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TASEKO PRODUCES 13.4 MILLION POUNDS OF COPPER AND 223,000 POUNDS OF MOLYBDENUM IN FIRST QUARTER

February 15, 2006, Vancouver, BC – Taseko Mines Limited (TSXV: TKO; AMEX: TGB) announces its financial results for the quarter ending December 31, 2005, including production and sales for the **Gibraltar Mine** located near Williams Lake in south-central British Columbia.

Overview & Highlights

Taseko had after tax earnings of $6.7 million, or $0.06 per share ($0.06 per share fully diluted) in the first quarter of its 2006 fiscal year. The Company had an operating profit of $8.1 million for the period.

The Gibraltar mine met its copper production forecast for the quarter and exceeded its molybdenum production forecast by 11%. In addition:

- Revenues of $36.2 million and $5.1 million were realized from sales of copper and molybdenum.
- The average prices realized for sales were US$1.88 per pound for copper and US$22.45 per pound for molybdenum.
- Copper production was 13.4 million pounds in concentrate.
- Copper sales were 16.4 million pounds in 28,912 wet metric tonnes ("WMT") of concentrate.
- Molybdenum production was 223,000 pounds in concentrate.
- Molybdenum sales were 196,000 pounds in 192 WMT of concentrate.

A reserve update completed during the quarter resulted in a 30% increase in proven and probable reserves at Gibraltar (see Taseko News Release dated December 12, 2005).

A $2 million exploration drilling program is planned for Gibraltar in 2006 in order to more fully define the material adjacent to existing pits with the objective of further increasing the mineral reserves and therefore mine life. Drilling is scheduled to begin in March.

An engineering study has been commissioned to determine the optimum alternative for expanding mill capacity by approximately 25%. The goal is to increase revenue and reduce operating costs by increasing metal production as a result of higher throughputs and metal recoveries. The study is to be completed in March.

Taseko will re-assess the economics of constructing a copper refinery at the site once the reserve and mill capacity studies are completed.

The Company re-initiated feasibility and permitting work on its 100% owned Prosperity Copper-Gold Project, with the objective to advance the project toward a production decision.

Subsequent to the end of the quarter Taseko was approved, subject to final normal course documentation, to move to the TSX Exchange (formerly the Toronto Stock Exchange) from the TSX Venture Exchange. It is expected that the Company will begin trading on the TSX Exchange during the week of February 20, 2006.

Gibraltar Mine

The Gibraltar mine is operated under an agreement between Taseko's wholly owned subsidiary, Gibraltar Mines Ltd., and Ledcor CMI Ltd.

First Quarter Production Results

The following table is a summary of the operating statistics for the current quarter (Q1 - 2006) compared to the previous quarter (Q4 -2005). Statistics for the previous quarter are shown for comparison rather than those for the first fiscal quarter of 2005, as the latter was a restart period prior to commercial production.

	Q1 - 2006	**Q4 - 2005**
Total tons mined (millions)*	10.1	10.5
Tons ore milled (millions)	3.0	3.0
Stripping ratio	2.31	2.42
Copper grade (%)	0.286	0.281
Molybdenum grade (%MoS_2)	0.014	0.014
Copper recovery (%)	78.1	77.7
Molybdenum recovery (%)	42.9	20.3
Copper production (millions lb)	13.4	13.0
Molybdenum production (thousands lb)	223	108

*Total tons mined includes sulphide ore, oxide ore, low grade stockpile material, overburden, and waste rock which were moved from within pit limit to outside pit limit during the period.

Total tons mined decreased in the current quarter compared to the previous quarter, mainly as a result of a shortage of haul trucks available due to lack of tires. In order to help alleviate this industry wide problem, mine staff has carried out an analysis of the detailed mining sequence of the current pit and developed a new plan, taking into account the anticipated haulage truck availability and integrating the advantage of shortened haul distances. As a result of the new detailed mine plan and existing tire supply contracts, continuing tire shortages are not expected to affect metal production during 2006.

The forecasted copper and molybdenum production for fiscal 2006 is 60.1 million pounds and 874,000 pounds, respectively. Forecast production and costs, broken down by quarter, are tabulated below, and compared to the actual results for the current quarter.

	Q1 (F)	**Q1 (A)**	**Q2 (F)**	**Q3 (F)**	**Q4 (F)**
Copper (millions lb)	13.4	13.4	15.2	15.7	15.8
Molybdenum (thousands lb)	200	223	220	227	227
Copper production costs[1], net of by product credits, per lb of copper	US$1.03	US$1.10	US$0.81	US$0.81	US$0.80
Off property costs[2] (transport, treatment & sales) per lb of copper	US$0.30	US$0.33	US$0.34	US$0.34	US$0.34
Total cash costs of production per lb of copper	US$1.33	US$1.43	US$1.15	US$1.15	US$1.14

[1]Excludes mining equipment lease costs but includes contractor overhead costs. The by-product credit is based on pounds of molybdenum sold. The forecast production costs for 2006 are based on a molybdenum sales price of US$25 per pound for the first quarter and US$20 per pound for the remainder of the year.
[2]Off-property costs are higher than would otherwise be expected due to price participation assessments applied by Glencore Ltd., see Financial Results.

Copper produced in concentrate during the quarter was 13.4 million pounds, a 3% increase from the 13.0 million pounds produced in the previous quarter, and 100% of the forecast for the quarter, as a result of improved mill recovery.

Copper sales were 16.4 million pounds in 28,912 WMT of concentrate. Copper concentrate inventory at December 31, 2005 was 13,015 WMT, a decrease in inventory from the 18,614 WMT of concentrate on hand at the end of the previous quarter.

Molybdenum produced in concentrate during the quarter was 223,000 pounds, a substantial increase from the 108,000 pounds produced in the previous quarter, and 11% higher than the forecast for the period, mainly as a result of higher recoveries. Several modifications to the circuit were completed in the previous quarter, and coupled with a much better understanding of the operation of the circuit, led to the improved performance of the molybdenum circuit and the increase in molybdenum production.

Molybdenum sales totalled 196,000 pounds in 192 WMT of concentrate, an increase from the 117,000 pounds sold in the previous quarter. At the end of the quarter, molybdenum in concentrate inventory was 37.3 WMT, an increase from the 9.4 WMT at the end of the previous quarter.

