TASEKO ANNOUNCES SECOND QUARTER 2011 RESULTS

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

August 11, 2011, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE Amex: TGB) announces adjusted net earnings[1] of $7.3 million, or $0.04 per share, compared to $0.8 million reported in the second quarter of 2010.

Highlights

- Operating profit[1] was $11.8 million in the second quarter compared to $12.8 million in the second quarter of 2010.
- The Company's share of Gibraltar's copper production and sales volumes for the second quarter 2011 was 15.0 million lbs and 10.7 million lbs, respectively.
- Taseko's 75% share of inventory at quarter end was 9.0 million lbs of copper metal.
- Adjusted net earnings[1] for the second quarter were $7.3 million, an increase over adjusted net earnings of $0.8 million for the prior-year period.
- Total cash costs of production were US$2.32/lb. Higher costs resulted from maintenance and consumable costs, a strengthened Canadian dollar, combined with reduced metal production in the quarter.
- The Company purchased put options for approximately 90% of its 75% share of Gibraltar's 2012 copper production, ensuring a minimum selling price of US$3.50/lb.
- Engineering, procurement and construction for Gibraltar Development Plan 3 ("GDP3") is well underway and the project is on track for scheduled completion in December 2012.
- New Prosperity is expected to enter into the Federal environmental review process shortly.
- Advancement of the Aley Niobium project continues, with a completed feasibility study expected in 2012.

Russell Hallbauer, President and CEO of Taseko, remarked "*Even with the volatility in the financial markets, Taseko remains positioned for growth. Not only are our near term projects fully financed, our hedging strategy ensures minimum price levels for the next 16 months."*

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[1] Adjusted net earnings, operating profit and cash margins are non-GAAP financial performance measures. See pages 19-22 of the MD&A.

Mr. Hallbauer continued, *"Our management team has been working diligently on numerous projects during the past three months; these projects will deliver significant value to our shareholders. GDP3 is well advanced, with all major mine and milling equipment secured, delivery dates set, and construction activity has commenced.*

Initiatives at Aley will progress the project into an inferred resource shortly, with a feasibility study expected to be underway by the end of the year.

And finally, we have been working closely with the Federal and Provincial Governments and anticipate the New Prosperity Project to enter the Federal environmental review process shortly."

Summary Financial Results

(Cdn$ in thousands, except per share amounts)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenues	**$ 48,349**	**$ 56,453**	**$ 107,150**	**$ 131,961**
Operating Profit	**$ 11,756**	**$ 12,802**	**$ 30,360**	**$ 37,311**
Net (loss) earnings	**$ (1,113)**	**$ 44,783**	**$ 4,640**	**$ 123,079**
Unrealized (gain)/loss on derivative instruments	10,292	(8,910)	10,778	(16,401)
Gain on sale of marketable securities	(6,443)	(765)	(6,443)	(1,114)
Changes in fair value of financial instruments	1,153	-	1,682	-
Foreign currency translation losses	600	(3,713)	4,626	(2,516)
Loss on extinguishment of debt	-	-	-	2,136
Loss (gain) on contribution to joint venture, net of tax effect	2,796	-	2,796	(65,268)
Non-recurring tax adjustments	-	(30,600)	-	(30,600)
Adjusted net earnings	**$ 7,285**	**$ 795**	**$ 18,079**	**$ 9,316**
Adjusted EPS	**$ 0.04**	**$ 0.00**	**$ 0.09**	**$ 0.05**

Gibraltar Mine

The Gibraltar mine's second quarter 2011 copper production was 20.0 million lbs, similar to the 20.1 million lbs produced in the second quarter 2010. The Gibraltar mine's first half 2011 copper production was 39.2 million lbs.

Molybdenum production during second quarter 2011 was 303.0 thousand lbs, up 39% compared to the prior-year quarter, largely due to a 47% increase in molybdenum recovery. Molybdenum production during the first half of 2011 was 619.5 thousand lbs, up 50% compared to the prior-year period. The recovery increase was a result of operational and technical improvements to the molybdenum separation circuit.

In second quarter 2011, total cash costs/ lbs of copper produced were US$2.32. This compares to US$2.10/ lb level for the corresponding quarter in 2010. Higher costs resulted from maintenance and consumable costs, a strengthened Canadian dollar, combined with reduced metal production in the quarter. Offsite costs for treatment and refining and transportation decreased to US$0.32/ lb of copper produced in second quarter 2011.

Gibraltar Operating Results

OPERATING STATISTICS (100% BASIS)	**Three months ended June 30,**		**Six months ended June 30,**	
	2011	**2010**	**2011**	**2010**
Tons mined (millions)	14.5	11.1	28.5	22.6
Tons milled (millions)	3.7	3.6	6.8	7.2
Stripping ratio	2.9	2.2	2.7	2.2
Copper				
Grade (%)	0.299	0.306	0.317	0.331
Recovery (%)	87.9	88.7	88.8	89.2
Production (million lbs)	19.3	19.6	38.4	42.7
Sales (million lbs)	14.3	21.1	30.9	41.5
Molybdenum				
Grade (%)	0.011	0.011	0.012	0.012
Recovery (%)	37.6	25.5	37.2	23.5
Production (thousand lbs)	303.0	218.0	619.5	412.0
Sales (thousand lbs)	311.8	193.0	620.3	403.0
Copper cathode				
Production (million lbs)	0.7	0.5	0.8	0.5
Sales (million lbs)	0.0	0.0	0.4	0.1
Per unit data [1,4]				
Operating cash costs [2] (US$ per pound)	$2.29	$1.82	$2.18	$1.59
By-product credits [3] (US$ per pound)	($0.29)	($0.17)	($0.32)	($0.19)
[3] Offsite costs for treatment & refining and transport (US$ per pound)	$0.32	$0.44	$0.34	$0.38
Total cash costs of production (US$ per pound)	$2.32	$2.10	$2.21	$1.78
Total cash costs of production (Cdn$ per pound)	$2.24	$2.16	$2.16	$1.84

[1] Operating cash costs, total cash costs of production and total cash costs of sales are non-GAAP financial performance measures with no standard definition under IFRS. See pages 19-22 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 lbs of copper produced during the period. Offsite costs for treatment & refining and transport are the expenses associated with actual sales during the period, divided by the total lbs of copper produced during the period.

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

Gibraltar Development Plan 3

During the second quarter of 2011 the Company awarded the Engineering Procurement and Construction Management ("EPCM") contract to Ausenco – Minerals and Metals. The EPCM portion of GDP3 covers the $237 million cost of the concentrator construction.

All major long lead time components including the grinding mills have been secured and are scheduled for arrival and installation within the project timeline. Current project commitments represent approximately 30% of the infrastructure portion budget of the project.

All major mining equipment has been secured and delivery dates are scheduled in 2012 and 2013.

Construction activity has also commenced including site preparation and contractor mobilization. Commissioning of the project is scheduled to commence in December 2012.

New Prosperity (100%)

The New Prosperity project description was submitted to the Federal Government in February 2011 and has additional construction costs and life of mine operating expenditures of approximately $300 million over that of the original proposal. The Federal Government subsequently requested additional information, which was supplied as a revised project description on June 6, 2011.

With the revised project description in hand, we expect that the Canadian Environmental Assessment Agency (CEAA) will confirm its adequacy. The Federal Government then has up to 90 days to: coordinate with the Province of British Columbia, prepare a detailed background document, including project scope, and launch the Environmental Assessment review. The Company expects the Environmental Assessment review to commence by October 2011.

Aley (100%)

The Company recently committed $18 million toward the advancement of the Aley project to a completed feasibility study in 2012. Key initiatives included in this process are:

- Resource definition drilling program
- Baseline environmental studies
- Geotechnical drilling

Currently 60 people are working at site on these programs. Drilling results are anticipated in the fourth quarter of this year.

Taseko will host a conference call on Friday, August 12, 2011 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific) to discuss these results. The conference call may be accessed by dialing (877) 303-9079 in Canada or (970) 315-0461 internationally. A live and archived audio webcast will also be available at www.tasekomines.com.

The conference call will be archived for later playback until August 19, 2011 and can be accessed by dialing (800) 642-1687 in Canada and the United States, or (706) 645-9291 internationally and using the passcode 81435415.

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

Russell Hallbauer
President and CEO

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

This MD&A is prepared as of August 10, 2011. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Cautionary Statement on Forward-Looking Information

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities, and events or developments that the Company expects are forward-looking statements. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements. We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable law. Further information concerning risks and uncertainties associated with these forward-looking statements and our business may be found in our most recent Form 40-F/Annual Information Form on file with the US Securities and Exchange Commission and Canadian provincial securities regulatory authorities.

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FINANCIAL HIGHLIGHTS

SUMMARY OF FINANCIAL DATA	Three months ended June 30,		Six months ended June 30,	
(Cdn$ in thousands, except per share amounts)	2011	2010	2011	2010
Financial Data				
Revenues	$ 48,349	$ 56,453	$ 107,150	$ 131,961
Net (loss) earnings	(1,113)	44,783	4,640	123,079
Per share ("EPS") [1]	(0.01)	0.24	0.02	0.66
Adjusted net earnings [2]	7,285	795	18,079	9,316
Per share ("adjusted EPS") [1]	0.04	0.00	0.09	0.05
EBITDA [2]	1,815	22,270	16,678	147,917
Adjusted EBITDA [2]	11,221	8,882	31,125	29,595
Capital expenditures	11,860	3,903	18,660	12,302
			June 30, 2011	**Dec. 31, 2010**
Cash and equivalents			$ 259,259	$ 211,793
Dual currency deposits within marketable securities			120,563	-
Non-cash working capital [2]			143,369	3,879
Net (cash) debt [2]			(38,388)	(173,460)
Equity			472,364	458,404

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

[2] Adjusted net earnings, adjusted EPS, EBITDA, adjusted EBITDA, non-cash working capital and net (cash) debt are non-GAAP financial performance measures with no standard definition under IFRS. See pages 19-22 of this MD&A.

