TASEKO ANNOUNCES EARNINGS FOR YEAR END 2011

This release should be read with the 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. Production volumes and capital amounts for the Company's 75%-owned Gibraltar mine are presented based on this 75% basis unless otherwise indicated.

March 12, 2012, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE Amex: TGB) announces gross profit of $86.3 million and net earnings of $27.0 million ($0.14 per share) for the year ended December 31, 2011.

Highlights

- Revenues for 2011 were $251.9 million from the sale of 60.8 million pounds of copper and 974,000 pounds of molybdenum. Revenues for the fourth quarter of 2011 were $60.5 million from the sale of 15.5 million pounds of copper and 269,000 pounds of molybdenum.

- Total production at Gibraltar (100%), for the year ended December 31, 2011 was 82.9 million pounds of copper and 1.3 million pounds of molybdenum. Fourth quarter production was 22.3 million pounds of copper and 388,000 pounds of molybdenum.

- Capital projects for the year totalled $63.9 million.

- On a 100% basis, $56.1 million was spent on Gibraltar Development Plan 3 ("GDP3").

- On November 8th 2011, the Canadian Environmental Assessment Agency ("CEAA") posted the 'Notice of Commencement' regarding the New Prosperity project, indicating the Federal assessment is now underway. On February 28, 2012 a work program commenced on site for the purpose of obtaining information required for the Federal environmental review.

- A $20-million program has commenced at Aley to advance the project into the feasibility and engineering stages. Included in the program is the construction of road access to the site, a contract awarded to a local First Nations road building firm.

- Realized copper prices were US$3.89 per pound in 2011, compared to US$3.60 per pound in 2010, and the London Metal Exchange average price of US$4.00 per pound. The difference from the LME average price stems from the timing of shipments of copper.

Russell Hallbauer, President and CEO of Taseko, commented *"Construction of Gibraltar Development Plan 3 is progressing as planned, on time and on budget. All major equipment has been purchased for the concentrator, molybdenum plant, and infrastructure, shipment of the long lead items has begun, foundations have been laid, and erection of the new buildings is well underway."*

Mr. Hallbauer continued, *"We continue to move forward with New Prosperity's Federal environmental review process, which began in November 2011. The Minister of the Environment indicated that the Canadian Environmental Assessment Agency ("CEAA") would use information gathered in the previous environmental assessment to support the new process. Exploration and environmental data gathering work has commenced on site. We expect the Panel meetings to begin over the next few months."*

"In addition, we are advancing our Aley niobium project, with a $20-million program budgeted for 2012. This program will further define the ore body, support the environmental baseline studies and inform the project feasibility study. It will also provide the basis for preliminary engineering and mine site planning."

"Our strategy is to create shareholder value by growing the company organically, controlling capital and operating costs, and executing our projects in a sound technical manner. Taseko's looks forward to managing our diversified project pipeline and enhancing shareholder value in 2012." Mr. Hallbauer concluded.

Taseko will host a conference call on Tuesday, March 13, 2012 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) 315-0461 internationally. A live and archived audio webcast will also be available at www.tasekomines.com.

The conference call will be archived for later playback until March 20, 2012 and can be accessed by dialing (855) 859-2056 in Canada and the United States, or 404-537-3406 internationally and using the passcode 51127932.

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

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 consolidated financial statements and notes thereto, prepared in accordance with IFRS for the year ended December 31, 2011 (collectively, the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this MD&A and the most recent Form 40-F/Annual Information Form on file with the US Securities and Exchange Commission ("SEC") and Canadian provincial securities regulatory authorities.

This MD&A is prepared as of March 9, 2012. 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 SEC and Canadian provincial securities regulatory authorities.

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FINANCIAL HIGHLIGHTS

(Cdn$ in thousands, except per share amounts)	Year ended December 31, 2011	2010
Revenues	$ 251,866	$ 278,460
Net earnings	26,974	149,357
Per share ("EPS") [1]	0.14	0.80
Adjusted net earnings [2]	17,458	51,662
Per share ("adjusted EPS") [1]	0.09	0.28
EBITDA [2]	70,681	198,443
Adjusted EBITDA [2]	57,817	94,284
Capital expenditures	63,915	55,303
	As at December 31, 2011	**2010**
Cash and equivalents	$ 277,792	$ 211,793
Dual currency deposits within other financial assets	40,602	-
Non-cash working capital	98,117	3,878
Net (cash) debt	(86,139)	(173,460)
Equity	496,817	460,742

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

[2] Adjusted net earnings, adjusted EPS, EBITDA and adjusted EBITDA are non-GAAP financial performance measures with no standard definition under IFRS. See pages 30-33 of this MD&A.

As a result of the formation of a joint venture on March 31, 2010, the full-year comparatives for 2010 throughout this MD&A include 100% of the Gibraltar mine's results through to March 31, 2010 and 75% of the Gibraltar mine's results thereafter.

RECENT DEVELOPMENTS AND MARKET REVIEW

New Prosperity project

The Canadian Environmental Assessment Agency (CEAA) has completed the terms of reference and guidelines for the Company's New Prosperity project. On February 28, 2012 a work program commenced on site for the purpose of obtaining information required for the federal environmental assessment.

Aley project

The Company is proceeding with its $20-million program for its Aley niobium project north of Mackenzie, British Columbia. The bulk of the work, scheduled to take place this summer, has three primary objectives: 1) further define the ore body; 2) undertake environmental baseline studies and 3) inform the project feasibility and advance preliminary engineering and mine site planning. To date, all exploration activities have been through helicopter supported programs. In order to advance this year's work and support future development, a road clearing contract has been awarded to a local First Nations construction firm and work has started on clearing a 12-km route into the project area.

Normal course issuer bid

Effective February 3, 2012, the Company commenced a normal course issuer bid for up to 10 million common shares of the Company. All shares will be purchased on the open market through the facilities of the Toronto Stock Exchange at the market price at the time of purchase. The Company's normal course issuer bid will terminate on February 2, 2013 or earlier if the number of shares sought in the issuer bid has been obtained. The Company reserves the right to terminate the bid earlier at any time. Purchases under the normal course issuer bid are subject to the restricted payment limitations in the Company's senior notes indenture.

Market review

Copper

The market price for copper is a primary driver of our profitability and our ability to generate operating cash flow. Copper markets demonstrated strong pricing during 2011 with significant volatility. This volatility was evidenced by record average prices for 2011 overall combined with significant declines in the last four months of 2011.

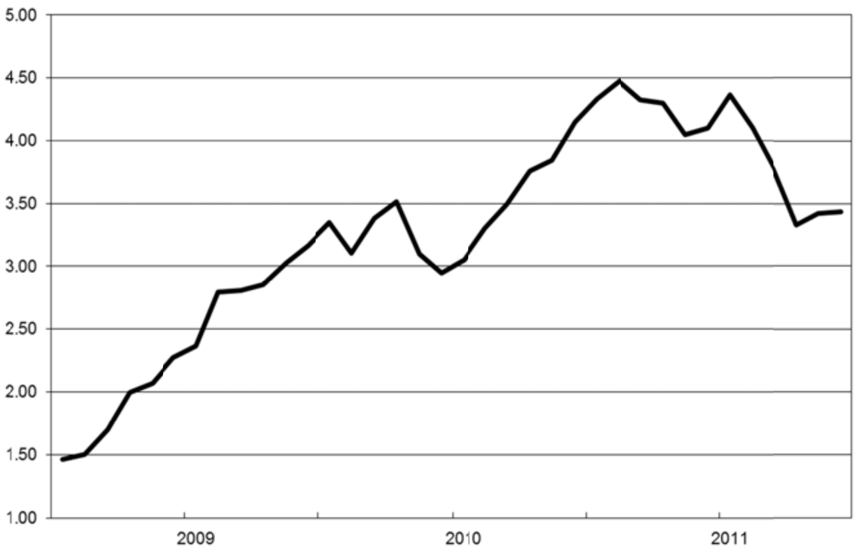
China and other emerging economies provided strong demand for copper in 2011 which supported copper prices through much of the year. Concerns regarding European debt and a slowing economy in the United States and elsewhere provided the impetus for significant volatility in financial and commodity markets particularly in the latter part of 2011. While copper prices have recovered to date in 2012, substantial risk in the form of volatility in financial and commodity markets will likely continue. This volatility can cause rapid declines in our copper prices which can have a significant effect on our profitability.

As a means to mitigate the potential impact of this copper price volatility on our future profitability and operating cash flow, 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 primarily paid for by selling calls at an average price of US$5.08 per pound.

The benefits from our hedging strategy became apparent during 2011 with unrealized gains of $22.9 million on copper derivative instruments, offset partially by realized losses of $9.9 million. The quarterly mark-to-market of our unrealized hedge position can impact our earnings significantly due to this non-cash adjustment. We intend to maintain our strategy of hedging our share of copper production as a means of future operating margin protection.

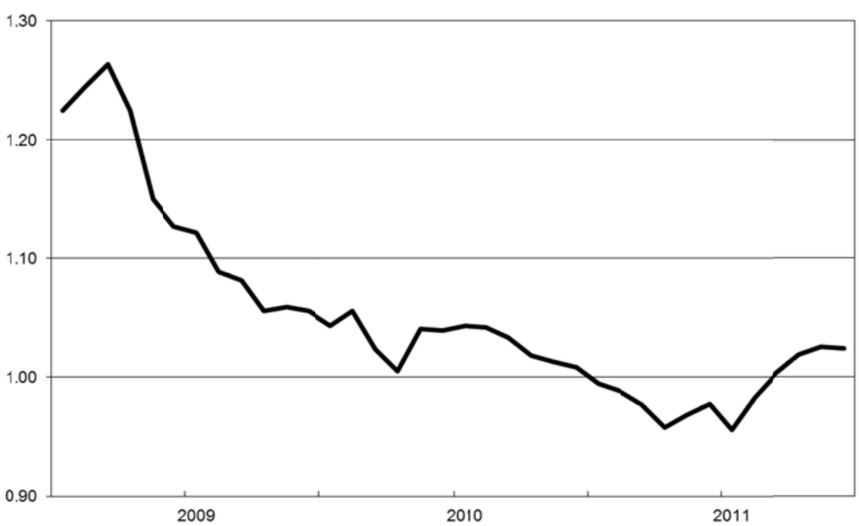
Under our two copper concentrate sales agreements, a portion of our copper concentrate sales had not yet settled at year end. At December 31, 2011, Gibraltar (100%) had 19.9 million pounds of copper in concentrate not yet settled. Of this amount, pricing was fixed on 9.3 million pounds and the residual 10.6 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 reduce our exposure to copper price volatility. The copper subject to final pricing is valued at year end using the copper price forward curve at that point in time.

Figure 1: Average monthly spot copper prices (USD per pound)



Foreign exchange rates

Figure 2: Average monthly USD exchange rates (CAD/USD)



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. Fluctuations in the Canadian dollar/US dollar exchange rate will also have an effect on the net operating cash costs of production as reported in US$ per pound.

FINANCIAL PERFORMANCE

Earnings

	Year ended December 31,			
(Cdn$ in thousands)	**2011**	**2010**	**Change**	**% Change**
Net earnings	$ 26,974	$ 149,357	$ (122,383)	(10%)
Unrealized gain on derivatives, net of tax	(16,864)	(6,347)	(10,517)	166%
Gain on sale of shares	(6,443)	(4,087)	(2,356)	58%
Changes in fair value of financial instruments	307	25	282	>999%
Foreign currency translation losses	5,907	4,801	1,106	23%
Loss on extinguishment of debt	-	2,136	(2,136)	(100%)
Loss/(gain) on contribution to joint venture, net of tax	2,930	(63,623)	66,553	(105%)
Non-recurring consulting expenses, net of tax	4,647	-	4,647	100%
Non-recurring tax adjustments	-	(30,600)	30,600	100%
Adjusted net earnings [1]	$ 17,458	$ 51,662	$ (34,204)	(66%)

[1] Adjusted net earnings is non-GAAP financial performance measures with no standard definition under IFRS. See pages 30-33 of this MD&A.

The decrease in 2011 net earnings compared to 2010 is primarily driven by the recognition of a number of non-recurring items in 2010, including a $63.6-million after-tax gain realized on the formation of the Gibraltar joint venture during the first quarter of 2010 and $30.6 million in reversals of historical tax reserves and interest.

As can be seen in the table above, the unrealized gains/losses on derivatives can vary significantly each period and have a significant impact on earnings. These swings are a result of the derivatives comprising our hedge program at the balance sheet date, and marking-to-market this copper hedge position using the forward copper price at the balance-sheet date. The hedge position at the end of 2011 was comprised of collars hedging 90% of our share of Gibraltar's estimated 2012 copper production, whereas the hedge position at the end of 2010 was comprised of put options on our share of Gibraltar's estimated copper production for the first six months of 2011.

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.

The resultant adjusted net earnings is a non-GAAP performance measure that we believe is more representative of ongoing operations. Contributing to the $34-million decrease in adjusted net earnings year over year are the following changes:

- $27-million decrease in revenues associated with lower sales volumes;
- $8-million increase in cost of sales;
- $2-million impairment of plant and equipment;
- $9-million increase in interest expense associated with the 2011 senior notes issuance;
- $3-million increase in foreign exchange losses;
- offset by a $4-million increase in finance income; and
- $12-million for the associated tax effects of these items.

Each of the above-noted changes is examined in further detail in the sections below.

Revenues

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
Copper concentrate	$ 227,140	$ 258,932	$ (31,792)	(12%)
Copper cathode	6,936	3,987	2,949	74%
Total copper sales	$ 234,076	$ 262,919	$ (28,843)	(11%)
Molybdenum concentrate	14,317	12,656	1,661	13%
Silver contained in copper concentrate	3,473	2,885	588	20%
	$ 251,866	$ 278,460	$ (26,594)	(10%)
(thousands of pounds, unless otherwise noted)				
Copper concentrate	58,913	69,706	(10,793)	(15%)
Copper cathode	1,863	1,133	730	64%
Total copper sales	60,776	70,839	(10,063)	(14%)
Average realized copper price (US$ per pound) [1]	$3.89	$3.60	$0.29	8%
Molybdenum concentrate	974	746	228	30%

[1] The average exchange rate used for 2011 was CAD/USD $0.9893 (2010: $1.03).

