

TASEKO MINES LTD  
Form 20-F  
April 18, 2006

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 20-F**

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or 12(g) OF THE *SECURITIES EXCHANGE ACT OF 1934*

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE *SECURITIES EXCHANGE ACT OF 1934*

For the fiscal year ended **September 30, 2005**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE *SECURITIES EXCHANGE ACT OF 1934*

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE *SECURITIES EXCHANGE ACT OF 1934*

Date of event requiring this shell company report \_\_\_\_\_

Commission file number 0-19476

**TASEKO MINES LIMITED**

(Exact name of Registrant specified in its charter)

**BRITISH COLUMBIA, CANADA**

(Jurisdiction of incorporation or organization)

**Suite 1020, 800 West Pender Street**

**Vancouver, British Columbia, Canada, V6C 2V6**

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class

Name of each exchange on which registered

**Common Shares without Par Value**

**American Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act

**None**

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. **None**

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Number of outstanding shares of the only class of the capital stock of Taseko Mines Limited as on September 30, 2005.

**103,457,316 Common Shares without Par Value**

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark which financial statement item Registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

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## GENERAL

In this Annual Report on Form 20-F, all references to "Taseko" and the "Company" refer to Taseko Mines Limited and its consolidated subsidiaries.

The Company uses the Canadian dollar as its reporting currency. All references in this document to "dollars" or "\$" are expressed in Canadian dollars, unless otherwise indicated. See also Item 3 - "Key Information" for more detailed currency and conversion information.

Except as noted, the information set forth in this Annual Report is as of March 30, 2006 and all information included in this document should only be considered correct as of such date.

References to this "Annual Report" mean references to this Annual Report on Form 20-F for the year ended September 30, 2005.

## NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 20-F contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the *Securities Act of 1933* and Section 21E of the *Securities Exchange Act of 1934*. These statements appear in a number of different places in this Annual Report and can be identified by words such as "anticipates", "estimates", "projects", "expects", "intends", "believes", "plans", or their negatives or other comparable words. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may expressed or implied by such forward-looking statements. The statements, including the statements contained in Item 3D "Risk Factors", Item 4B "Business Overview", Item 5 "Operating and Financial Review and Prospects" and Item 11 "Quantitative and Qualitative Disclosures About Market Risk", are inherently subject to a variety of risks and uncertainties that could cause actual results, performance or achievements to differ significantly. Forward-looking statements include statements regarding the outlook for the Company's future operations, plans and timing for its exploration programs, statements about future market conditions, supply and demand conditions, forecasts of future costs and expenditures, the outcome of legal proceedings, and other expectations, intentions and plans that are not historical facts. You are cautioned that any such forward-looking statements are not guarantees and may involve risks and uncertainties. The Company's actual results may differ materially from those in the forward-looking statements due to risks facing the Company or due to actual facts differing from the assumptions underlying the Company's predictions. Some of these risks and assumptions include:

- general economic and business conditions, including changes in interest rates;
  - prices of natural resources, costs associated with mineral exploration and other economic conditions;
  - natural phenomena;
  - actions by government authorities, including changes in government regulation;
  - uncertainties associated with legal proceedings;
  - changes in the resources market;
  - future decisions by management in response to changing conditions;
  - the Company's ability to execute prospective business plans; and misjudgements in the course of preparing forward-looking statements.
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The Company advises you that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to the Company or persons acting on its behalf. You should carefully review the cautionary statements and risk factors contained in this and other documents that the Company files from time to time with the Securities and Exchange Commission.

## GLOSSARY

In this Form 20-F, the following technical terms, abbreviations and units of measurement have been used:

Bio-oxidation	A process employing oxidation of elements caused by bio-organisms; it is enhanced in a gold recovery process by providing the optimum temperature, acidity (pH) and level of oxygen for the natural oxidation process to work more effectively.
Epithermal deposit	A mineral deposit formed at low temperature (50-200 degrees Celsius), usually within one kilometre of the earth's surface, often as structurally controlled veins.
Induced polarization ("IP") survey	A geophysical survey used to identify a feature that appears to be different from the typical or background survey results when tested for levels of electro-conductivity; IP detects both chargeable, pyrite-bearing rock and non-conductive rock that has high content of quartz. IP is one of the best tools for detecting the presence of porphyry deposits, like those at Gibraltar and Prosperity properties.
mineral reserve	<p>Securities and Exchange Commission Industry Guide 7 <i>Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations</i> of the Securities and Exchange Commission defines a 'reserve' as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves consist of:</p> <p>(1) <i>Proven (Measured) Reserves</i>. Reserves for which: (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.</p> <p>(2) <i>Probable (Indicated) Reserves</i>. Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.</p>

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mineral resource Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") defines a "Mineral Resource" as a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories. An Inferred Mineral Resource has a lower level of confidence than that applied to an Indicated Mineral Resource. An Indicated Mineral Resource has a higher level of confidence than an Inferred Mineral Resource but has a lower level of confidence than a Measured Mineral Resource.

(1) *Inferred Mineral Resource.* An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

(2) *Indicated Mineral Resource.* An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

(3) *Measured Mineral Resource.* A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

Industry Guide 7 "*Description of Property by Issuers Engaged or to be Engaged in Significant Mining Operations*" of the Securities and Exchange Commission does not define or recognize resources. As used in this Form 20-F, "resources" are as defined in NI 43-101.

Mineral symbols Au Gold; Cu Copper; Pb Lead; Ag Silver; Zn Zinc; Mo molybdenum.

Porphyry deposit A type of mineral deposit in which mainly metal-bearing sulphide, and sometimes metal-bearing oxide, minerals are widely disseminated. Porphyry deposits are generally of low grade but large tonnage.

Solvent extraction electrowinning ("SX-EW") A metal extraction technique in which a copper oxide is dissolved into solution, then an electric current is induced through the solution between a pair of electrodes (anode & cathode), and metal is deposited on the cathode. Since this ion deposition is selective, the cathode product is generally high grade and requires little further treatment before it is used in manufacturing processes.

