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TASEKO ANNOUNCES FIRST QUARTER 2012 GROSS PROFIT OF $17 MILLION

This release should be read with the Company's Financial Statements and Management Discussion & Analysis ("MD&A"), available at www.tasekomines.com and filed on www.sedar.com. Except where otherwise noted, all currency amounts are stated in Canadian dollars. Taseko's 75% owned Gibraltar Mine is located north of the City of Williams Lake in south-central British Columbia. Sales and production volumes reflected in this release are on a 100% basis unless otherwise indicated.

May 9, 2012, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE Amex: TGB) ("Taseko" or the "Company") reports the results for the three months ended March 31, 2012.

Highlights

- Revenues for the first quarter 2012 were $55.4 million from the sale of 12.8 million pounds of copper and 354 thousand pounds of molybdenum.
- Total production at Gibraltar (100%), for the quarter ended March 31, 2012 was 20.7 million pounds of copper and 438 thousand pounds of molybdenum.
- On a 100% basis, capital project spending for the first quarter totalled $55.3 million.
- On January 31, 2012, Taseko received approval from the TSX to initiate a normal course issuer bid to repurchase up to 5.1%, or 10 million common shares, of the Company's issued shares.
- On March 28, 2012, Taseko announced the Aley Niobium Project resource has been upgraded to a Measured and Indicated Resource. At a 0.2% Nb_2O_5 cutoff, the Measured and Indicated Resource is 286 million tonnes with an average grade of 0.37% Nb_2O_5 plus 144 million tonnes of Inferred Resource with an average grade of 0.32% Nb_2O_5.
- As of April 2012, detailed engineering for the GDP3 Project was more than 70% complete and a definitive construction estimate for the project was completed. The estimate confirmed that the project remains on budget. Major planned construction milestones were achieved during the winter, leaving the project well positioned to take advantage of the spring and summer months to progress the work and achieve mechanical completion by year end.

For the three months ended March 31, 2012, Taseko had gross profit of $17.1 million and adjusted net earnings of $1.3 million ($0.01 per share). This compares to gross profit of $25.2 million and adjusted net earnings of $8.0 million ($0.04 per share) for the three months ended March 31, 2011.

Russell Hallbauer, President and CEO of Taseko commented, "Earnings in the first quarter were impacted by reduced sales due to the delayed loading of a marine shipment. The approximate six million pounds of copper that was not shipped in the first quarter was shipped early in April and therefore will augment second quarter sales. Also negatively affecting earnings was a $15.5 million unrealized loss on derivatives as well as $4.3 million expensed in the first quarter for the development of our Aley Niobium and New Prosperity projects."

"As previously disclosed, first quarter production was lower than anticipated due to ore characteristics, severe winter weather, ground water incursion at the lower level benches and a five-day unplanned shutdown to repair a SAG mill motor. These challenges resulted in reduced mill throughput of approximately 750,000 tons, or four million pounds of copper production."

Mr. Hallbauer continued, "Following a thorough project review with our engineering firm, it was confirmed that the GDP3 project remains on time and on budget. Mechanical completion is expected in December and commissioning will start at that time."

Taseko will host a conference call on Thursday, May 10, 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, or (970) 315-0461 internationally. Accompanying presentation slides will be available to download at tasekomines.com. Alternatively, a live and archived webcast will also be available at tasekomines.com.

The conference call will be archived for later playback until May 17, 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 66610761.

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

Russell Hallbauer
President and CEO

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

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.gov 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 unaudited condensed consolidated interim financial statements and notes thereto, prepared in accordance with IFRS for the three-month period ended March 31, 2012 (collectively, the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this MD&A. This MD&A should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2011, prepared in accordance with IFRS, the related 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 May 8, 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)	Three months ended March 31, 2012	2011
Revenues	$ 55,353	$ 58,801
Net earnings (loss)	(8,344)	5,753
Per share ("EPS") [1]	(0.04)	0.03
Adjusted net earnings [2]	1,272	7,971
Per share ("adjusted EPS") [1,2]	0.01	0.04
EBITDA [2]	(4,337)	15,301
Adjusted EBITDA [2]	9,049	16,617
Capital expenditures	41,472	6,799
	As at Mar. 31, 2012	**As at Dec. 31, 2011**
Cash and equivalents	$ 318,307	$ 277,792
Dual currency deposits within other financial assets	-	40,602
Non-cash working capital	(9,242)	98,117
Net (cash) debt [2]	(84,981)	(86,139)
Equity	482,304	496,817

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

[2] Adjusted net earnings, adjusted EPS, EBITDA, adjusted EBITDA and net (cash) debt are non-GAAP financial performance measures with no standard definition under IFRS. See pages 16-18 of this MD&A.

RECENT DEVELOPMENTS AND MARKET REVIEW

Aley resource update

On March 28, 2012, we announced a 170% mineral resource increase and an upgrade to a measured and indicated resource, compared to inferred resource previously-reported in our September 2011 technical report.

Normal course issuer bid

On February 3, 2012, we commenced a normal course issuer bid for up to 10 million common shares of the Company.

Market review

Copper markets were strong throughout the first quarter. While prices declined as compared to the same period last year, they remain high when compared to long-term marginal costs of producers. This reflects continued supply constraints impacting prices relatively more than the impact of slowing demand in China and other large copper-consuming economies. LME inventories declined through the first quarter. Copper prices climbed in January and remained relatively stable with an average of US$3.77 per pound for the first quarter of 2012.