Copper revenues are down 11% primarily due to a 14% reduction in our share of the Gibraltar mine's sales volumes. Contributing to this decrease in sales volumes is the 2010 joint venture transaction on March 31, 2010. Copper revenues were positively impacted by an increase in average realized copper prices year-over-year. Copper averaged US$4.00 per pound in 2011 and US$3.42 per pound in 2010 based on London Metals Exchange (LME) prices for these periods.

Molybdenum revenues have increased 13% benefitting from a 30% increase in sales volumes. The impact of the increased sales volumes has been partially offset by declining molybdenum prices over the course of 2011.

Cost of sales

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
Direct mining costs	$ 125,536	$ 120,810	$ 4,726	4%
Depreciation	12,145	12,655	(510)	(4%)
Treatment and refining costs	11,632	11,563	69	1%
Transportation costs	13,108	16,275	(3,167)	(19%)
Changes in inventories of finished goods and WIP	3,144	(3,544)	6,688	(189%)
	$ 165,565	$ 157,759	$ 7,806	5%
Copper production (thousands of pounds)	62,165	75,050	(12,885)	(17%)
Copper sales (thousands of pounds)	60,776	70,839	(10,063)	(14%)
Direct mining costs per pound produced (per pound)	$2.02	$1.61	$0.41	25%
Depreciation per pound produced (per pound)	0.20	0.17	0.03	18%
Treatment and refining costs per pound sold (per pound)	0.19	0.16	0.03	19%
Transportation costs per pound sold (per pound)	0.22	0.23	(0.01)	(4%)

The year-over-year increase in direct mining costs reflects a 10% increase in tons mined due, in part, to a planned increase in stripping activities during 2011. The strip ratio increased to 2.8 during 2011 from 2.5 in 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. The increase in direct mining costs on a 'per-unit of production' basis is also affected by the decrease in grade and recovery year-over-year. (See *Operating Statistics* on page 11 for additional details).

Depreciation expenses have remained relatively constant year-over-year. Treatment and refining costs have increased on a 'per-unit of sales' basis, consistent with increases observed in the market in 2011, compared to 2010.

Other expenses and income

	Year ended December 31,			
(Cdn$ in thousands)	**2011**	**2010**	**Change**	**% Change**
General and administrative	$ 21,100	$ 19,057	$ 2,043	11%
Exploration and evaluation	$ 10,411	$ 10,090	$ 321	3%
Other operating expenses (income):				
Realized loss on copper derivatives	$ 9,910	$ 12,200	$ (2,290)	(19%)
Unrealized gain on copper derivatives	(22,944)	(8,877)	(14,067)	158%
Consulting expenses	6,322	-	6,322	100%
Impairment of plant and equipment	2,377	-	2,377	100%
Management fee income	(840)	(648)	(192)	30%
	$ (5,175)	$ 2,675	$ (7,850)	(293%)
Loss (gain) on contribution of joint venture	$ 3,987	$ (98,157)	$102,144	(104%)

The increase in general and administrative expenses in 2011 is due to higher compensation costs primarily as a result of headcount increases in our engineering group, as well as increased consulting costs related to our expansion projects in the period.

Over 80% of the exploration and evaluation expenses during 2011 were attributable to work performed at the Aley project, with the balance primarily spent on New Prosperity. In 2010, over 85% of the exploration and evaluation expenses were incurred on New Prosperity with the remainder primarily spent on Aley.

The $9.9-million loss on copper derivatives reflects the net cost of our copper hedging program for 2011. We purchased a series of put options for a total of 69.4 million pounds of copper, and the premium paid on these put options was approximately US$0.20 per pound. With the decline in spot copper prices, beginning in the third quarter, some of these options expired in-the-money. We received proceeds of approximately $3 million on these options.

During 2011, the Company purchased put options for 68.8 million pounds of 2012 copper production. The puts were partially financed by selling calls for an equivalent amount of copper, for a net cost of US$0.10 per pound. These costs will be realized over the course of 2012. However, these outstanding copper derivatives are marked-to-market each period end to fair value with any changes in fair value recognized in income as unrealized gains or losses. For 2011, we recognized $22.9 million in unrealized gains as a result of the decline in copper prices from the time we entered into the contracts in the second quarter 2011 through to the end of the year.

In early July we engaged consultants to work with the Gibraltar management team over a 23-week period to design and execute programs directed at improvements in operational performance. The total cost of this engagement comprises the consulting expenses of $6.3 million. The medium and long-term benefits are expected to provide a significant return on the program, with initial operating impacts expected during the current fiscal year.

Certain plant and equipment were deemed redundant upon completion of the SAG direct feed project during 2011, which resulted in an impairment charge. We plan to dismantle the equipment and attempt to sell for scrap. No value is currently ascribed to the scrap material. We also identified other assets that will no longer be utilized under our current life-of-mine plan and recognized an impairment charge on these assets as well. The total impairment charges for 2011 were $2.4 million. There were no impairments identified in 2010.

Under the terms of the joint venture operating agreement, the Gibraltar joint venture pays the Company a management fee for services rendered as operator of the Gibraltar mine. The management fees are directly related to Gibraltar mine's total revenues. The increase in the 2011 management fees earned reflects a full year of service by the Company as operator of the mine versus nine months in 2010.

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. We recognized a gain on contribution to the joint venture of $98.2 million. 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 2011 as a result of funding Cariboo's portion of the SAG direct feed system project costs above the 2010 budgeted amount.

Finance expenses

	Year ended December 31,			
(Cdn$ in thousands)	**2011**	**2010**	**Change**	**% Change**
Interest expense	$ 13,957	$ 4,542	$ 9,415	207%
Accretion on PER	2,046	1,936	110	6%
Loss on extinguishment of debt and royalty obligations	-	2,136	(2,136)	(100%)
Foreign exchange loss	6,489	2,133	4,356	204%
	$ 22,492	$ 10,747	$ 11,745	109%

Interest expense has increased primarily as a result of the issuance of the US$200 million in senior notes in April 2011, bearing interest at 7.75%. The remainder of the interest expense is related to secured equipment loans and capital leases, which has also increased slightly year over year.

Foreign exchange losses arise as a result of the significant transactions we undertake in US dollars. All of our revenue transactions are denominated in US dollars. We incur certain capital and operating expenditures in US dollars, as well as make interest payments on our senior notes in US dollars. As a result of movements in exchange rates between the date we initially record our transaction and the date payment is made/received, we incur foreign exchange gains and losses. In addition, we have significant monetary assets and liabilities denominated in US dollars that are translated to Canadian dollars at each balance sheet date, resulting in a foreign exchange gain or loss. These monetary assets and liabilities include cash, accounts receivable and the senior notes.

Finance income

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
Interest income	$ 6,859	$ 14,933	$ (8,074)	(54%)
Gain on sale of shares	5,995	4,087	1,908	47%
Income realized on dual currency deposits	4,275	577	3,698	641%
Change in fair value of financial instruments	(307)	(25)	(282)	>999%
Dividend income	448	-	448	100%
	$ 17,270	$ 19,572	$ (2,302)	(12%)

Interest income is primarily comprised of income earned on the promissory note and reclamation deposits. In addition, interest income for 2010 includes a recovery of $8.1 million in interest expense associated with reversal of historical tax reserves. After adjusting for this non-recurring item in 2010, interest income is comparable year over year.

Income realized on dual currency deposits increased significantly in 2011 as a result of the investment of a portion of the proceeds on the senior notes issuance into these instruments.

Income tax

(Cdn$ in thousands)	Year ended December 31, 2011	2010	Change	% Change
Current expense	$ 6,002	$ 4,106	$ 1,896	46%
Deferred expense	17,780	42,398	(24,618)	(58%)
	$ 23,782	$ 46,504	$ (22,722)	(49%)
Effective tax rate	46.9%	23.7%		
Canadian statutory rate	26.5%	28.5%		

The overall income tax expense is lower in 2011 when compared to 2010, as the 2010 income tax expense took into account the proceeds received from the joint venture transaction, which reduced our income tax pools, resulting in higher deferred taxes. Current cash taxes were also higher in 2010 than they were 2011 as a result of the joint venture transaction.

The effective tax rate for 2011 is higher than the statutory rate primarily due to the mineral tax, permanent differences and unrecognized tax benefits. 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 by 15%. In addition, permanent differences, such as non-deductible share-based compensation, accounted for 4% of the difference. In addition, there were unrecognized tax benefits related to unrealized foreign exchange on debt, which had the effect of increasing the effective tax rate by 3%. When these differences are applied to the net income year-to-date, they impact the effective tax rate significantly. Other items including the impact of the reduction of corporate tax rates created minor impacts on the effective tax rate.

The effective tax rate for 2010 is lower than the statutory rate. Permanent differences related to non-deductible share-based compensation, non-taxable gains on the sale of securities and non-deductible interest had the effect of reducing the effective tax rate by 10%. This was partially offset by the impact of the BC Mineral tax which had the effect of increasing the effective tax rate by 7%. In addition, there were adjustments for future tax rate differences.

REVIEW OF OPERATIONS AND PROJECTS

Gibraltar mine

OPERATING STATISTICS (100% BASIS)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2011	**2010**	**2011**	**2010**
Tons mined (millions)	15.4	15.6	57.5	52.3
Tons milled (millions)	4.3	3.9	15.2	15.0
Stripping ratio	2.7	2.9	2.8	2.5
Copper				
Grade (%)	0.292	0.333	0.304	0.338
Recovery (%)	86.5	89.1	87.7	89.2
Production (million pounds)	21.8	22.9	80.8	90.5
Sales (million pounds)	19.7	32.7	78.6	85.3
Copper cathode				
Production (million pounds)	0.5	0.5	2.1	1.8
Sales (million pounds)	0.9	0.9	2.5	1.5
Molybdenum				
Grade (%)	0.012	0.012	0.012	0.012
Recovery (%)	38.8	29.8	36.7	25.5
Production (thousand pounds)	388	276	1,331	941
Sales (thousand pounds)	358	261	1,298	924
Per unit data [1,4]				
Operating cash costs [2] (US$ per pound)	$1.91	$1.70	$2.04	$1.56
By-product credits [3] (US$ per pound)	($0.25)	($0.26)	($0.29)	($0.20)
Net operating cash costs of production [1] (US$ per pound)	$1.66	$1.44	$1.75	$1.36

[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 30-33 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.

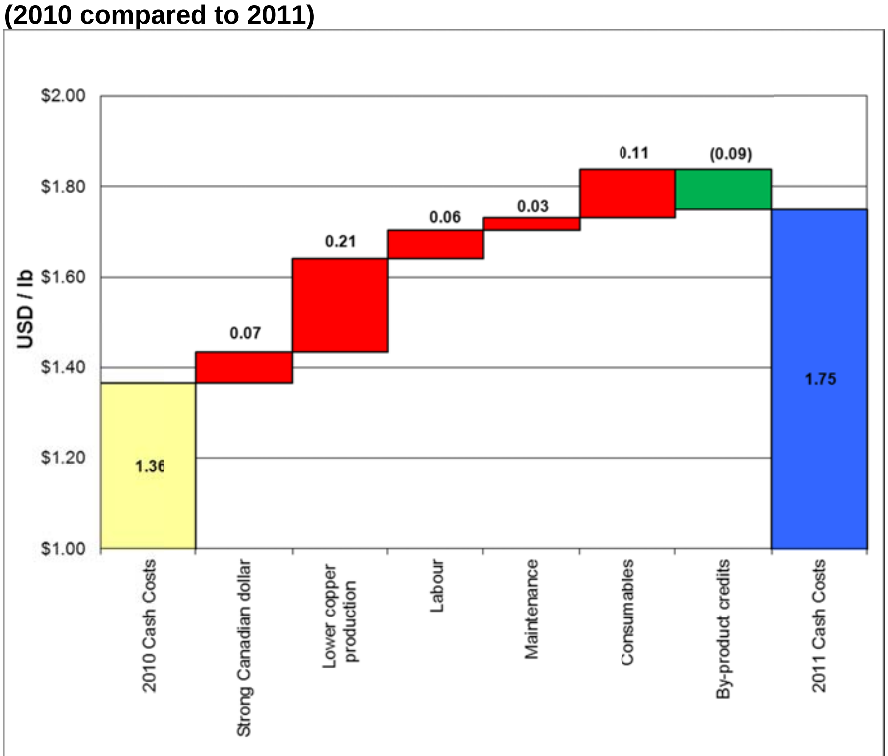
[4] Per unit data may not sum due to rounding.

Full-year results

The Gibraltar mine's copper production in 2011 was 82.9 million pounds, down 10% compared to the prior year production of 92.3 million pounds mainly due to lower head grade. Copper production in 2011 was also hampered by harsh winter conditions, tie-in of the SAG direct feed system, and the reline of the west rougher flotation bank and failure of the feed-end trunnion on Ball Mill #1.

Molybdenum production during 2011 was 1,331 thousand pounds, up 41% compared to 2010, also attributable to a significant improvement in molybdenum recovery as a result of operational and technical improvements to the molybdenum separation circuit.

Figure 3: Net operating cash costs of production[1,2] per pound (2010 compared to 2011)



[1] Net operating cash costs of production is a non-GAAP financial performance measure with no standard definition under IFRS. See pages 30-33 of the Company's MD&A.

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

In 2011, net operating cash costs per pound of copper produced averaged US$1.75, a 29% increase over the US$1.36 averaged during the prior-year. Net operating cash costs were adversely impacted in 2011 by a 10% 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 38% increase in by-product credits to US$0.29 per pound of copper produced during 2011.

The tie-in of the SAG direct feed system was completed in May 2011 which eliminated the secondary crusher and fine ore delivery system bottleneck. The tie-in has allowed Gibraltar to move towards optimum mill throughput rates and mitigated throughput issues experienced historically in the winter months.