Conversion of metric units (used in Canada) into imperial (US) equivalents is as follows:

<u>Metric Units</u>	<u>Multiply by</u>	<u>Imperial Units</u>
hectares	2.471	= acres
metres	3.281	= feet
kilometres	0.621	= miles (5,280 feet)
grams	0.032	= ounces (troy)
tons	1.102	= short tons (2,000 lbs)
grams/ton	0.029	= troy ounces per short ton

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**PART 1**

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**ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

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**ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

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### **ITEM 3 KEY INFORMATION**

#### **A. Selected Financial Data**

The following constitutes selected financial data for Taseko for the last five fiscal years ended September 30, 2005 based on Taseko's financial statements presented in accordance with Canadian generally accepted accounting principles ("CDN GAAP") and reconciled to United States generally accepted accounting principles ("US GAAP").

The selected financial data at September 30, 2005 and 2004 and for the years ended September 30, 2005, 2004 and 2003 has been derived from Taseko's consolidated financial statements included in this Annual Report. Taseko's consolidated financial statements have been audited by KMPG LLP, an independent registered public accounting firm. Summary financial data at September 30, 2003, 2002 and 2001 and for the years ended September 30, 2002 and 2001 has been derived from our consolidated financial statements that are not included in this Annual Report. The following selected financial data should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements and the notes thereto.

These figures are presented in thousands of Canadian dollars, except per-share amounts and number of common shares outstanding.

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CANADIAN GAAP	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
		(restated)	(restated)	(restated)	(restated)
<b><u>BALANCE SHEET</u></b>					
Total assets	\$ 190,997	\$ 130,866	\$ 49,471	\$ 47,873	\$ 18,804
Total liabilities	150,057	125,027	18,161	20,048	14,755
Share capital	160,829	150,481	99,446	91,889	61,255
Tracking preferred shares	26,642	26,642	26,642	26,642	26,642
Convertible debenture equity	21,653	20,577	19,599	18,710	17,902
Contributed surplus	5,335	4,948	65		
Deficit	(173,519)	(196,809)	(114,442)	(109,416)	(101,751)
Shareholders equity (deficit)	40,940	5,839	31,310	27,825	(4,048)
Working capital (deficit)	6,357	(22,291)	(19)	(6,559)	(2,588)
Plant and equipment (net)	9,914	26,980	69	4	6
Mineral property interests	3	3	28,813	28,813	602
<b><u>STATEMENT OF OPERATIONS</u></b>					
Revenue	87,638				
Cost of sales	57,800				
Treatment and transportation costs	13,549				
Amortization	2,657	17	43	2	3
Interest and other income	10,549	5,154	721	552	1,110
Accretion of reclamation obligation	1,574	1,431	1,300	1,183	1,075
Exploration	506	4,598	2,025	1,955	3,797
Foreign exchange	34				
Loss (gain) on sale of equipment	2,161		(132)		
General and administrative expenses	2,412	2,693	1,058	1,972	3,391
Interest expense	3,175				
Premium paid for acquisition of Gibraltar Reclamation Trust Ltd. Partnership		5,095			
Refinery project			500	1,699	3,572
Restart project	6,347	14,982			
Stock based compensation	1,129	5,172	65		
Write downs of mineral property acquisition costs		28,810		599	41,252
Current income taxes expense (recovery)	(4,099)	23,744			
Future income taxes expense (recovery)	(13,423)				
Income (loss) for the year	\$ 24,365	\$ (81,389)	\$ (4,138)	\$ (6,858)	\$ (51,980)
Income (loss) per common share - basic	\$ 0.24	\$ (1.09)	\$ (0.09)	\$ (0.23)	\$ (2.07)
Income (loss) per common share - diluted	\$ 0.22	\$ (1.09)	\$ (0.09)	\$ (0.23)	\$ (2.07)
Weighted average number of common shares outstanding (thousands) - basic	<b>100,022</b>	<b>75,113</b>	<b>46,984</b>	<b>30,338</b>	<b>25,068</b>
Weighted average number of common shares outstanding (thousands) - diluted	<b>110,733</b>	<b>75,113</b>	<b>46,984</b>	<b>30,338</b>	<b>25,068</b>

Effective October 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110, "Asset Retirement Obligations". The standard requires the recognition of any statutory, contractual or



other legal obligation related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. This standard has been adopted retroactively with a restatement of all prior periods presented.

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US GAAP	2005	2004	2003	2002	2001
<b>BALANCE SHEET</b>					
Total assets	\$ 196,316	\$ 132,300	\$ 33,108	\$ 33,066	\$ 18,804
Total liabilities	167,057	138,141	35,556	37,048	31,755
Convertible debenture liability	17,000	17,000	17,000	17,000	17,000
Share capital	160,251	149,903	98,868	91,889	87,897
Tracking preferred shares	13,391	13,391	13,391	13,391	
Contributed surplus	5,989	5,604	720	655	109
Deficit	(150,372)	(174,737)	(115,428)	(109,917)	(100,957)
Shareholders equity (deficit)	29,259	(5,841)	(2,449)	(3,982)	(12,951)
Working capital (deficit)	6,357	(23,866)	(19)	(6,559)	(2,588)
Plant and equipment (net)	15,234	28,412	3	4	6
Mineral property interests	3	3	12,515	14,006	602
<b>STATEMENT OF OPERATIONS</b>					
Revenue	87,638				
Cost of sales	57,800				
Treatment and transportation costs	13,549				
Amortization	2,657	17	43	2	3
Interest and other income	10,549	5,154	721	552	1,110
Accretion of reclamation obligation	1,574	1,431	1,300	1,183	1,075
Exploration	506	4,202	1,842	1,955	3,797
Loss (gain) on sale of equipment	2,161		(132)	(1)	
General and administrative expenses	2,446	2,693	1,058	1,972	3,391
Interest expense	3,175				
Premium paid for acquisition of Gibraltar Reclamation Trust Ltd. Partnership		5,095			
Refinery project			500	1,699	3,572
Restart project	6,347	14,982			
Stock based compensation	1,129	5,172	65	546	109
Write downs of mineral property acquisition costs		11,964	1,117	1,756	40,889
Current income taxes expense (recovery)	(4,099)	23,744			
Future income taxes expense (recovery)	(13,423)				
Other			(11,651)		
Income (loss) for the year	\$ 24,365	\$ (64,146)	\$ 6,580	\$ (8,560)	\$ (51,726)
Income (loss) per common share - basic	\$ 0.23	\$ (1.08)	\$ 0.14	\$ (0.28)	\$ (2.06)
Income (loss) per common share - diluted	\$ 0.21	\$ (1.08)	\$ 0.14	\$ (0.28)	\$ (2.06)
Weighted average number of common shares outstanding (thousands) - basic	100,022	75,113	46,984	30,338	25,068
Weighted average number of common shares outstanding (thousands) - diluted	110,733	75,113	46,984	30,338	25,068