SECOND QUARTER RESULTS

- Total revenues were $48.3 million in the quarter compared to $56.5 million the prior-year quarter, reflecting a 35% decrease in copper pounds sold. This impact was partially mitigated by higher realized prices in second quarter 2011.
- We realized a net loss of $1.1 million in the quarter, compared to net earnings of $44.8 million in the prior-year quarter. Included in second quarter 2011 results are $10.3 million in unrealized losses on copper derivatives and a $2.8-million after-tax loss on contribution to the joint venture, offset by a $6.4-million gain on the sale of marketable securities and dividend income. Included in the second quarter 2010 net earnings are $30.6-million in historical tax reserves and interest reversals and $8.9 million in unrealized gains on copper derivatives.
- Adjusted net earnings for the second quarter were $7.3 million, an increase over adjusted net earnings of $0.8 million for the prior-year period. Adjusted net earnings for second quarter 2010 were negatively impacted by a $3.9-million realized loss on copper derivatives and higher income tax expense. Adjusted EPS for the second quarter 2011 was $0.04 compared to $0.00 for the second quarter 2010.
- Adjusted EBITDA for the second quarter 2011 was $11.2 million, an increase from adjusted EBITDA of $8.9 million for the prior-year period. Cash margins for the second quarter 2011, which represent the average realized copper price per pound sold less total cash costs of sales per pound, increased 71% and more than offset the decrease in copper pounds sold.
- Our share of Gibraltar's copper production and sales volumes for second quarter 2011 was 15.0 million pounds and 10.7 million pounds, respectively. In second quarter 2010, copper production and sales volumes were 15.1 million pounds and 16.5 million pounds, respectively. Production volumes remained

relatively constant. The decrease in sales volumes is primarily the result of a shipment of copper concentrate not getting loaded until July 1, 2011 and will be recognized in our third quarter 2011 results. There is a corresponding increase of 3.9 million pounds of copper and $9.4 million in our share of finished goods inventory at the end of the second quarter 2011, as compared to the end of the first quarter 2011.
- Total cash costs of sales were US$2.37 per pound, up US$0.29 per pound, or 14% compared to the second quarter 2010. Total cash costs were negatively impacted by the strengthening of the Canadian dollar, unplanned maintenance costs, and higher consumable costs, but were positively impacted by higher by-product credits as a result of an increase in molybdenum production.

Six Month Results

- Total revenues were $107.2 million in the first half of 2011 compared to $132.0 million in the prior-year period, reflecting a 35% decrease in copper pounds sold. The decrease in sales volumes is partly due to reporting our 75% share of the results for the Gibraltar mine in 2011, whereas we reported 100% of the Gibraltar's results in the first quarter 2010 and 75% beginning in the second quarter of 2010, and the lower shipments made in the second quarter of 2011 due to the timing of a shipment that left on July 1. The impact of lower sales volumes was mitigated by higher realized prices in 2011 compared to 2010.
- Net earnings for the first half of 2011 were $4.6 million, compared to $123.1 million in the prior-year period. Included in the 2011 results are $10.8 million in unrealized losses on copper derivatives and a $2.8-million after-tax loss on contribution to the joint venture, offset by a $6.4-million gain on the sale of marketable securities and dividend income. Included in the prior-year period's net earnings is a $65.3-million after-tax gain on contribution to the joint venture, $30.6 million in historical tax reserves and interest reversals and $16.4 million in unrealized gains on copper derivatives.
- Adjusted net earnings for the first half of 2011 were $18.1 million, an increase over adjusted net earnings of $9.3 million for the prior-year period. Adjusted net earnings for the first half of 2010 were negatively impacted by an $11.5-million realized loss on copper derivatives. Adjusted EPS for the first half 2011 was $0.09 compared to $0.05 for the first half 2010.
- Adjusted EBITDA for the first half 2011 was $31.1 million, an increase over adjusted EBITDA of $29.6 million for the prior-year period. The increase in cash margins more than offset lower sales volumes as a result of reporting 75% of the sales from Gibraltar after March 31, 2010 and the timing of a shipment as discussed above.
- Our share of Gibraltar's copper production and sales volumes for first half of 2011 were 29.4 million pounds and 23.5 million pounds, respectively. In first half 2010, copper production and sales volumes were 38.2 million pounds and 36.9 million pounds, respectively. The decrease in production and sales volumes reflects the formation of the Gibraltar joint venture on March 31, 2010.
- Total cash costs of sales were US$2.21 per pound, up US$0.37 per pound or 20% compared to the first half of 2010. Total cash costs were negatively impacted by a 9% decrease in copper production at Gibraltar, the strengthening of the Canadian dollar, and cost increases, but were positively impacted by higher by-product credits as a result of an increase in molybdenum production.

RECENT DEVELOPMENTS

Senior notes issuance

In the second quarter, we completed a public offering of US$200.0 million aggregate principal amount of its senior notes due in 2019 (the "Notes"). We intend to use the net proceeds from the offering of the Notes primarily to fund Gibraltar Development Plan 3 (GDP3).

Gibraltar reserve update

We announced an 80% increase in mineral reserves at the Gibraltar mine, from 445 million tons to 802 million tons, during the quarter. The reserve evaluation maintained a 0.20% copper cut-off, incorporating a US$2.25-per-pound pit shell design across the five pits that make up the Gibraltar deposit. The previous reserve update completed in 2008 used a US$1.75-per-pound pit shell for the Gibraltar Extension and US$1.50 per pound for all other areas. Approximately 1.8 billion pounds of recoverable copper were added to the previous reserve of 2.5 billion pounds for a total of 4.3 billion recoverable pounds of copper. Molybdenum reserves increased from 30 million pounds to nearly 60 million pounds.

After the completion of GDP3, the Gibraltar ore body will be capable of supporting mining operations of 30 million tons of ore per year, production capacity of 180 million pounds of copper and 2.2 million pounds of molybdenum. The 4.3 billion pounds of recoverable copper will sustain operations at Gibraltar over the next 27 years at the increased production levels based on the long-term mine plan.

Copper hedge program update

We purchased put options on approximately 90% of our estimated 2012 copper production which ensures a minimum selling price of US$3.50 per pound. The puts were financed by selling funded calls at an average strike of US$5.07 per pound at a cost of US$0.10 per pound. The 2012 put options, combined with the remaining 2011 put options, guarantees minimum sales prices for our sales for the next 16 months. Given the volatility in commodity prices over the past six months, the copper hedge was part of our continuing strategy to protect against a significant reduction in copper prices while we are advancing the near-term projects in our pipeline, including GDP3, New Prosperity and Aley.

New Prosperity copper-gold project

In early June, the New Prosperity project description was submitted to the Federal Government. We expect the Canadian Environmental Assessment Agency (CEAA) to proceed with the formal environmental assessment process for New Prosperity in the near future.

Aley niobium project

We are focused on expediting the Aley niobium project. Over the next six months, our objective is to convert to measured and indicated resources, and to be well advanced on a feasibility study.

FINANCIAL PERFORMANCE

Earnings

In second quarter 2011, we recorded a net loss of $1.1 million compared to net earnings of $44.8 million in the second quarter 2010. Adjusted net earnings were $7.3 million in second quarter 2011, compared to $0.8 million in second quarter 2010. The decrease in net earnings compared to second quarter 2010 is primarily driven by the $30.6-million reversal of historical tax reserves and associated interest dating back to 2005 that was recognized in the second quarter of 2010. Adjusted net earnings for the second quarter 2010 were negatively impacted by a $3.9-million realized loss on copper derivatives and higher income tax expense.

In the first half of 2011, we recorded net earnings of $4.6 million compared to net earnings of $123.1 million in the first half of 2010. Adjusted net earnings were $18.1 million in first half 2011, compared to $9.3 million in first half 2010. The decrease in net earnings compared to first half 2010 is primarily driven by the recognition of a pre-tax

$100.4-million gain realized on the formation of the Gibraltar joint venture during the first half of 2010. Adjusted net earnings for the first half of 2010 were negatively impacted by an $11.5-million realized loss on copper derivatives.

The significant items impacting adjusted earnings in the second quarter 2011 include: $10.3 million of unrealized losses on our copper put option contracts; $6.4 million for the gain on the sale of marketable securities plus dividend income received; $0.6 million of foreign currency translation losses related to our US-dollar denominated cash, marketable securities, accounts receivable and long-term debt balances; $1.2 million loss on change in fair value on financial instruments; and $2.8 million loss on contribution to the Gibraltar joint venture, net of tax.

The significant items impacting adjusted earnings in the first half 2011 include: $10.8 million of unrealized losses on our copper put option contracts; $6.4 million for the gain on the sale of marketable securities plus dividend income received; $4.6 million of foreign currency translation losses related to our US-dollar denominated cash, marketable securities, accounts receivable and long-term debt balances; $1.7 million loss on change in fair value on financial instruments; and $2.8 million loss on contribution to the Gibraltar joint venture, net of tax. We remove the foreign currency translation impact and the unrealized losses on the derivative instruments from our adjusted net earnings measure as they are not indicative of a realized economic loss or the underlying performance of the business in the period. The realized gains/losses on these monetary items and derivative positions are reflected in net earnings in the period in which the position is settled.