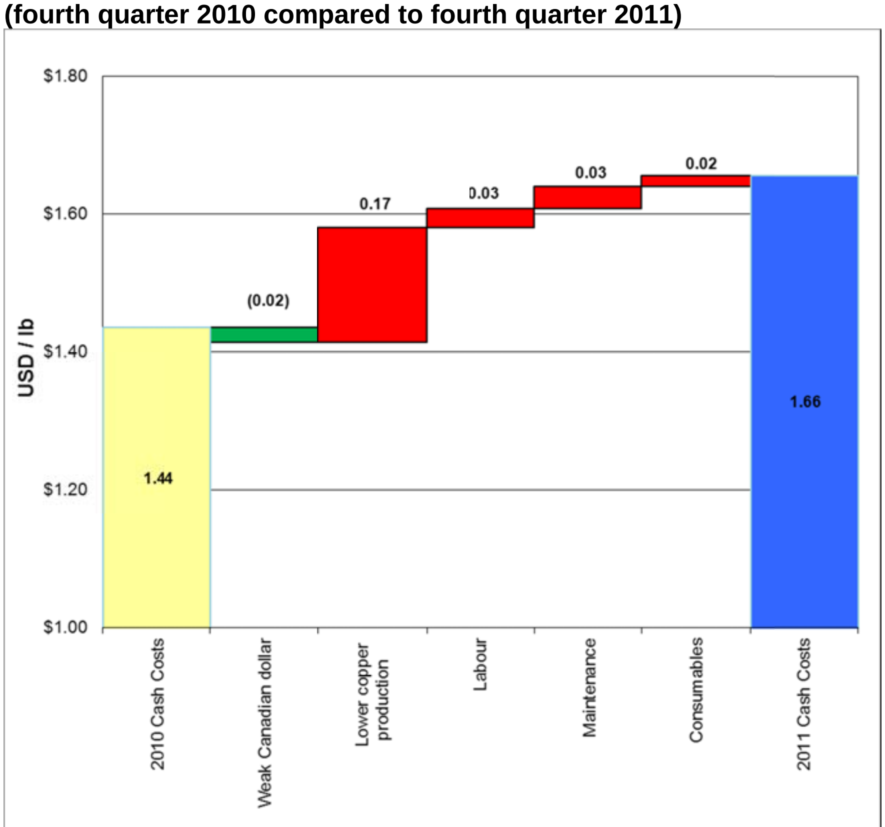
In early July we engaged consultants to work with the Gibraltar management team over a 23-week period to design and execute programs directed at improvements in operational performance. The work with the consultants ended in December 2011.

Fourth-quarter results

The Gibraltar mine's fourth quarter 2011 copper production was 22.3 million pounds, a 5% decrease from the 23.4 million pounds produced in the fourth quarter 2010 primarily due to lower head grade. Mill optimization efforts continue with average mill throughput of 52,500 tons per operating day being realized in the quarter. Mill availability was lower than expected in the quarter at 89% due to additional downtime for mill re-lines, screen deck maintenance, and an annual planned electrical outage. Mill throughput efforts have continued with further gains yet to be realized from "mine to mill" optimization and improvements in mill availability.

Molybdenum production during fourth quarter 2011 was 388 thousand pounds, up 40% compared to the prior-year quarter, largely due to a 30% increase in molybdenum recovery.

Figure 4: Net operating cash costs of production[1,2] per pound (fourth quarter 2010 compared to fourth quarter 2011)



[1] Net operating cash costs of production is a non-GAAP financial performance measure with no standard definition under IFRS. See pages 30-33 of the Company's MD&A.

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

In the fourth quarter 2011, total net operating cash costs per pound of copper produced averaged US$1.66, a 15% increase over the US$1.44 averaged during fourth quarter 2010. Net operating cash costs per unit of production were adversely impacted in fourth quarter 2011 mainly due to lower copper production. Costs were also impacted with increases in labour, maintenance and consumable costs.

Gibraltar Development Plan (GDP3)

The total GDP3 Project capital cost is estimated at $325 million and, to date, commitments have been made for approximately 70% of the project capital requirements. Engineering Procurement and Construction Management (EPCM) activities on the $237-million infrastructure portion of the project continue to progress as planned. Major equipment purchases for the concentrator, molybdenum plant and infrastructure are complete and detailed engineering activities for the project structural, mechanical and electrical systems continue. Orders and contracts for over 60% of the infrastructure portion of the project budget have been placed and, as reported previously, all of the major mining equipment has been purchased. Shipment of long lead items including transformers and grinding mill components commenced in February 2012.

Construction activities are proceeding as planned. The #2 Concentrator building foundation and the grinding mill foundations have been completed as has the erection of the Molybdenum Plant building. Erection of the #2 Concentrator building is well underway as are civil concrete works for the mill feed conveyors. Structural and mechanical installation of the conveyors will commence in March 2012.

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

New Prosperity project

We have 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 2011.

On November 7, 2011, the Company was advised that a 'Notice of Commencement' had been posted by the CEAA related to the New Prosperity project. The Notice of Commencement confirmed that the project description had met all criteria required for an environmental assessment and that a panel review would 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.

Subsequent to the Notice of Commencement from CEAA in November 2011, the Company reported that it had been unlawfully obstructed from conducting work on the New Prosperity site. Court proceedings followed in December 2011 where the Company's work permits were suspended for 90 days in order to allow the courts to hear a provincial judicial review regarding the adequacy of consultation by the BC Government prior to providing the Company with the necessary work permits. On February 27, 2012, the Company reported that the temporary injunction preventing the Company from undertaking routine exploration work on the New Prosperity site pending a BC Supreme Court Judicial Review, has been vacated by court order. On February 28, 2012, the Company commenced a reduced scope of work that will be undertaken for the sole purposes of obtaining information required for the federal environmental assessment of the proposed New Prosperity project. On this basis, the parties have agreed not to further pursue existing legal actions.

The environmental assessment announced by CEAA remains in process under the timeline identified in their November 7, 2011 press release. The public comment period on the draft terms of reference and environmental impact statement commenced on January 23, 2012 and was completed on February 22, 2012. These documents will now be finalized by CEAA and inform the panel review process.

Aley project

Taseko announced a mineral resource estimate for the Aley project in September 2011. The in-pit inferred resource estimate was based on assay results from the Central Zone to July 31, 2011 and totaled 158.9 million tonnes grading 0.43% Nb_2O_5 using a base case cut-off of 0.2% Nb_2O_5.

The 2011 exploration program was completed in third quarter 2011 and included a total of 16,800 meters of additional 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. Assays were received in the fourth quarter and review of these assays will be completed in the first quarter 2012. A geological model and updated block model are under review with a plan to complete a resource update in the first quarter 2012. Metallurgical testwork is in progress on Aley.

Environmental baseline studies are ongoing including:

- Climate, Air and Noise
- Hydrology/Hydrogeology
- Water Quality
- Soils and Terrain
- Vegetation and Ecosystem Mapping
- Wildlife
- Aquatic Ecology
- Fish and Fish Habitat

Clearing of the site access road right of way was initiated in February 2012 with completion anticipated in early April 2012. Road construction is planned to start soon thereafter.

Engineering work on minesite components, tailings storage facility, and transmission line options was started at the end of the fourth quarter.

FINANCIAL CONDITION REVIEW

Balance sheet review

Total assets were $994.7 million at December 31, 2011, representing a 38% increase from the total assets of $722.1 million at December 31, 2010. The increase is primarily a result of the net proceeds received from the US$200.0 million senior notes offering which we closed in the second quarter, along with an increase in the rehabilitation cost asset.

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, other financial assets 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 $236.6 million since December 31, 2010 to $497.9 million as at December 31, 2011. This increase reflects the senior 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 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 3.1% as at December 31, 2011 compared to 3.7% at the end of 2010. Given the long time frame over which environmental rehabilitation expenditures are expected to be incurred (over 100 years), the amounts of the provision and asset are sensitive to even the slightest change in estimates of discount and inflation rates.

As at March 9, 2012, there were 195,818,495 common shares outstanding. In addition, there were 13,561,500 director, employee and contractor stock options. More information on these instruments and the terms of their exercise is set out in note 21 of our 2011 annual financial statements.

Liquidity, cash flow and capital resources

At December 31, 2011, the Company had cash and equivalents of $277.8 million, as compared to $211.8 million at December 31, 2010. An additional $40.6 million and $20.1 million of highly-liquid money market instruments are recorded as current other financial assets and long-term other financial assets, respectively, 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.

Operating cash flow for 2011 was an inflow of $11.7 million compared to an inflow of $94.1 million for the prior year. Additionally, operating cash flow for both 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 senior notes, a future use of operating cash flow will be the repayment of debt including interest.

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 for 2011 was $124.0 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 $128.4 million for 2010. 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 2011, a total of $235.6 million was invested in marketable securities, DCDs with terms greater than three months, and copper hedging contracts. In addition, $63.9 million was invested in property, plant and equipment, offset by $169.5 million in proceeds on the sale and maturity of investments, and interest received of $7.1 million. The prior year 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 provided by financing activities for 2011 was $173.5 million compared to cash used in financing activities of $42.0 million for 2010. Included in 2011 are $192.0 million in proceeds from the senior notes offering, $8.4 million in proceeds from common shares issued, offset by debt issuance costs of $6.1 million and repayment of debt including interest. This compares to a use of cash in financing activities for 2010 of $42.0 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 outright 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 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.

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 December 31, 2011, capital commitments associated with GDP3 totaled $49.1 million on a 100% basis. Capital commitments for all other projects were $0.5 million. Our share of total commitments was $37.2 million at year end.

In April 2011, the Company completed a public offering of US$200 million in senior notes due in 2019, bearing interest at an annual rate of 7.75%. The notes are guaranteed by the Company's subsidiaries and the subsidiary guarantees are, in turn, guaranteed by the Company. 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 interest. Prior to April 15, 2015, the notes may be redeemed at 100% plus a make-whole premium, plus accrued interest. 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 interest. The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

($ in thousands)	Payments due 2012	2013	2014	2015	2016	thereafter	Total
Debt [1]:							
Repayment of principal	13,753	9,610	6,829	3,728	927	203,400	238,246
Interest	17,518	16,717	16,235	15,927	15,783	36,126	118,306
PER [2]	-	-	-	-	-	128,020	128,020
Operating leases	1,377	117	145	-	-	-	1,639
Capital expenditures [3]	37,200	-	-	-	-	-	37,200
Other expenditures [4]	13,514	23,809	15,461	-	-	-	52,784

[1] Debt is comprised of senior notes, capital leases and secured equipment loans.

[2] Provision for environmental rehabilitation – Amounts presented in the table represent the undiscounted future payments for the expected cost of environmental rehabilitation.

[3] Purchase obligations for capital commitments include only those items where binding commitments have been entered into. Commitments at the end of 2011 primarily relate to the GDP3 expansion.

[4] Other expenditure commitments include the supply of goods and services, royalty obligations and exploration activities. Actual timing of payment for royalty obligations may differ. Amounts estimated based on expected future production levels.

SELECTED ANNUAL INFORMATION

(Cdn$ in thousands, except per share amounts)	Year ended December 31, **2011**	**2010**	**2009[1]**
Revenues	$ 251,866	$ 278,460	$ 188,902
Net earnings	$ 26,974	$ 149,357	$ 10,561
Per share – basic	$0.14	$0.80	$0.06
Per share – diluted	$0.14	$0.74	$0.06
	2011	December 31, 2010	January 1, 2010
Total assets	$ 994,732	$ 722,094	$ 567,683
Total long-term financial liabilities	$ 264,482	$ 82,162	$ 136,446

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

FOURTH QUARTER RESULTS

Consolidated Statements of Comprehensive Income (Cdn$ in thousands, except per share amounts)	**Three months ended December 31,** **2011**	 **2010**
Revenues	$ 60,512	$ 108,959
Cost of sales	(41,235)	(52,461)
Gross profit	19,277	56,498
General and administrative	(5,377)	(5,159)
Exploration and evaluation	(2,664)	(3,971)
Other operating income (expenses)	(25,709)	(2,894)
Gain (loss) on contribution to joint venture	-	1,095
	(14,473)	45,569
Finance expenses	(4,632)	(5,037)
Finance income	9,909	1,775
Earnings (loss) before income taxes	(9,196)	42,307
Income tax recovery (expense)	1,502	(16,757)
Net earnings (loss) for the period	**$ (7,694)**	**$ 25,550**
Other comprehensive income (loss):		
Unrealized gains (losses) on available-for-sale financial assets, net of tax	(1,483)	697
Total other comprehensive income (loss) for the period	**$ (1,483)**	**$ 697**
Total comprehensive income (loss) for the period	**$ (9,177)**	**$ 26,247**
Earnings per share		
Basic	$ (0.04)	$ 0.14
Diluted	$ (0.04)	$ 0.13
Weighted-average shares outstanding (thousands)		
Basic	195,771	187,159
Diluted	200,306	204,062

Consolidated Statements of Cash Flows (Cdn$ in thousands)	**Three months ended December 31, 2011**	**2010**
Operating activities		
Net earnings (loss) for the period	$ (7,694)	$ 25,550
Adjustments for:		
Depreciation	2,369	4,790
Income tax expense (recovery)	(1,502)	16,757
Income tax paid	(5,175)	(525)
Share-based compensation	1,564	2,158
Unrealized loss on derivatives	21,929	2,509
Finance expenses	7,746	1,531
Finance income	(3,851)	1,343
Gain on contribution to joint venture	-	(1,095)
Other operating activities	1,023	(6)
Net change in non-cash working capital	(8,623)	(15,756)
Cash provided by operating activities	7,786	37,256
Investing activities		
Purchase of property, plant and equipment	(28,942)	(16,886)
Purchase of financial assets	(22,766)	(5,685)
Interest received	2,976	1,548
Proceeds from sale of financial assets	69,955	-
Other investing activities	(471)	5,712
Cash provided by (used for) investing activities	20,752	(15,311)
Financing activities		
Repayment of debt	(2,900)	(2,274)
Interest paid	(8,408)	(1,023)
Common shares issued for cash	1,073	975
Cash provided by (used for) financing activities	(10,235)	(2,322)
Effect of exchange rate changes on cash and equivalents	(8,594)	(3,247)
Increase in cash and equivalents	9,709	16,376
Cash and equivalents, beginning of period	268,083	195,417
Cash and equivalents, end of period	**$ 277,792**	**$ 211,793**

Earnings

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
Net earnings (loss)	$ (7,694)	$ 25,550	$ (33,244)	(130%)
Unrealized loss on derivatives, net of tax	16,118	1,794	14,324	798%
Changes in fair value of financial instruments	(1,541)	(98)	(1,443)	>999%
Foreign currency translation losses	1,383	4,822	(3,439)	(71%)
Gain on contribution to joint venture, net of tax	-	(794)	794	(100%)
Non-recurring consulting expenses, net of tax	1,675	-	1,675	100%
Adjusted net earnings [1]	$ 9,941	$ 31,274	$ (21,333)	(68%)

[1] Adjusted net earnings is non-GAAP financial performance measures with no standard definition under IFRS. See pages 30-33 of this MD&A.