Effective October 1, 2004, the Company adopted the new Canadian accounting standard for asset retirement obligations, which is substantively the same as the US accounting standard included elsewhere herein, that was

adopted prospectively in fiscal 2003 on a cumulative effect basis. There was no restatement made of prior year financial statements. On adoption of the Canadian standard, the amount of the adjustment to site closure and reclamation was measured retroactively and recognized on October 1, 2004. See note 15(a) to the consolidated financial statements included elsewhere herein.

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**Exchange Rates**

On March 30, 2006, the Federal Reserve noon rate for Canadian Dollars was US\$1.00:C\$ 1.1627. The following table sets out the exchange rates, based on the rates posted on the Bank of Canada website ([www.bankofcanada.ca](http://www.bankofcanada.ca)).

	For year ended September 30				
	2005	2004	2003	2002	2001
End of the period	1.1627	1.2616	1.350	1.586	1.593
Average for the period	1.2233	1.3251	1.465	1.573	1.549
High for the period	1.2725	1.4003	1.594	1.613	1.596
Low for the period	1.1611	1.2592	1.334	1.511	1.499

**Monthly Low and High Exchange Rates**

Month	Low	High
March 2006	1.1322	1.1724
February 2006	1.1402	1.1548
January 2006	1.1439	1.1726
December 2005	1.1507	1.1734
November 2005	1.1657	1.1961
October 2005	1.1659	1.1887
September 2005	1.1611	1.1882

**B. Capitalization and Indebtedness**

Not applicable

**C. Reasons for the Offer and Use of Proceeds**

Not applicable

**D. Risk Factors**

An investment in Taseko's common shares is highly speculative and subject to a number of risks. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described below and the other information that Taseko files with the Securities and Exchange Commission and with Canadian securities regulators before investing in its common shares. The risks described below are not the only ones faced. Additional risks that Taseko is aware of or that Taseko currently believes are immaterial may become important factors that affect Taseko's business and financial condition. If any of the following risks occur, or if others occur, Taseko's business, operating results and financial condition could be seriously harmed.

***Estimates of Reserves, Mineral Deposits and Production Costs.*** Although ore reserve and mineral resource figures released by the Company have been carefully prepared and reviewed by the Company or

its independent mining consultants, these amounts are estimates only and no assurance can be given that any particular level of recovery of copper and molybdenum from ore reserves will in fact be realized. Estimates of reserves, mineral resources and production costs can also be affected by many factors, including, but not limited to, environmental regulations, extreme weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and consequently on the results of operations. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of the Gibraltar mine. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations.

The Company's Prosperity and Harmony projects have large tonnage, low grade mineralization, which at current metals prices and other economic considerations cannot be classified as "ore".

**Production Estimates** From time to time, the Company prepares estimates of future production for the Gibraltar mine. The Company cannot give any assurance that it will achieve these production estimates. The failure of the Company to achieve its production estimates could have a material adverse effect on its future cash flows, results of operations and financial condition. These production estimates are dependent on, among other things, the accuracy of mineral reserve calculations and estimates, the validity and accuracy of assumptions used relating to ore grades and recovery rates, ground conditions and physical characteristics of ore, including (but not limited to) rock hardness and the presence or absence of specific metallurgical characteristics and the accuracy of estimated rates and costs of mining and processing. The Company's actual production may vary from its estimates for a variety of reasons, including, actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; uncontrollable natural phenomena; unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for operation, including explosives, fuels, necessary chemical reagents, water, equipment parts and lubricants; labor shortages or strikes; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environments. Such occurrences could result in interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities. These factors may cause the Company to cease production. The Company does not have the benefit of recent actual experience in verifying its estimates, and there is a great likelihood that actual production results will vary from its estimates. It is not unusual in startup mining operations to experience unexpected circumstances during the startup phases. Depending on the price of copper, the Company may determine that it is impractical to continue commercial production at the Gibraltar mine.

**Mine Development.** The Company's ability to sustain or increase its current levels of copper and molybdenum production is dependent upon the successful identification of additional reserves at the Gibraltar mine. If the Company is unable to develop new ore bodies, it will not be able to sustain present production levels beyond the current planned life of the Gibraltar mine. Reduced production could have a material adverse impact on future cash flows, results of operations and financial condition of the Company.

**Metal prices.** The mining industry in general is highly competitive and there is no assurance that, even after commercial quantities of mineral resources are developed and full production achieved, a profitable market will exist for the sale of same. Factors beyond the control of the Company affect the marketability of any metals produced. No assurance may be given that metal prices will remain stable. Significant price fluctuations over short periods of time may be generated by numerous factors beyond the control of

the Company, including domestic and international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The effect of these factors on the price of minerals and therefore the economic viability of any of the Gibraltar mine or any of the Company's other projects cannot accurately be predicted. Metal prices are volatile and have, in the recent past and for extended periods, been well below the level needed for the Gibraltar mine to operate at a profit.