FINANCIAL PERFORMANCE

Earnings

(Cdn$ in thousands)	Three months ended March 31, 2012	2011	Change	% Change
Net (loss) earnings	$ (8,344)	$ 5,753	$ (14,097)	(245%)
Unrealized loss (gain) on derivatives	15,484	(3,180)	18,664	(587%)
Gain on sale of marketable securities	(235)	-	(235)	-
Changes in fair value of warrants	-	529	(529)	(100%)
Unrealized (income) loss on DCDs	(171)	636	(807)	(127%)
Foreign currency translation (gains) losses	(1,692)	3,331	(5,023)	(151%)
Tax effect of adjustments	(3,770)	902	(4,671)	(518%)
Adjusted net earnings [1]	$ 1,272	$ 7,971	$ (6,699)	(84%)

[1] Adjusted net earnings is non-GAAP financial performance measures with no standard definition under IFRS. See pages 16-18 of this MD&A.

In the first quarter of 2012, we realized a net loss of $8.3 million, compared to net earnings of $5.8 million in the prior-year quarter. Included in net earnings are a number of items that management believes require adjustment in order to better measure the underlying performance of the business, and has presented these items in the table above.

Unrealized gains/losses on derivatives can vary significantly each period and have a significant impact on earnings. These swings are a result of changes in 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 March 31, 2012 was comprised of collars hedging 90% of our share of Gibraltar's estimated copper production for the remainder of 2012, whereas the hedge position at the end of March 31, 2011 was comprised of put options on our share of Gibraltar's estimated copper production for the second and third quarters of 2011.

We remove the foreign currency translation impact, the unrealized gains/losses on the derivative instruments, and the unrealized income/losses on dual currency deposits (DCDs) 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 and financial 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 $6.7-million decrease in the adjusted quarterly net earnings year over year are the following changes:

- $3.4-million decrease in revenues associated with lower realized copper prices;
- $4.7-million increase in cost of sales;
- $3.9-million increase in exploration and evaluation expenses;
- $2.8-million increase in interest expense associated with the April 2011 senior notes issuance;
- offset by a $3.6-million reduction in copper hedge costs and general and administrative expenses; and
- an estimated $4-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 March 31, 2012	2011	Change	% Change
Copper concentrate	$ 49,241	$ 52,434	$ (3,193)	(6%)
Copper cathode	72	1,423	(1,351)	(95%)
	$ 49,313	$ 53,857	$ (4,544)	(8%)
Molybdenum concentrate	5,290	4,066	1,224	30%
Silver contained in copper concentrate	750	878	(128)	(15%)
	$ 55,353	$ 58,801	$ (3,448)	(6%)
(thousands of pounds, unless otherwise noted)				
Copper concentrate	12,736	12,422	314	3%
Copper cathode	-	333	(333)	(100%)
Total copper sales	12,736	12,755	(19)	0%
Average realized copper price (US$ per pound) [1]	$ 3.87	$ 4.28	$ (0.42)	(10%)
Molybdenum concentrate	354	231	123	53%
Average realized molybdenum price (US$ per pound) [1]	$ 14.92	$ 17.82	$ (2.90)	(16%)

[1] The average exchange rate used for first quarter 2012 was CAD/USD $1.0013 (2011: $0.9859).

Copper sales volumes during the quarter remained relatively constant year over year. Our copper revenues, however, are down 8% due to lower realized copper prices. London Metals Exchange (LME) copper prices averaged US$3.77 per pound in first quarter 2012, down 14% compared to US$4.38 per pound in first quarter 2011. The Company's average realized copper price of US$3.87 per pound for first quarter 2012 was slightly better than the LME average. Molybdenum revenues have increased 30% benefitting from a 53% increase in sales volumes. The impact of the increased sales volumes has been partially offset by a decline in molybdenum prices year over year.

Cost of sales

(Cdn$ in thousands)	Three months ended March 31, 2012	2011	Change	% Change
Direct mining costs	$ 37,249	$ 29,631	$ 7,618	26%
Depreciation	3,696	2,400	1,296	54%
Treatment and refining costs	2,761	2,552	209	8%
Transportation costs	3,134	2,766	368	13%
Changes in inventories of finished goods and WIP	(8,609)	(3,774)	(4,835)	128%
	$ 38,231	$ 33,575	$ 4,656	14%
Copper production (thousands of pounds)	15,638	14,436	1,201	8%
Copper sales (thousands of pounds)	12,736	12,755	(19)	0%
Direct mining costs per pound produced (per pound)	2.38	2.05	0.33	16%
Depreciation per pound produced (per pound)	0.24	0.17	0.07	42%
Treatment and refining costs per pound sold (per pound)	0.22	0.20	0.02	8%
Transportation costs per pound sold (per pound)	0.25	0.22	0.03	13%

Contributing to the year-over-year increase in direct mining costs for the quarter was a 13% increase in tons mined. The strip ratio in first quarter 2012 was 2.9, an increase over the 2.5 strip ratio in prior-year quarter. In addition, direct mining costs were impacted by increased repairs and maintenance costs incurred during first quarter 2012, which were over 75% higher than first quarter 2011. The increase is primarily due to planned conveyor and SAG mill motor maintenance and replacement of discharge liners, grates and pulp lifters. 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 9 for additional details).

Depreciation expenses have increased year over year, reflecting an increase in assets placed into service. Transportation costs have increased on a 'per-unit of sales' basis, consistent with increases observed in the market over the course of the past twelve months.

Other expenses and income

(Cdn$ in thousands)	Three months ended March 31, 2012	2011	Change	% Change
General and administrative	$ 5,384	$ 6,622	$ (1,238)	(20%)
Exploration and evaluation	$ 4,319	$ 372	$ 3,947	>999%
Other operating expenses:				
Realized loss on copper derivatives	$ 1,689	$ 4,095	$ (2,406)	(59%)
Unrealized loss (gain) on copper derivatives	15,484	(3,180)	18,664	(587%)
Loss on sale of property, plant and equipment	73	-	73	100%
Management fee income	(255)	(188)	(67)	(36%)
	$ 16,991	$ 727	$ 16,264	>999%

The decrease in general and administrative expenses in first quarter 2012 is primarily due to a $1.5-million decrease in share-based compensation expense year over year, offset by some modest increases in other expenses.