Contributing to the $21-million decrease in the quarterly adjusted net earnings year-over-year are the following changes:

- $48-million decrease in revenues;
- offset by an $11-million decrease in cost of sales;
- $2-million impairment on plant and equipment;
- $3-million increase in interest expense associated with the 2011 senior notes issuance;
- offset by a $3-million increase in finance income; and
- $15-million for the associated tax effects of these items.

Each of the above-noted changes is examined in further detail in the sections below.

Revenues

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
Copper concentrate	$ 53,998	$ 102,017	$ (48,019)	(47%)
Copper cathode	2,199	2,472	(273)	(11%)
Total copper sales	$ 56,197	$ 104,489	$ (48,292)	(46%)
Molybdenum concentrate	3,439	3,193	246	8%
Silver contained in copper concentrate	876	1,277	(401)	(31%)
	$ 60,512	$ 108,959	$ (48,447)	(44%)
(thousands of pounds, unless otherwise noted)				
Copper concentrate	14,767	24,531	(9,764)	(40%)
Copper cathode	670	666	4	1%
Total copper sales	15,437	25,197	(9,760)	(39%)
Average realized copper price (US$ per pound) [1]	$ 3.56	$ 4.09	$ (0.53)	(13%)
Molybdenum concentrate	269	196	100	51%

[1] The average exchange rate used for 2011 was CAD/USD $0.9893 (2010: $1.03).

The 39% decrease in sales volumes was primarily due to scheduling of shipments of copper concentrate. Consequently, there was a large inventory of copper concentrate on hand at the end of the fourth quarter 2011 which was shipped during the first week of January 2012.

The average copper price realized by the Company in both quarters exceeded the LME prices for the periods. According to the LME, copper averaged US$3.40 per pound in fourth quarter 2011 and US$3.92 per pound in the prior-year quarter. The difference between realized copper prices and the average market price for the fourth quarter 2011 reflects the pricing of 10.6 million pounds of copper concentrate not yet settled using the copper price forward curve as at December 31, 2011. The spot price for copper closed midway between the high and low for the fourth quarter at US$3.43 per pound on December 30, 2011.

Molybdenum revenues totaled $3.4 million in fourth quarter 2011 which is comparable to the prior-year quarter.

Cost of sales

	Three months ended December 31,			
(Cdn$ in thousands, unless otherwise noted)	**2011**	**2010**	**Change**	**% Change**
Direct mining costs	$ 32,777	$ 30,056	$ 2,721	9%
Depreciation	2,200	4,685	(2,485)	(5%)
Treatment and refining costs	2,973	3,757	785	(20%)
Transportation costs	3,400	5,029	1,629	(32%)
Changes in inventories of finished goods and WIP	(115)	8,934	(9,049)	(101%)
	$41,235	$52,461	$ (11,226)	(21%)
Copper production (thousands of pounds)	16,753	17,577	(824)	(5%)
Copper sales (thousands of pounds)	15,437	25,197	(9,760)	(39%)
Direct mining costs per pound produced (per pound)	1.96	1.71	0.25	14%
Depreciation per pound produced (per pound)	0.13	0.27	(0.14)	(51%)
Treatment and refining costs per pound sold (per pound)	0.19	0.15	0.04	29%
Transportation costs per pound sold (per pound)	0.22	0.20	0.02	10%

The 21% decrease in cost of sales reflects the 39% decrease in copper sales volumes in fourth quarter 2011 compared to the prior-year quarter. The increase in direct mining costs is partially attributable to higher diesel, tires, labour, repairs and maintenance, and explosives costs. Also contributing to the increase in direct mining costs on a 'per unit of production' basis is lower production quarter-over-quarter as a result of lower head grades and recoveries.

Depreciation expense included in fourth quarter 2011 cost of sales has decreased due, in part, to a build-up of inventory during the quarter which includes capitalized depreciation expenses. Also, fourth quarter 2010 depreciation was higher than normal due to an adjustment that was made in the quarter relating to the full year.

Treatment and refining costs and transportation costs have increased on a 'per unit of sales' basis, consistent with increase in these costs observed in the market.

Other expenses and income

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
General and administrative	$ 5,377	$ 5,159	$ 218	4%
Exploration and evaluation	2,664	3,971	(1,307)	(32%)
Other operating expenses (income):				
Realized loss (gain) on copper derivatives	$ (599)	$ 658	$ (1,257)	>100%
Unrealized loss on copper derivatives	21,929	2,509	19,420	>100%
Consulting expenses	2,279	-	2,279	100%
Impairment of plant and equipment	2,377	-	2,377	100%
Management fee income	(277)	(273)	(4)	1%
	$ 25,709	$ 2,894	$ 22,815	>100%
(Gain)/loss on contribution of joint venture	$ -	$ (1,095)	$ 1,095	(100%)

General and administrative expenses were comparable quarter over quarter.

Exploration and evaluation expenses during fourth quarter 2011 were attributable to work performed at the Aley project and the New Prosperity project. The decrease compared to the prior-year quarter is a result of reduced spending on the New Prosperity project in the fourth quarter 2011.

The gain on copper derivatives during fourth quarter 2011 reflects the receipt of $2 million in proceeds on put options expiring in the money, net of the expense related to the premium paid on these put options at approximately US$0.20 per pound.

During 2011, the Company entered into copper derivative contracts for 68.8 million pounds of 2012 copper production. These outstanding copper derivatives are marked-to-market each period end with any changes in fair value recognized in income as unrealized gains or losses. Since the end of the third quarter 2011 through to the end of the year, there has been an increase in copper prices resulting in an unrealized loss on copper derivatives in the amount of $21.9 million.

In early July, we engaged consultants to work with the Gibraltar management team over a 23-week period to design and execute programs directed at improvements in operational performance. The total cost of this engagement during the fourth quarter 2011 was $2.3 million.

Certain plant and equipment was deemed redundant upon completion of the SAG direct feed project during 2011, which resulted in an impairment charge being taken during fourth quarter 2011. We also identified other assets that will no longer be utilized under our current life-of-mine plan and recognized an impairment charge for these assets as well. The total impairment charges for 2011 were $2.4 million. There were no impairments identified in 2010.

Finance expenses

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
Interest expense	$ 4,198	$ 1,058	$ 3,140	297%
Accretion on PER	434	506	(72)	(14%)
Foreign exchange loss	-	3,473	(3,473)	(100%)
	$ 4,632	$5,037	$ (405)	(8%)

The quarter-over-quarter increase in interest expense is due to the issuance of the senior notes early in the second quarter 2011.

Finance income

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
Interest income	$ 2,200	$ 1,802	$ 398	22%
Income realized on dual currency deposits	2,990	(125)	3,115	>100%
Change in fair value of financial instruments	1,541	98	1,443	>100%
Foreign exchange gain	3,178	-	3,178	100%
	$ 9,909	$ 1,775	$ 8,134	>100%

Income realized on dual currency deposits increased substantially, in line with an increase in the amount of funds invested in these money market instruments in 2011.

Income tax

(Cdn$ in thousands)	Three months ended December 31, 2011	2010	Change	% Change
Current expense (recovery)	$ (2,840)	$ (235)	$ (2,605)	>100%
Deferred expense	1,338	16,992	(15,654)	(92%)
	$ (1,502)	$ 16,757	$ (18,259)	>100%
Effective tax rate	16.3%	39.6%	-	-
Canadian statutory rate	26.5%	28.5%	-	-

The income tax recovery realized in fourth quarter 2011 is primarily a result of deductions allowed for tax 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.

Cash flow

The Company's primary source of liquidity is operating cash flow. In the fourth quarter of 2011, operating cash flow was an inflow $7.8 million compared to $37.3 million for the prior-year period. The decrease in the current quarter's operating cash flow quarter over quarter reflects the decrease in net earnings.

Cash received from investing activities in the fourth quarter of 2011 amounting to $20.8 million is mainly due to capital expenditures of $28.9 million and purchase of financial assets of $22.8 million, offset by proceeds from the sale and maturity of investments of $70.0 million and interest received of $3.0 million. The comparable for the fourth quarter of 2010 was $15.3 million of cash used in investing activities including capital expenditures of $16.9 million, purchase of financial assets of $5.7 million, interest received of $1.5 million and $5.7 million received from other investing activities.

Cash used in financing activities was $10.2 million for the fourth quarter ended December 31, 2011, compared to $2.3 million for the prior-year period. The increase in the used of cash is mainly due to interest payment on long term debt.

SUMMARY OF QUARTERLY RESULTS

	2011				2010			
($ in thousands, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	60,512	84,204	48,349	58,801	108,959	37,540	56,453	75,508
Net earnings (loss)	(7,694)	30,028	(1,113)	5,753	25,550	728	44,783	78,296
EPS [1]	(0.04)	0.15	(0.01)	0.03	0.14	0.00	0.24	0.43
Adjusted net earnings [2]	9,941	(1,991)	1,863	7,971	31,274	6,276	3,335	10,655
Adjusted EPS [1]	0.05	(0.01)	0.01	0.04	0.17	0.03	0.02	0.06
EBITDA [2]	83	53,920	1,815	14,864	46,353	3,893	22,436	125,762
Adjusted EBITDA [2]	24,113	10,216	7,555	16,239	52,491	11,795	9,048	20,829
(US$ per pound, except where indicated)								
Realized copper price [2]	3.56	3.73	4.25	4.28	4.09	3.78	3.18	3.31
Total cash costs of sales [2]	2.20	2.33	2.37	2.08	1.69	1.79	2.08	1.65
Copper sales (million pounds)	15.4	21.8	10.7	12.8	25.2	8.7	16.5	20.5

[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 30-33 of the Company's MD&A.

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 on key input costs. 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**	**January 1, 2010**
Equity under Canadian GAAP		$ 469,951	$ 296,693
Change in accounting method for depreciation	(i)	(668)	-
Reversal of impairment	(ii)	3,338	4,574
Provision for environmental rehabilitation	(iii)	(14,290)	(16,731)
Share-based compensation	(iv)	-	-
Deferred income tax	(v)	2,411	3,338
Equity under IFRS		$ 460,742	$ 287,874

	Ref.	**Year ended December 31, 2010**
Total Comprehensive Income under Canadian GAAP		$ 150,271
Change in accounting method for depreciation	(i)	(1,772)
Reversal of impairment	(ii)	(99)
Provision for environmental rehabilitation	(iii)	(1,843)
Share-based compensation	(iv)	1,149
Deferred income tax	(v)	280
Gain on contribution to joint venture	(vi)	3,044
Total Comprehensive Income under IFRS		$ 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.

i) Change in accounting method for depreciation

On adoption of IFRS effective January 1, 2010, the Company changed its depreciation accounting method 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 method has been prospectively applied from January 1, 2010 as it is a change in depreciation method and not a change in an accounting policy.

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 Canadian GAAP.

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 Canadian 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.

iv) Share-based compensation

For the purpose of accounting for share-based payment transactions, certain individuals previously classified as contractors under Canadian 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 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.

Under IFRS, the Company has reversed the deferred tax asset previously recognized under Canadian GAAP related to the "new mine allowance" for British Columbia mineral tax purposes. 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.

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).

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; assessment of joint control in business combinations; 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.

Subsequent to the 2011 year end, the Company was advised by its auditors, KPMG LLP, that the Public Company Accounting Oversight Board (PCAOB) communicated to the auditors that based on their inspection results, that an alternative accounting treatment might be more appropriate for the Company's 2010 joint venture transaction with Cariboo. Pursuant to that transaction, Cariboo purchased a 25% joint venture interest in the Gibraltar mining operations for $187 million. This transaction implied a total value for the Gibraltar mining operations of approximately $748 million and in the Company's annual reconciliation of accounts from Canadian generally accepted accounting principles (GAAP) to United States GAAP, it recognized a gain calculated as 100% of the difference between the Company's carrying cost of the Gibraltar mining operations of $338 million and its implied value, for a reported gain of $360 million. Under US GAAP, 100% of the gain is recognized if the Company no longer controls the joint venture. The accounting identified by the PCAOB is dependent on whether a change of control of the Gibraltar mining operations occurred as a result of the joint venture transaction.

Depending on the outcome of anticipated discussions with the PCAOB and possibly the SEC, it is possible that the Company may have to reverse the gain recognition for US GAAP purposes on 100% of the Gibraltar mining operations and recognize a gain only on the 25% actually sold or potentially recognize the gain as an equity transaction rather than through income. This would necessitate related restatements to the carrying value of the Gibraltar mining operations and the presentation of Cariboo's minority interest but would have no effect on cash flows in 2010 or thereafter. Based on the review of PCAOB's comments to date, the Company believes that the accounting approach taken on the joint venture transaction and subsequent accounting were and continue to be appropriate.

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 is 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 is designed to provide reasonable assurance that material information relating to the Company is made known to management and disclosed to others and information required to be disclosed by the Company in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

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 controls and procedures during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

The Company's management, at the direction of our chief executive officer and chief financial officer, have evaluated the effectiveness of the design and operation of the internal controls over financial reporting and disclosure controls and procedures as of the end of the period covered by this report, and have concluded that they were effective at a reasonable assurance level.

RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include the members of the Board of Directors and executive officers of the Company.

The Company contributes to a post-employment defined contribution pension plan on the behalf of certain key management personnel. This retirement compensation arrangement (RCA Trust) was established to provide benefits to certain executive officers on or after retirement in recognition of their long service. Upon retirement, the participant is entitled to the distribution of the accumulated value of the contributions under the RCA Trust. Obligations for contributions to the defined contribution pension plan are recognized as compensation expense in profit or loss in the periods during which services are rendered by the executive officers.

Certain executive officers are entitled to termination and change in control benefits. In the event of termination without cause, other than a change in control, these executive officers are entitled to an amount ranging from 9-month to 12-month's salary. In the event of a change in control, if a termination without cause or a resignation occurs within 12 months following the change of control, these executive officers are entitled to receive, among other things, an amount ranging from 24-month to 32-months' salary and accrued bonus, and all stock options held by these individuals will fully vest.

Executive officers and directors also participate in the Company's share option program.

During 2011, the Company incurred total compensation expenses of $11.3 million for its key management personnel, compared to $10.4 million in 2010.

Other related parties

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 2011, the Company incurred general and administrative expenses of $2.2 million, exploration and evaluation expenses of $0.8 million, and prepaid rent of $1.0 million with HDSI. This compares to general and administrative expenses of $2.3 million and exploration and evaluation expenses of $0.7 million in 2010.

