December 31, 2010, the adjustments were updated for changes in discount rates and incremental depreciation. There were no other changes in estimates.

iv) Share-based compensation

For the purpose of accounting for share-based payment transactions, certain individuals previously classified as contractors under GAAP are now classified as employees under IFRS, and the Company records a lower expense each period, with an equal and offsetting adjustment to contributed surplus. Additional adjustments were made as at September 30, 2010 and December 31, 2010.

v) Income tax

Under IFRS, the Company has derecognized deferred tax liabilities previously recognized on temporary differences arising on the initial recognition of the Aley property 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 income nor taxable income. Accordingly, mineral property interests were reduced by $1,955, intangibles were reduced by $2,907 and deferred income tax decreased by $3,975, with a decrease to equity of $887.

Under IFRS, the Company has reversed the deferred tax asset previously recognized under GAAP related to the "new mine allowance" for British Columbia mineral tax purposes. Accordingly, property, plant and equipment and deferred income tax liability both increased by $6,786.

In addition, deferred taxes have been adjusted for the changes to net book values arising as a result of the adjustments for first-time adoption of IFRS as discussed above, resulting in an increase to equity of $2,570. Additional adjustments were made as of September 30, 2010 and December 31, 2010.

vi) Gain on contribution to joint venture

The gain on the contribution to joint venture has been recalculated under IFRS to reflect adjustments to the carrying values of certain assets and liabilities of the Gibraltar mine contributed to the joint venture, as described in references (i), (ii), (iii) and (v).

(d) Reconciliation of Cash Flows

The IFRS transition adjustments noted above did not have an impact on cash and equivalents.

Cash interest paid is presented as a financing activity, cash interest received is presented as an investing activity, and the effect of foreign exchange rate changes on cash and equivalents has been presented separately in the statements of cash flows under IFRS. Under GAAP, all of these were included as operating activities. As a result of these changes in classification under IFRS, cash flow from operating activities increased by $1,544, cash flow from financing activities decreased by $2,095 and cash flow from investing activities increased by $1,081, with the effect of the foreign exchange decreasing cash by $530 for the nine months ended September 30, 2010 compared to GAAP. There is no net impact on cash and equivalents as a result of this presentation change.

(e) Financial statement presentation changes

The transition to IFRS has resulted in numerous financial statement presentation changes. The changes to the consolidated statement of cash flows are outlined above. The following is a summary of the significant changes to the consolidated statement of comprehensive income:

- Expenses on the statement of comprehensive income have been classified according to function. Accordingly, depreciation and stock-based compensation are no longer presented as a separate item on the statement of comprehensive income but are included in cost of sales and general and administrative expenses.

- Other operating expenses include items related to the operation of the business such as gains and losses (realized and unrealized) on copper derivative instruments and management fee income related to the joint venture.

- Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on the disposal of marketable securities, changes in the fair value of derivatives included in cash and equivalents and marketable securities, and impairment losses recognized on financial assets.

- Finance income comprises interest income on funds invested, gains on the disposal of marketable securities, and changes in the fair value of derivatives included in cash and equivalents and marketable securities. Interest income is recognized as it accrues in earnings, using the effective interest method.

- Foreign currency gains and losses are reported on a net basis in finance expense and/or finance income.

There have been no changes to the presentation of the balance sheet as a result of IFRS.

21. SUBSEQUENT EVENTS

On November 9, 2011, Cariboo gave its consent for GDP3 and will begin funding its 25% share of the project costs.