Production unit costs were above forecast as a result of higher prices for labour, fuel, steel feed for the mill, reagents and miscellaneous supplies. A sharp increase in industry activity has lead to supply shortages and the higher prices. In addition, the shovel fleet and mill both underwent unscheduled one time repairs during the period, which also affected unit costs.

There were no lost time accidents during the period. At the end of the quarter, the Gibraltar operation employed 258 people.

Prosperity Project

Work on the Company’s 100% owned Prosperity Project was re-initiated during the quarter. The Prosperity property, located in south-central British Columbia about 125 kilometres southwest of Williams Lake, hosts a large copper-gold deposit.

Extensive work was done by the Company on Prosperity prior to 2001, including participation in the British Columbia Environmental Assessment (BCEA) process. The current program includes a review and update of previous feasibility study work and integration of new technologies and development concepts, as well as moving the project back into the BCEA process.

By the end of the second quarter, Taseko plans to establish a clear time line for the release of a reserve estimate and feasibility study for the Project.

Financial Results

Taseko had after-tax earnings of $6.7 million, or $0.06 per share ($0.06 per share fully diluted[1]) in the quarter ended December 31, 2005 (Q1-2006) compared to a loss of $5.2 million, or $1.09 per share, in the first quarter of the previous fiscal year (Q1- 2005).

The main reason for the increase over the prior year is that full commercial production is now underway. The Company realized significant revenues from sales of copper and molybdenum in the current quarter whereas the mine was in a restart period in the first quarter of fiscal 2005.

[1] Diluted earnings (loss) per share are calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share includes the underlying common shares to the tracking preferred shares and convertible debenture on an if-converted basis and assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Taseko received revenues of $41.3 million in the current quarter, including $36.2 million from sales of copper concentrate, and $5.1 million from sales of molybdenum concentrate.

First quarter revenues include approximately $9.9 million for copper sold from inventory the previous quarter. The Company did not recognize the revenue from this sale at September 30, 2005, as the copper was held in a storage facility at the dock because there were no ships available at that time to transport the copper to smelters. Consequently, the Company had recorded this sale as deferred revenue at September 30, 2005. At December 31, 2005, a portion of this copper concentrate still remained unshipped and that portion has been recorded as deferred revenue in the amount of $4.7 million and will be recognized as revenue upon shipment.

Total production costs for the period were $26.0 million. Production costs in the corresponding quarter of fiscal 2005 were nil as commercial production had not yet commenced. The Q1- 2006 costs include: $11.1 million for mining; $8.4 million for milling; $1.5 million for mine administration; $1.1 million in administration fees paid to Ledcor; $0.2 million for royalties; $0.2 million for molybdenum treatment expenses; an inventory reduction of $3.9 million; and an offsetting silver credit totalling $0.4 million.

Transportation and treatment costs were $6.3 million for Q1-2006 compared to $nil in Q1-2005. Amortization expense increased to $0.8 million compared to $0.5 million in the same period of fiscal 2005.

Glencore Ltd. purchases the whole of the copper concentrates produced by the Gibraltar mine pursuant to the terms of a written contract. Gibraltar Mines Ltd. and Glencore have a dispute concerning the interpretation of the contract. Glencore asserts that the contract provides that the price to be paid for the concentrates should be reduced by a deduction referred to as "price participation". Gibraltar asserts that the contract does not provide for any such deduction. To December 31, 2005, Glencore had withheld approximately US$3.34 million from invoices rendered by Gibraltar and is claiming repayment of a further US$0.52 million, on the basis of its interpretation of the contract. Of this amount, US$1.61 million was withheld during the quarter ended December 31, 2005.

The dispute is set for arbitration in London, England, in June 2006. If Gibraltar is successful in the arbitration, and there is no appeal, then Gibraltar should immediately receive the full amount that has been withheld by Glencore. These amounts have not been accrued in the financial statements but will be booked in the period of settlement.

Additional information is provided in Taseko's Management Discussion and Analysis and Financial Statements for the quarter ended December 31, 2005. Download these documents from www.tasekomines.com or www.sedar.com. For further details on Taseko Mines Limited, please contact Investor Services at (604) 684-6365 or within North America at 1-800-667-2114.

Russell Hallbauer
President and CEO

For further information on the Company, Investors should review the Company's Canadian public filings at www.sedar.com or its US public filings at www.sec.gov .

TASEKO MINES LIMITED
THREE MONTHS ENDED DECEMBER 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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TASEKO MINES LIMITED
THREE MONTHS ENDED DECEMBER 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.1 Date

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the financial statements of Taseko Mines Limited ("Taseko", or the "Company") for the period ended December 31, 2005.

This MD&A is prepared as of February 3, 2006. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

1.2 Overview

Taseko is a mining and mineral exploration company with three properties located in British Columbia, Canada. These are the Gibraltar copper-molybdenum mine and two exploration projects: the Prosperity copper-gold property and the Harmony gold property. In 2006, Taseko anticipates continuing to focus its resources and its efforts on the Gibraltar mine and the Prosperity project.

Taseko had earnings of $6.7 million during the quarter ended December 31, 2005, compared to earnings of $16.4 million (which includes $17.5 million in tax recoveries) in the previous quarter and a loss of $5.3 million in the same quarter of the previous fiscal year.

During the quarter ended December 31, 2005 the Gibraltar mine met its copper production forecast and exceeded its molybdenum production forecast by 11%. The mine produced 13.4 million pounds of copper and 223 thousand pounds of molybdenum.

The Company realized revenues of $36.2 million and $5.1 million from sales of copper and molybdenum concentrates, respectively, from the Gibraltar mine during the period.

Results of a reserve update for the Gibraltar mine were announced on December 12, 2005: proven and probable reserves increased by 30%, from 149 million tons to 194 million tons.

The Company also announced that it had re-initiated work on the Prosperity Project. Previous feasibility work is being reviewed and permitting activities have been re-activated, with the objective of advancing the project toward a production decision.

Gibraltar Mine

The Gibraltar mine restarted copper milling operations at the beginning of Taseko's 2005 fiscal year, in October 2004. Molybdenum production started in the following quarter. Hence, the period of October to December 2004 (Q1 2005) was a restart period, with commercial production beginning on January 1, 2005. The operating statistics for the first quarter of fiscal 2006 presented below are compared to those of the previous quarter (Q4 – 2005).