The Gibraltar joint venture pays a management fee to the Company for services rendered as operator of the Gibraltar mine. During the year 2011, the Company has earned $0.8 million of other operating income for these services rendered, compared to $0.6 million earned in 2010.

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.

	Three months ended December 31,		Year ended December 31,	
($ in thousands, unless otherwise indicated)	**2011**	**2010**	**2011**	**2010**
Cost of sales	$ 41,235	$ 52,461	$ 165,565	$ 157,759
Less non-cash items:				
Depreciation	2,220	4,967	12,145	12,656
Share-based compensation	(42)	-	137	-
Less by-product credits:				
Molybdenum	3,439	3,193	14,317	12,656
Silver	876	1,277	3,473	2,885
Total cash costs of sales	**$ 34,762**	**$ 43,024**	$ 135,494	$ 129,562
Total copper sold (thousand pounds)	15,438	25,197	60,776	70,839
Total cash costs per pound sold	$2.25	$1.71	$2.23	$1.83
Average exchange rate for the period (CAD/USD)	1.023	1.0131	0.9893	1.0300
Total cash costs of sales (US$ per pound)	**$ 2.20**	**$ 1.69**	**$ 2.25**	**$ 1.78**
Total cash costs of sales	$ 34,762	$ 43,024	$ 135,494	$ 129,562
Net change in inventory	(13)	(8,624)	(3,144)	3,544
Total cash costs of production	**$ 34,749**	**$ 34,400**	**$ 132,350**	**$ 133,106**
Less offsite costs:				
Treatment and refining costs	(2,973)	(3,757)	(11,632)	(11,563)
Transportation costs	(3,400)	(5,029)	(13,108)	(16,275)
Net operating cash costs	**$ 28,376**	**$ 25,614**	**$ 107,610**	**$ 105,268**
Total copper produced (thousand pounds)	16,753	17,577	62,165	75,050
Total cash costs per pound produced	$1.69	$1.46	$1.73	$1.40
Average exchange rate for the period (CAD/USD)	1.0230	1.0131	0.9893	1.0300
Net operating cash costs of production (US$ per pound)	**$ 1.66**	**$ 1.44**	**$ 1.75**	**$ 1.36**

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 financial instruments;
- 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 December 31,		**Year ended December 31,**	
($ in thousands, except per share amounts)	**2011**	**2010**	**2011**	**2010**
Net earnings (loss)	**$ (7,694)**	**$ 25,550**	**$ 26,974**	**$ 149,357**
Unrealized loss on derivatives, net of tax	16,118	1,794	(16,864)	(6,347)
Gain on sale of shares	-	-	(6,443)	(4,087)
Changes in fair value of financial instruments	(1,541)	(98)	307	25
Foreign currency translation losses (gains)	1,383	4,822	5,907	4,801
Loss on extinguishment of debt	-	-	-	2,136
Loss/(gain) on contribution to joint venture, net of tax	-	(794)	2,930	(63,623)
Non-recurring consulting expense, net of tax	1,675	-	4,647	-
Non-recurring tax adjustments	-	-	-	(30,600)
Adjusted net earnings	**$ 9,941**	**$ 31,274**	**$ 17,458**	**$ 51,662**
Adjusted EPS	**$0.05**	**$0.17**	**$0.09**	**$0.28**

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 December 31,		**Year ended December 31,**	
($ in thousands, except per share amounts)	**2011**	**2010**	**2011**	**2010**
Net earnings (loss)	**$ (7,694)**	**$ 25,550**	**$ 26,974**	**$ 149,357**
Add:				
Depreciation	2,369	4,790	12,827	12,973
Interest expense	4,197	1,058	13,957	4,542
Interest income	2,712	(1,802)	(6,859)	(14,933)
Income tax expense (recovery)	(1,501)	16,757	23,782	46,504
EBITDA	$ 83	$ 46,353	$ 70,681	$ 198,443
Adjustments:				
Unrealized (gain)/loss on derivative instruments	21,929	2,509	(22,944)	(8,877)
Gain on sale of marketable securities	-	-	(6,443)	(4,087)
Changes in fair value of financial instruments	(1,541)	(98)	307	25
Foreign currency translation losses	1,383	4,822	5,907	4,801
Loss on extinguishment of debt	-	-	-	2,136
Loss/(gain) on contribution to joint venture	-	(1,095)	3,987	(98,157)
Non-recurring consulting expense	2,279	-	6,322	-
Adjusted EBITDA	**$ 24,133**	**$ 52,491**	**$ 57,817**	**$ 94,284**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements, the notes thereto and other financial information contained in the Management's Discussion and Analysis have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of Taseko Mines Limited. The financial information presented elsewhere in the Management's Discussion and Analysis is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgment of management.

In order to discharge management's responsibility for the integrity of the financial statements, the Company maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, establishing policies and procedures, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility.

The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review financial reporting issues.

The consolidated financial statements have been audited by KPMG LLP, the Company's independent registered chartered accountants, in accordance with Canadian generally accepted auditing standards and standards of the Public Company Accounting Oversight Board (United States).

/s/ Russell Hallbauer

Russell Hallbauer
Chief Executive Officer

/s/ Peter Mitchell

Peter Mitchell
Chief Financial Officer

Vancouver, British Columbia
March 9, 2012

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- 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.

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act as of December 31, 2011. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2011, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2011 has been audited by KPMG LLP, the Company's independent registered chartered accountants, as stated in their report immediately preceding the Company's audited consolidated financial statements for the years ended December 31, 2011 and 2010.

/s/ Russell Hallbauer	/s/ Peter Mitchell
Russell Hallbauer Chief Executive Officer	Peter Mitchell Chief Financial Officer

Vancouver, British Columbia
March 9, 2012

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INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Taseko Mines Limited

We have audited the accompanying consolidated financial statements of Taseko Mines Limited, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Taseko Mines Limited as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP (signed)

Chartered Accountants

March 9, 2012
Vancouver, Canada

TASEKO MINES LIMITED

Consolidated Statements of Comprehensive Income

(Cdn$ in thousands, except per share amounts)

	Note	For the years ended December 31, 2011	2010
Revenues	4	$ 251,866	$ 278,460
Cost of sales	5	(165,565)	(157,759)
Gross profit		86,301	120,701
General and administrative		(21,100)	(19,057)
Exploration and evaluation		(10,411)	(10,090)
Other operating income (expenses)	7	5,175	(2,675)
Gain (loss) on contribution to joint venture	3	(3,987)	98,157
		55,978	187,036
Finance expenses	8	(22,492)	(10,747)
Finance income	9	17,270	19,572
Earnings before income taxes		50,756	195,861
Income tax expense	10	(23,782)	(46,504)
Net earnings for the year		**$ 26,974**	**$ 149,357**
Other comprehensive income (loss):			
Unrealized gains (losses) on available-for-sale financial assets, net of tax		(2,401)	5,249
Realized gains on available-for-sale financial assets, net of tax		(5,246)	(3,576)
Total other comprehensive income (loss) for the year		**$ (7,647)**	**$ 1,673**
Total comprehensive income for the year		**$ 19,327**	**$ 151,030**
Earnings per share			
Basic		$ 0.14	$ 0.80
Diluted		$ 0.14	$ 0.74
Weighted-average shares outstanding (thousands)			
Basic		193,213	186,103
Diluted		197,748	203,006

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

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(Cdn$ in thousands)

	Note	For the years ended December 31, 2011	2010
Operating activities			
Net earnings for the year		$ 26,974	$ 149,357
Adjustments for:			
Depreciation		12,827	12,973
Income tax expense	10	23,782	46,504
Income tax paid		(38,660)	(1,911)
Share-based compensation		8,215	9,260
Unrealized gain on derivatives	7	(22,944)	(8,877)
Finance expenses		18,164	7,403
Finance income		(13,963)	(5,018)
Gain on contribution to joint venture	3	-	(98,157)
Other operating activities	24	9,617	837
Net change in non-cash working capital	24	(12,348)	(18,293)
Cash provided by operating activities		11,664	94,078
Investing activities			
Purchase of property, plant and equipment		(63,915)	(55,303)
Purchase of financial assets		(235,595)	(24,009)
Interest received		7,093	2,629
Proceeds from sale of financial assets		169,515	16,449
Proceeds from contribution to joint venture	3	-	186,811
Other investing activities	24	(1,066)	1,860
Cash provided by (used for) investing activities		(123,968)	128,437
Financing activities			
Repayment of debt		(10,729)	(56,823)
Interest paid		(10,121)	(3,118)
Common shares issued for cash		8,420	3,837
Proceeds from debt issuance	19	192,020	14,077
Debt issuance costs		(6,052)	-
Cash provided by (used for) financing activities		173,538	(42,027)
Effect of exchange rate changes on cash and equivalents		4,765	(3,777)
Increase in cash and equivalents		65,999	176,711
Cash and equivalents, beginning of year		211,793	35,082
Cash and equivalents, end of year		**$ 277,792**	**$ 211,793**

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

TASEKO MINES LIMITED

Consolidated Balance Sheets

(Cdn$ in thousands)

	Note	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS				
Current assets				
Cash and equivalents	24a	$ 277,792	$ 211,793	$ 35,082
Accounts receivable	11	39,909	21,918	12,505
Other financial assets	12	86,147	26,202	21,634
Inventories	13	23,290	21,286	21,792
Current tax receivable		7,437	–	–
Prepaids		2,348	534	2,112
		436,923	281,733	93,125
Other financial assets	12	111,641	93,825	102,821
Property, plant and equipment	14	440,565	341,098	366,299
Intangible assets	15	5,438	5,438	5,438
Prepaids		165	–	–
		$ 994,732	**$ 722,094**	**$ 567,683**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	16	$ 36,289	$ 23,796	$ 17,993
Current portion of long-term debt	19	13,753	10,315	27,678
Other financial liabilities	17	10,797	7,248	28,911
Current tax liabilities		–	24,528	370
Deferred revenue - royalty obligation	17a	175	175	175
		61,014	66,062	75,127
Long-term debt	19	218,502	28,018	46,525
Other financial liabilities	17	45,980	54,144	89,921
Provision for environmental rehabilitation	18	96,022	53,129	50,700
Deferred tax liabilities	10	76,091	59,518	16,880
Deferred revenue - royalty obligation	17a	306	481	656
		497,915	261,352	279,809
EQUITY				
Share capital	20a	378,393	365,553	350,376
Contributed surplus		33,040	26,193	19,532
Accumulated other comprehensive income (loss) ("AOCI")		(1,398)	6,249	4,576
Retained earnings (deficit)		86,782	62,747	(86,610)
		496,817	460,742	287,874
		$ 994,732	**$ 722,094**	**$ 567,683**

Commitments and contingencies	23
Subsequent events	28

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

TASEKO MINES LIMITED

Consolidated Statements of Changes in Equity

(Cdn$ in thousands)

	Note	Share capital	Contributed surplus	AOCI	Retained earnings (deficit)	Total
Balance at January 1, 2010		$ 350,376	$ 19,532	$ 4,576	$ (86,610)	$ 287,874
Exercise of options		6,436	(2,599)	–	–	3,837
Shares issued		8,741	–	–	–	8,741
Share-based compensation	21	–	9,260	–	–	9,260
Total comprehensive income for the year		–	–	1,673	149,357	151,030
Balance at December 31, 2010		**$ 365,553**	**$ 26,193**	**$ 6,249**	**$ 62,747**	**$ 460,742**
Balance at January 1, 2011		$ 365,553	$ 26,193	$ 6,249	$ 62,747	$ 460,742
Exercise of options		4,228	(1,368)	–	–	2,860
Preferred shares redemption	20b	(26,642)	–	–	(2,939)	(29,581)
Shares issued	20b	35,254	–	–	–	35,254
Share-based compensation	21	–	8,215	–	–	8,215
Total comprehensive income for the year		–	–	(7,647)	26,974	19,327
Balance at December 31, 2011		**$ 378,393**	**$ 33,040**	**$ (1,398)**	**$ 86,782**	**$ 496,817**

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 consolidated financial statements of the Company as at and for the year ended December 31, 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 including 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are the Company's first consolidated financial statements prepared in accordance with IFRS and IFRS 1, *First Time Adoption of International Financial Reporting Standards* has been applied.

Note 27 provides an explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company.

These consolidated financial statements were authorized for issue by the Board of Directors on March 9, 2012.

(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; assessment of joint control in business combinations 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) Cash and equivalents

Cash and equivalents consist of cash and highly-liquid investments having terms of three months or less from the date of acquisition and that are readily convertible to known amounts of cash. Cash and equivalents exclude cash subject to restrictions.

(f) 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 dual currency deposits 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 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 cash, accounts receivable and the promissory note.

Available-for-sale financial assets

Marketable securities, except for those marketable securities that are derivative instruments, capped floating rate notes 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).

(g) 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.

(h) 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.

(i) 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.

(j) Intangible assets

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.

(k) 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.

(l) 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 graded amortization 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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* 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.

Production Stripping Costs

In October 2011, the IASB issued International Financial Reporting Interpretation Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation requires the capitalization and depreciation of stripping costs from the production phase of a mine if an entity can demonstrate that it is probable that future economic benefits will be realized, that costs can be reliably measured, and that the component of the ore body for which access has been improved can be identified. This interpretation is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of this interpretation 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 $98,157 in 2010.

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.

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 net loss on contribution to the joint venture of

(Cdn$ in thousands)

$3,987 during 2011 as a result of funding Cariboo's portion of the SAG direct feed system project costs above the 2010 budgeted amount.

Summary financial information for the joint venture on 100% basis:

	December 31, 2011	December 31, 2010
Current assets	$ 99,957	$ 130,284
Non-current assets	$ 991,166	$ 862,962
Current liabilities	$ 59,095	$ 46,440
Non-current liabilities	$ 156,153	$ 108,197

	Year ended December 31, 2011	From Inception on March 31, 2010 to December 31, 2010
Revenues	$ 335,822	$ 259,160
Expenses	$ 244,735	$ 157,167
Net income	$ 91,087	$ 101,993

4. REVENUE

	Years ended December 31, 2011	2010
Copper concentrate	$ 227,140	$ 258,932
Copper cathode	6,936	3,987
Total copper sales	$ 234,076	$ 262,919
Molybdenum concentrate	14,317	12,656
Silver contained in copper concentrate	3,473	2,885
	$ 251,866	$ 278,460

As a result of the formation of a joint venture on March 31, 2010 (note 3), the 2010 comparatives include 100% of the Gibraltar mine's results through to March 31, 2010 and 75% of the Gibraltar mine's results thereafter.