The increase in exploration and evaluation expenses year over year reflects a significant increase in activity at both the Aley project and the New Prosperity project. During first quarter 2012, approximately $1.9 million was spent on Aley and approximately $2.4 million was spent on the New Prosperity project.

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, $1.7 million of which was recognized in the first quarter of 2012. The outstanding copper derivatives are also marked-to-market each period end to fair value with any changes in fair value recognized in income as unrealized gains or losses. In first quarter 2012, we recognized $15.5 million in unrealized losses as a result of the movement in copper prices since the 2011 year end, as well as the expiry of contracts during the quarter.

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. The $4.1-million realized loss on copper derivatives reflects the net cost of the put options that expired during the first quarter 2011. A $3.1-million unrealized gain was recognized on the remaining outstanding put option contracts at the end of first quarter 2011.

Finance expenses

(Cdn$ in thousands)	Three months ended March 31, 2012	2011	Change	% Change
Interest expense	$ 3,777	$ 955	$ 2,822	295%
Accretion on PER	596	249	347	139%
Foreign exchange loss	-	2,976	(2,976)	(100%)
	$ 4,373	$ 4,180	$ 193	5%

Interest expense has increased primarily as a result of the issuance of the US$200 million in senior notes in April 2011. Interest expense on secured equipment loans and capital leases has also increased slightly year over year. Interest expense for first quarter 2012 is net of $1.1 million of interest capitalized on the GDP3 project.

Foreign exchange gains and 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 our functional currency, which is 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. The swing from a loss position in first quarter 2011 to a gain position in first quarter 2012 is primarily due to the translation of the senior notes in 2012. The senior notes had not yet been issued at the end of the first quarter 2011.

Finance income

(Cdn$ in thousands)	Three months ended March 31, 2012	2011	Change	% Change
Interest income	$ 1,901	$ 1,440	$ 461	32%
Change in fair value of warrants	-	(529)	529	(100%)
Gain on sale of marketable securities	235	-	235	100%
Realized gain (loss) on DCDs	112	(408)	520	(127%)
Unrealized income (loss) on DCDs	171	(636)	807	(127%)
Foreign exchange gain	1,450	-	1,450	100%
	$ 3,869	$ (133)	$ 4,002	>(999%)

Interest income is primarily comprised of income earned on the promissory note and reclamation deposits.

Income tax

(Cdn$ in thousands)	Three months ended March 31, 2012	2011	Change	% Change
Current expense	$ 4,070	$ 4,090	$ (20)	0%
Deferred expense (recovery)	(5,802)	3,349	(9,151)	(273%)
	$ (1,732)	$ 7,439	$ (9,171)	(123%)
Effective tax rate	17.2%	56.4%		
Canadian statutory rate	25.0%	26.5%		

In first quarter 2012, we realized an income tax recovery, compared to income tax expense in first quarter 2011. Current cash taxes were relatively constant year over year.

The effective tax rate for first quarter 2012 is approximately 8 percentage points lower than the statutory rate primarily due to the BC 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 contribute to a 14 percentage point reduction from the statutory rate. Permanent differences, such as non-deductible share-based compensation, accounted for an offsetting 1 percentage point increase. There were unrecognized tax benefits related to unrealized foreign exchange gain on debt, which contribute an additional 5 percentage point increase. When these differences are applied to the net income, 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 first quarter 2011 is higher than the statutory rate 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 contribute a 19 percentage point increase over the statutory rate. In addition, permanent differences, such as non-deductible share-based compensation, accounted for an additional 10 percentage point increase over the statutory rate.

REVIEW OF OPERATIONS AND PROJECTS

Gibraltar mine

GIBRALTAR OPERATING STATISTICS (100% BASIS)	Three months ended March 31, 2012	2011
Tons mined (millions)	15.7	14.0
Tons milled (millions)	3.9	3.2
Stripping ratio	2.9	2.5
Copper concentrate		
Grade (%)	0.305	0.337
Recovery (%)	87.0	89.8
Production (million pounds)	20.7	19.2
Sales (million pounds)	17.0	16.6
Copper cathode		
Production (million pounds)	0.1	0.1
Sales (million pounds)	-	0.4
Molybdenum		
Grade (%)	0.013	0.013
Recovery (%)	43.1	36.7
Production (thousand pounds)	438	316
Sales (thousand pounds)	472	309
Per unit data [1,4]		
Operating cash costs [2] (US$ per pound)	$ 2.38	$ 2.08
By-product credits [3] (US$ per pound)	(0.39)	(0.35)
Net operating cash costs of production [1] (US$ per pound)	$ 1.99	$ 1.73

[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 16-18 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.