EBITDA was $1.8 million in second quarter 2011, compared to EBITDA of $22.3 million in second quarter 2010. Adjusted EBITDA was $11.2 million in second quarter 2011, compared to $8.9 million in the prior-year quarter. The increase in adjusted EBITDA compared to the prior-year quarter reflects a 71% increase in cash margins which more than offset lower copper sales volumes and higher costs of production.

EBITDA was $16.7 million in the first half of 2011, compared to EBITDA of $147.9 million in the prior-year period. Adjusted EBITDA was $31.1 million in the first half of 2011, compared to adjusted EBITDA of $29.6 million in the prior-year period. The increase in adjusted EBITDA for the first half of 2011 is due to higher cash margins mitigated partially by lower copper sales volumes and higher total cash costs.

Revenues

In second quarter 2011, copper revenues totaled $44.2 million, down 18% compared to the second quarter 2010, primarily due to 35% lower copper sales volumes, partially offset by higher realized copper prices. The decrease in sales volumes is primarily the result of a shipment of copper concentrate not getting loaded until July 1, 2011 and will be recognized in our third quarter 2011 results. Realized copper prices of US$4.25 per pound in second quarter 2011 were up 34% compared to second quarter 2010, reflecting the increase in market copper prices, which averaged US$4.14 per pound in second quarter 2011 based on London Metals Exchange closing prices for the period, and compared to US$3.18 per pound in the prior-year quarter.

In the first half of 2011, copper revenues totaled $98.0 million, down 21% compared to the prior-year period, primarily due to lower copper sales volumes, partially offset by higher realized copper prices. Our share of the Gibraltar mine's sales volumes was down 36%, partly due to reporting our 75% share of the results for the Gibraltar mine in 2011, whereas we reported 100% of the Gibraltar's results in the first quarter 2010 and 75% beginning in the second quarter of 2010. Lower copper production in first quarter 2011 also contributed to the lower sales volumes. Realized copper prices of US$4.27 per pound in first half of 2011 were up 29% compared to first half 2010, reflecting the increase in market copper prices, which averaged US$4.26 per pound in first half 2011 based on London Metals Exchange closing prices for the period, and compared to US$3.23 per pound in the prior-year period.

Molybdenum revenues totaled $3.6 million in second quarter 2011, up 85% compared to the prior-year quarter. For the first half of 2011, molybdenum sales totaled $7.6 million, up 23% compared to the first half of 2010. Silver sales were $0.6 million and $1.4 million during second quarter 2011 and first half of 2011, respectively.

Cost of sales

Cost of sales was $31.7 million in second quarter 2011 compared to $40.4 million recorded in the prior-year quarter. The 21% decrease in cost of sales quarter over quarter reflects the 35% reduction in copper sales volumes in second quarter 2011 compared to the prior-year quarter (as explained above in *Revenues*), offset by higher direct mining costs including higher labour, repairs and maintenance, diesel, electricity, grinding media and explosives costs.

Cost of sales for the first half of 2011 was $65.3 million compared to $84.0 million recorded in the prior-year period. The 22% decrease in cost of sales in first half 2011 compared to the prior-year period reflects the 35% reduction in copper sales volumes in the first half 2011 compared to the prior-year period, offset by higher direct mining costs including higher labour, repairs and maintenance, diesel, electricity, grinding media and explosives costs.

Other expenses and income

General and administrative expenses for second quarter 2011 were $4.9 million, up from $3.3 million in the prior-year quarter. The increase is due to higher compensation costs primarily due to headcount increases in our engineering group and increased consulting costs.

General and administrative expenses for first half 2011 were $11.5 million, up from $10.7 million in the prior-year period. The increase is due to higher compensation costs due to headcount increases.

Exploration and evaluation expense in the second quarter 2011 was $1.5 million, approximately the same spending as the second quarter 2010.

Exploration and evaluation expense in the first half of 2011 was $1.8 million, a decrease from the $2.5 million spent in the first half of 2010. The decrease in exploration and evaluation expenses in first half 2011 is a result of netting mineral exploration tax credits against the expense items related to activity at the Aley project

Other operating expense was $11.0 million in second quarter 2011 compared to other operating income of $5.2 million in second quarter 2010. Included in the second quarter 2011 expense is $11.2 million of realized and unrealized losses on the derivatives used in our copper price protection program, offset by $0.2 million in management fees earned in our capacity as operator for the Gibraltar mine. In second quarter 2010, a $5.0-million gain was recognized on the derivatives used in our copper price protection program along with the $0.2 million in management fees.

Other operating expense was $11.8 million in the first half of 2011 compared to other operating income of $5.0 million in prior-year period. Included in the first half expense is $12.1 million of realized and unrealized losses on the derivatives used in our copper price protection program, compared to $4.9 million of realized and unrealized gains in the prior-year period.

On March 31, 2010, we entered into an agreement with Cariboo Copper Corp. ("Cariboo") whereby we contributed certain assets and liabilities of the Gibraltar mine into an unincorporated joint venture and Cariboo paid the Company $186.8 million to acquire a 25% interest in the joint venture. As a result of this transaction, we recognized a gain in the amount of $100.4 million in first quarter 2010. During 2011, the construction of the SAG direct feed system was completed. Under the terms of agreement with Cariboo, the Company assumes 100% of the capital costs in excess of the capital budget for the SAG direct feed system in place at the time of the joint venture formation. The Company recognized a loss on contribution to the joint venture of $3.8 million during the second quarter of 2011 as a result of costs incurred on the project above the 2010 capital budget.

Finance expenses incurred in the second quarter 2011 were $7.2 million, compared to $1.2 million in the second quarter 2010. Included in the second quarter 2011 finance expenses was interest expense of $4.1 million, a significant increase over $0.7 million in the prior-year quarter due to the issuance of the Notes early in the second quarter 2011.

Finance expenses incurred in the first half of 2011 were $13.4 million, compared to $5.9 million in the first half of 2010. Included in the first half 2011 finance expenses was interest expense of $5.0 million, compared to $2.8 million in the prior-year period. In addition, first half 2011 included net foreign exchange losses of $4.6 million, whereas net foreign exchange gains were realized in first half 2010 and are therefore included in finance income for that period. Included in the first half 2010 finance expenses were $2.1 million in non-recurring losses on the extinguishment of debt.

Finance income was $9.7 million in second quarter 2011, down 27% compared to the $13.4 million finance income recognized in the prior-year quarter primarily due to the recovery of interest expense in the amount of $8.1 million in second quarter 2010 associated with reversal of historical tax reserves dating back to 2005. Included in the second quarter 2011 finance income is $3.3 million of interest income, along with a $6.0 million gain on sale of marketable securities and $0.4 million in dividend income, both associated with the tendering of shares held by Continental Minerals Corporation to Jinchuan Group Ltd.

Finance income was $11.6 million in the first half of 2011, compared to $16.0 million in the prior-year period. Included in the first half finance income is $5.2 million of interest income, primarily earned on the investment of cash assets in dual currency deposits, along with the $6.0 gain on the sale of marketable securities. Included in the first half 2010 finance income is $11.5 million of interest income, primarily due to the recovery of interest expense in the amount of $8.1 million in second quarter 2010 associated with reversal of historical tax reserves dating back to 2005. In addition, there are foreign exchange gains of $3.4 million included in the first half 2010 finance income.

Income tax

Income tax recovery was $0.9 million in second quarter 2011 compared to income tax recovery of $16.1 million in second quarter 2010. The income tax recovery is lower in 2011 than in the prior-year quarter due to the reversal in second quarter 2010 of the $22.5 million in historical tax reserves dating back to 2005.

The income tax expense for the first half of 2011 was $6.6 million, compared to income tax expense of $27.2 million in the first half of 2010. The lower income tax expense in the first half of 2011 is primarily due to lower earnings overall compared to the prior-year period which included the gain from joint venture transaction.

The effective tax rate for income in the first half of 2011 was 58.6% which is higher than the expected statutory corporate tax rate of 26.5%. This was primarily due to the movement in deferred taxes related to BC Mineral taxes, which accounted for approximately 28.0% of the difference. Certain items that are deductible for income tax purposes are not deductible for BC Mineral tax purposes which had the effect of driving the effective tax rate higher. In addition, permanent differences such as non-deductible share-based compensation accounted for approximately 5.9% of the difference. When these significant permanent differences are applied to the net income year-to-date, they impact the effective tax rate significantly. Other items such as the impact of the reduction of corporate tax rates had a minor impact on the effective tax rate.

REVIEW OF OPERATIONS AND PROJECTS

Gibraltar mine

OPERATING STATISTICS (100% BASIS)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Tons mined (millions)	14.5	11.1	28.5	22.6
Tons milled (millions)	3.7	3.6	6.8	7.2
Stripping ratio	2.9	2.2	2.7	2.2
Copper				
Grade (%)	0.299	0.306	0.317	0.331
Recovery (%)	87.9	88.7	88.8	89.2
Production (million pounds)	19.3	19.6	38.4	42.7
Sales (million pounds)	14.3	21.1	30.9	41.5
Molybdenum				
Grade (%)	0.011	0.011	0.012	0.012
Recovery (%)	37.6	25.5	37.2	23.5
Production (thousand pounds)	303.0	218.0	619.5	412.0
Sales (thousand pounds)	311.8	193.0	620.3	403.0
Copper cathode				
Production (million pounds)	0.7	0.5	0.8	0.5
Sales (million pounds)	0.0	0.0	0.4	0.1
Per unit data [1,4]				
Operating cash costs [2] (US$ per pound)	$2.29	$1.82	$2.18	$1.59
By-product credits [3] (US$ per pound)	($0.29)	($0.17)	($0.32)	($0.19)
Offsite costs for treatment & refining and transport [3] (US$ per pound)	$0.32	$0.44	$0.34	$0.38
Total cash costs of production (US$ per pound)	$2.32	$2.10	$2.21	$1.78
Total cash costs of production (Cdn$ per pound)	$2.24	$2.16	$2.16	$1.84
Total cash costs of sales (US$ per pound)	$2.37	$2.08	$2.21	$1.84
Total cash costs of sales (Cdn$ per pound)	$2.29	$2.13	$2.16	$1.90

[1] Operating cash costs, total cash costs of production and total cash costs of sales are non-GAAP financial performance measures with no standard definition under IFRS. See pages 19-22 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. Offsite costs for treatment & refining and transport are the expenses associated with actual sales during the period, divided by the total pounds of copper produced during the period.