5. COST OF SALES

	Years ended December 31, 2011	2010
Direct mining costs	$ 125,536	$ 120,810
Depreciation	12,145	12,655
Treatment and refining costs	11,632	11,563
Transportation costs	13,108	16,275
Changes in inventories of finished goods and work in process	3,144	(3,544)
	$ 165,565	$ 157,759

As a result of the formation of a joint venture on March 31, 2010 (note 3), the 2010 comparatives include 100% of the Gibraltar mine's results through to March 31, 2010 and 75% of the Gibraltar mine's results thereafter.

(Cdn$ in thousands)

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

6. COMPENSATION EXPENSE

	Years ended December 31,	
	2011	**2010**
Wages, salaries and benefits	$ 42,314	$ 39,254
Post-employment benefits	1,135	666
Share-based compensation	8,215	9,260
	$ 51,664	$ 49,180

As a result of the formation of a joint venture on March 31, 2010 (note 3), the 2010 comparatives include 100% of the Gibraltar mine's results through to March 31, 2010 and 75% of the Gibraltar mine's results thereafter.

Compensation expense is presented as a component of cost of sales, general and administrative expense, and exploration and evaluation expense.

7. OTHER OPERATING INCOME (EXPENSES)

	Years ended December 31,	
	2011	**2010**
Realized loss on copper derivative instruments	$ (9,910)	$ (12,200)
Unrealized gain on copper derivative instruments	22,944	8,877
Consulting expenses	(6,322)	-
Impairment of plant and equipment	(2,377)	-
Management fee income	840	648
	$ 5,175	$ (2,675)

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

Certain plant and equipment was deemed redundant upon completion of the SAG direct feed project during 2011 which resulted in an impairment charge. The Company has also identified other assets for which there are no longer plans to utilize under the current life-of-mine plan, and which were therefore included in the impairment charge.

(Cdn$ in thousands)

8. FINANCE EXPENSES

	Years ended December 31, 2011	2010
Interest expense	$ 13,957	$ 4,542
Accretion on PER (note 18)	2,046	1,936
Loss on extinguishment of debt and royalty obligations (note 17b & 19d)	-	2,136
Foreign exchange loss	6,489	2,133
	$ 22,492	$ 10,747

9. FINANCE INCOME

	Years ended December 31, 2011	2010
Interest income	$ 6,859	$ 14,933
Change in fair value of financial instruments	(307)	(25)
Gain on sale of shares	5,995	4,087
Income realized on dual currency deposits	4,275	577
Dividend income	448	-
	$ 17,270	$ 19,572

10. INCOME TAX

(a) Income tax expense

	Years ended December 31, 2011	2010
Current income tax:		
Current period	$ 6,166	$ 3,539
Adjustments recognized for current tax of prior periods	(164)	567
	$ 6,002	$ 4,106
Deferred income tax:		
Origination and reversal of temporary differences	$ 17,906	$ 43,392
Adjustments recognized for deferred tax of prior periods	-	2,621
Reduction in tax rate	(126)	(3,615)
	$ 17,780	$ 42,398
	$ 23,782	$ 46,504

During the year ended December 31, 2011, the Company recognized recoveries of income tax of $907 (2010: $22,523) and interest expense of $208 (2010: $8,098) associated with the reversal of historical tax reserves dating back to 2006 (2010: 2005).

(Cdn$ in thousands)

(b) Income tax recognized directly in OCI

	Years ended December 31, 2011	2010
Unrealized gains (losses) on available-for-sale financial assets, before tax	$ (2,744)	$ 5,999
Tax (expense) benefit	343	(750)
Unrealized gains (losses) on available-for-sale financial assets, net of tax	$ (2,401)	$ 5,249
Realized gains (losses) on available-for-sale financial assets, before tax	$ (5,995)	$ (4,087)
Tax (expense) benefit	749	511
Realized gains on available-for-sale financial assets, net of tax	$ (5,246)	$ (3,576)
Total other comprehensive income (loss) for the year	$ (7,647)	$ 1,673

(c) Effective tax rate reconciliation

	Years ended December 31, 2011	2010
Income tax at Canadian statutory rate of 26.5% (2010: 28.5%)	$ 13,450	$ 55,820
Permanent differences	2,335	(20,367)
Mineral tax	7,419	14,180
Future tax rate differences	(126)	(3,615)
Unrecognized tax benefits	1,366	-
Other	(662)	486
Income tax at the effective tax rate of 46.9% (2010: 23.7%)	$ 23,782	$ 46,504

(d) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Property, plant and equipment	$ (98,568)	$ (79,730)	$ (46,617)
Financial instruments at fair value through profit or loss	(7,196)	651	6,210
Available-for-sale financial assets	200	(893)	(654)
Debt	-	-	(751)
Provisions	17,845	7,497	5,423
Other	11,149	12,868	10,523
Tax loss carryforwards	479	89	8,986
	$ (76,091)	$ (59,518)	$ (16,880)

(Cdn$ in thousands)

e) Unrecognized deferred tax assets and liabilities

	December 31, 2011	December 31, 2010	January 1, 2010
Deductible temporary differences:			
Debt	$ 1,366	$ -	$ -

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits. There are no unrecognized tax liabilities.

11. ACCOUNTS RECEIVABLE

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	$ 29,891	$ 17,443	$ 10,802
Other receivables due from related parties (note 26)	241	1,764	-
Harmonized sales tax receivable	5,767	1,956	1,378
BC mineral exploration tax credit	2,610	-	-
Other receivables	1,400	755	325
	$ 39,909	$ 21,918	$ 12,505

12. OTHER FINANCIAL ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
Current:			
Dual currency deposits > 3-month term	$ 40,602	$ -	$ -
Copper put option contracts (note 25e)	25,407	433	1,928
Shares – available for sale	11,898	17,922	11,856
Promissory note (note 17a)	8,190	7,248	4,697
Short-term investments	50	-	-
Warrants	-	599	-
Restricted cash	-	-	3,153
	$ 86,147	$ 26,202	$ 21,634
Long-term:			
Capped floating rate notes	$ 20,055	$ -	$ -
Reclamation deposits	24,962	23,266	29,421
Promissory note (note 17a)	66,624	70,559	73,400
	$ 111,641	$ 93,825	$ 102,821

Reclamation deposits are invested in government bonds and treasury bills bearing interest in the range of 1.4% to 4.7%.

(Cdn$ in thousands)

13. INVENTORIES

	December 31, 2011	December 31, 2010	January 1, 2010
Work in process	$ 1,154	$ 1,514	$ 1,896
Finished goods			
Copper concentrate	6,063	7,515	5,831
Copper cathode	179	982	178
Molybdenum concentrate	244	53	70
Materials and supplies	15,650	11,222	13,817
	$ 23,290	$ 21,286	$ 21,792

In 2011, materials and supplies inventories was written down by $446 (2010: $536). This writedown is included in cost of sales. The net realizable value of the materials and supplies inventories after the writedown was nil (2010: nil; January 1, 2010: nil).

(Cdn$ in thousands)

14. PROPERTY, PLANT & EQUIPMENT

	Mineral properties[1]	Plant and equipment	CIP [4]	Total
Cost				
At January 1, 2010	$ 112,326	$ 229,431	$ 64,671	$ 406,428
Additions	14,641	29,124	36,086	79,851
Contribution to joint venture [2]	(28,127)	(57,409)	(17,896)	(103,432)
Transfers between categories [4]	-	65,271	(65,271)	-
At December 31, 2010	$ 98,840	$ 266,417	$ 17,590	$ 382,847
Additions	44,465	27,778	45,391	117,634
Capitalized interest [3]	-	-	874	874
Impairments	-	(3,673)	-	(3,673)
Transfers between categories [4]	-	13,150	(13,150)	-
At December 31, 2011	$ 143,305	$ 303,672	$ 50,705	$ 497,682
Accumulated depreciation and impairments				
At January 1, 2010	$ 13,969	$ 26,160	$ -	$ 40,129
Depreciation	3,832	9,583	-	13,415
Contribution to joint venture [2]	(3,799)	(7,995)	-	(11,794)
At December 31, 2010	$ 14,001	$ 27,748	$ -	$ 41,749
Depreciation	3,782	12,882	-	16,664
Impairments	-	(1,296)	-	(1,296)
At December 31, 2011	$ 17,783	$ 39,334	$ -	$ 57,117
Carrying amounts				
At January 1, 2010	$ 98,357	$ 203,271	$ 64,671	$ 366,299
At December 31, 2010	$ 84,839	$ 238,669	$ 17,590	$ 341,098
At December 31, 2011	$ 125,522	$ 264,338	$ 50,705	$ 440,565

[1] Mineral properties consists of the cost of acquiring and developing mineral properties. Development costs include capitalized stripping costs, capitalized exploration and evaluation costs, capitalized interest, and rehabilitation cost asset.

[2] On March 31, 2010, the Company contributed certain assets and liabilities of the Gibraltar mine into an unincorporated joint venture in which the Company retains a 75% interest.

[3] The capitalization rate for the period was 5.77%.

[4] Construction in process (CIP) is transferred to the relevant category of property, plant and equipment once the asset is available for use.

(a) Leased assets

The Company leases mining equipment under a number of capital lease agreements. Some leases may not be terminated by the Company prior to the end of its term. Most of the leases provide the Company with the option to purchase the equipment at a beneficial price. One lease contains a mandatory purchase provision. Certain rents are based on an annual average usage for the applicable equipment and, if at the end of the term (unless the equipment has been purchased by the Company), the actual annual average usage of such equipment has been greater than the specified usage, the Company must pay an additional amount for each excess hour of actual usage. The leased assets secure the lease obligations (note 19).

At December 31, 2011, the net carrying amount of leased assets was $29,606 (2010: $25,883; January 1, 2010: $17,889).

(Cdn$ in thousands)

(b) Change in estimates

Certain items of property, plant and equipment at the Gibraltar mine which management previously expected to remain in production for the life of mine are now expected to be replaced by assets constructed and/or purchased as part of an expansion project at the mine. As a result the expected useful lives of these assets decreased. The estimated effect of these changes on depreciation expense, recognized in cost of sales, in current and future periods is as follows:

	2011	**2012**	**2013**	**2014**	**2015**	**Later**
Estimated increase (decrease) in depreciation expense	$ 281	$ 2,937	$ 1,108	$ 405	$ 405	$(5,136)

15. INTANGIBLE ASSETS

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Aley niobium property	$ 5,436	$ 5,436	$ 5,436
Prosperity gold-copper property [1]	1	1	1
Harmony gold property [1]	1	1	1
	$ 5,438	$ 5,438	$ 5,438

1. Carrying amounts for Prosperity and Harmony represent the original mineral property acquisition costs less historical impairments.

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Trade payables	$ 31,055	$ 20,628	$ 12,663
Other payables due to related parties (note 26)	44	154	13
Interest payable	3,351	47	124
Other payables [1]	1,839	2,967	5,193
	$ 36,289	$ 23,796	$ 17,993

1. Includes amounts owing as a result of settlement of copper call option contracts. The balance as at December 31, 2011 was $ nil (2010: $658; January 1, 2010: $3,160).

17. OTHER FINANCIAL LIABILITIES

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Current:			
Royalty obligations	$ 8,190	$ 7,248	$ 11,208
Copper call option contracts	2,607	-	17,703
	$ 10,797	$ 7,248	$ 28,911
Long-term:			
Royalty obligations	$ 44,594	$ 51,645	$ 57,621
Income tax obligations (note 10a)	1,386	2,499	32,300
	$ 45,980	$ 54,144	$ 89,921

(a) Red Mile royalty obligations and promissory note

In September 2004, the Company sold a royalty on the Gibraltar mine's copper production to Red Mile Resources No. 2 Limited Partnership (Red Mile), an unrelated investment partnership, for $67,357. The proceeds were invested with a trust company in a promissory note (note 12) and the Company pledged the promissory note, along with interest earned thereon, as security for its royalty obligations.

Pursuant to the agreements, the Company received fees and interest for services performed in relation to the Red Mile transaction, including $1,750 for indemnifying an affiliate of Red Mile from any claims relating to a breach by the Company under the royalty agreement. The indemnification funds received were recorded as deferred revenue and will be recognized as income over the expected remaining life of the royalty agreement.

Annual royalties are payable to Red Mile at rates ranging from $0.01 to $0.14 per pound of copper produced during the period from the commencement of commercial production (as defined in the agreement) to the latter of (i) December 2014 and (ii) five years after the end of commercial production from the mine. Funds held in the promissory note are released to satisfy the annual royalty payment.

The Company has a pre-emptive option to effectively purchase (call) the royalty interest by acquiring the Red Mile partnership units in consideration of a payment which is (i) approximately equal to the funds received by the Company less royalty payments to date, or (ii) fair value, whichever is lower. Under certain circumstances, the investors in Red Mile also have a right to sell (put) their Red Mile partnership units to the Company at fair value; however, such right is subject to the Company's pre-emptive right to exercise the "call" in advance of any "put" being exercised and completed.

The Company has granted to Red Mile a net profits interest (NPI) which survives any "put" or "call" of the Red Mile units. The NPI is applicable for the years 2011 to 2014 and ranges from 2% to 4%, depending on the average copper price each year adjusted for variations in foreign currency exchange rates. No NPI is payable until the Company reaches a pre-determined aggregate level of revenues less defined operating costs and expenditures and, as at December 31, 2011, this threshold has not yet been met.

(b) Gibraltar Royalty LP royalty obligations

In 2009, the Company sold a production royalty to Gibraltar Royalty Limited Partnership (GRLP), an unrelated investment partnership. Annual royalties were payable to GRLP at rates ranging from $0.003 to $0.004 per pound of copper produced from the Gibraltar mine during the period from September 1, 2009 through December 31, 2030. The Company had a pre-emptive option to repurchase (call) the royalty obligation by acquiring the GRLP partnership units. On March 24, 2010, the Company exercised its "call" and settled the royalty obligation of $6,511.

(Cdn$ in thousands)

18. PROVISIONS

	Environmental rehabilitation
At January 1, 2010	$ 50,700
Additions during the year	304
Contribution to joint venture [1]	(12,866)
Change in estimates	13,146
Used during the year	(91)
Unwind of discount	1,936
At January 1, 2011	53,129
Additions during the year	171
Change in estimates	43,345
Used during the year	(2,670)
Unwind of discount	2,046
At December 31, 2011	$ 96,022
Long-term	96,022
Current	-
	$ 96,022

1. On March 31, 2010, the Company contributed certain assets and liabilities of the Gibraltar mine into an unincorporated joint venture in which the Company retains a 75% interest.