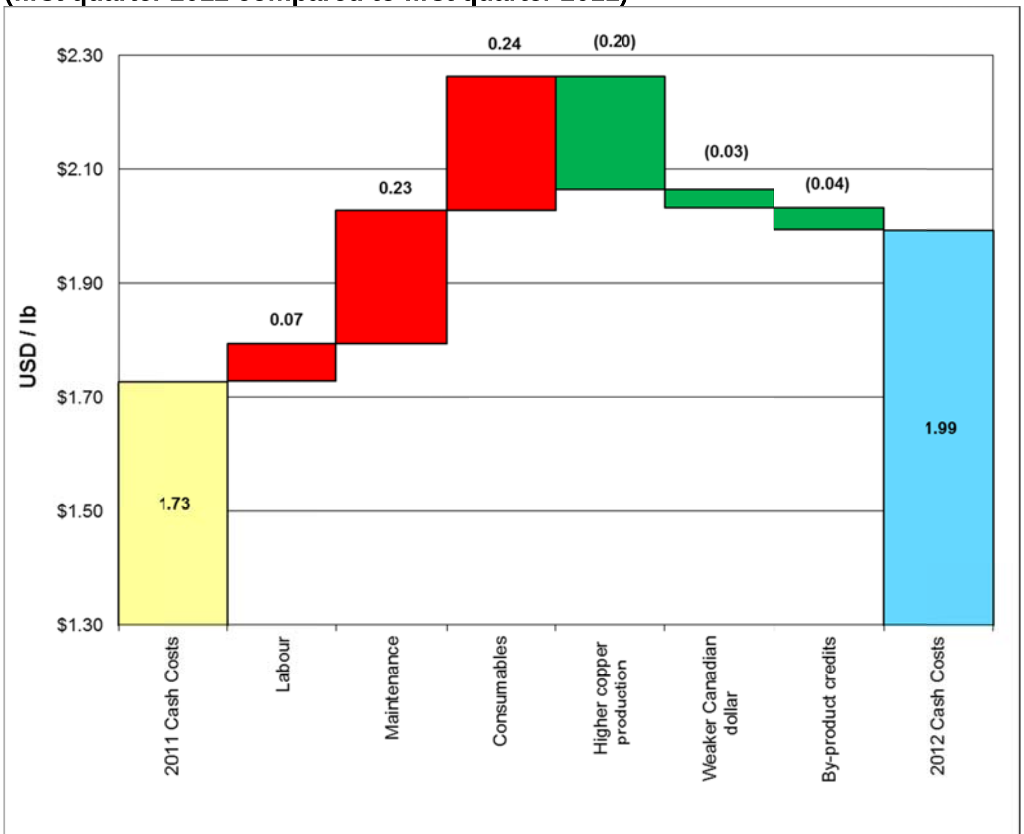
First-quarter results

In first quarter 2012, the Gibraltar mine mined 15.7 million tons and milled 3.9 million tons, increases of 13% and 23%, respectively, over the first quarter of 2011. The strip ratio in first quarter 2012 was 2.9, an increase over the 2.5 strip ratio in prior-year quarter.

Copper concentrate production during first quarter 2012 was 20.7 million pounds, an 8% increase over the 19.2 million pounds produced in the first quarter 2011. The increase in copper concentrate production is primarily a result of the 23% increase in tons milled, offset by a 9% lower head grade and lower recoveries. Average mill throughput during first quarter 2012 was 49,700 tons per operating day, with 86.5% operating time. This was lower than expected due to downtime in March for maintenance on the main line conveyor and SAG mill motors and replacement of the SAG pulp lifters and grates.

Molybdenum production during first quarter 2012 was 438 thousand pounds, up 38% compared to the prior-year quarter, as a result of the increase in tons milled as well as a 17% increase in molybdenum recovery.

Figure 1: Net operating cash costs of production[1,2] per pound (first quarter 2012 compared to first quarter 2011)



[1] Net operating cash costs of production is a non-GAAP financial performance measure with no standard definition under IFRS. See pages 16-18 of the Company's MD&A.

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

In the first quarter 2012, total net operating cash costs per pound of copper produced averaged US$1.99, a 15% increase over the US$1.73 averaged during first quarter 2011. Positively impacting net operating cash costs per unit of production year over year was the 8% increase in copper pounds produced, higher by-product credits and a weaker Canadian dollar in first quarter 2012 compared to first quarter 2011. Net operating cash costs per unit of production were adversely impacted by a significant increase in repairs and maintenance costs, higher labour costs and an increase in 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 72% 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 approximately 64% 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 continues and the first major items, including substation transformers and the ball mill shells, have been received at the mine site.

Construction activities are proceeding as planned. The construction of the #2 concentrator building continues and assembly of the first conveyor systems has commenced. The erection of the grinding mills is scheduled to begin in May.

The project remains on time and on budget. The EPCM contractor completed a mid-project review of completion cost and schedule in April 2012 and there are no outstanding factors which indicate a miss on either parameter. Commissioning of the facilities is scheduled to commence in December 2012.

New Prosperity project

The Company completed a field program in early April for the purpose of obtaining information for the federal environmental assessment of the proposed New Prosperity project.

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 guidelines commenced on January 23, 2012 and was completed on February 22, 2012. The guidelines were finalized and issued by the Minister of Environment on March 16, 2012. The terms of reference for the panel have yet to be finalized by the Minister.

Aley project

On March 28, 2012, we announced a 170% mineral resource increase and an upgrade to a measured and indicated resource, compared to inferred resource previously-reported in our September 2011 technical report. The new resource estimate is based on drill data gathered from the 2011 program, along with historical data.

The measured and indicated resource is 286 million tonnes with an average grade of 0.37% Nb_2O_5, at a 0.2% Nb_2O_5 cutoff. There is an additional 144 million tonnes of inferred resource with an average grade of 0.32% Nb_2O_5. A total of 739 million kilograms of niobium are contained in the measured and indicated resource with an additional 323 million kilograms in the inferred resource, respectively.

Metallurgical testwork is in progress. Engineering work on minesite components, tailings storage facility, and transmission line options is also ongoing. We expect to finalize a feasibility study and be in a position to make an investment decision by early 2013.

FINANCIAL CONDITION REVIEW

Balance sheet review

Total assets were $974.4 million at March 31, 2012, a slight decrease from total assets of $994.7 million at December 31, 2011. Contributing to the decrease in total assets was a $50 million decrease in current assets, offset by a $31-million increase in property, plant and equipment.