First Quarter 2006 Highlights

Copper

- Copper in concentrate production during the quarter was 13.4 million pounds of copper (100% of forecast).
- Copper concentrate sales for the quarter were 28,912 wet metric tonnes (WMT"), containing 16.4 million pounds of copper, an increase from the 21,990 WMT sold during the previous quarter.
- The average price realized for sales of copper in the quarter was US$1.88 per pound.
- Copper concentrate inventory at December 31, 2005 was 13,015 WMT, of which 10,805 WMT of inventory was in a storage facility at a dock in North Vancouver, BC. Of this inventory, 4,497 WMT has been purchased by a smelter (and the corresponding cash has been received by the Company) but will not be credited to revenue (currently booked as deferred revenue) until it has been loaded for shipping. This is a decrease in inventory from the 18,614 WMT of concentrate on hand at the end of the previous quarter.

Molybdenum

- Molybdenum in concentrate production in the quarter was 223,000 pounds (111% of the forecast).
- Molybdenum concentrate sales in the quarter were 192.0 WMT, containing 196,000 pounds, an increase from the 117,000 pounds in 113 WMT sold in the previous quarter.
- The average price realized for sales of molybdenum in the quarter was US$22.45 per pound.
- At the end of the first quarter, molybdenum in concentrate inventory was 37.3 WMT, an increase from the 9.4 WMT at the end of the previous quarter.

First Quarter Production Results

The following table is a summary of the operating statistics for the current quarter (Q1- 2006) compared to the previous quarter (Q4- 2005). Statistics for the previous quarter are shown for comparison rather than those for the first fiscal quarter of 2005, as the latter was a restart period prior to commercial production.

	Q1 - 2006	Q4 - 2005
Total tons mined (millions)*	10.1	10.5
Tons of ore milled (millions)	3.0	3.0
Stripping ratio	2.31	2.42
Copper grade (%)	0.286	0.281
Molybdenum grade (%MoS_2)	0.014	0.014
Copper recovery (%)	78.1	77.7
Molybdenum recovery (%)	42.9	20.3
Copper production (millions lb)	13.4	13.0
Molybdenum production (thousands lb)	223	108

*Total tons mined includes sulphide ore, oxide ore, low grade stockpile material, overburden, and waste rock which were moved from within pit limit to outside pit limit during the period.

Total tons mined decreased in the current quarter compared to the previous quarter, mainly as a result of a shortage of haul trucks available due to lack of tires. In order to help alleviate this industry wide problem, mine staff has carried out an analysis of the detailed mining sequence of the current pit and developed a new plan, taking into account the anticipated haulage truck availability and integrating the advantage of shortened haul distances. As a result of the new detailed mine plan and existing tire supply contracts, continuing tire shortages are not expected to affect metal production during 2006.

Copper produced in concentrate during the quarter was 13.4 million pounds, a 3% increase from the 13.0 million pounds produced in the previous quarter, and 100% of the forecast for the quarter. Mill throughput and copper recoveries were lower than expected, related to some mechanical problems and ore variability, but these were offset by higher head grades.

Copper sales were 16.4 million pounds in 28,912 WMT of concentrate, an increase from 12.8 million pounds in 21,990 WMT of concentrate sold in the previous quarter. Copper concentrate inventory at December 31, 2005 was 13,015 WMT, a decrease in inventory from the 18,614 WMT of concentrate on hand at the end of the previous quarter.

Molybdenum produced in concentrate during the quarter was 223 thousand pounds, a substantial increase from the 108 thousand pounds produced in the previous quarter, and 11% higher than the forecast for the quarter, mainly as a result of higher recoveries. Several modifications to the circuit were completed in the previous quarter and, coupled with a much better understanding of the operation of the circuit, have led to the improved performance.

Molybdenum sales total 196,000 pounds in 192.0 WMT of concentrate, an increase from the 117,000 pounds sold in the previous quarter. At the end of the quarter, molybdenum in concentrate inventory was 37.3 WMT, an increase from the 9.4 WMT at the end of the previous quarter.

Production unit costs were above forecast as a result of higher prices for haulage truck tires, labour, fuel, steel feed for the mill, reagents and miscellaneous supplies. A sharp increase in industry activity has lead to supply shortages and the higher prices. In addition, the shovel fleet and both mill underwent unscheduled one time repairs during the period, which also affected unit costs.

First Quarter Actual Compared to Forecast

The forecasted copper and molybdenum production for 2006 are 60.1 million pounds and 874,000 pounds, respectively. Forecast production and costs, broken down by quarter, are tabulated below, and compared to the actual results for the current quarter.

	Q1 (F)	Q1 (A)	Q2 (F)	Q3 (F)	Q4 (F)
Copper (millions lb)	13.4	13.4	15.2	15.7	15.8
Molybdenum (thousands lb)	200	223	220	227	227
Copper production costs[1], net of by product credits*, per lb of copper	US$1.03	US$1.10	US$0.81	US$0.81	US$0.80
Off Property Costs[2] for transport, treatment (smelting & refining) & sales per lb of copper	US$0.30	US$0.33	US$0.34	US$0.34	US$0.34
Total cash costs of production per lb of copper	US$1.33	US$1.43	US$1.15	US$1.15	US$1.14

[1]Excludes mining equipment lease costs but includes contractor overhead costs. The by-product credit is based on pounds of molybdenum sold. The forecast production costs for 2006 are based on a molybdenum sales price of US$25 per pound for the first quarter and US$20 per pound for the remainder of the year.
[2]Off-property costs are higher than would otherwise be expected due to price participation assessments applied by Glencore Ltd. (see Results of Operations).

Labour

There were no lost time accidents during the quarter.

The number of personnel at the end of the quarter was 258, compared to 248 at the end of the previous quarter and the planned complement of 285.

Mineral Reserves and Resources

At year end, a detailed review of the geological model, confirmation of pit wall locations established in previous mine optimization studies, and an analysis of current price and mining cost projections was initiated. This work allowed for expansion of the previously defined pits, specifically at the PGE Connector and Granite Lake deposits. Overall proven and probable reserves were increased by 30%, from 149 million tons to 194 million tons. Results are tabulated below:

Mineral Reserves at October 1, 2005[1] at 0.20% Copper cut-off				
Pit	**Category**	**Tons (millions)**	**Cu%**	**Mo%**
Pollyanna	Proven	27.3	0.315	0.010
	Probable	2.9	0.288	0.010
	Subtotal	**30.2**	**0.312**	**0.010**
PGE Connector	Proven	35.9	0.296	0.010
	Probable	5.6	0.283	0.011
PGE Connector Additional	Proven	7.1	0.303	0.016
	Probable	7.7	0.275	0.016
	Subtotal	**56.3**	**0.293**	**0.012**
Granite Lake	Proven	70.7	0.322	0.009
	Probable	6.9	0.321	0.007
Granite Lake Additional	Proven	26.3	0.308	0.008
	Probable	3.6	0.310	0.005
	Subtotal	**107.5**	**0.318**	**0.009**
Total		**194.0**	**0.310**	**0.010**

[1]Long term metal prices of US$1.10/lb for copper and US$6.00/lb for molybdenum were used for the estimates.