***Additional Funding Requirements.*** Taseko will need metal sales from its Gibraltar mine in excess of costs and/or new equity capital or other funding annually in order to fund minimum operations, and exploration and development activities on its other properties. Failing that, it may cease to be economically viable.

***Taseko's Prosperity and Harmony Properties Contain No Known Reserves of Ore.*** Although there are known bodies of mineralization on Prosperity and Harmony Properties (see Item 4D), there are currently no known reserves or body of commercially viable ore and the Prosperity and Harmony Properties must be considered as exploration prospects only. Extensive additional exploration work is required before Taseko can ascertain if any mineralization may be economic. Exploration for minerals is a speculative venture necessarily involving substantial risk. If the expenditures Taseko makes on these properties do not result in discoveries of commercial quantities of ore, the value of exploration and acquisition expenditures will be totally lost and the value of Taseko stock resale negatively impacted.

***Risks of Development, Construction and Mining Operations and Uninsured Risks.*** The Company's ability to meet production, timing and cost estimates for the Gibraltar mine cannot be assured. Technical considerations, delays in obtaining necessary governmental approvals, or the inability to obtain necessary financing could cause a material adverse effect on the financial performance of the Company. Mining is subject to a variety of risks such as cave-ins and other accidents, flooding, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences may delay production, increase production costs or result in liability. The Company has insurance in amounts that it considers adequate to protect itself from certain risks of mining operations. However, the Company may become subject to liability for hazards which it cannot or has chosen not to insure itself against.

***Labour Negotiations.*** A significant portion of the Company's employees are unionized. In the event that, from time to time, labor agreements are not concluded with these employees labor actions could occur, including strikes and/or lockouts. Consequently this could cause disruptions in operations.

***Taseko Has a Limited History of Earnings*** Taseko has a history of many years of losses. For the first time Taseko had earnings, in 2005. Taseko may never be profitable again. Taseko has paid no dividends on its shares since incorporation and does not anticipate paying dividends in the foreseeable future. A failure to continue to achieve profitability may negatively impact on Taseko's share value.

***Significant Potential Equity Dilution and End of Lock-ups.*** At March 30, 2006, Taseko had 111,518,327 common shares and 7,942,700 share purchase options and 10,809,482 warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for Taseko's shares. At March 30, 2006, dilutive securities represented approximately 16.8% of Taseko's currently issued shares. Certain of these dilutive securities are exercisable at prices below current market price and, accordingly, will result in dilution to existing shareholders if exercised.

Further, there is a risk of dilution to existing shareholders as a result of the potential conversion of (a) the Boliden convertible debentures, and (b) the Gibraltar tracking preferred shares.

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***Exploration is a Risky Business.*** The exploration for mineral deposits involves significant financial and other risks over an extended period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Factors beyond Taseko's control will affect the marketability of any substances discovered. Metal prices have fluctuated widely in recent years. Even if exploration at Prosperity and Harmony is successful (and a mine deemed warranted), mining requires huge capital investment, long capital recovery periods and it is difficult to suspend operations pending a recovery of prices.

***Risk of Adverse Government Policies.*** Government regulations relating to mineral rights tenure, permission to disturb wilderness areas and the right to operate and export minerals can adversely affect Taseko's Harmony and Prosperity projects. Taseko may not be able to obtain all necessary licenses and permits that may be required to carry out exploration at those projects. Environmental concerns in general continue to be a significant challenge for Taseko as they are for all exploration companies. Any changes in regulations or shift in political attitude are beyond the control of Taseko and may adversely affect its business.

***Environmental Risks.*** Unexpected environmental damage from spills, accidents and severe acts of nature such as earthquakes are risks, which may not be fully insurable, and, if catastrophic, could mean the total loss of shareholders equity.

***Volatility of Taseko's Shares Could Cause Investor Loss.*** The market price of a publicly traded stock, especially a resource issuer like Taseko, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of market for resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the common shares on the TSX and AMEX suggests Taseko's shares will continue to be volatile. Therefore, investors could suffer significant losses if Taseko's shares are depressed or illiquid when an investor seeks liquidity and needs to sell Taseko shares.

***Valid Title to Mining Claims and Leases.*** Taseko holds the title to the mining claims and leases of its Gibraltar mine, Prosperity Copper-Gold Property and Harmony Gold Property. Taseko's ownership of these mining claims should not be construed as a guarantee that title to such interests will not be challenged or impugned. The mining claims may be subject to prior unregistered agreements or transfers or native land claims, and title may also be affected by undetected defects. If Taseko does not have valid title to its mining claims and leases, then it may lose the rights to continue mining, exploration and development of these properties.

***Risk of Losing the Services of Senior Management Executives.*** Taseko relies on the services of Russell Hallbauer, who is the President and Chief Executive Officer of the Company and other members of its management team to carry out its plan of operations for the Gibraltar mine and its other mineral property interests. Taseko's success is dependent upon the performance of key personnel working in management, supervisory and administrative capacities, or as consultants. The loss of the services of senior management or key personnel may result in Taseko being required to identify and engage qualified management personnel who are capable of managing Taseko's business activities. Mr. Hallbauer and other members of Taseko's management team are seconded from Hunter Dickinson Inc., a related party by virtue of common directors, and do not have a direct employment contract with Taseko. If Taseko was to lose the services of Mr. Hallbauer or other members of its management team, Taseko's plan of operations for the Gibraltar mine or its mineral property interests may be affected and its operating expenses may be increased.

***Risk of Losing the Services of Ledcor.*** Taseko relies on the services provided by Ledcor CMI Ltd. ("Ledcor") under an Operating Agreement to operate the Gibraltar mine. Ledcor, as Operator, has

primary responsibility for carrying out mining and milling activities as well as recruitment of personnel and maintenance of the equipment and facilities. Taseko's success depends to a significant extent on the performance and continued service of Ledcor in operating the Gibraltar mine. If Taseko lost the services of Ledcor, Taseko would not be able to operate the Gibraltar mine and generate revenues until another Operator could be engaged.