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 one month after the month of arrival at the receiving port.

Total liabilities decreased slightly, from $497.9 million as at December 31, 2011 to $492.1 million at March 31, 2012. The main items contributing to the decrease in total liabilities include a $15-million reduction in provision for environmental rehabilitation (PER) and a $7-million reduction in royalty obligation, offset by a $24-million increase in accounts payable and accrued liabilities. The increase in accounts payable and accrued liabilities is attributable to the increased activity at GDP3.

The PER valuation was adjusted during first quarter 2012 for changes in estimated cash flows required to discharge the liability, along with a change in the discount rates. The Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates increased to 2.66% at March 31, 2012 compared to 2.49% at December 31, 2011. Given the long timeframe 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 discount rates.

As at May 7, 2012, there were 192,928,475 common shares outstanding. In addition, there were 13,482,500 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 March 31, 2012, the Company had cash and equivalents of $318.3 million, as compared to $277.8 million at December 31, 2011. At December 31, 2011, an additional $40.6 million of highly-liquid money market instruments were recorded as current other financial assets, but were converted to cash and equivalents during first quarter 2012. We maintained our strategy of retaining significant liquidity to fund operations and the GDP3 expansion.

Operating cash flow for first quarter 2012 was an inflow of $52.0 million compared to an outflow of $3.0 million for the prior-year quarter. A $42.7-million decrease in non-cash working capital was the primary contributor to the significant swing in operating cash flow year over year.

The principal use of operating cash flows during the quarter was capital expenditures and the repurchase of common shares. 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 regularly evaluated to determine the optimal mix of capital resources to address our capital needs and minimize our weighted average cost of capital.

Cash provided by investing activities for first quarter 2012 was $2.8 million. The maturity of $42.2 million in DCDs with terms greater than three months and $2.1 million of interest received was partially offset by $41.5 million invested in property, plant and equipment. The prior-year quarter reflects $6.8 million invested in property, plant and equipment and $9.0 million invested in DCDs.

Cash used for financing activities for first quarter 2012 was $12.0 million compared to cash provided by financing activities of $3.7 million for the prior-year quarter. Included in first quarter 2012 are repurchase of common shares for $7.5 million and a combined $5.0 million for debt repayment and interest charges. This compares to cash provided by financing activities for first quarter 2011 of $3.7 million comprised of $6.9 million in proceeds on the issuance of common shares offset by $3.2 million for debt repayment and interest charges.

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 the remaining 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.

SUMMARY OF QUARTERLY RESULTS

	2012	2011				2010		
($ in thousands, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	55,353	60,512	84,204	48,349	58,801	108,959	37,540	56,453
Net earnings (loss)	(8,344)	(7,694)	30,028	(1,113)	5,753	25,550	728	44,783
EPS [1]	(0.04)	(0.04)	0.15	(0.01)	0.03	0.14	0.00	0.24
Adjusted net earnings (loss) [2]	1,272	9,941	(1,991)	1,863	7,971	31,274	6,276	3,335
Adjusted EPS [1]	0.01	0.05	(0.01)	0.01	0.04	0.17	0.03	0.02
EBITDA [2, 3]	(4,337)	(4,830)	56,525	3,685	15,301	46,353	3,893	22,436
Adjusted EBITDA [2, 3]	9,049	19,220	13,669	8,637	16,617	52,491	11,795	9,048
(US$ per pound, except where indicated)								
Realized copper price [2]	3.87	3.56	3.73	4.25	4.28	4.09	3.78	3.18
Total cash costs of sales [2]	2.23	2.20	2.33	2.37	2.08	1.69	1.79	2.08
Copper sales (million pounds)	12.7	15.4	21.8	10.7	12.8	25.2	8.7	16.5

[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 16-18 of the Company's MD&A.

[3] Certain prior-period measures have been recalculated to conform with the presentation adopted for the current period.

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.

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.

During the quarter, 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 $368 million and its implied value, for a reported gain of $380 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 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.

There have been no changes in our internal control over financial reporting and disclosure controls and procedures during the period ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

RELATED PARTY TRANSACTIONS

Key management personnel

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

During first quarter 2012, the Company incurred total compensation expenses of $2.8 million for its key management personnel.

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 first quarter 2012, the Company incurred general and administrative expenses of $0.4 million and exploration and evaluation expenses of $0.2 million with HDSI. This compares to general and administrative expenses of $0.5 million, exploration and evaluation expenses of $0.2 million, and prepaid rent of $1.0 million in first quarter 2011.

The Gibraltar joint venture pays a management fee to the Company for services rendered as operator of the Gibraltar mine. In addition, the Company pays compensation expenses for certain individuals providing services to the Gibraltar joint venture and invoices the joint venture for reimbursement of these expenses. During the first quarter 2012, the Company has recognized $0.3 million of income for these services rendered, compared to $0.2 million in first quarter 2011.

NON-GAAP PERFORMANCE MEASURES

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

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 recurring in nature, we believe unrealized gains/losses on derivative instruments are not necessarily reflective of the underlying operating results for the reporting periods presented.

($ in thousands, except per share amounts)	Three months ended March 31, 2012	2011
Net (loss) earnings	**$ (8,344)**	**$ 5,753**
Add:		
Depreciation	3,863	2,594
Interest expenses	3,777	955
Interest income	(1,901)	(1,440)
Income tax (recovery) expense	(1,732)	7,439
EBITDA	**$ (4,337)**	**$ 15,301**
Adjustments:		
Unrealized (gain)/loss on derivative instruments	15,484	(3,180)
Foreign currency translation	(1,692)	3,331
Unrealized (income) loss on DCDs	(171)	636
Gain on sale of marketable securities	(235)	-
Changes in fair value of warrants	-	529
Adjusted EBITDA	**$ 9,049**	**$ 16,617**

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.