The PER represents the present value of estimated costs of legal and constructive obligations required to retire an asset. The PER has been recognized based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability.

The following significant estimates and assumptions were made for the purpose of estimating the PER:

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Pre-tax discount rate	3.1%	3.7%	4.1%
Inflation rate	2.0%	2.0%	2.0%
Market risk adjustment	0.5%	0.5%	0.5%
Number of years to mine closure	26	21	22
Number of years over which rehabilitation occurs	100	100	100

Estimates are reviewed regularly to take into account any material changes to the assumptions. During 2011, the Company completed an updated reserve estimate for the Gibraltar mine which extended the life of the mine and deferred the expected timing of mine closure by six years. Furthermore, there have been changes in discount rates and inflation rates during the current period, which has had a significant impact on the PER.

In general, the expected cash flows become more reliable towards the end of the mine's life, whereas the estimate of a PER at the beginning of the mine's life is more subjective. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future metal prices which are inherently uncertain.

(Cdn$ in thousands)

As required by the regulatory authorities, before commencing work on a project or mine, the Company posts a security which is held in trust by the regulatory authorities. These reclamation deposits (note 12) are returned only once the site is reclaimed to a satisfactory level and there are no ongoing monitoring or maintenance requirements. For the Gibraltar mine, the Company has also issued an irrevocable standby letter of credit for $10 million as part of its security with the regulatory authorities.

19. DEBT

	December 31, 2011	December 31, 2010	January 1, 2010
Current:			
Capital leases	$ 6,925	$ 5,354	$ 3,750
Secured equipment loans	6,828	4,961	2,032
Credit facility	-	-	21,896
	$ 13,753	$ 10,315	$ 27,678
Long-term:			
Senior notes	$ 197,409	$ -	$ -
Capital leases	14,862	14,959	10,238
Secured equipment loans	6,231	13,059	6,678
Credit facility	-	-	29,609
	$ 218,502	$ 28,018	$ 46,525

(a) Senior notes

In April 2011, the Company completed a public offering of US$200 million in senior notes due in 2019, bearing interest at an annual rate of 7.75%. The notes are guaranteed by the Company's subsidiaries and the subsidiary guarantees are, in turn, guaranteed by the Company.

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 interest. Prior to April 15, 2015, the notes may be redeemed at 100% plus a make-whole premium, plus accrued interest. 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 interest.

The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock.

(b) Capital leases

Capital leases are are repayable in monthly installments with fixed interest rates and are secured by plant and equipment with a carrying value of $29,606 (2010: $25,883; January 1, 2010: $17,889). The capital lease obligations bear fixed interest rates ranging from 5.93% to 8.80% and have maturity dates ranging from 2012 to 2016.

(Cdn$ in thousands)

(c) Secured equipment loans

The equipment loans are secured by equipment with a carrying value of $26,899 (2010: $28,404; January 1, 2010: $11,269). The loans are repayable in monthly installments and bear fixed interest rates ranging from 5.35% to 8.63% and have maturity dates ranging from 2012 to 2014.

(d) Credit facility

The Company had a US$50-million credit facility agreement bearing interest at LIBOR plus 5 percent. The facility was repayable in equal installments commencing April 2010 and every second month thereafter until February 2012. During 2010, the Company repaid the facility and recorded a loss of $834 as a result of writing off deferred finance costs.

20. EQUITY

(a) Share capital

(thousands of shares)	Common shares	Tracking preferred shares
At January 1, 2010	182,925	12,484
Issued on purchase of royalty interest (note 17b)	1,556	-
Issued as donation	225	-
Exercise of share options	2,792	-
At January 1, 2011	187,498	12,484
Issued for cash	1,000	-
Exchange of tracking preferred shares for common shares (note 20b)	5,916	(12,484)
Exercise of share options	2,091	-
At December 31, 2011	196,505	-

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Common shares	$ 378,393	$ 338,911	$ 323,734
Tracking preferred shares	-	26,642	26,642
	$ 378,393	$ 365,553	$ 350,376

(b) Equity issued

During the year ended December 31, 2011, the Company sold one million of its common shares through at-the-market issuance for net proceeds of $5,559.

During the year ended December 31, 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 at a fair value of $29,581 and the redemption of all of the outstanding tracking preferred shares.

(Cdn$ in thousands)

On March 24, 2010, the Company issued 1,556,365 common shares to repurchase a royalty held by Gibraltar Royalty Limited Partnership, an unrelated investment partnership, on the Gibraltar mine's copper production. The fair value of the shares issued exceeded the carrying value of the royalty obligation, resulting in a charge of $1,302 to profit and loss.

(c) Contributed surplus

Contributed surplus represents employee entitlements to share-based awards that have been charged to profit and loss in the periods during which the entitlements were accrued and have not yet been exercised.

(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.

21. SHARE-BASED COMPENSATION

The Company has a share option plan (equity settled) approved by the shareholders that allows it to grant options to directors, officers, employees and other service providers. Under the plan, a maximum of 10% of the Company's outstanding common shares may be granted. The exercise price of an option is set at the time of grant using the five-day volume weighted average price of the common shares. Options may have a term of up to ten years. Vesting conditions of options is at the discretion of the Board of Directors at the time the options are granted.

(thousands of options)	Options	Average price
Outstanding at January 1, 2010	10,385	$1.39
Granted	3,709	4.63
Exercised	(2,792)	1.37
Forfeited	(188)	1.62
Expired	-	-
Outstanding at January 1, 2011	11,114	$2.47
Granted	2,370	5.16
Exercised	(2,091)	1.37
Forfeited	(98)	4.58
Expired	-	-
Outstanding at December 31, 2011	11,295	$3.22
Exercisable at December 31, 2011	8,683	$2.71

The weighted-average share price at the date of exercise for share options exercised in 2011 was $4.18 (2010: $5.18).

Range of exercise price	Options (thousands)	Average life (years)
$1.00 to $2.17	4,996	2.1
$3.07 to $4.77	3,654	2.3
$5.00 to $5.74	2,645	3.9
	11,295	2.6

The fair value at grant date of the share option plan was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

	Key management personnel		Employees	
	2011	2010	2011	2010
Weighted-average share price	$5.01	$4.60	$4.98	$5.05
Expected term (years)	4.9	5.0	3.0	3.2
Expected forfeiture rate	0%	0%	0%	0%
Weighted-average expected volatility	77.0%	75.4%	83.8%	82.7%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	2.2%	2.7%	2.2%	1.8%
Weighted-average fair value per option	$3.11	$2.88	$2.69	$2.85

22. EARNINGS PER SHARE

	Year ended December 31,	
	2011	**2010**
Net earnings	$ 26,974	$ 149,357
Net earnings – diluted	$ 26,974	$ 149,357
(in thousands of common shares)		
Weighted-average number of common shares [1]	193,213	186,103
Dilutive securities:		
Effect of share options	4,535	10,626
Effect of tracking preferred shares	-	6,277
Weighted-average number of diluted common shares [1]	197,748	203,006
($ per common share)		
Basic earnings per share	**0.14**	**0.80**
Diluted earnings per share	**0.14**	**0.74**

[1] The normal course issuer bid announced January 31, 2012 (see note 28) may reduce the number of common shares outstanding by up to 10 million.

(Cdn$ in thousands)

23. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	<1 year or on demand	1 - 2 years	2 - 5 years	>5 years	Total
At December 31, 2011					
Capital lease liability	$ 6,925	$ 5,938	$ 8,924	$ -	$ 21,787
Future interest charges	1,133	709	602	-	2,444
Capital lease commitments	$ 8,058	$ 6,647	$ 9,526	$ -	$ 24,231
Operating lease commitments[1]	$ 1,377	$ 117	$ 145	$ -	$ 1,639
Capital expenditures commitments	$ 37,200	$ -	$ -	$ -	$ 37,200
At December 31, 2010					
Capital lease liability	$ 5,354	$ 5,394	$ 9,565	$ -	$ 20,313
Future interest charges	1,098	750	720	-	2,568
Capital lease commitments	$ 6,452	$ 6,144	$ 10,285	$ -	$ 22,881
Operating lease commitments	$ 2,730	$ 1,377	$ 262	$ -	$ 4,369
Capital expenditures commitments	$ 2,000	$14,942	$ -	$ -	$ 16,942

[1.] Operating leases are entered into as a means of acquiring property, plant and equipment. Certain leases contain extension and renewal options.

In respect of its interest in a joint venture, the joint venture is committed to incur capital expenditures of $49,600 (2010: $21,923), of which the Company's share of this commitment is $37,200 (2010: $16,942).

During the year ended December 31, 2011, an amount of $2,859 was recognized as an expense in profit or loss in respect of operating leases (2010: $1,413).

(b) Contingencies

The Company has guaranteed 100% of certain debt entered into by the Gibraltar joint venture in which it holds a 75% interest. As at December 31, 2011, this debt totaled $33,513 on a 100% basis. The Company has also guaranteed its share of additional debt totaling $9,711 on 75% basis.

24. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Cash and equivalents

	December 31, 2011	December 31, 2010	January 1, 2010
Cash	$ 217,338	$ 191,901	$ 24,572
Dual currency deposits < 3-month term	60,454	19,892	10,510
	$ 277,792	$ 211,793	$ 35,082

(Cdn$ in thousands)

(b) Other items

	For the year ended December 31, 2011	2010
Change in non-cash working capital items		
Accounts receivable	$ (17,989)	$ (9,413)
Inventories	(2,005)	(4,730)
Accounts payable and accrued liabilities	12,492	5,802
Deferred revenue	(175)	(175)
Other	(4,671)	(9,777)
	$ (12,348)	$ (18,293)
Operating cash flows – other items		
Non-cash donation expense	$ -	$ 928
Realized loss on copper derivative instruments	9,910	-
Reclamation expenditures	(2,670)	(91)
Impairment of plant and equipment	2,377	-
	$ 9,617	$ 837
Investing cash flows – other items		
Net cash reinvested in reclamation deposit	$ (1,054)	$ (1,293)
Reclamation deposit	(12)	-
Restricted cash	-	3,153
	$ (1,066)	$ 1,860
Non-cash investing and financing activities		
Shares issued for donation	$ -	$ 928
Assets acquired under capital lease	$ 7,241	$ 12,923
Shares issued for redemption of royalty obligation	$ -	$ 7,813
Shares issued for preferred shares redemption	$ 26,642	$ -

25. FINANCIAL RISK MANAGEMENT

(a) Overview

In the normal course of business, the Company is inherently exposed to market, liquidity and credit risk through its use of financial instruments. 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 Board approves and monitors risk management processes, including treasury policies, counterparty limits, controlling and reporting structures.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk; interest rate risk; and currency risk. Financial instruments affected by market risk include: cash and equivalents; accounts receivable; promissory note; marketable securities; reclamation deposits; accounts payable and accrued liabilities; debt; royalty obligation; and derivatives.

(Cdn$ in thousands)

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company buys and sells derivatives in order to manage market risks. The derivative instruments employed by the Company are not designated as hedges for accounting purposes. These non-hedge derivatives are considered to be economic hedges.

Commodity price risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the metals it produces. 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 copper production hedged by means of collar sell contracts.

The table below summarizes the impact on earnings after tax and equity for changes in commodity prices on the fair value of derivatives, other than those designated as embedded derivatives.

	Years ended December 31,	
	2011	**2010**
Copper increases by US$0.34/lb (2010: US$0.45/lb) [1]	$ (10,288)	$ (325)

[1.] The analysis is based on the assumption that the year-end copper price increases 10% with all other variables held constant. The relationship between the year-end copper price and the strike price of copper options has significant influence over the fair value of the derivatives. As such, a 10% decrease in the year-end copper price will not result in an equal but opposite impact on earnings after tax and equity. The closing exchange rate for the year ended December 31, 2011 of CAD/USD 1.0170 (2010: 0.9946) was used in the analysis.

The Company also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are measured at cost (typically at nil); they are therefore excluded from the fair value and sensitivity table above. Also not included in the above tables are provisionally priced sales volumes for which price finalization is outstanding at balance date. Provisionally pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value as part of accounts receivables. The table below summarizes the impact on earnings after tax and equity for changes in commodity prices upon provisionally invoiced sales volumes.

	Years ended December 31,	
	2011	**2010**
Copper increase/decrease by US$0.34/lb (2010: US$0.45/lb) [1]	$ 2,054	$ 5,063
Molybdenum increase/decrease by US$1.34/lb (2010: US$1.60/lb) [1]	269	223

[1.] The analysis is based on the assumption that the metal price moves 10% with all other variables held constant. The closing exchange rate for the year ended December 31, 2011 of CAD/USD 1.0170 (2010: 0.9946) was used in the analysis.

The sensitivities in the above tables have been determined as the absolute impact on fair value of a 10 per cent increase in commodity prices at each reporting date, while holding all other variables, including foreign currency and exchange rates, constant. The relationship between commodity prices and foreign currencies is complex and movements in foreign exchange can impact commodity prices. The sensitivities should therefore be used with care.

(Cdn$ in thousands)

Interest rate risk

The Company is exposed to interest rate risk on its outstanding debt and investments, including cash and equivalents, from the possibility that changes in market interest rates will affect future cash flows or the fair value of fixed-rate interest-bearing financial instruments.

The table below summarizes the impact on earnings after tax and equity for a change of 100 basis points in interest rates at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This assumes that the change in interest rates is effective from the beginning of the financial year and balances are constant over the year. However, interest rates and balances of the Company may not remain constant in the coming financial year and therefore such sensitivity analysis should be used with care.

	Years ended December 31, 2011	2010
Fair value sensitivity for fixed-rate instruments		
Cash and equivalents	$ 407	$ 124
Dual currency deposits > 3-month term	482	-
Promissory note	789	734
Capital leases	(148)	(100)
Secured equipment loans	(128)	(81)
Senior notes	(1,057)	-
	$ 345	$ 677
Cash flow sensitivity for variable-rate instruments		
Cash and equivalents	$ 1,327	$ 521
Capped floating rate notes	11	-
Reclamation deposits	174	121
Credit facility	-	(93)
	$ 1,512	$ 549

Currency risk

The Canadian dollar is the functional currency of the Company and, as a result, currency exposures arise from transactions and balances in currencies other than the Canadian dollar, primarily the US dollar. The Company's potential currency exposures comprise translational exposure in respect of non-functional currency monetary items, and transactional exposure in respect of non-functional currency revenues and expenditures. The Company also has currency exposure as a result of its investment in dual currency deposits ("DCD"). A DCD is a financial 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 following table demonstrates the sensitivity to a 10% strengthening in the CAD against the USD. With all other variables held constant, the Company's earnings after tax would increase/(decrease) due to changes in the carrying value of monetary assets and liabilities. The impact on equity is the same as the impact on profit after tax. A weakening in the CAD against the USD would have had the equal but opposite effect to the amounts shown below.