***Taseko's Directors, Most Officers and Staff are only Part-Time.*** Most of Taseko's directors and officers serve as officers and or directors of other resource exploration companies and, as such, are engaged in and will continue to be engaged in the search for additional resource opportunities on behalf of such other companies. In particular, the success of Taseko and its ability to continue to carry on operations is dependent partly upon its ability to retain the services of its senior technical and management personnel. (See Item 7(B)(a))

***Management May Be Subject To Conflicts of Interest Due to Affiliation With Other Resource Companies.*** As most of Taseko's directors and officers serve as officers and or directors of other resource exploration companies which are themselves engaged in the search for additional opportunities, situations may arise where these directors and officers are presented with or identify resource exploration opportunities and may be or perceived to be in competition with Taseko for exploration opportunities. Such potential conflicts, if any arise, will be dealt with in accordance with the relevant provisions of British Columbia corporate and common law. Taseko's directors and officers expect that participation in exploration prospects offered to the directors will be allocated between the various companies that they serve on the basis of prudent business judgement and the relative financial abilities and needs of the companies to participate. In addition, many of Taseko's officers and directors have a financial interest in other resource issuers to which they serve as management and hence may never be financially disinterested in the outcomes of these potential conflict of interest situations. This situation may require that shareholders favorably consider ratification of directors decisions where financial conflicts arise resulting in uncertainty with respect to completion of such matters.

***Unsuccessful Resolution of Arbitration with Glencore.*** Taseko is currently in dispute with Glencore Ltd. ( Glencore ), the sole purchaser of copper concentrates produced by the Gibraltar mine pursuant to the terms of a written contract ( Contract ), concerning the interpretation of the Contract. To December 31, 2005, Glencore has withheld approximately US\$3.3 million from invoices rendered by Gibraltar and is claiming repayment of a further US\$0.5 million, on the basis of its interpretation of the Contract. Glencore asserts that the Contract provides that the price to be paid for the concentrates should be reduced by a deduction referred to as "price participation". Gibraltar asserts that the Contract does not provide for any such deduction. The dispute is set for arbitration in June 2006. While Taseko believes in the merits of its position and case, there can be no certainty of the ultimate outcome of the arbitration. An unsuccessful resolution of the arbitration may result in Taseko foregoing the amounts currently withheld by Glencore and further future price participation deductions.

***Taseko's Management May Not Be Subject to United States Legal Process.*** As Canadian citizens and residents, certain of Taseko's directors and officers may not subject themselves to United States legal proceedings, so that recovery on judgments issued by United States courts may be difficult or impossible. While reciprocal enforcement of judgment legislation exists between Canada and the United States, Taseko's insiders may have defenses available to avoid in Canada the effect of United States judgments under Canadian law, making enforcement difficult or impossible. Taseko's management may not have any personal assets available in the United States to satisfy judgments of United States courts. Therefore, Taseko shareholders in the United States may have to avail themselves of remedies under Canadian corporate and securities laws for perceived oppression, breach of fiduciary duty and like legal complaints. Canadian law may not provide for remedies equivalent to those available under United States law.

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***Ultimate Reclamation Costs May Exceed Amounts Accrued.*** The Company's operations are subject to extensive laws and regulations governing the protection of the environment, under various federal, provincial and local laws, which regulate air and water quality, hazardous waste management and environmental rehabilitation and reclamation. The Company's mining and related activities impact the environment, including land, habitat, streams and environment near the Gibraltar mine. Delays in obtaining, or failures to obtain, government permits and approvals may adversely impact the Company's operations. Further, the regulatory environment in which the Company operates could change in ways that may substantially increase costs to achieve compliance. These increased costs may have a material adverse effect on our profitability.

The Company has accrued for the expected costs to comply with these environmental laws and regulations relating to the Company's obligation to reclaim areas disturbed by its mining activities. The Company has estimated these liabilities at \$49.4 million as at September 30, 2005 on an undiscounted basis. However, the ultimate amount of such reclamation costs may in the future exceed these estimates due to influences beyond the Company's control, including, but not limited to, changing legislation or unidentified rehabilitation costs. The closure of mining operations, without sufficient working capital to discharge rehabilitation liabilities as they come due, or unacceptable damage to the environment, including pollution or environmental degradation, may expose the Company to litigation and significant liabilities.

***Exchange Rate Risk.*** The Company is subject to currency exchange rate risk. The prices of copper and molybdenum oxide are denominated in United States dollars and, accordingly, the Company's revenues will be received in United States dollars. The Company's expenses are almost entirely paid for in Canadian dollars, which has recently shown strength against the United States dollar. The further strengthening in the Canadian dollar, if it continues, will negatively impact the profitability of the Company's mining operations.

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## ITEM 4 INFORMATION ON THE COMPANY

### A. History and Development of the Company

#### Incorporation

Taseko Mines Limited ( Taseko or the Company ) was incorporated on April 15, 1966, pursuant to the *Company Act* (British Columbia) (the "BCCA"). The BCCA was replaced by the *Business Corporations Act* (British Columbia) (the "BCA") in March 2004. As a result, the Company is now governed by the BCA.

#### Offices

The head office of Taseko is located at Suite 1020, 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6. The telephone number for Taseko's head office is (604) 684-6365 and its facsimile number is (604) 684-8092. Taseko also has a field office at its Gibraltar mine site in McLeese Lake near Williams Lake, BC.

#### Corporate Organization

Taseko is based in Vancouver, British Columbia and its mining operations and two principal exploration stage properties are all located in British Columbia.

Taseko operates directly and also through one principal subsidiary, Gibraltar Mines Ltd. ("Gibraltar") Taseko itself owns the Prosperity Project, and Gibraltar owns the Gibraltar Mine and the Harmony Gold Project. All three companies are British Columbia companies and all operations of the three companies are in British Columbia.