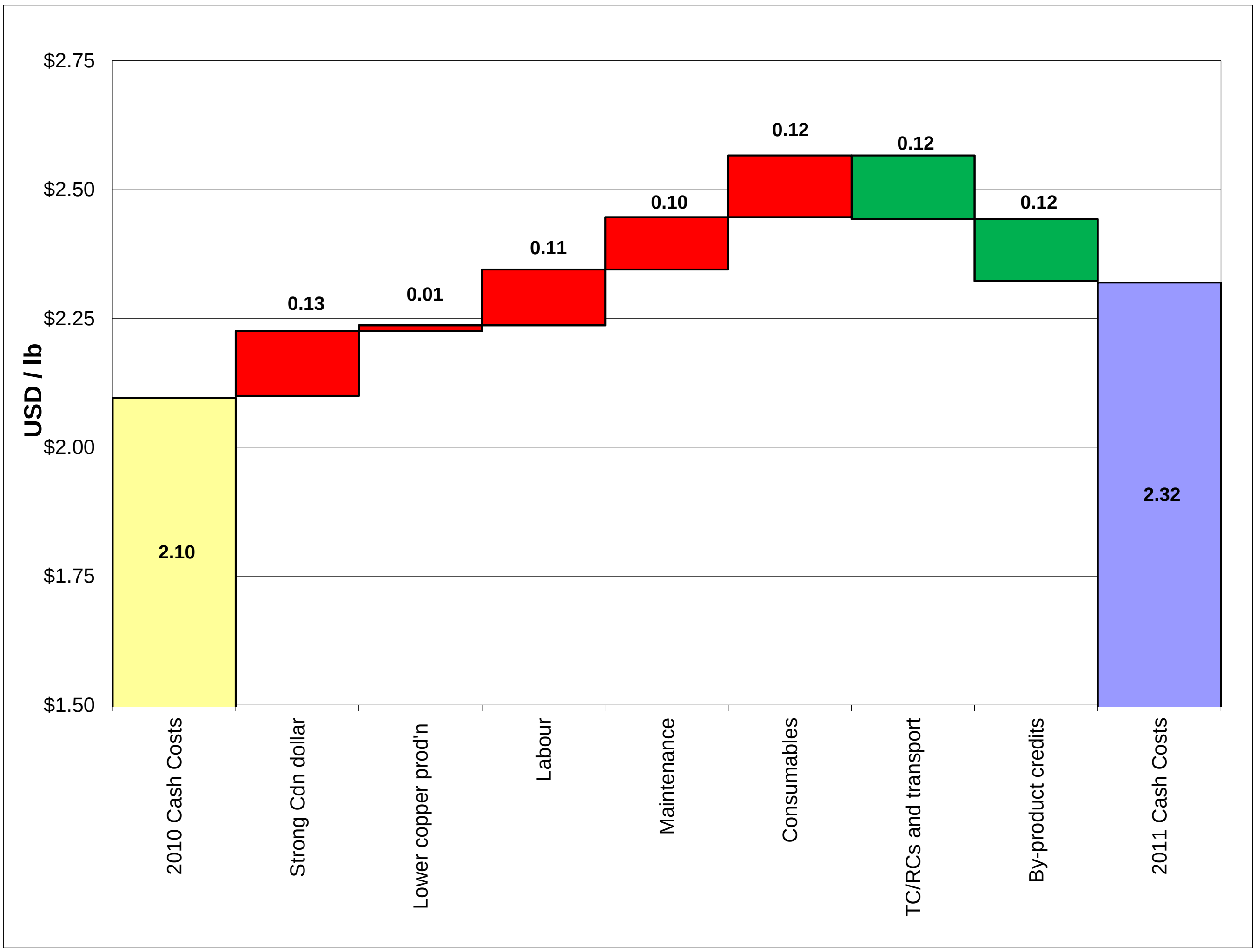
[4] Per unit data may not sum due to rounding.

The Gibraltar mine's second quarter 2011 copper production was 20.0 million pounds, a slight decrease from the 20.1 million pounds produced in the second quarter 2010. The tie in of the SAG direct feed system, the reline of the west rougher flotation bank, and failure of the feed-end trunnion on ball mill #1 resulted in a production loss of approximately 2.5 million pounds of copper during the second quarter.

The Gibraltar mine's first half 2011 copper production was 39.2 million pounds, down 9% compared to the first half of 2010. First half 2011 copper production was hampered by harsh winter conditions, lower head grade, tie in of the SAG direct feed system, the reline of the west rougher flotation bank and failure of the feed-end trunnion on ball mill #1 . The Gibraltar concentrator, however, continued to perform well on copper recovery.

Molybdenum production during second quarter 2011 was 303.0 thousand pounds, up 39% compared to the prior-year quarter, largely due to a 47% increase in molybdenum recovery. Molybdenum production during the first half of 2011 was 619.5 thousand pounds, up 50% compared to the prior-year period, also attributable to a significant improvement in molybdenum recovery as a result of operational and technical improvements to the molybdenum separation circuit.

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

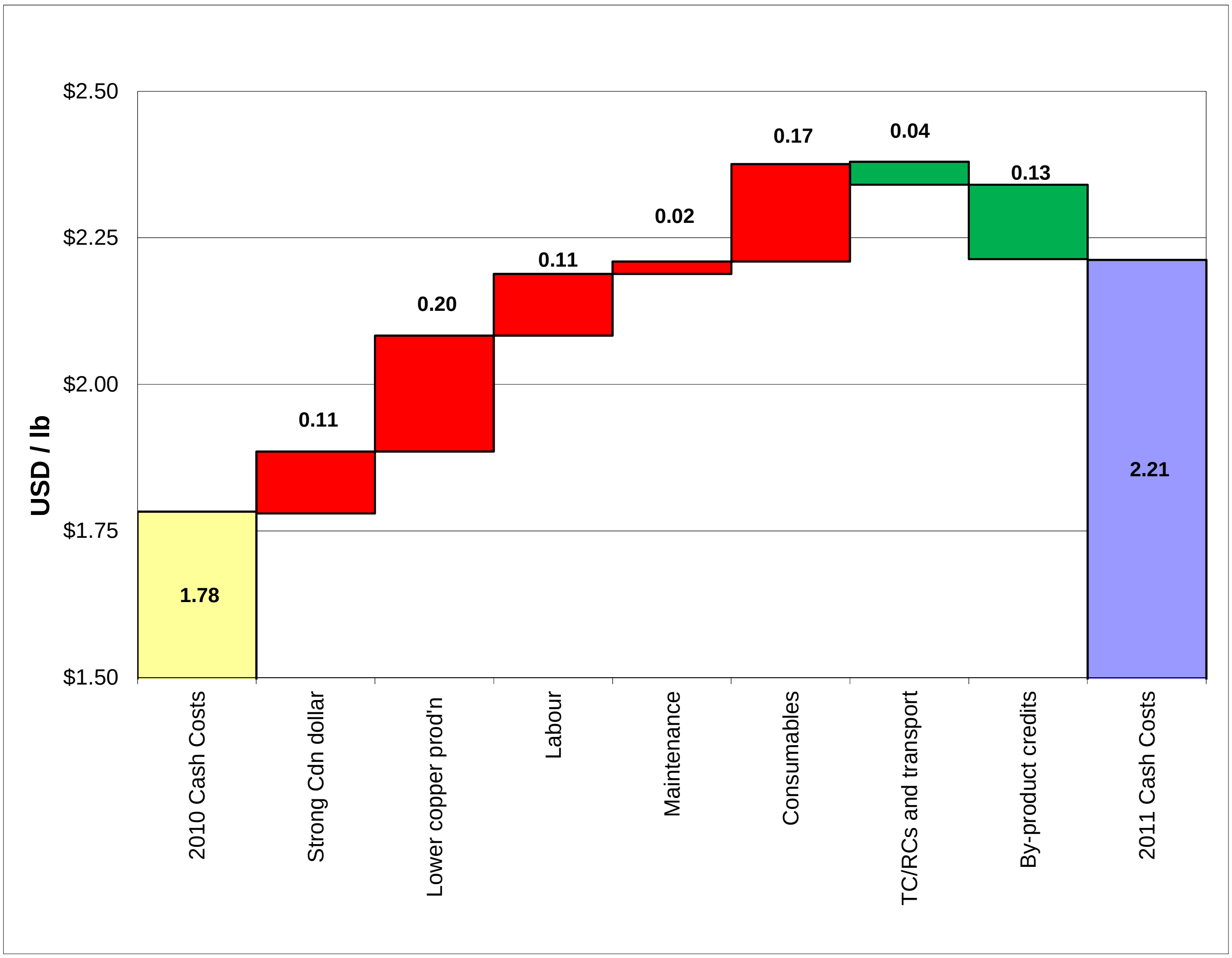


[1] Total cash costs of production is a non-GAAP financial performance measure with no standard definition under IFRS. See pages 19-22 of the Company's MD&A.