(Cdn$ in thousands)

	Year ended December 31, 2011	2010
Cash and equivalents	$ (8,576)	$ (10,164)
Dual currency deposits [1]	(7,491)	(1,422)
Accounts receivable	(2,197)	(1,247)
Copper put option contracts	(1,867)	(31)
Accounts payable and accrued liabilities	492	86
Copper call option contracts	192	-
Senior notes	14,510	-

[1.] Represents the translational exposure of the DCDs, and does not consider the potential impact of losses as a result of potential conversions of the DCD into Canadian dollars at maturity.

The Company's financial asset and liability profile may not remain constant and, therefore, these sensitivities should be used with care.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by holding sufficient cash and equivalents and scheduling long-term obligations based on estimated cash inflows.

During the year ended December 31, 2011, Moody's Investor Service made no change to the Company's long-term credit rating of B3, and Standard & Poor's made no change to the Company's long-term credit rating of B. The Company's strong credit profile and significant cash balance ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Company's practice on counterparty credit exposure ensures that only counterparties of a high credit standing are used for the investment of any excess cash.

There were no defaults on loans payable during the year.

(Cdn$ in thousands)

The maturity profile of the Company's financial liabilities based on contractual undiscounted amounts is:

	<1 year or demand	1 - 2 years	2 - 5 years	>5 years	Total
At December 31, 2011					
Accounts payable and accrued liabilities	$ 36,289	$ -	$ -	$ -	$ 36,289
Expected future interest payments	17,518	16,717	47,945	36,126	118,306
Capital leases	6,925	5,938	8,924	-	21,787
Secured equipment loans	6,828	3,672	2,559	-	13,059
Senior notes	-	-	-	203,400	203,400
Royalty obligations [1]	13,514	23,809	15,461	-	52,784
	$ 81,074	$ 50,136	$ 74,889	$ 239,526	$ 445,625
Carrying amount	$ 63,556	$ 33,419	$ 26,944	$ 197,409	$ 321,328
At December 31, 2010					
Accounts payable and accrued liabilities	$ 23,796	$ -	$ -	$ -	$ 23,796
Expected future interest payments	2,080	1,371	1,015	-	4,466
Capital leases	5,354	5,394	9,565	-	20,313
Secured equipment loans	4,961	6,828	6,231	-	18,020
Royalty obligations [1]	9,913	13,335	33,845	1,800	58,893
	$ 46,104	$ 26,928	$ 50,656	$ 1,800	$ 125,488
Carrying amount	$ 44,023	$ 25,557	$ 49,641	$ 1,800	$ 121,021

1. Actual timing of payment for royalty obligations may differ. Amounts estimated based on expected future production levels.

(d) Credit risk

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

The following table shows the Company's receivables at the reporting date that are exposed to credit risk and the aging analysis. There are no impairments recognized on the receivables.

			Past due but not impaired		
	Total	Not past due	<30 days	31-90 days	>90 days
At December 31, 2011					
Trade receivables	$ 29,891	$ 29,958	$ 12	$ (79)	$ -
Other receivables	10,018	9,306	-	712	-
	$ 39,909	$ 39,264	$ 12	$ 633	$ -
At December 31, 2010					
Trade receivables	$ 17,443	$ 17,398	$ (7)	$ 52	$ -
Other receivables	4,475	4,475	-	-	
	$ 21,918	$ 21,873	$ (7)	$ 52	$ -

(Cdn$ in thousands)

The Company deals with a limited number of counterparties for its metal sales. The balance at December 31, 2011 is comprised of four customers (2010: four customers).

(e) Fair values of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table.

	December 31, 2011		**December 31, 2010**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Fair value through profit and loss (FVTPL)				
Dual currency deposits < 3-month term	$ 61,033	$ 61,033	$ 19,892	$ 19,892
Dual currency deposits > 3-month term	40,602	40,602	-	-
Copper put option contracts	25,407	25,407	433	433
Warrants	-	-	599	599
Loans and receivables				
Cash	$ 216,759	$ 216,759	$ 191,901	$ 191,901
Accounts receivable	39,909	39,909	21,918	21,918
Promissory note [1]	74,814	N/A	77,807	N/A
Available-for-sale				
Capped floating rate notes	$ 20,055	$ 20,055	$ -	$ -
Shares	11,898	11,898	17,922	17,922
Reclamation deposits	24,962	24,962	23,266	23,266
Financial liabilities				
Fair value through profit and loss (FVTPL)				
Copper call option contracts	$ 2,607	$ 2,607	$ -	$ -
Financial liabilities				
Accounts payable and accrued liabilities	$ 36,289	$ 36,289	$ 23,795	$ 23,795
Senior notes	197,409	185,603	-	-
Capital leases	21,787	21,562	20,313	20,040
Secured equipment loans	13,059	12,235	18,020	16,727
Royalty obligation [1]	52,784	N/A	58,893	N/A

1. The fair value of the promissory note and royalty obligation are not readily determinable with sufficient reliability due to the uncertainty around the maturities and the future cash flows associated with the promissory note.

(Cdn$ in thousands)

The Company uses the fair value hierarchy described in note 2f for determining the fair value of financial instruments.

	Level 1	Level 2	Level 3	Total
December 31, 2011				
Financial assets designated at FVTPL				
Dual currency deposits	$ -	$ 101,635	$ -	$ 101,635
Copper put option contracts	-	25,407	-	25,407
Warrants	-	-	-	-
Available-for-sale financial assets				
Shares	11,898	-	-	11,898
Capped floating rate notes	-	20,055	-	20,055
Reclamation deposits	24,962	-	-	24,962
	$ 36,860	$ 147,097	$ -	$ 183,957
Financial liabilities designated at FVTPL				
Copper call option contracts	$ -	$ 2,607	$ -	$ 2,607
December 31, 2010				
Financial assets designated at FVTPL				
Dual currency deposits	$ -	$ 19,892	$ -	$ 19,892
Copper put option contracts	-	433	-	433
Warrants	-	599	-	599
Available-for-sale financial assets				
Shares	17,922	-	-	17,922
Reclamation deposits	23,266	-	-	23,266
	$ 41,188	$ 20,924	$ -	$ 62,112

There have been no transfers between fair value levels during the reporting period.

(Cdn$ in thousands)

(f) Summary of derivatives and financial assets containing embedded derivatives

	Notional amount	Strike price[1]	Term to maturity	Fair value
At December 31, 2011				
Commodity contracts				
Copper put option contracts	68.5 million lbs	US$3.50	Q1-Q4 2012	$ 25,407
Copper call option contracts	68.5 million lbs	US$5.02 to 5.12	Q1-Q4 2012	$ (2,607)
Dual currency deposits				
USD/CAD (4.50% to 6.00%)	US$60 million	1.0300 to 1.0740	< 3 months	$ 61,313
USD/CAD (4.00% to 7.05%)	US$40 million	0.9850 to 1.0800	> 3 months	$ 40,602
Capped floating rate notes				
3-month BA rate + 25 bps	C$10 million	5.00%	Q4 2013	$ 10,024
3-month BA rate + 45 bps	C$10 million	5.50%	Q4 2014	$ 10,031
Share purchase warrants				
Publicly-traded company	1 million shares	$1.20	Q2 2012	-
At December 31, 2010				
Commodity contracts				
Copper put option contracts	34.3 million lbs	US$3.00	Q1-Q2 2011	$ 433
Dual currency deposits				
USD/CAD (4.00% to 4.50%)	US$20 million	1.0285 to 1.0410	< 3 months	$ 19,892
Share purchase warrants				
Publicly-traded company	1 million shares	$1.20	Q2 2012	$ 599

1. For the floating rate notes, this value represents the cap level for the coupon rate.

(g) Capital management

The Company's primary objective when managing capital is to ensure that the Company is able to continue its operations and that it has sufficient ability to satisfy its capital obligations and ongoing operational expenses, as well as to have sufficient liquidity available to fund suitable business opportunities as they arise.

The Company considers the components of shareholders' equity, as well as its cash and equivalents, DCDs classified within marketable securities, credit facilities and debt as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue or buy back equity, issue, buy back or repay debt, sell assets, or return capital to shareholders.

	December 31, 2011	December 31, 2010
Cash and equivalents	$ 277,792	$ 211,793
DCDs within other financial assets	40,602	-
Current debt	13,753	10,315
Long-term debt	218,502	28,018
Net (cash) debt	**$ (86,139)**	**$ (173,460)**
Shareholders' equity	**$ 496,817**	**$ 460,742**

(Cdn$ in thousands)

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

The Company's investment policy is to invest its cash in highly liquid interest-bearing investments that are readily convertible to known amounts of cash.

There were no changes to the Company's approach to capital management during the year ended December 31, 2011.

26. RELATED PARTIES

(a) Subsidiaries

	Ownership interest as at		
	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Gibraltar Mines Ltd.	100%	100%	100%
Aley Corporation	100%	100%	100%
Taseko Acquisitionsub Ltd.	100%	100%	100%
0806294 BC Ltd.	100%	100%	100%
688888 BC Ltd.	100%	100%	100%
Gibraltar Royalty LP	99.99%	99.99%	-

(b) Key management personnel compensation

Key management personnel include the members of the Board of Directors and executive officers of the Company.

The Company contributes to a post-employment defined contribution pension plan on the behalf of certain key management personnel. This retirement compensation arrangement (RCA Trust) was established to provide benefits to certain executive officers on or after retirement in recognition of their long service. Upon retirement, the participant is entitled to the distribution of the accumulated value of the contributions under the RCA Trust. Obligations for contributions to the defined contribution pension plan are recognized as compensation expense in profit or loss in the periods during which services are rendered by the executive officers.

Certain executive officers are entitled to termination and change in control benefits. In the event of termination without cause, other than a change in control, these executive officers are entitled to an amount ranging from 9-month to 12-month's salary. In the event of a change in control, if a termination without cause or a resignation occurs within 12 months following the change of control, these executive officers are entitled to receive, among other things, an amount ranging from 24-month to 32-months salary and accrued bonus, and all stock options held by these individuals will fully vest.

Executive officers and directors also participate in the Company's share option program (note 21).

(Cdn$ in thousands)

Compensation for key management personnel (including directors) is as follows:

	Year ended December 31, 2011	2010
Salaries and benefits	$ 3,578	$ 3,186
Post-employment benefits	1,135	666
Share-based compensation	6,591	6,524
	$11,304	$10,376

(c) Other related party transactions

	Transaction value for the year end December 31, 2011	2010	Due to (from) related parties as at December 31, 2011	2010
Hunter Dickinson Services Inc.:				
General and administrative expenses	$ 2,223	$ 2,266		
Exploration and evaluation expenses	764	692		
Prepaid rent	995	-		
	$ 3,982	$ 2,958	$ 44	$ 154
Gibraltar joint venture:				
Other operating income	$ 840	$ 648	$ (241)	$ (1,764)

Hunter Dickinson Services Inc. (HDSI) is a private company which, until early 2010, was owned equally by eight public companies, one of which was the Company. In the first quarter of 2010, the Company sold its interest in HDSI for a nominal value. HDSI employs some members of the executive management of the Company and invoices the Company for their executive services as well as other services.

Under the terms of the joint venture operating agreement, the Gibraltar joint venture pays the Company a management fee for services rendered by the Company as operator of the Gibraltar mine.

27. 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)

(b) Reconciliation of Equity

	Ref.	December 31, 2010	January 1, 2010
Equity under Canadian GAAP		$ 469,951	$ 296,693
Change in accounting method for depreciation	(i)	(668)	-
Reversal of impairment	(ii)	3,338	4,574
Provision for environmental rehabilitation	(iii)	(14,290)	(16,731)
Share-based compensation	(iv)	-	-
Deferred income tax	(v)	2,411	3,338
Equity under IFRS		$ 460,742	$ 287,874

(c) Reconciliation of Total Comprehensive Income

	Ref.	Year ended December 31, 2010
Total Comprehensive Income under Canadian GAAP		$ 150,271
Change in accounting method for depreciation	(i)	(1,772)
Reversal of impairment	(ii)	(99)
Provision for environmental rehabilitation	(iii)	(1,843)
Share-based compensation	(iv)	1,149
Deferred income tax	(v)	280
Gain on contribution to joint venture	(vi)	3,044
Total Comprehensive Income under IFRS		$ 151,030

References for (b) and (c)

i) Change in accounting method for depreciation

On adoption of IFRS effective January 1, 2010, the Company changed its depreciation accounting method 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 method has been prospectively applied from January 1, 2010 as it is a change in depreciation method and not a change in an accounting policy. Under IFRS, a change in the method of depreciation is considered a change in estimate and is applied prospectively. Under Canadian GAAP, a change in depreciation method would have been considered a change in accounting policy and 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 method 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 method 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 Canadian 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 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 Canadian 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 December 31, 2010, the adjustments were updated for changes in discount rates and incremental depreciation. There were no other changes in estimates between Canadian GAAP and IFRS.

iv) Share-based compensation

For the purpose of accounting for share-based payment transactions, certain individuals previously classified as contractors under Canadian 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 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, intangible assets 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 Canadian 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 $4,255. Additional adjustments were made as at 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 Canadian 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 $4,266, cash flow from financing activities decreased by $3,118 and cash flow from investing activities increased by $2,629, with the effect of the foreign exchange decreasing cash by $3,777 for the year ended December 31, 2010 compared to Canadian 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.

28. SUBSEQUENT EVENTS

Effective February 3, 2012, the Company commenced a normal course issuer bid for up to 10 million common shares of the Company. All shares will be purchased on the open market through the facilities of the Toronto Stock Exchange at the market price at the time of purchase. The Company's normal course issuer bid will terminate on February 2, 2013 or earlier if the number of shares sought in the issuer bid has been obtained. The Company reserves the right to terminate the bid earlier at any time. Purchases under the normal course issuer bid are subject to the restricted payment limitations in the Company's senior notes indenture.