The resource and reserve estimation was completed by Gibraltar mine staff under the supervision of John W. McManus, P.Eng., Vice President of Operations for Taseko and a Qualified Person under National Instrument 43-101. Mr. McManus verified the methods used to determine grade and tonnage in the geological model, reviewed the long range mine plan, and directed the updated economic evaluation. A technical report has been filed on www.sedar.com.

Mineral resources, in addition to the mineral reserves, are tabulated below:

Mineral Resources at October 1, 2005 at 0.20% Copper cut-off			
Category	**Tons (millions)**	**Cu%**	**Mo%**
Measured	410	0.286	0.008
Indicated	204	0.269	0.008
Total	**614**	**0.280**	**0.008**

Plans for 2006

A $2 million definition drilling program is planned for the spring of 2006. This work will focus on more fully defining the mineral resources between the existing pits and tying together the extensive mineralization zones, with the objective of upgrading additional resources into reserve categories. Concurrently, an engineering study has been initiated to evaluate the economics of expanding the mill capacity by 25%.

Once these studies are completed, the Company will re-assess the economics of constructing a copper refinery at the site.

Prosperity Project

Taseko holds a 100% interest in the Prosperity property, located 125 kilometres southwest of the City of Williams Lake in south-central British Columbia. The Company carried out extensive exploration, engineering, mine planning, environmental and socio-economic studies on the property prior to 2001, outlining a large porphyry copper-gold deposit.

The Company is currently reviewing previous feasibility studies and re-assessing the project economics based on new technologies, concepts, and innovative approaches to mine development. This includes re-examining optimal mining rates and the sizes of the mining equipment previously proposed, analyzing the economics of constructing and operating a single line mill rather than multiple smaller lines, and evaluating potential improvements that could be realized with state-of-the-art metallurgical technologies such as large tank flotation circuits and expert computerized mill control systems. The work program also includes reassessing major infrastructure plans, such as the power-line route, to determine if there are synergies to be achieved with the other communities of interest in the area.

Market Trends

Copper prices have been increasing since late 2003. Copper prices averaged US$1.30/lb in 2004 and have averaged US$1.59/lb in 2005. Copper prices have continued to increase in 2006, averaging US$2.09/lb in January.

Molybdenum prices increased from US$7.60/lb to US$34/lb in 2004. The average molybdenum price in 2005 was US$33/lb. Prices have decreased since December 2005, but appear to be stablizing. The average price for January 2006 was US$24/lb.

Gold prices have been increasing over the past two years, and this uptrend has accelerated since September 2005. Overall, the gold price increased from US$410/oz in 2004 to US$445/oz in 2005. The gold price has also increased in 2006, averaging US$549/oz in January.

1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in Canadian dollars except common shares outstanding.

Balance Sheet	As at September 30 2005	As at September 30 2004 (restated)	As at September 30 2003 (restated)
Current assets	$ 58,380,111	$ 18,064,003	$ 3,832,059
Mineral properties	3,000	3,000	28,813,296
Other assets	132,613,767	112,799,415	16,825,852
Total assets	190,996,878	130,866,418	49,471,207
Current liabilities	52,023,078	40,179,912	3,851,136
Other liabilities	109,864,245	95,601,763	24,086,058
Shareholders' equity	29,109,555	(4,915,257)	21,534,013
Total shareholders' equity & liabilities	$ 190,996,878	$ 130,866,418	$ 49,471,207

Statement of operations	Year ended September 30 2005	As at September 30 2004 (restated)	As at September 30 2003 (restated)
Revenue	$ (87,638,300)	$ –	$ –
Cost of production	57,799,558	–	–
Transportation and treatment	13,548,560	–	–
Amortization	2,657,165	17,296	42,564
Accretion of reclamation obligation	1,574,000	1,431,000	1,300,000
Exploration	505,586	4,456,901	2,024,671
Foreign exchange	34,080	–	–
Loss (gain) on sale of equipment	2,160,992	–	(131,638)
General and administration	2,411,688	2,334,840	855,646
Interest and other income	(10,547,609)	(5,154,209)	(721,480)
Interest expense	4,250,831	1,476,999	1,090,765
Premium paid for acquisition of Gibraltar Reclamation Trust LP	–	5,095,249	–
Refinery project	–	–	500,000
Restart project	6,346,650	14,982,008	–
Stock-based compensation	1,129,026	5,172,244	65,344
Write down of mineral property acquisition costs	–	28,810,296	–
Current income tax expense (recovery)	(4,099,000)	23,744,000	–
Future income tax expense (recovery)	(13,423,000)	–	–
Loss (earnings) for the year	$ (23,289,773)	$ 82,366,624	$ 5,025,872
Basic earnings (loss) per share	$ 0.23	$ (1.10)	$ (0.11)
Diluted earnings (loss) per share	$ 0.21	$ (1.10)	$ (0.11)
Basic weighted average number of common shares outstanding	100,021,655	75,113,426	46,984,378
Diluted weighted average number of common shares outstanding	110,732,926	75,113,426	46,984,378

1.4 Results of Operations

The Company's earnings for the quarter ended December 31, 2005 were $6.7 million, compared to a loss of $5.3 million in the first quarter of 2005. The increase in earnings is due to the resumption of mining activities at the Gibraltar copper-molybdenum mine in January 2005.

The Company reported revenues of $41.3 million, compared to $nil in the first fiscal quarter of 2005. Revenues consisted of copper concentrate sales of $36.2 and molybdenum concentrate sales of $5.1 million. In late September 2005, the Company received funds of approximately $14.3 million from the sale of copper. The Company was unable to recognize the revenue from this sale as the copper was held in a storage facility at the dock as there were no ships available at that time to transport the copper to smelters in Asia. Consequently, the Company recorded this sale as deferred revenue as at September 30, 2005.