($ in thousands, except per share amounts)	Three months ended March 31, 2012	2011
Net (loss) earnings	**$ (8,344)**	**$ 5,753**
Unrealized loss (gain) on derivatives	15,484	(3,180)
Gain on sale of marketable securities	(235)	-
Changes in fair value of warrants	-	529
Unrealized (income) loss on DCDs	(171)	636
Foreign currency translation losses (gains)	(1,692)	3,331
Tax effect of adjustments	(3,770)	902
Adjusted net earnings	**$ 1,272**	**$ 7,971**
Adjusted EPS	**$0.01**	**$0.04**

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 March 31,	
($ in thousands, unless otherwise indicated)	**2012**	**2011**
Cost of sales	**$ 38,231**	**$ 33,575**
Less non-cash items:		
Depreciation	(3,696)	(2,400)
Share-based compensation	(50)	(86)
Less by-product credits:		
Molybdenum	(5,290)	(4,066)
Silver	(750)	(878)
Total cash costs of sales	**$ 28,445**	**$ 26,145**
Total copper sold (thousand pounds)	12,736	12,755
Total cash costs per pound sold	2.23	2.05
Average exchange rate for the period (CAD/USD)	1.0013	0.9859
Total cash costs of sales (US$ per pound)	**$ 2.23**	**$ 2.08**
Total cash costs of sales	**$ 28,445**	**$ 26,145**
Net change in inventory	8,609	3,774
Total cash costs of production	**$ 37,054**	**$ 29,919**
Less offsite costs:		
Treatment and refining costs	(2,761)	(2,552)
Transportation costs	(3,134)	(2,766)
Net operating cash costs	**$ 31,159**	**$ 24,601**
Total copper produced (thousand pounds)	15,638	14,436
Total cash costs per pound produced	1.99	1.70
Average exchange rate for the period (CAD/USD)	1.0013	0.9859
Net operating cash costs of production (US$ per pound)	**$ 1.99**	**$ 1.73**

TASEKO MINES LIMITED

Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

(Cdn$ in thousands, except per share amounts)	Note	Three months ended March 31, 2012	2011
Revenues	3	$ 55,353	$ 58,801
Cost of sales	4	(38,231)	(33,575)
Gross profit		17,122	25,226
General and administrative		(5,384)	(6,622)
Exploration and evaluation		(4,319)	(372)
Other operating expenses	5	(16,991)	(727)
		(9,572)	17,505
Finance expenses	6	(4,373)	(4,180)
Finance income	7	3,869	(133)
Earnings (loss) before income taxes		(10,076)	13,192
Income tax recovery (expense)	8	1,732	(7,439)
Net earnings (loss) for the period		**$ (8,344)**	**$ 5,753**
Other comprehensive income (loss):			
Unrealized gains (losses) on available-for-sale financial assets, net of tax		(1,135)	4,957
Realized gains on available-for-sale financial assets, net of tax		(205)	-
Total other comprehensive income (loss) for the period		**$ (1,340)**	**$ 4,957**
Total comprehensive income (loss) for the period		**$ (9,684)**	**$ 10,710**
Earnings (loss) per share			
Basic		$ (0.04)	$ 0.03
Diluted		$ (0.04)	$ 0.03
Weighted-average shares outstanding (thousands)			
Basic		196,029	188,319
Diluted		199,905	201,951

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

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(unaudited)

		Three months ended March 31,	
(Cdn$ in thousands)	Note	2012	2011
Operating activities			
Net earnings (loss) for the period		$ (8,344)	$ 5,753
Adjustments for:			
Depreciation		3,863	2,594
Income tax (recovery) expense	8	(1,732)	7,439
Income tax paid		(955)	(24,390)
Share-based compensation		2,202	3,741
Unrealized loss (gain) on derivatives	5	15,484	(3,180)
Finance expenses		1,273	4,913
Finance income		(4,297)	(610)
Other operating activities	16	1,755	4,051
Net change in non-cash working capital	16	42,706	(3,328)
Cash provided by (used for) operating activities		51,955	(3,017)
Investing activities			
Purchase of property, plant and equipment		(41,472)	(6,799)
Investment in financial assets		-	(9,082)
Interest received		2,103	610
Proceeds from sale of property, plant and equipment		170	-
Proceeds from financial assets		42,236	-
Other investing activities	16	(280)	(675)
Cash provided by (used for) investing activities		2,757	(15,946)
Financing activities			
Repayment of debt		(3,374)	(2,551)
Interest paid		(1,596)	(637)
Common shares issued for cash		507	6,913
Repurchase of common shares	14b	(7,538)	-
Cash (used for) provided by financing activities		(12,001)	3,725
Effect of exchange rate changes on cash and equivalents		(2,196)	(3,498)
Increase (decrease) in cash and equivalents		40,515	(18,736)
Cash and equivalents, beginning of period		277,792	211,793
Cash and equivalents, end of period		**$ 318,307**	**$ 193,057**

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

TASEKO MINES LIMITED

Consolidated Balance Sheets

(unaudited)