#### Development

The principal business events in Taseko's 36 year history are (in chronological order):

- (i) the acquisition and legal dispute settlement respecting the Prosperity Project in British Columbia (1960's to 1993) and the advancement of exploration and engineering thereof (1991 to date). Exploration expenses to the extent of approximately \$41.5 million have been incurred by Taseko on the Prosperity Project, which has demonstrated continuity of a low grade copper/gold deposit;
- (ii) the acquisition of the Gibraltar mine in July 1999. The Gibraltar mine is located in British Columbia and was a copper producer under different owners from 1972 to 1998; and
- (iii) the acquisition of the Harmony Gold Project in October 2001. The Harmony Gold Project is an undeveloped gold deposit located in British Columbia; and
- (iv) the restart of the conventional mine and mill operations at Gibraltar in October 2004.

#### Acquisition of the Gibraltar Mine

On July 21, 1999, Taseko's subsidiary, Gibraltar Mines Ltd., purchased the Gibraltar mine from Boliden Westmin (Canada) Limited ( Boliden ) and certain of its affiliates, including all mineral interests, mining and processing equipment and facilities, and assumed responsibility for ongoing reclamation. Pursuant to the terms of the acquisition, Gibraltar acquired mining equipment, parts and supplies inventories valued at

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\$19 million, an existing British Columbia Government environmental deposit of \$8 million, and mineral interests valued at \$3.3 million and received \$20.1 million in cash over 18 months from closing, of which \$17 million was received pursuant to a 10-year non-interest bearing convertible debenture issued to Boliden. Gibraltar assumed the estimated reclamation liability pertaining to the Gibraltar mine of \$32.7 million and Taseko guaranteed Gibraltar's obligations to Boliden. The principal sum advanced under the debenture is convertible into Taseko common shares in the first year at Cdn\$3.14 per Taseko share. The conversion price escalates Cdn\$0.25 per Taseko common share each year over the 10-year term of the debenture on each July 19th anniversary of closing. The conversion price at September 30, 2005 was Cdn\$4.64 per Taseko share. The debenture is due on July 19, 2009. After five years, the debenture can be converted at Taseko's option at then-prevailing market prices for Taseko shares or paid out in cash at Taseko's election. Taseko retains certain rights of first refusal respecting any proposed sale of shares acquired by Boliden under the debenture. If Boliden elects to exercise its option to convert the debenture into Taseko common shares at Cdn\$4.64 per share, Taseko would be required to issue 3,663,793 common shares. As of March 30, 2006, Boliden has not elected to convert the debenture. If Taseko elected to exercise its option and convert the debenture into common shares, Taseko would be required to issue 6,343,284 common shares at a prevailing market price of Cdn\$2.68 per share.

### **Harmony Gold Project**

Gibraltar acquired the Harmony Gold Project in October 2001 through a transaction with Misty Mountain Gold Ltd. (now known as Continental Minerals Corporation) for consideration of \$2.23 million in cash and the issuance of preferred shares in Taseko's wholly-owned subsidiary Gibraltar Mines Ltd. and which preferred shares are exchangeable for Taseko shares in certain events at prices for the Taseko shares similar to the consideration price of the Boliden Debenture (see "Gibraltar Mine – Acquisition Term"). The tracking preferred shares are designed to track and capture the value of the Harmony Gold Property and will be redeemed for common shares of Taseko upon a realization event, such as a sale of the Harmony Gold Property to a third party or commercial production at the Harmony Gold Property, or at the option of Gibraltar, if a realization event has not occurred within ten years.

The tracking preferred shares are redeemable at specified prices per common share of Taseko starting at \$3.39 and escalating by \$0.25 per year (\$4.14 at September 30, 2005). If a realization event does not occur on or before October 16, 2011, Gibraltar has the right to redeem the tracking preferred shares for Taseko common shares at a deemed price equal to the greater of the then average 20 day trading price of the common shares of Taseko and \$10.00. The Taseko common shares to be issued to Continental upon a realization event will in turn be distributed pro-rata, after adjustment for any taxes, to the holders of redeemable preferred shares of Continental that were issued to Continental shareholders at the time of the Arrangement Agreement. In the event that a realization event occurs between March 30, 2006 and October 16, 2006 the conversion price would be \$4.39 per share. The tracking preferred shares would be redeemed for 6,068,781 common shares of Taseko.

Management does not believe there has been a fundamental change in the nature of the Harmony Gold Property; however, during the 2004 fiscal year, the Harmony Gold Property was written down to a nominal value of \$1,000. Accounting rules require that the Company must write down its investment in a property if it has not conducted significant exploration or development on the property in the last several years, unless there is persuasive evidence to the contrary.

Assessments will be undertaken over time as metal prices indicate new opportunities for the Harmony project.

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**Capital Expenditures and Divestitures**

For a discussion of Taseko's capital expenditures see Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources and Item 4(d) Property, Plant and Equipment.

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## **B. Business Overview**

### *Taseko's Business Strategy and Principal Activities*

The principal projects of Taseko are as follows:

#### *The Gibraltar Mine*

Taseko's subsidiary, Gibraltar Mines Ltd., owns the Gibraltar open pit mine in south central British Columbia near the town of Williams Lake. The mine is operated by Gibraltar's partner Ledcor. The Gibraltar Mine is an open pit copper mine operation that utilizes drilling, blasting, cable shovel loading, and truck hauling to excavate the ore. A mill operation then crushes, grinds and processes mineralized material through froth flotation to create a concentrate. The concentrate contains approximately 30% copper and just under 1% of molybdenum. The Gibraltar Mine currently operates under a 14 year mine plan and produces and sells copper and molybdenum concentrates. The Gibraltar Mine began restart in 2004 and was brought back into production in 2005 after significant investments in mining equipment and the formation of a venture with Ledcor, a construction excavation firm which has provided financial guarantees and also staffs and operates the mine under the direction of a management committee. With only three fiscal quarters of operation by the fiscal year-end, the profitability of Gibraltar Mine is not yet completely predictable; however it has achieved positive cash flow. During the year ended September 30, 2005, Gibraltar mined 39.9 million tons of ore and waste material (at a 2.3:1 stripping ratio), and milled approximately 11.5 million tonnes at a grade of 0.314% copper and 0.017% molybdenum. With copper recoveries of 76% and molybdenum recovery of 23%, the Gibraltar Mine produced 54.8 million pounds of copper in concentrate and 427,059 pounds of molybdenum in concentrate, generating revenues of \$71.9 million from copper concentrate sales and \$15.7 million from molybdenum (at average sales prices of US\$1.151 for copper and US\$34.00 for molybdenum) in fiscal 2005. Cash operating costs were in the range of US\$1.15 per pound of copper.

Taseko (through its wholly owned operating subsidiary Gibraltar Mines Ltd., ( Gibraltar )) has an 85% interest in any residual profits of the operations (i.e. profits after payment of usage fees to the participants for contributed assets and services) and Ledcor has a 15% interest in any residual profits. Ledcor is the operator of the mine and has provided, through an affiliate company, the use of certain leased mining equipment, including a large electric shovel and five mine haul trucks. The mill and other mine assets, including mineral titles, belong to Gibraltar. The venture pays usage fees to each of Gibraltar and Ledcor for use of their respectively contributed assets as well as for services they respectively contribute to the joint venture. Taseko is responsible for concentrate sales, off-site activities and certain aspects of administration, and Ledcor has primary responsibility for carrying out all mining and milling activities, as well as recruitment of personnel and maintenance of the equipment and facilities. Pursuant to the agreement, Taseko is required to maintain a bank account with a balance of at least \$5 million in a product revenue account, for the purposes of providing a working capital reserve for operations and general administrative costs. Taseko granted a general security agreement in favour of Ledcor in the amount of \$5.8 million and a second charge on certain mining equipment with an appraised fair value of at least \$5.8 million. Under certain circumstances, a fee of up to \$7 million (reducing by \$250,000 per month, commencing October 2005) is payable upon the termination of the agreement prior to February 1, 2008.

#### **Royalty Sale Agreement**

In September 2004, the Company entered into agreements with an arms-length investment partnership, the Red Mile Resources No. 2 Limited Partnership ( Red Mile ). Gibraltar sold to Red Mile a royalty

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over Gibraltar production for \$67.357 million, which was received on September 29, 2004 but immediately loaned to a trust company as the Company had pledged the promissory note to secure its obligations under the royalty agreements.

Pursuant to the royalty sale and cash pledge agreements, the Company received a net amount of \$10.5 million in fees and interest for services performed in relation to the Red Mile transaction, of which \$5.25 million was received on each of September 2004 and in December 2004. The amount of \$5.25 million received in September 2004 included \$1.75 million for indemnifying an affiliate of Red Mile from any claims relating to a breach by Gibraltar Mines Ltd. under the royalty agreement. The funds received in respect of the indemnification are presented as deferred revenue in the Company's financial statements, and are being recognized over the expected remaining (approximately 10 year) life of the royalty agreement.

Under the Royalty Agreement, annual royalties will be payable by Gibraltar at rates ranging from \$0.01 per pound to \$0.14 per pound of copper produced during the period from the commencement of commercial production (as defined in the agreement) to the later of December 2014 and 5 years after the end of commercial production from the mine. Gibraltar is entitled to have released to it funds held under the promissory note to fund its royalty obligations to the extent of its royalty payments.

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

The Company also granted to Red Mile a net profits interest ("NPI"), which survives any "put" or "call" of the Red Mile units. For the years 2011 to 2014, the NPI is 2% if the price of copper averages US\$2.50 to US\$2.74 per pound, 3% if the price of copper averages US\$2.75 to US\$2.99 per pound and 4% if the price of copper averages US\$3.00 per pound or greater for any year during that period. The US-dollar pricing amounts specified above are based upon an exchange rate of US\$0.75 for C\$1.00, and shall be adjusted from time to time by any variation of such exchange rates. No NPI is payable until the Company reaches a break-even point between aggregate revenues and aggregate operating costs and expenditures after the commencement of commercial production. See also discussion of 2004 Results below for further information on the accounting treatment of the Royalty Sale.

### ***Undeveloped Gold/Copper Projects    Prosperity and Harmony Projects***

Taseko owns 100% of two undeveloped projects in British Columbia. The Prosperity Project, located in south central British Columbia, which hosts a large copper-gold porphyry deposit. Taseko expended approximately \$41.5 million from 1991 to 2000 on the Prosperity Project, excluding \$28.7 million in acquisition costs, but wrote-down the value of this project to \$1,000 during the subsequent periods of low metal prices. The Harmony Property, located in the Queen Charlotte Islands (also known as Haida-Gwaii), hosts a large gold deposit. Gibraltar recorded acquisition costs in connection with the Harmony Property in the \$29 million range but also wrote the property down to the nominal value of \$1,000 in 2004. The Company has recently announced that it has re-initiated work on the Prosperity Project.

### **Gibraltar - Leducor Agreement**

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Under the terms of the Gibraltar – Leducor Agreement (“Leducor Agreement”), Leducor will be the operator of the Gibraltar Mine for a term of 40 months Effective October 1, 2004. The Leducor Agreement will be managed by a Management Committee consisting of five members, to direct and control overall policies, objectives, procedures, methods and actions under the Leducor Agreement. The Management Committee consists of two members appointed by Gibraltar and two members appointed by Leducor, together with an independent Chairperson.

The Leducor Agreement shall terminate on expiry of the 40 month term, unless earlier terminated by written agreement of the parties. If Gibraltar terminates Leducor prior to the expiration of the initial 40 month term, a termination fee of \$7 million shall be payable within ten days of the date of the termination of the joint venture. The termination fee will be reduced pro-rata after the first twelve months from the effective date by \$250,000 per month until it is reduced to a zero value.