At December 31, 2005 a portion of this copper concentrate remained unshipped and that portion has been recorded as deferred revenue in the amount of $4.7 million and will be recognized as revenue upon shipment to the customer.

Total production costs for the period were $26 million. These costs include mining (Q1-2006 – $11.1 million; Q1-2005 – $nil), milling (Q1-2006 – $8.4 million; Q1-2005 – $nil), mine administration (Q1-2006 – $1.5 million; Q1-2005 – $nil), administration fees paid to Ledcor (Q1-2006 – $1.1 million; Q1-2005 – $nil), royalties (Q1-2006 - $0.2 million; Q1-2005 – $nil), molybdenum treatment expenses (Q1-2006 – $0.2 million; Q1-2005 - $nil), and an inventory reduction (Q1- 2006 - $3.9 million; Q1- 2005 – $nil), offset by silver credits (Q1 – 2006 - $0.4 million; Q1 -2005 - $nil).

Transportation and treatment costs were $6.3 million for Q1-2006 compared to $nil in Q1-2005. Amortization expense increased to $0.8 million compared to $0.5 million in the same period of fiscal 2005.

Glencore Ltd. ("Glencore") purchases the whole of the copper concentrates produced by the Gibraltar mine pursuant to the terms of a written contract. Gibraltar Mines Ltd. and Glencore have a dispute concerning the interpretation of the contract. Glencore asserts that the contract provides that the price to be paid for the concentrates should be reduced by a deduction referred to as "price participation". Gibraltar asserts that the contract does not provide for any such deduction. To December 31, 2005, Glencore had withheld approximately US$3.3 million from invoices rendered by Gibraltar and is claiming repayment of a further US$0.5 million, on the basis of its interpretation of the contract. Of this amount, US$1.6 million was withheld during the quarter ended December 31, 2005.

The dispute is set for arbitration in London, England, in June 2006. If Gibraltar is successful in the arbitration, and there is no appeal, then Gibraltar should immediately receive the full amount that has been withheld by Glencore.

Exploration expenses increased to $0.3 million in Q1-2006 compared to $0.03 million in Q1-2005 due to exploratory drilling at the Gibraltar mine site and due diligence relating to potential new projects. General and administrative costs increased to $1.0 million in Q1-2006 from $0.4 million in Q1-2005 due to the increased level of activity associated with an operating mine. Interest and other income decreased to $1.6

million in Q1-2006 from $6.4 million Q1-2005 due to a one time payment received by the Company in Q1-2005 of $5.25 million for fees relating to the Red Mile royalty agreement. Interest expense increased to $1.1 million in Q1-2006 from $0.9 million in Q1-2005 due to an increase in interest payments on the Company's royalty obligations.

1.5 Summary of Quarterly Results

The following summary is presented in Canadian dollars except common shares outstanding.

	Dec 31 2005	Sep 30 2005 (restated)	Jun 30 2005 (restated)	Mar 31 2005 (restated)	Dec 31 2004 (restated)	Sep 30 2004 (restated)	Jun 30 2004 (restated)	Mar 31 2004 (restated)
Current assets	57,067,156	58,380,111	50,973,406	31,423,939	24,673,141	18,064,003	19,733,394	28,903,882
Mineral properties	3,000	3,000	3,000	3,000	3,000	3,000	28,813,296	28,813,296
Other assets	132,683,929	132,613,767	120,521,937	118,945,024	115,055,389	112,799,415	28,493,334	19,884,305
Total assets	**189,754,085**	**190,996,878**	**171,498,343**	**150,371,963**	**139,731,530**	**130,866,418**	**77,040,024**	**77,601,483**
Current liabilities	41,238,381	52,023,078	46,801,857	41,968,895	40,893,737	40,179,912	3,625,687	1,411,538
Other liabilities	109,527,872	109,864,245	112,549,977	108,391,925	107,763,788	95,601,763	25,891,582	25,289,741
Shareholders' equity	38,987,832	29,109,555	12,146,509	11,143	(8,925,995)	(4,915,257)	47,522,755	50,900,204
Total shareholders' equity and liabilities	**189,754,085**	**190,996,878**	**171,498,343**	**150,371,963**	**139,731,530**	**130,866,418**	**77,040,024**	**77,601,483**
Revenue	(41,271,228)	(27,698,995)	(31,520,306)	(28,418,999)	–	–	–	–
Mine site operating costs	26,046,632	20,901,551	13,262,656	23,635,351	–	–	–	–
Transportation and treatment	6,276,902	4,400,743	5,300,114	3,847,703	–	–	–	–
Amortization	848,888	779,415	710,398	655,179	512,173	844	849	(179)
Expenses:								
Accretion of reclamation obligation	433,000	393,500	393,500	393,500	393,500	357,750	357,750	357,750
Conference and travel	71,485	60,369	36,301	11,281	12,995	11,689	19,062	22,051
Consulting	115,335	101,736	82,694	65,944	63,760	56,450	94,875	(10,462)
Corporation taxes	–	(6,825)	–	–	554	14,184	20,000	11,168
Exploration	269,629	455,211	6,634	11,694	32,047	(1,892,174)	3,959,724	980,197
Interest and finance charges	1,082,037	1,501,780	932,688	910,049	906,314	263,569	696,707	251,953
Legal, accounting and audit	362,495	176,167	74,022	79,317	97,146	325,567	92,940	22,913
Office and administration	390,319	527,896	236,954	236,804	164,316	88,512	199,224	189,976
Premium paid for GRTLP	–	–	–	–	–	–	–	5,095,249
Property investigation	–	–	–	–	–	4	–	–
Restart project	–	–	–	(1,214,796)	7,561,446	14,982,008	–	–
Shareholder communications	69,247	90,326	44,641	112,241	52,822	34,142	18,694	530,704
Trust and filing	21,086	8,300	8,027	67,787	6,114	53,052	13,842	17,241
Interest and other (income)	(1,626,954)	(1,324,344)	(1,552,559)	(1,233,485)	(6,437,221)	(4,464,851)	(228,670)	(325,399)
Loss on sale of property plant and equipment	–	–	–	(17,000)	2,177,992	–	–	–
Income taxes	–	(17,522,000)		–	–	23,744,000	–	–
Foreign exchange	(32,151)	324,275	194,365	(120,290)	(364,270)	–	–	–
Write down of mineral property acquisition costs	–	–	–	–	–	28,810,296	–	–
Stock-based compensation	230,846	401,470	170,310	392,697	164,549	2,035,178	1,526,084	296,686
Earnings (loss) for the period	**6,712,432**	**16,429,425**	**11,619,561**	**585,023**	**(5,334,237)**	**(64,420,220)**	**(6,771,081)**	**(7,439,848)**
Basic and diluted loss per share	0.06	0.14	0.12	0.01	(0.06)	(0.85)	(0.08)	(0.11)

1.6 Liquidity

Historically, Taseko's sole source of funding was the sale of equity securities for cash primarily through private placements to sophisticated investors and institutions. As a consequence of the acquisition of the Gibraltar mine in 1999, Taseko received funding pursuant to a $17 million non-interest-bearing convertible debenture financing by Boliden Westmin (Canada) Ltd. The net present value of the convertible debenture is classified as a liability on the Company's balance sheet.