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

In the second quarter 2011, operating cash costs per pound of copper produced averaged US$2.32, an 11% increase over the US$2.10 averaged during second quarter 2010. Operating cash costs are comprised of direct mining costs which include personnel costs, mine site general and administrative costs, maintenance and repair costs, operating supplies and external services. Operating cash costs were adversely impacted in second quarter 2011 by a higher strip ratio, the strengthening of the Canadian dollar compared to the US dollar, and increased costs associated with unscheduled maintenance during the quarter and consumables. These cost increases were mitigated by a 72% increase in by-product credits during the second quarter 2011 to US$0.29 per pound of copper produced. By-product credits are comprised of molybdenum and silver sales during the quarter, divided by the total pounds of copper produced during the same period. Offsite costs for treatment and refining and transportation decreased to US$0.32 per pound of copper produced in second quarter 2011, compared to US$0.44 per pound in the prior-year quarter.

Figure 2: Total cash costs of production[1,2] per pound
(first half of 2010 compared to first half of 2011)



[1] Total cash costs of production is a non-GAAP financial performance measure with no standard definition under IFRS. See pages 19-22 of the Company's MD&A.

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

In the first half of 2011, operating cash costs per pound of copper produced averaged US$2.21, a 24% increase over the US$1.78 averaged during the prior-year period. Operating cash costs were adversely impacted in the first half of 2011 by a 9% reduction in copper production, the strengthening of the Canadian dollar compared to the US dollar, and increased direct mining costs including higher labour, repairs and maintenance, diesel, electricity, grinding media and explosives costs. These cost increases were mitigated by a 69% increase in by-product credits during the first half of 2011 to US$0.32 per pound of copper produced. Offsite costs for treatment and refining and transportation decreased to US$0.34 per pound of copper produced in the first half of 2011, compared to US$0.38 per pound in the prior-year period.

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

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

Gibraltar Development Plan (GDP3)

During the second quarter of 2011 we awarded the Engineering Procurement and Construction Management (EPCM) contract to Ausenco – Minerals and Metals. The EPCM portion of GDP3 covers the $237 million infrastructure element of the project.

EPCM is well underway with detailed engineering and procurement the current primary focuses. All major long lead time components including the grinding mills have been secured and are scheduled for arrival and installation within the project timeline. Current project orders represent approximately 30% of the infrastructure portion budget of the project.

All major mining equipment has also been secured, with delivery dates scheduled in 2012 and 2013.

Construction activity has also commenced including site preparation, contractor mobilization and demolition of existing redundant items. Commissioning of the project is scheduled to commence in December of 2012.

New Prosperity project

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

With the project description in hand, and once accepted, the Canadian Environmental Assessment Agency (CEAA) has up to 90 days to: coordinate with the Province of British Columbia, prepare a detailed background document, including project scope, and launch the Environmental Assessment review. We expect the Environmental Assessment to commence by October 2011. The results of this review will be referred to the Federal Cabinet. Based on the current timeline, we anticipate that this would likely occur in late 2012. Upon receipt of a permit, we would be in a position to immediately commence engineering and construction activities.

Aley project

We recently committed $18 million towards the advancement of the Aley project to a completed feasibility study in 2012. Key initiatives included in this process are:

- Resource definition drilling program
- Baseline environmental studies
- Geotechnical drilling

Progress on the project is steady with 60 people mobilized currently at site and working on these initiatives. Drilling results from the additional work are anticipated later this year.

FINANCIAL CONDITION REVIEW

Balance Sheet review

Total assets were $920.5 million at June 30, 2011, representing a 28% increase from the total assets of $718.1 million at December 31, 2010. The increase is primarily a result of the net proceeds received from the US$200.0 million Notes offering ($192.0 million) which we closed in the second quarter.

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

Total liabilities increased by $188.4 million since December 31, 2010 to $448.1 million as at June 30, 2011. This increase reflects the Notes issuance.

As at August 10, 2011, there were 195,334,695 common shares outstanding. In addition, there were 12,536,200 director, employee and contractor stock options outstanding with exercise prices ranging between $1.00 and $5.74 per share. More information on these instruments and the terms of their exercise is set out in note 14 of our 2010 year-end financial statements.

Liquidity, Cash Flow and Capital Resources

At June 30, 2011, the Company had cash and equivalents of $259.3 million, as compared to $211.8 million at December 31, 2010. An additional $120.6 million of highly liquid money market instruments are recorded as marketable securities, as these instruments have maturity dates greater than three months from the date of acquisition. We maintained our strategy of retaining significant liquidity to fund operations and the GDP3 expansion.

The Company's primary source of liquidity is operating cash flow. In the second quarter of 2011, operating cash flow was $13.3 million compared to a negative $8.8 million for the prior-year period. The prior-year quarter's operating cash flow was negatively impacted by an increase in non-cash working capital.

Operating cash flow for the six-month period ended June 30, 2011 was $9.8 million compared to $23.5 million for the prior-year period. Operating cash flow was negatively impacted by the first-quarter 2011 income tax payment referenced in the Balance Sheet review, offset by positive movements in non-cash working capital.

Additionally, operating cash flow for the 2011 periods reflect the formation of the Gibraltar joint venture on March 31, 2010 and the corresponding 25% decrease in our share of the Gibraltar mine's operating cash flow since that date.

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

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

Cash used in investing activities in the second quarter of 2011 amounted to $128.2 million principally due to the investment of $120.6 million in dual currency deposits ("DCD") with terms greater than three months. A DCD is a derivative instrument which combines a money market deposit with a currency option to provide a higher yield than that available for a standard deposit. The currency in which the Company receives upon maturity of the DCD is dependent on the prevailing spot foreign exchange rate at maturity. DCDs with maturity dates of three months or less are classified as cash and equivalents. Cash used in investing activities also included $11.7 million in proceeds on the sale of investments, offset by capital expenditures of $11.9 million. The comparable for the second quarter of 2010 was $9.8 million of cash used by investing activities including capital expenditures of $3.9 million, purchase of investments of $3.2 million and advances to the joint venture of $3.2 million.

Cash used in investing activities for the six-month period ended June 30, 2011 was $143.7 million compared to cash generated from investing activities of $171.0 million for the prior-year period. During the first half of 2011, a total of $139.1 million was invested in marketable securities, DCDs with terms greater than three months and copper hedging contracts, $18.7 million in property, plant and equipment, offset by $11.7 million in proceeds on the sale of investments. The 2010 six-month period reflects the $186.8 million in cash received for the 25% contribution to the joint venture, offset by capital expenditures and purchase of investments.

Cash provided by financing activities was $183.2 million for the quarter ended June 30, 2011, compared to cash used in financing activities of $0.6 million for the prior-year period. During the second quarter 2011, we received $192.0 million in proceeds from the Notes offering, net of debt issuance costs of $6.1 million and repayment of debt.

Cash provided by financing activities for the six-month period ended June 30, 2011 was $186.9 million compared to cash used in financing activities of $52.2 million for the prior-year period. The 2011 six-month period includes $192.0 million in proceeds from the Notes offering, $7.2 million in proceeds from common shares issued, offset by debt issuance costs of $6.1 million and repayment of debt. This compares to a use of cash used in financing activities for the corresponding period last year of $52.2 million primarily related to the prepayment of the senior credit facility.

Hedging Strategy

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

The amount and duration of our hedge position is based on our assessment of business-specific risk elements combined with the copper pricing outlook. Currently we have 90% of our estimated share of 2012 Gibraltar production (100% of estimated production for 2012 is 101 million pounds of copper) hedged at $3.50 per pound. This increased hedging level is based on the potential risks associated with a copper price correction during the build-out of GDP3. This corresponds with a period of heightened vulnerability given the scope of the capital expenditure and working capital requirements during 2012. The project is scheduled to be completed and commissioned in late 2012. We are hedged at similar levels of production (over 90%) for the balance of 2011 at $4.00 per pound for the third quarter and $3.50 per pound for the fourth quarter.

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

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

Commitments and Contingencies

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

The Company announced during the first quarter 2011 its plans to proceed with an expansion at Gibraltar. The capital cost for a new concentrator facility is estimated to be $235 million and approximately $90 million for the additional mining equipment. The total estimated $325 million capital cost represents 100% of the outlays required; the Company's share is expected to be 75% of that amount. However, proceeding with GDP3 will require the consent of Cariboo, which has a consent right over the approval of any operating plan and budget or capital budget, which results in 30% or greater variance from the long-term mine plan which was provided to Cariboo prior to establishing the joint venture. On March 29, 2011, Taseko made a proposal to Cariboo that Taseko would fund 100% of the GDP3 expansion pending Cariboo either electing to pay its 25% share prior to completion of construction, plus interest, or if Cariboo did not so elect by that time, Taseko would recover Cariboo's share of the project costs that it had funded through priority on all the positive cash flow from the expansion after which the parties would revert back to 75:25 for all of the Gibraltar mine operations. On April 4, 2011, Cariboo confirmed that, based on the GDP3 presentation made by Taseko, but subject to any subsequent changes in circumstances that would have an adverse effect on the Gibraltar mine or Cariboo's rights under the Joint Venture Operating Agreement (as determined in Cariboo's reasonable discretion), Cariboo does not intend to veto or otherwise prevent Taseko from proceeding with the expansion project while Taseko's proposal remains under consideration by Cariboo.