(Cdn$ in thousands)	Note	March 31, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and equivalents		$ 318,307	$ 277,792
Accounts receivable		11,499	39,909
Other financial assets	9	18,748	86,147
Inventories	10	32,510	23,290
Current tax receivable		4,321	7,437
Prepaids		1,745	2,348
		387,130	436,923
Other financial assets	9	109,994	111,641
Property, plant and equipment	11	471,782	440,565
Intangible assets		5,438	5,438
Prepaids		44	165
		$ 974,388	**$ 994,732**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 59,906	$ 36,289
Current portion of long-term debt	13	14,640	13,753
Other financial liabilities	12	3,344	10,797
Deferred revenue - royalty obligation		175	175
		78,065	61,014
Long-term debt	13	218,686	218,502
Other financial liabilities	12	43,673	45,980
Provision for environmental rehabilitation		81,300	96,022
Deferred tax liabilities		70,097	76,091
Deferred revenue - royalty obligation		263	306
		492,084	497,915
EQUITY			
Share capital	14	375,221	378,393
Contributed surplus		34,930	33,040
Accumulated other comprehensive income (loss) ("AOCI")		(2,738)	(1,398)
Retained earnings		74,891	86,782
		482,304	496,817
		$ 974,388	**$ 994,732**
Commitments and contingencies	15		

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

TASEKO MINES LIMITED

Consolidated Statements of Changes in Equity

(unaudited)

(Cdn$ in thousands)	Note	Share capital	Contributed surplus	AOCI	Retained earnings (deficit)	Total
Balance at January 1, 2011		$ 365,553	$ 26,193	$ 6,249	$ 62,747	$ 460,742
Exercise of options		2,259	(905)	–	–	1,354
Shares issued		5,673	–	–	–	5,673
Share-based compensation		–	3,741	–	–	3,741
Total comprehensive income for the period		–	–	4,957	5,753	10,710
Balance at March 31, 2011		**$ 373,485**	**$ 29,029**	**$ 11,206**	**$ 68,500**	**$ 482,220**
Balance at January 1, 2012		$ 378,393	$ 33,040	$ (1,398)	$ 86,782	$ 496,817
Exercise of options		819	(312)	–	–	507
Share-based compensation		–	2,202	–	–	2,202
Repurchase of common shares	14b	(3,991)	–	–	(3,547)	(7,538)
Total comprehensive income for the period		–	–	(1,340)	(8,344)	(9,684)
Balance at March 31, 2012		**$ 375,221**	**$ 34,930**	**$ (2,738)**	**$ 74,891**	**$ 482,304**

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

(Cdn$ in thousands - unaudited)

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 period ended March 31, 2012 comprise the Company, its subsidiaries and its 75% interest in the Gibraltar joint venture. 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 condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. These condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended December 31, 2011 prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 8, 2012.

(b) Changes in estimates

During the quarter the Company updated certain cost estimates and other assumptions used in the valuation of the provision for environmental rehabilitation (PER) for new information that was available. In the three-month period ended March 31, 2012, the Company recorded a $15,311 decrease for changes in estimate of the PER. This adjustment was recorded with a corresponding adjustment to property, plant and equipment.

3. REVENUE

	Three months ended March 31,	
	2012	**2011**
Copper concentrate	$ 49,241	$ 52,434
Copper cathode	72	1,423
	49,313	53,857
Molybdenum concentrate	5,290	4,066
Silver contained in copper concentrate	750	878
	$ 55,353	$ 58,801

(Cdn$ in thousands - unaudited)

4. COST OF SALES

	Three months ended March 31,	
	2012	**2011**
Direct mining costs	$ 37,249	$ 29,631
Depreciation	3,696	2,400
Treatment and refining costs	2,761	2,552
Transportation costs	3,134	2,766
Changes in inventories of finished goods and work in process	(8,609)	(3,774)
	$ 38,231	$ 33,575

5. OTHER OPERATING EXPENSES

	Three months ended March 31,	
	2012	**2011**
Realized loss on copper derivative instruments	$ 1,689	$ 4,095
Unrealized loss (gain) on copper derivative instruments	15,484	(3,180)
Loss on sale of property, plant and equipment	73	-
Management fee income	(255)	(188)
	$ 16,991	$ 727

6. FINANCE EXPENSES

	Three months ended March 31,	
	2012	**2011**
Interest expense	$ 3,777	$ 955
Accretion on PER	596	249
Foreign exchange loss	-	2,976
	$ 4,373	$ 4,180

7. FINANCE INCOME

	Three months ended March 31,	
	2012	**2011**
Interest income	$ 1,901	$ 1,440
Change in fair value of warrants	-	(529)
Gain on sale of marketable securities	235	-
Realized gain (loss) on dual currency deposits	112	(408)
Unrealized income (loss) on dual currency deposits	171	(636)
Foreign exchange gain	1,450	-
	$ 3,869	$ (133)

(Cdn$ in thousands - unaudited)

8. INCOME TAX

	Three months ended March 31, 2012	2011
Current expense	$ 4,070	$ 4,090
Deferred expense (recovery)	(5,802)	3,349
	$ (1,732)	$ 7,439

9. OTHER FINANCIAL ASSETS

	March 31, 2012	December 31, 2011
Current:		
Dual currency deposits > 3-month term	$ -	$ 40,602
Copper put option contracts	6,421	25,407
Marketable securities – available for sale	9,725	11,898
Promissory note	2,552	8,190
Short-term investments	50	50
	$ 18,748	$ 86,147
Long-term:		
Capped floating rate notes	$ 20,086	$ 20,055
Reclamation deposits	24,810	24,962
Promissory note	65,098	66,624
	$ 109,994	$ 111,641

10. INVENTORIES

	March 31, 2012	December 31, 2011
Work in process	$ 2,691	$ 1,154
Finished goods		
Copper concentrate	13,518	6,063
Copper cathode	595	179
Molybdenum concentrate	133	244
Materials and supplies	15,573	15,650
	$ 32,510	$ 23,290

(Cdn$ in thousands - unaudited)