Reclamation deposits totaling approximately $18.6 million (including interest) and certain plant and equipment are secured to fund reclamation at the Gibraltar, Prosperity and Harmony properties. The $26.6 million liability shown as tracking preferred shares of the subsidiary, Gibraltar Mines Ltd, is the net book value of 12,483,916 shares issued as part of the cost to acquire the Harmony gold project. As Taseko has the right and the intention to settle these preferred shares with common shares of the Company, they have been included in shareholders' equity in the balance sheet.

At December 31, 2005, Taseko had positive working capital of $13.0 million, as compared to a $16.2 million working capital deficit at the end of December 31, 2004. The increase in working capital was primarily a result of operations from the Gibraltar mine, and the recognition of tax loss carryforwards.

The Company has accrued a tax provision of a subsidiary company of $19.6 million in the consolidated financial statements. This provision is net of a $23.7 million income tax expense recorded in 2004 which management believes is less than likely of ever becoming payable. The subsidiary will consider its current and past tax filing positions in addition to tax planning strategies which might be put in place subsequent to the Company's financial reporting date. The Company would exhaust all appeals if any taxes were actually assessed against the subsidiary. The amount represents a potential liability which has been recognized in a conservative manner in accordance with Canadian generally accepted accounting principles. It does not represent a payable amount based on any filed, or expected to be filed, tax return. No taxation authority has assessed the amount or any portion thereof as payable. Accordingly there is no immediate impact on liquidity.

Management anticipates that revenues from copper and molybdenum, along with current cash balances will be sufficient to cover operating costs and working capital during fiscal 2006.

1.7 Capital Resources

The capital leases associated with certain of the Company's mining shovels and mine haul trucks are payable in US dollars at interest rates ranging from approximately 6% to 10%. These capital leases have terms of 48 months, and are secured by the mining equipment to which they relate. Minimum required payments on these leases until they are extinguished are as follows:

	Remainder of fiscal 2006	Year ended September 30, 2007	Year ended September 30, 2008	Total
Principal	US$ 1,358,299	US$ 1,894,677	US$ 9,273,127	US$ 12,526,103
Interest	461,087	531,173	430,738	1,422,998
Total	US$ 1,819,386	US$ 2,425,850	US$ 9,703,865	US$ 13,949,101

A lease guarantee fee of approximately US$46,500 ($54,000) per month, until the earlier of October 2008 or the extinguishment of the leases, is payable in addition to the above amounts.

The Company has the right and the obligation to acquire this equipment for residual values totaling approximately US$7.3 million ($8.5 million) at the end of the lease term in September 2008.

The Company has various loans on its on-road vehicles totaling $343,933, of which $200,616 is current.

1.8 Off-Balance Sheet Arrangements

None

1.9 Transactions with Related Parties

Hunter Dickinson Inc. ("HDI") carries out investor relations, geological, corporate development, administrative and other management activities for, and incurs third party costs on behalf of, the Company. Taseko reimburses HDI on a full cost-recovery basis.

Costs for services rendered by HDI to the Company during the three months ended December 31, 2005 were $525,237, as compared to $177,357 in the three months ended December 31, 2004.

1.10 Fourth Quarter

Not applicable.

1.11 Proposed Transactions

There are no proposed asset or business acquisitions or dispositions, other than those in the ordinary course, before the board of directors for consideration.

1.12 Critical Accounting Estimates

The Company's significant accounting policies are presented in note 3 of the accompanying financial statements. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements. These include:

- the estimation of mineral resources and reserves,
- the carrying values of concentrate inventories and supplies inventories
- the carrying values of mineral properties,
- the carrying values of property, plant and equipment,
- rates of amortization of property, plant and equipment, and of assets under capital lease,
- the carrying values of the reclamation liability,
- the carrying values of the capital leases,
- the carrying values of the convertible debenture and conversion right,

- income taxes,
- the valuation allowances for future income taxes,
- the carrying values of the receivables from sales of concentrate,
- the assumptions used in determining the reclamation obligation, and
- the valuation of stock-based compensation expense.

Actual amounts could differ from the estimates used and, accordingly, affect the results of operations.

1.13 Change in Accounting Policies including Initial Adoption

Convertible debentures

Effective October 1, 2005 the Company adopted certain new provisions of the Canadian Institute of Chartered Accountants Handbook Section 3860, Financial Instruments – Disclosure and Presentation. The standard requires that convertible debentures which may be settled in cash, or by common shares of the Company at the Company's discretion, be presented as a liability. The accretion charges that were previously recorded through deficit have been eliminated and now included as interest expense. For the year ended September 30, 2005, this amounted to $1,075,478 (2004 – $977,705). For the three months ending December 31, 2005 it amounted to $269,972. This change had no effect on net income (loss) per share.

1.14 Financial Instruments and Other Instruments

None.

1.15 Other MD&A Requirements

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

1.15.1 Additional Disclosure for Venture Issuers without Significant Revenue

Not applicable. The Company is not a Venture Issuer.