As at June 30, 2011, capital commitments associated with GDP3 totaled $33.2 million on a 100% basis. Cariboo's decision remains pending. Capital commitments for all other projects were $8.1 million, for total commitments of $41.3 million for the Company as at the end of the second quarter.

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

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

SUMMARY OF QUARTERLY RESULTS

	2011		2010				2009 [2]	
(Cdn$ in thousands, except per share amounts)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	48,349	58,801	108,959	37,540	56,453	75,508	55,966	40,132
Net earnings (loss)	(1,113)	5,753	25,550	728	44,783	78,296	(2,003)	(2,349)
EPS [1]	(0.01)	0.03	0.13	0.00	0.24	0.43	(0.01)	(0.01)

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

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

Our financial results for the last eight quarters reflect: volatile copper and molybdenum prices that impact realized sales prices; variability in the quarterly sales volumes due to timing of shipments which impacts revenue recognition; and, more recently, a trend of increasing production costs primarily caused by inflationary pressures. The net earnings in first quarter 2010 include a pretax gain of $100.4 million on the contribution to the joint venture.

IFRS

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

Elected exemptions

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

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

Impact of adoption of IFRS on financial reporting

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

	Ref.	**December 31, 2010**	**June 30, 2010**	**January 1, 2010**
Equity under GAAP		$469,951	$ 434,722	$296,693
Change in accounting policy for depreciation	(i)	(4,252)	(3,947)	(3,585)
Reversal of impairment	(ii)	3,338	3,391	4,574
Provision for environmental rehabilitation	(iii)	(14,290)	(13,202)	(16,731)
Share-based compensation	(iv)	-	-	-
Deferred income tax	(v)	3,657	3,152	4,584
Equity under IFRS		$458,404	$424,116	$285,535

	Ref.	**Three months ended June 30, 2010**	**Six months ended June 30, 2010**	**Year ended December 31, 2010**
Total Comprehensive Income under GAAP		$44,210	$120,374	$150,271
Change in accounting policy for depreciation	(i)	(637)	(1,465)	(1,772)
Reversal of impairment	(ii)	(20)	(47)	(99)
Provision for environmental rehabilitation	(iii)	(347)	(756)	(1,843)
Share-based compensation	(iv)	-	638	1,149
Deferred income tax	(v)	347	(224)	280
Gain on contribution to joint venture	(vi)	-	3,044	3,044
Total Comprehensive Income under IFRS		$43,553	$121,564	$151,030

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

Our internal control system over financial reporting was designed to provide reasonable assurance to management and the Board of Directors regarding the preparation and fair presentation of published financial statements. Internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial reporting and disclosure.

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

RELATED PARTY TRANSACTIONS

Hunter Dickinson Services Inc. ("HDSI") is a private company which has certain directors in common with the Company. HDSI carries out geological, engineering, corporate development, administrative, financial management, investor relations, and other management activities for the Company. The terms and conditions of the transactions are similar to transactions conducted on an arm's length basis. During second quarter 2011, the Company incurred general and administrative expenses of $0.4 million and exploration and evaluation expenses of $0.3 million with HDSI. During the first half of 2011, the Company incurred general and administrative expenses of $0.9 million and exploration and evaluation expenses of $0.4 million, and prepaid rent of $1.0 million with HDSI.

The Gibraltar joint venture pays a management fee to the Company for services rendered as operator of the Gibraltar mine. During second quarter 2011, the Company has earned $0.2 million of other operating income for these services rendered, and a total of $0.4 million earned for the first half of 2011.

NON-GAAP PERFORMANCE MEASURES

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

Total cash costs per pound

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

(Cdn$ in thousands, unless otherwise indicated)	Three months ended June 30, 2011	2010	Six months ended June 30, 2011	2010
Cost of sales	**$31,725**	**$40,363**	**$65,300**	**$83,996**
Less non-cash items:				
Depreciation	2,937	2,572	5,336	6,130
Share-based compensation	-	-	86	-
Less by-product credits:				
Molybdenum	3,620	1,952	7,686	6,243
Other metal sales	556	643	1,435	1,308
Total cash costs of sales	**$24,612**	**$35,196**	**$50,757**	**$70,315**
Total copper sold (thousand pounds)	10,735	16,485	23,490	36,975
Total cash costs per pound sold	$2.29	$2.13	$2.16	$1.90
Average exchange rate for the period (CAD/USD)	0.9677	1.0283	0.9768	1.0346
Total cash costs of sales (US$ per pound)	**$2.37**	**$2.08**	**$2.21**	**$1.84**
Total cash costs of sales	**$24,612**	**$35,196**	**$50,757**	**$70,315**
Net change in inventory	9,000	(2,732)	12,774	162
Total cash costs of production	**$33,612**	**$32,464**	**$63,531**	**$70,476**
Total copper produced (thousand pounds)	14,982	15,062	29,418	38,217
Total cash costs per pound produced	$2.24	$2.16	$2.16	$1.84
Average exchange rate for the period (CAD/USD)	0.9677	1.0283	0.9768	1.0346
Total cash costs of production (US$ per pound)	**$2.32**	**$2.10**	**$2.21**	**$1.78**

Cash margins

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

(Cdn$ in thousands, unless otherwise indicated)	Three months ended June 30, 2011	2010	Six months ended June 30, 2011	2010
Average realized copper price sales (US$ per pound)	$4.25	$3.18	$4.27	$3.25
Less:				
Total cash costs of sales (US$ per pound)	$2.37	$2.08	$2.21	$1.84
Cash margin (US$ per pound)	**$1.88**	**$1.10**	**$2.06**	**$1.41**

Operating profit

Operating profit represents gross profit less general and administrative expenses.

(Cdn$ in thousands, except per share amounts)	Three months ended June 30, 2011	2010	Six months ended June 30, 2011	2010
Gross profit	**$16,624**	**$16,090**	**$41,850**	**$47,965**
Less:				
General and administrative	4,868	3,288	11,490	10,654
Total operating profit	**$11,756**	**$12,802**	**$30,360**	**$37,311**

Adjusted net earnings

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

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

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

(Cdn$ in thousands, except per share amounts)	Three months ended June 30, 2011	2010	Six months ended June 30, 2011	2010
Net (loss) earnings	**$(1,113)**	**$44,783**	**$4,640**	**$123,079**
Unrealized (gain)/loss on derivative instruments	10,292	(8,910)	10,778	(16,401)
Gain on sale of marketable securities	(6,443)	(765)	(6,443)	(1,114)
Changes in fair value of financial instruments	1,153	-	1,682	-
Foreign currency translation losses	600	(3,713)	4,626	(2,516)
Loss on extinguishment of debt	-	-	-	2,136
Loss (gain) on contribution to joint venture, net of tax effect	2,796	-	2,796	(65,268)
Non-recurring tax adjustments	-	(30,600)	-	(30,600)
Adjusted net earnings	**$7,285**	**$795**	**$18,079**	**$9,316**
Adjusted EPS	**$0.04**	**$0.00**	**$0.09**	**$0.05**

EBITDA and adjusted EBITDA

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

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

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

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

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

	Three months ended June 30,		**Six months ended June 30,**	
(Cdn$ in thousands, except per share amounts)	**2011**	**2010**	**2011**	**2010**
Net (loss) earnings	**$(1,113)**	**$44,783**	**$4,640**	**$123,079**
Add:				
Depreciation	3,060	2,667	5,654	6,248
Interest expense	4,053	731	5,008	2,832
Interest income	(3,306)	(9,861)	(5,184)	(11,491)
Income tax expense	(879)	(16,051)	6,560	27,249
EBITDA	**$1,815**	**$22,270**	**$16,678**	**$147,917**
Adjustments:				
Unrealized (gain)/loss on derivative instruments	10,292	(8,910)	10,778	(16,401)
Gain on sale of marketable securities	(6,443)	(765)	(6,443)	(1,114)
Changes in fair value of financial instruments	1,153	-	1,682	-
Foreign currency translation losses	600	(3,713)	4,626	(2,516)
Loss on extinguishment of debt	-	-	-	2,136
Loss (gain) on contribution to joint venture	3,804	-	3,804	(100,426)
Adjusted EBITDA	**$11,221**	**$8,882**	**$31,125**	**$29,595**

TASEKO MINES LIMITED

Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

(Cdn$ in thousands, except per share amounts)	Note	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Revenues	4	$ 48,349	$ 56,453	$ 107,150	$ 131,961
Cost of sales	5	(31,725)	(40,363)	(65,300)	(83,996)
Gross profit		16,624	16,090	41,850	47,965
General and administrative		(4,868)	(3,288)	(11,490)	(10,656)
Exploration and evaluation		(1,466)	(1,519)	(1,838)	(2,500)
Other operating income (expenses)	6	(11,034)	5,217	(11,761)	5,047
Gain (loss) on contribution to joint venture	3	(3,804)	-	(3,804)	100,426
		(4,548)	16,500	12,957	140,282
Finance expenses	7	(7,193)	(1,168)	(13,384)	(5,923)
Finance income	8	9,749	13,400	11,627	15,969
Earnings (loss) before income taxes		(1,992)	28,732	11,200	150,328
Income tax recovery (expense)	9	879	16,051	(6,560)	(27,249)
Net earnings (loss) for the period		**$ (1,113)**	**$ 44,783**	**$ 4,640**	**$ 123,079**
Other comprehensive income (loss)					
Unrealized gains (losses) on available-for-sale financial assets, net of tax		(2,901)	(1,230)	2,056	(1,515)
Realized gains on available-for-sale financial assets, net of tax		(5,246)	-	(5,246)	-
Total other comprehensive loss for the period		**$ (8,147)**	**$ (1,230)**	**$ (3,190)**	**$ (1,515)**
Total comprehensive income (loss) for the period		**$ (9,260)**	**$ 43,553**	**$ 1,450**	**$ 121,564**
Earnings (loss) per share					
Basic		$ (0.01)	$ 0.24	$ 0.02	$ 0.66
Diluted		$ (0.01)	$ 0.23	$ 0.02	$ 0.64
Weighted average shares outstanding (thousands)					
Basic		195,457	186,352	190,828	185,251
Diluted		195,457	192,785	203,277	191,684