11. PROPERTY, PLANT & EQUIPMENT

	Mineral properties[1]	Plant and equipment	CIP[3]	Total
Cost				
At December 31, 2011	$ 143,305	$ 303,672	$ 50,705	$ 497,682
Additions	24	14	50,162	50,200
Capitalized interest	-	-	1,082	1,082
Disposals[2]	(15,311)	(380)	-	(15,691)
Transfers between categories[3]	-	10,728	(10,728)	--
At March 31, 2012	$ 128,018	$ 314,034	$ 91,221	$ 533,273
Accumulated depreciation and impairments				
At December 31, 2011	$ 17,783	$ 39,334	$ -	$ 57,117
Depreciation	1,095	3,458	-	4,553
Disposals	-	(179)	-	(179)
At March 31, 2012	$ 18,878	$ 42,613	$ -	$ 61,491
Carrying amounts				
At December 31, 2011	$ 125,522	$ 264,338	$ 50,705	$ 440,565
At March 31, 2012	$ 109,140	$ 271,421	$ 91,222	$ 471,782

[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.] Disposals in mineral properties includes a reduction in the rehabilitation cost asset as a result of changes in estimates during the period.

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

12. OTHER FINANCIAL LIABILITIES

	March 31, 2012	**December 31, 2011**
Current:		
Royalty obligations	$ 2,552	$ 8,190
Copper call option contracts	792	2,607
	$ 3,344	$ 10,797
Long-term:		
Royalty obligations	$ 42,287	$ 44,594
Income tax obligations	1,386	1,386
	$ 43,673	$ 45,980

(Cdn$ in thousands - unaudited)

13. DEBT

	March 31, 2012	December 31, 2011
Current:		
Capital leases	$ 8,202	$ 6,925
Secured equipment loans	6,438	6,828
	$ 14,640	$ 13,753
Long-term:		
Senior notes	$ 193,773	$ 197,409
Capital leases	19,582	14,862
Secured equipment loans	5,331	6,231
	$ 218,686	$ 218,502

14. EQUITY

(a) Share capital

The Company's authorized share capital consists of an unlimited number of common shares with no par value. As at March 31, 2012, there were 194,600,035 common shares issued and outstanding.

(b) 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.

During the three-month period ended March 31, 2012, a total of 2,069,860 common shares have been repurchased for $7,538.

(c) Share-based compensation

During the first quarter of 2012, the Company granted 2,105,000 share options to executives and directors. These options have an exercise price of $2.65, with a term of 5 years and vest in equal amounts over three years. The weighted-average fair value of the share option issues was estimated at $1.60 per share option.

The Company granted 519,000 share options to employees. These options have an weighted-average exercise price of $2.75, with a term of 3 years and vest in equal amounts over three years. The weighted-average fair value of the share option issues was estimated at $1.23 per share option.

(Cdn$ in thousands - unaudited)

15. COMMITMENTS AND CONTINGENCIES

(a) Commitments

At March 31, 2012, the capital commitments totaled $37,452 and operating lease commitments totaled $3,836.

(b) Contingencies

The Company has guaranteed 100% of certain debt entered into by the joint venture in which it holds a 75% interest. As at March 31, 2012, this debt totaled $40,927 on a 100% basis. The Company has also guaranteed its share of additional debt totaling $8,858 on 75% basis.

16. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended March 31, 2012	2011
Change in non-cash working capital items		
Accounts receivable	$ 28,206	$ 5,995
Inventories	(9,220)	(7,395)
Accounts payable and accrued liabilities	23,821	(94)
Other	(101)	(1,834)
	$ 42,706	$ (3,328)
Operating cash flows – other items		
Realized loss on copper derivative instruments	$ 1,689	$ 4,095
Reclamation expenditures	(7)	(44)
Loss on sale of property, plant and equipment	73	-
	$ 1,755	$ 4,051
Investing cash flows – other items		
Net cash reinvested in reclamation deposit	$ (280)	$ (124)
Other	-	(551)
	$ (280)	$ (675)
Non-cash investing and financing activities		
Assets acquired under capital lease	$ 8,081	$ 682

17. 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, and reporting structures.

(Cdn$ in thousands - unaudited)

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

	Notional amount	Strike price[1]	Term to maturity	Fair value
At March 31, 2012				
Commodity contracts				
Copper put option contracts	51.6 million lbs	US$3.50	Q2-Q4 2012	$ 6,421
Copper call option contracts	51.6 million lbs	US$5.02 to 5.12	Q2-Q4 2012	$ (792)
Dual currency deposits				
USD/CAD (2.92% to 4%)	US$90 million	1.000 to 1.0235	< 3 months	$ 89,682
Capped floating rate notes				
3-month BA rate + 25 bps	C$10 million	5.00%	Q4 2013	$ 10,034
3-month BA rate + 45 bps	C$10 million	5.50%	Q4 2014	$ 10,052
Share purchase warrants				
Publicly-traded company	1 million shares	$1.20	Q2 2012	-

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

18. RELATED PARTIES

	Transaction value for three months ended March 31,		Due to (from) related parties as at March 31,	
	2012	**2011**	**2012**	**2011**
Hunter Dickinson Services Inc.:				
General and administrative expenses	$ 391	$ 495		
Exploration and evaluation expenses	155	158		
Prepaid rent	-	995		
	$ 546	$ 1,648	$ 89	$ 157
Gibraltar joint venture:				
Other operating income	$ 255	$ 188		
Reimburseable compensation expenses	33	42		
	$ 288	$ 230	$ (37)	$ 1,680

Hunter Dickinson Services Inc. (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. In addition, the Company pays compensation expenses for certain individuals providing services to the Gibraltar joint venture and invoices the joint venture for these expenses.