1.15.2 Disclosure of Outstanding Share Data

The following details the share capital structure as at February 3, 2006, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

	Expiry date	Exercise price	Number	Number
Common shares				108,413,148
Share purchase option	September 29, 2006	$ 0.55	1,350,000	
	September 20, 2006	$ 1.40	3,223,000	
	September 29, 2006	$ 1.36	1,960,000	
	September 26, 2006	$ 1.50	10,000	
	September 28, 2010	$ 1.15	1,480,000	
	September 28, 2007	$ 1.15	495,000	
	December 14, 2007	$ 1.29	135,000	8,653,000
Warrants	September 28, 2006	$ 1.40	8,000,000	
	September 18, 2006	$ 1.66	5,204,361	13,204,361
Convertible Debenture, Boliden Westmin (Canada) Limited	July 21, 2009	$ 4.64	3,663,793	3,872,437
Preferred shares redeemable into Taseko Mines Limited common shares				12,483,916

Taseko Mines Limited

FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2005

(Expressed in Canadian Dollars)
(Unaudited)

These financial statements have not been reviewed by the Company's auditors

TASEKO MINES LIMITED

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

	December 31 2005 *(unaudited)*	September 30 2005
Assets		
Current assets		
Cash and equivalents	$ 20,422,209	$ 21,728,789
Accounts receivable	9,184,021	6,746,378
Concentrate inventory	12,395,400	16,284,800
Supplies inventory	5,487,106	4,589,431
Prepaid expenses	1,636,899	1,914,214
Current portion of future income taxes	4,479,000	4,479,000
Current portion of promissory note	3,462,521	2,637,499
	57,067,156	58,380,111
Restricted cash	5,000,000	5,000,000
Mineral properties, plant and equipment	9,892,243	9,916,992
Assets under capital leases	20,291,000	20,794,000
Reclamation deposits	18,610,669	18,281,420
Promissory note	69,949,017	69,680,355
Future income taxes	8,944,000	8,944,000
	$ 189,754,085	**$ 190,996,878**
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 10,619,672	$ 12,580,463
Advances from related parties (note 4)	330,093	105,067
Current portion of vehicle loans	200,616	214,715
Current portion of capital lease obligation	2,119,973	2,092,334
Current portion of deferred revenue	4,860,506	14,748,000
Current portion of royalty obligation	3,462,521	2,637,499
Income taxes	19,645,000	19,645,000
	41,238,381	52,023,078
Vehicle loans	143,317	181,901
Capital lease obligation	12,447,885	12,984,805
Royalty obligation	65,706,207	66,153,298
Deferred revenue	1,356,250	1,400,000
Convertible debenture (note 3(c))	12,127,213	11,830,241
Site closure and reclamation costs	17,747,000	17,314,000
	150,766,253	161,887,323
Shareholders' equity		
Share capital (note 3)	163,764,441	160,829,442
Convertibe debenture – conversion right (note 3(c))	9,822,462	9,822,462
Tracking preferred shares	26,641,948	26,641,948
Contributed surplus	5,565,460	5,334,614
Deficit	(166,806,479)	(173,518,911)
	38,987,832	29,109,555
Contingent gain (note 5)		
	$ 189,754,085	**$ 190,996,878**

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors

/s/ Russell E. Hallbauer	*/s/ Jeffrey R. Mason*
Russell E. Hallbauer	Jeffrey R. Mason
Director	Director

TASEKO MINES LIMITED

Consolidated Statements of Operations
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended December 31	
	2005	2004 *(restated - note 2)*
Revenue		
Copper	$ 36,148,473	$ –
Molybdenum	5,122,755	–
	41,271,228	–
Cost of sales	(26,046,632)	–
Treatment and transportation	(6,276,902)	–
Amortization	(848,888)	(512,173)
	8,098,806	(512,173)
Expenses (income)		
Accretion of reclamation obligation	433,000	393,500
Exploration	269,629	32,047
Foreign exchange	(32,151)	(364,270)
Loss on sale of equipment	–	2,177,992
General and administration	1,029,967	397,707
Interest and other income	(1,626,954)	(6,437,221)
Interest expense	1,082,037	906,314
Restart project	–	7,561,446
Stock-based compensation	230,846	164,549
	1,386,374	4,832,064
Earnings (loss) before income taxes	6,712,432	(5,344,237)
Income tax expense (recovery)	–	–
Earnings (loss) for the period	$ 6,712,432	$ (5,344,237)
Earnings (loss) per share		
Earnings (loss) per common share - basic	$ 0.06	$ (0.06)
Earnings (loss) per common share - diluted	$ 0.06	$ (0.06)
Weighted average number of common shares outstanding		
Basic	104,598,186	95,773,608
Diluted	112,243,221	95,773,608

Consolidated Statements of Deficit
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended December 31	
	2005	2004
Deficit, beginning of period	$ (173,518,911)	$ (196,808,684)
Earnings (loss) for the period	6,712,432	(5,344,237)
Deficit, end of period	$ (166,806,479)	$ (202,152,921)

See accompanying notes to consolidated financial statements.

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Three months ended December 31	
	2005	2004 *(restated - note 2)*
Cash provided by (used for)		
Operating activities		
Earnings (loss) for the period	$ 6,712,432	$ (5,344,237)
Items not involving cash		
Loss (gain) on sale of equipment	–	2,177,992
Amortization and accretion	848,888	512,173
Accretion of reclamation obligation	433,000	393,500
Stock-based compensation	230,846	164,549
Changes in non-cash operating working capital		
Accounts receivable	(2,437,643)	1,299,421
Inventories	2,991,725	(10,400,405)
Prepaids	277,315	48,261
Accrued interest income on promissory note	(1,093,684)	(1,042,367)
Accounts payable and accrued liabilities	(1,960,791)	(4,875,226)
Deferred revenue	(9,931,244)	(43,750)
Accrued interest expense on royalty obligation	377,931	370,054
	(3,551,225)	(16,740,035)
Investing activities		
Purchase of property, plant and equipment	(321,139)	(2,774,622)
Proceeds received on sale of property, plant and equipment	–	22,050,711
Restricted cash	–	(5,000,000)
Accrued interest income on reclamation deposits	(329,249)	(59,846)
	(650,388)	14,216,243
Financing activities		
Principal repayments under capital lease obligation	(509,281)	(5,213,046)
Bank operating loan	–	(767,016)
Principal repayments on vehicle loans	(52,683)	310,042
Advances from related parties	225,026	80,624
Common shares issued for cash, net of issue costs	2,934,999	1,168,950
Accrued interest expense on convertible debenture	296,972	269,975
	2,895,033	(4,150,471)
Increase in cash and equivalents	(1,306,580)	(6,674,263)
Cash and equivalents, beginning of period	21,728,789	14,892,947
Cash and equivalents, end of period	**$ 20,422,209**	**$ 8,218,684**

Supplementary cash flow disclosures

Cash paid for:		
Interest	$ 785,065	$ 636,339
Taxes	$ –	$ 554

See accompanying notes to consolidated financial statements.