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

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows
(unaudited)

(Cdn$ in thousands)	Note	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Operating activities					
Net earnings (loss) for the period		$ (1,113)	$ 44,783	$ 4,640	$ 123,079
Adjustments for:					
Depreciation		3,060	2,667	5,654	6,248
Income tax expense (recovery)	9	(879)	(16,051)	6,560	27,249
Income tax paid		(420)	-	(24,810)	(795)
Share-based compensation	15(c)	1,459	1,110	5,200	5,926
Unrealized loss (gain) on derivatives	6	10,292	(8,910)	10,778	(16,401)
Finance expenses		4,161	941	9,074	5,108
Finance income		(8,007)	(117)	(8,617)	(1,204)
Loss (gain) on contribution to joint venture	3	3,804	-	3,804	(100,426)
Other operating activities	18	(56)	(33)	329	463
Net change in non-cash working capital	18	1,023	(33,208)	(2,856)	(25,740)
Cash provided by (used for) operating activities		13,324	(8,818)	9,756	23,507
Investing activities					
Purchase of property, plant and equipment		(11,861)	(3,903)	(18,660)	(12,302)
Purchase of investments and other assets		(130,019)	(3,200)	(139,101)	(3,200)
Interest received		2,012	253	2,622	404
Proceeds from sale of investments and assets		11,652	1,541	11,652	189,211
Other investing activities	18	(71)	(4,506)	(195)	(3,160)
Cash provided by (used for) investing activities		(128,287)	(9,815)	(143,682)	170,953
Financing activities					
Repayment of debt		(2,532)	(1,031)	(5,083)	(53,172)
Interest paid		(550)	(504)	(1,187)	(1,806)
Common shares issued for cash		283	949	7,196	2,774
Proceeds from debt issuance	14	192,020	-	192,020	-
Debt issuance cost	14	(6,052)	-	(6,052)	-
Cash provided by (used for) financing activities		183,169	(586)	186,894	(52,204)
Effect of exchange rate changes on cash and equivalents		(2,004)	(1,019)	(5,502)	(2,192)
Increase (decrease) in cash and equivalents		66,202	(20,238)	47,466	140,064
Cash and equivalents, beginning of period		193,057	195,385	211,793	35,082
Cash and equivalents, end of period		**$ 259,259**	**$ 175,147**	**$ 259,259**	**$ 175,146**

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

TASEKO MINES LIMITED

Consolidated Balance Sheets

(unaudited)

(Cdn$ in thousands)	Note	June 30, 2011	December 31, 2010	January 1, 2010
ASSETS				
Current assets				
Cash and equivalents		$ 259,259	$ 211,793	$ 35,082
Marketable securities		137,322	18,521	11,856
Accounts receivable		24,102	21,918	12,505
Inventories	10	37,982	21,286	21,792
Other current assets		10,926	7,782	9,962
		469,591	281,300	91,197
Property, plant and equipment	11	346,044	337,513	362,714
Intangibles		5,438	5,438	5,438
Other assets	12	99,381	93,825	102,821
		$ 920,454	**$ 718,076**	**$ 562,170**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		$ 32,218	$ 23,137	$ 14,833
Current portion of long-term debt		10,723	10,315	27,678
Income tax liabilities		1,438	24,528	370
Other current liabilities		22,585	7,648	30,318
		66,964	65,628	73,199
Long-term debt	14	210,148	28,018	46,525
Provision for environmental rehabilitation		47,828	53,129	50,700
Deferred tax liabilities		67,140	60,771	47,934
Other liabilities	13	56,010	52,126	58,277
		448,090	259,672	276,635
EQUITY				
Share capital	15(a)	376,818	365,553	350,376
Contributed surplus		30,377	26,193	19,532
Accumulated other comprehensive income ("AOCI")	15(d)	3,059	6,249	4,576
Retained earnings (deficit)		62,110	60,409	(88,949)
		472,364	458,404	285,535
		$ 920,454	**$ 718,076**	**$ 562,170**

Commitments and contingencies 19

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

TASEKO MINES LIMITED

Consolidated Statements of Changes in Equity

(unaudited)

(Cdn$ in thousands)	Note	Share capital	Contributed surplus	AOCI	Retained earnings (deficit)	Total
Balance at January 1, 2010		$ 350,376	$ 19,532	$ 4,576	$ (88,949)	$ 285,535
Exercise of options		2,775	–	–	–	2,775
Transfer to share capital for options exercised		2,063	(2,063)	–	–	–
Shares issued		8,316	–	–	–	8,316
Share-based compensation		–	5,926	–	–	5,926
Total comprehensive income for the period		–	–	(1,515)	123,079	121,564
Balance at June 30, 2010		**$ 363,530**	**$ 23,395**	**$ 3,061**	**$ 34,130**	**$ 424,116**
Balance at January 1, 2011		$ 365,553	$ 26,193	$ 6,249	$ 60,409	$ 458,404
Exercise of options		1,637	–	–	–	1,637
Transfer to share capital for options exercised		1,016	(1,016)	–	–	–
Preferred shares redemption	15(b)	(26,642)	–	–	(2,939)	(29,581)
Shares issued	15(b)	35,254	–	–	–	35,254
Share-based compensation	15(c)	–	5,200	–	–	5,200
Total comprehensive income for the period		–	–	(3,190)	4,640	1,450
Balance at June 30, 2011		**$ 376,818**	**$ 30,377**	**$ 3,059**	**$ 62,110**	**$ 472,364**

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

1. REPORTING ENTITY

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 10, 2011.

(b) Basis of measurement

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

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

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

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

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

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

(c) Basis of consolidation

Subsidiaries

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

Joint ventures

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

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

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

(d) Revenue recognition

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

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

(e) Financial instruments

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

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

Financial liabilities

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

Fair value measurement

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

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

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

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

(f) Exploration and evaluation

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

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

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

(g) Inventory

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

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

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

(h) Property, plant and equipment

Land, buildings, plant and equipment

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

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

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

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

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

Mineral properties

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

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

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

Construction in progress

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

Capitalized interest

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

Leased assets

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

Impairment

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

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

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

(i) Intangibles

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

(j) Income taxes

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

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

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

(k) Share-based compensation

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

(l) Provisions

Environmental rehabilitation

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

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

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

Other provisions

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

(m) Finance income and expenses

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

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

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

(n) Earnings (loss) per share

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

(o) New accounting standards

Consolidated Financial Statements

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

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

Joint Arrangements

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

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

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

Fair Value Measurement

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

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

Other Comprehensive Income

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

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

3. INTEREST IN JOINT VENTURE

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

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

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

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

(Cdn$ in thousands - unaudited)

4. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
Copper concentrate	$ 44,173	$ 53,858	$ 96,606	$ 123,959
Copper cathode	-	-	1,423	451
Total copper sales	$ 44,173	$ 53,858	$ 98,029	$ 124,410
Molybdenum concentrate	3,620	1,952	7,686	6,243
Other metal sales	556	643	1,435	1,308
	$ 48,349	$ 56,453	$107,150	$ 131,961

5. COST OF SALES

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
Direct mining costs	$ 24,149	$ 31,114	$ 50,007	$ 62,929
Depreciation	2,937	2,572	5,336	6,130
Treatment and refining costs	2,192	2,882	4,744	6,291
Transportation costs	2,447	3,795	5,213	8,646
	$ 31,725	$ 40,363	$ 65,300	$ 83,996

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

6. OTHER OPERATING EXPENSES (INCOME)

	Three months ended June 30,		Six months ended June 30,	
	2011	**2010**	**2011**	**2010**
Realized loss on copper derivative instruments	$ 929	$ 3,881	$ 1,358	$ 11,542
Unrealized loss (gain) on copper derivative instruments	10,292	(8,910)	10,778	(16,401)
Management fee income	(187)	(188)	(375)	(188)
	$ 11,034	$ (5,217)	$ 11,761	$ (5,047)

(Cdn$ in thousands - unaudited)

7. FINANCE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Interest expense	$ 4,053	$ 731	$ 5,008	$ 2,832
Accretion on PER	636	437	885	955
Change in fair value of financial instruments	1,153	-	1,682	-
Loss on extinguishment of debt	-	-	-	2,136
Foreign exchange loss	167	-	4,625	-
Realized loss on financial instruments	1,184	-	1,184	-
	$ 7,193	$ 1,168	$ 13,384	$ 5,923

8. FINANCE INCOME

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Interest income	$ 3,306	$ 9,861	$ 5,184	$ 11,491
Dividend income	448	-	448	-
Gain on sale of marketable securities	5,995	765	5,995	1,114
Foreign exchange gain	-	2,774	-	3,364
	$ 9,749	$ 13,400	$ 11,627	$ 15,969

9. INCOME TAX EXPENSE (RECOVERY)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Current	$ (3,161)	$ (24,462)	$ 929	$ 7,963
Deferred	2,282	8,411	5,631	19,286
	$ (879)	$ (16,051)	$ 6,560	$ 27,249