1. Basis of presentation and principles of consolidation

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. They do not include all the disclosures as required for annual financial statements under generally accepted accounting principles. However, these interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements, except for the change described in note 2. These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements.

Operating results for the three month period ended December 31, 2005 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2006.

2. Change in accounting policy

Effective October 1, 2005 the Company adopted certain new provisions of the Canadian Institute of Chartered Accountants Handbook Section 3860, *Financial Instruments – Disclosure and Presentation*, which came into effect on that date. The standard requires that convertible debentures which may be settled in cash, or by common shares of the Company at the Company's discretion, be presented as a liability. The accretion charges that were previously recorded through deficit have been eliminated and are now included as interest expense. For the year ended September 30, 2005, this amounted to $1,075,478 (2004 – $977,705). For the three months ending December 31, 2005 it amounted to $269,972. This change had no effect on net income (loss) per share.

3. Share capital

(a) Authorized

Authorized share capital of the Company consists of 200,000,000 common shares without par value.

(Expressed in Canadian Dollars)

(b) *Issued and outstanding*

Common shares	Number of Shares	Amount
Balance, September 30, 2004	**94,767,619**	**$ 150,481,429**
Issued during the year		
Share purchase options at $0.25 per share	50,000	12,500
Share purchase options at $0.30 per share	100,000	30,000
Share purchase options at $0.38 per share	20,000	7,600
Share purchase options at $0.40 per share	22,500	9,000
Share purchase options at $0.55 per share	610,000	335,500
Share purchase options at $0.81 per share	45,000	36,450
Share purchase options at $1.36 per share	270,000	367,200
Share purchase options at $1.40 per share	44,500	62,300
Share purchase options at $1.65 per share	10,000	16,500
Fair value of stock options allocated to shares issued on exercise		742,000
Share purchase warrants at $0.75 per share	2,313,336	1,735,002
Private placement at $1.45 per share, net of issue costs	5,204,361	6,993,961
Balance, September 30, 2005	**103,457,316**	**160,829,442**
Issued during the period		
Share purchase warrants at $0.75 per share	3,913,332	2,934,999
Balance, December 31, 2005	**107,370,648**	**$ 163,764,441**

(c) *Convertible debenture and conversion right*

On July 21, 1999, in connection with the acquisition of the Gibraltar mine, the Company issued a $17 million interest-free debenture to Boliden Westmin (Canada) Limited ("BWCL"), which is due on July 21, 2009, but is convertible into common shares of the Company over a 10 year period commencing at a price of $3.14 per share in year one and escalating by $0.25 per share per year thereafter ($4.64 per share as at September 30, 2005). BWCL's purchase of the convertible debenture was receivable as to $4,000,000 in July 1999, $1,000,000 on October 19, 1999, $3,500,000 on July 21, 2000, and $8,500,000 by December 31, 2000, all of which were received. BWCL has the right to convert, in part or in whole from time to time, the debenture into fully paid common shares of the Company from year one to year ten, but has not requested any conversions to date.

From the commencement of the sixth year to the tenth year, the Company (which is currently in the seventh year of this debenture term) has the right to automatically convert the debenture into common shares at the then-prevailing market price. Since the Company has the right and the intention to settle the convertible debenture through the issuance of common shares, notwithstanding the Company's right to settle the debenture with cash, it has been included as a separate component of shareholders' equity on the balance sheet. Commencing October 1, 2005, as a result of a new accounting standard which the Company adopted on that date, the estimated present value of the convertible debenture is presented as a long term liability (note 2).

Accounting standards in Canada for compound financial instruments require the Company to allocate the proceeds received from the convertible debenture between (i) the estimated fair value of the option to convert the debenture into common shares and (ii) the estimated fair value of the future cash outflows related to the debenture. At issuance, the Company estimated the fair value of the conversion option by deducting the present value of the future cash outflows of the convertible debenture, calculated using a risk-adjusted discount rate of 10%, from the face value of the principal of the convertible debenture. The residual carrying value of the convertible debenture is accreted to the face value of the convertible debenture over the life of the debenture by a charge to earnings. The continuity of the convertible debenture is as follows:

(Expressed in Canadian Dollars)

	Three months ended December 31 2005	Year ended September 30, 2005
Estimated present value of convertible debenture		
Beginning of period	$ 11,830,241	$ 10,754,763
Accretion for the period	296,972	1,075,478
End of period	12,127,213	11,830,241
Conversion right	9,822,462	9,822,462
Convertible debenture and conversion right	$ 21,949,675	$ 21,652,703

	December 31, 2005	September 30, 2005
Summary of the convertible debenture terms		
Principal amount of convertible debenture	$17,000,000	$17,000,000
Price per common share of the unexercised conversion right	$ 4.64	$ 4.64
Number of common shares potentially issuable under unexercised conversion right	3,663,793	3,663,793

(Expressed in Canadian Dollars)

4. Related party transactions and advances

Related party transactions not disclosed elsewhere in these consolidated financial statements are as follows:

Transactions		Three months ended December 31 2005		Year ended September 30 2005
Hunter Dickinson Inc.				
Services rendered to the Company and its subsidiaries and reimbursement of third party expenses	$	525,237	$	1,222,603
Hunter Dickinson Group Inc.				
Consulting services rendered to the Company	$	–	$	12,800

Advances		December 31 2005		September 30 2005
Advances to (from)				
Hunter Dickinson Inc.	$	(330,093)	$	(105,067)

5. Contingent gain

Glencore Ltd. ("Glencore") purchases the whole of the copper concentrates produced by the Gibraltar mine pursuant to the terms of a written contract (the "Contract"). Gibraltar Mines Ltd. ("Gibraltar"), which is a wholly owned subsidiary of the Company, and Glencore have a dispute concerning the interpretation of the Contract. Glencore asserts that the Contract provides that the price to be paid for the concentrates should be reduced by a deduction referred to as "price participation". Gibraltar asserts that the Contract does not provide for any such deduction. To December 31, 2005, Glencore has withheld approximately US$3.3 million from invoices rendered by Gibraltar and is claiming repayment of a further US$0.5 million, on the basis of its interpretation of the Contract. Of this amount, US$1.6 million was withheld during the quarter ended December 31, 2005.

The dispute is set for arbitration in London, England, in June 2006. If Gibraltar is successful in the arbitration, and there is no appeal, then Gibraltar should immediately receive the full amount that has been withheld by Glencore.

These amounts have not been accrued in the consolidated financial statements of the Company.