10. INVENTORIES

	June 30, 2011	December 31, 2010	January 1, 2010
Work in process	$ 4,213	$ 1,514	$ 1,896
Finished goods			
Copper concentrate	17,990	7,515	5,831
Copper cathode	1,805	982	178
Molybdenum concentrate	128	53	70
Materials and supplies	13,846	11,222	13,817
	$ 37,982	$ 21,286	$ 21,792

(Cdn$ in thousands - unaudited)

11. PROPERTY, PLANT & EQUIPMENT

	June 30, 2011	December 31, 2010	January 1, 2010
Depreciable assets:			
Mineral properties	$ 52,258	$ 54,015	$ 74,132
Rehabilitation cost asset	26,398	30,824	24,224
Total mineral properties	78,656	84,839	98,356
Plant and equipment	151,575	139,953	115,785
Mining equipment	99,724	92,638	82,359
Other	3,263	3,103	2,357
	$333,218	$320,533	$298,857
Non-depreciable assets:			
Construction in progress	12,826	16,980	63,857
	$346,044	$337,513	$362,714

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

12. OTHER ASSETS

	June 30, 2011	December 31, 2010	January 1, 2010
Reclamation deposits	$ 23,441	$ 23,266	$ 29,421
Promissory note	68,783	70,559	73,400
Copper put option contracts	6,688	-	-
Long-term portion prepaid lease	469	-	-
	$ 99,381	$ 93,825	$102,821

13. OTHER LIABILITIES

	June 30, 2011	December 31, 2010	January 1, 2010
Royalty obligations	$ 48,316	$ 51,645	$ 57,621
Copper call option contracts	7,125	-	-
Deferred revenue related to royalty agreement	569	481	656
	$ 56,010	$ 52,126	$ 58,277

(Cdn$ in thousands - unaudited)

14. DEBT

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

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

15. EQUITY

(a) Share capital

The Company's authorized share capital consists of an unlimited number of common shares (195,288,095 issued at June 30, 2011) with no par value.

	June 30, 2011	**December 31, 2010**	**January 1, 2010**
Common shares	$ 376,818	$ 338,911	$ 323,734
Tracking preferred shares	-	26,642	26,642
	$ 376,818	$ 365,553	$ 350,376

(b) Equity issued

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

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

(c) Share-based compensation

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

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

(Cdn$ in thousands - unaudited)

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

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

16. FINANCIAL RISK MANAGEMENT

(a) Overview

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

To manage the Company's operating margins effectively in volatile metals markets, the Company enters into copper option contracts. The amount and duration of the Company's hedge position is based on its assessment of business specific risk elements combined with the copper pricing outlook. Currently, the Company has 90% of its estimated share of the 2012 Gibraltar production hedged at $3.50 per pound. The Company is also hedged at similar levels of production (over 90%) for the balance of 2011 at $4.00 per pound for the third quarter and $3.50 per pound for the fourth quarter.

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

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

(b) Summary of derivatives at June 30, 2011

	Notional amount	Strike price	Term to maturity	Fair value	Presentation
Commodity contracts					
Copper put option contracts	16.5 million lbs	US$4.00/lb	Q3 2011	$ 866	Current assets
Copper put option contracts	18.5 million lbs	US$3.50/lb	Q4 2011	$ 1,081	Current assets
Copper put option contracts	34.4 million lbs	US$3.50/lb	Q1-Q2 2012	$ 3,939	Current assets
Copper put option contracts	34.4 million lbs	US$3.50/lb	Q3-Q4 2012	$ 6,688	Other assets
Copper call option contracts	34.4 million lbs	US$5.02 to $5.12/lb	Q1-Q2 2012	$ (4,564)	Current liabilities
Copper call option contracts	34.4 million lbs	US$5.02 to 5.12/lb	Q3-Q4 2012	$ (7,125)	Other liabilities

(Cdn$ in thousands - unaudited)

Dual currency deposits					
USD/CAD DCD (4% to 6%)	US$70 million	0.9575 to 0.99	< 90 Days	$ 274	Cash and equivalents
USD/CAD DCD (5% to 6.15%)	US$125 million	0.9535 to 0.9935	> 90 Days	$ 1,383	Marketable securities
Share purchase warrants					
Publicly-traded company	1 million shares	$1.20	Q2 2012	$ 70	Marketable securities

17. RELATED PARTIES

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

	Transaction value for the three months ended		Transaction value for the six months ended	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Hunter Dickinson Services Inc.:				
General and administrative expenses	$ 384	$ 539	$ 879	$ 1,069
Exploration and evaluation expenses	272	72	430	124
Prepaid rent	-	-	995	-
	$ 656	$ 611	$ 2,304	$ 1,193
Gibraltar joint venture:				
Other operating income (management fee)	$ 187	$ 188	$ 375	$ 188

	Balance due from (to) as at		
	June 30, 2011	December 31, 2010	January 1, 2010
Hunter Dickinson Services Inc.	$ (104)	$ (154)	$ 13
Gibraltar joint venture	142	1,764	-

(Cdn$ in thousands - unaudited)

18. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Change in non-cash working capital				
Accounts receivable	$ (8,228)	$ (11,200)	$ (2,233)	$ (14,115)
Inventories	(9,302)	4,667	(16,697)	1,340
Accounts payable and accrued liabilities	5,420	(7,967)	5,326	(2,656)
Deferred revenue	14,037	-	14,037	-
Other	(904)	(18,708)	(3,289)	(10,309)
	$ 1,023	$ (33,208)	$ 2,856	$ (25,740)
Operating cash flows – other items				
Non-cash donation expense	$ -	$ -	$ -	$ 503
Realized loss on copper derivative instruments	929	-	1,358	-
Reclamation expenditures	(985)	(33)	(1,029)	(40)
	$ (56)	$ (33)	$ 329	$ 463
Investing cash flows – other items				
Accrued interest on reclamation deposit	$ (59)	$ (270)	$ (183)	$ (538)
Advances to Gibraltar joint venture	-	(3,231)	-	(3,231)
Reclamation deposit	(12)	-	(12)	-
Restricted cash	-	(1,005)	-	609
	$ (71)	$ (4,506)	$ (195)	$ (3,160)

19. COMMITMENTS AND CONTINGENCIES

(a) Commitments

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

As at June 30, 2011, capital commitments for GDP3 totaled $33,242 on a 100% basis. Cariboo's decision remains pending.

Capital commitments for all other projects totaled $8,059, resulting in total capital commitments of $41,301 for the Company as at June 30, 2011.

(Cdn$ in thousands - unaudited)

(b) Contingency

As at June 30, 2011, the Company has guaranteed 100% of debt totaling $30,065 and 75% of debt totaling $11,382.

20. TRANSITION TO IFRS

(a) Elected exemptions

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

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

(b) Reconciliation of Equity

	Ref.	December 31, 2010	June 30, 2010	January 1, 2010
Equity under GAAP		$469,951	$ 434,722	$296,693
Change in accounting policy for depreciation	(i)	(4,252)	(3,947)	(3,585)
Reversal of impairment	(ii)	3,338	3,391	4,574
Provision for environmental rehabilitation	(iii)	(14,290)	(13,202)	(16,731)
Share-based compensation	(iv)	-	-	-
Deferred income tax	(v)	3,657	3,152	4,584
Equity under IFRS		$458,404	$424,116	$285,535

(c) Reconciliation of Total Comprehensive Income

	Ref.	Three months ended June 30, 2010	Six months ended June 30, 2010	Year ended December 31, 2010
Total Comprehensive Income under GAAP		$44,210	$120,374	$150,271
Change in accounting policy for depreciation	(i)	(637)	(1,465)	(1,772)
Reversal of impairment	(ii)	(20)	(47)	(99)
Provision for environmental rehabilitation	(iii)	(347)	(756)	(1,843)
Share-based compensation	(iv)	-	638	1,149
Deferred income tax	(v)	347	(224)	280
Gain on contribution to joint venture	(vi)	-	3,044	3,044
Total Comprehensive Income under IFRS		$43,553	$121,564	$151,030

References for (b) and (c)

i) Change in accounting policy for depreciation

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

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

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

ii) Reversal of impairment

Under IFRS, the Company is required to reconsider whether impairment losses recognized in prior periods no longer exist, or have decreased on transition and thereafter on an annual basis. If such indicators exist, a new recoverable amount should be calculated and all or part of the impairment charge should be reversed to the extent the recoverable amount exceeds carrying value. This is not permitted under GAAP.

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

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

iii) Provision for environmental rehabilitation

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

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

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

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

iv) Share-based compensation

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

v) Income tax

Under IFRS, the Company has derecognized deferred tax liabilities previously recognized on temporary differences arising on the initial recognition of the Aley property and Oakmont net profit interest (where the accounting basis of the asset acquired exceeded its tax basis) in a transaction which was not a business combination and affected neither accounting income nor taxable income. Accordingly, mineral property interests were reduced by $1,955, intangibles were reduced by $2,907 and deferred income tax decreased by $3,975, with a decrease to equity of $887.

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

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

vi) Gain on contribution to joint venture

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

(d) Reconciliation of Cash Flows

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

Cash interest paid is presented as a financing activity, cash interest received is presented as an investing activity, and the effect of foreign exchange rate changes on cash and equivalents has been presented separately in the statements of cash flows under IFRS. Under GAAP, all of these were included as operating activities. As a result of these changes in classification under IFRS, cash flow from operating activities increased by $3,594, cash flow from financing activities decreased by $1,806 and cash flow from investing activities increased by $404, with the effect of the foreign exchange decreasing cash by $2,192 for the six months ended June 30, 2010 compared to GAAP. There is no net impact on cash and equivalents as a result of this presentation change.

(e) Financial statement presentation changes

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

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

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

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

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

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

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