### **Hunter Dickinson Management Contract**

Hunter Dickinson Inc. ("HDI") provides management services to Taseko, pursuant to a geological and administrative services agreement dated for reference December 31, 1996. HDI is one of the larger independent mining exploration groups in North America, providing management services to nine public mineral resource issuers. As of March 30, 2006, HDI employed or retained approximately 102 staff or service providers, substantially on a full-time basis. Of these, approximately:

- 40% are professional technical staff (a large majority of whom have accreditation as a professional engineer or professional geoscientist);
- 15% are professional accountants (the majority of whom have professional designations); and
- 45% are administrative, office or field support personnel.

HDI has supervised mineral exploration projects in Canada (British Columbia, Manitoba, Ontario and Quebec) and internationally in Brazil, Chile, the United States (Nevada and Alaska), Mexico, China and South Africa. HDI allocates the costs of staff input into projects based on time records of involved personnel. Costs of such personnel and third party contractors are billed to the participating public companies on a full cost recovery basis (inclusive of HDI staff costs and overhead) for amounts that are considered by the Company's management to be competitive with arm's length suppliers. The shares of HDI are owned equally by each of the participating corporations (including Taseko) as long as HDI services are being provided; however such participant surrenders its single share at the time of termination of the related services agreement, which can be cancelled on 30 days notice by either party.

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(See Item 19 Exhibits). Several of the directors of HDI are also directors of Taseko and they also serve as a majority of the directors of the other mineral resource issuers that have similar arrangements with HDI.

### **C. Organizational Structure**

Taseko operates directly and also through one principal subsidiary, Gibraltar Mines Ltd. ("Gibraltar"). Taseko itself owns the Prosperity Project, and Gibraltar owns the Gibraltar Mine and the Harmony Gold Project. All of the companies are British Columbia companies and all operations are in British Columbia. Taseko's corporate organization is summarized in the diagram below:

### **D. Property, Plant and Equipment**

The Gibraltar Mine was acquired from Boliden Westmin (Canada) Limited in July 1999, approximately one year after commercial mining operations were suspended due to then-prevailing low copper prices. The Gibraltar Mine was acquired with mill and mining equipment and supplies valued at approximately \$19 million. The purchase of the mine included an environmental deposit for \$8 million (which was later increased to \$18.4 million in 2001, and then decreased to \$15.9 million in December 2002), and mineral property interests then valued at \$3.3 million. The Gibraltar Mine has an obligation to reclaim and manage the area should it be determined that operations must permanently cease and the area be reclaimed. The estimated amount of the reclamation costs, adjusted for estimated inflation at 2.5% per year, in 2017 dollars, is \$49.4 million (September 30, 2004 – \$32.7 million). (See Item 4, Gibraltar Mine – Acquisition Terms and Environmental Matters.)

In accordance with the Gibraltar mine permit, the Company has pledged the mine's plant and certain equipment which, when combined with reclamation deposits (approximately \$18.3 million at September 30, 2005), provide the Government of British Columbia with the required security for the estimated reclamation liability on the Gibraltar Mine of \$49.4 million.

During fiscal 2004, the Company acquired a mining shovel and five haul trucks for US\$18.3 million. In the first quarter of fiscal 2005, the Company sold this equipment for US\$18.3 million (US\$14.6 million net of a 20% down payment). The equipment was leased to Ledcor for use at the Gibraltar mine. The company has accounted for this as a sale-leaseback transaction in the financial statements.



The Company has also guaranteed residual values totaling US\$7.1 million (\$8.5 million) on this equipment at the end of the lease term in November 2008.

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Neither the Prosperity Project nor the Harmony Gold Project have any mining plant or equipment located thereon, although both projects have field accommodation and miscellaneous exploration equipment, which is of little realizable value, on site.

### **Location of Operations and Properties**

#### ***The Gibraltar Mine***

##### ***Location, Access and Infrastructure***

The Gibraltar mine area consists of 251 mineral claims, 30 mining leases, and some ancillary fee simple real estate held by Gibraltar. The mine site covers approximately 109 square km, approximately 65 km north of the City of Williams Lake in south-central British Columbia, Canada. Access to the Gibraltar mine from Williams Lake is via Highway 97 to McLeese Lake. From McLeese Lake, a paved road provides access to the Gibraltar mine site. The total road distance from the City of Williams Lake to the Gibraltar mine is 65 km.

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The Canadian National Railway has rail service available to facilitate the shipping of copper concentrates through to the Pacific Ocean port of North Vancouver as well as to other points in Canada and the United States. A rail siding and storage shed for the shipment of concentrate is located 26 km from the mine site. Electricity is obtained from the British Columbia Hydro and Power Authority ( BC Hydro ). Natural gas is provided by Avista Energy and Terasen Gas (formerly BC Gas). The communities of Williams Lake and Quesnel are sufficiently close to the site to supply goods, services, and personnel to the Gibraltar mine.

The Gibraltar mine mineral claims cover an area of gentle topography; local topographic relief is in the order of 200 m. The plant site is located at an elevation of approximately 1,100 m above sea level. The project area has a moderate continental climate with cold winters and warm summers. Ambient air temperature ranges from a winter minimum of -34 degrees C to a summer maximum of 35 degrees C. Average annual precipitation at the site averages 51 cm, of which about 17 cm falls as snow. Maximum snow depth is about 1 m, most of which falls in late February.

### *History*

The early 1960s marked the entry of the major mining companies into the Granite Mountain area and the subsequent introduction of modern exploration techniques, which ultimately led to the discovery of the mineral deposits. Of the seven Gibraltar mineral deposits that are now known, only Gibraltar West offered any exposure of surface mineralization; Pollyanna, Connector and Gibraltar East had a few minor exposures of leached limonitic capping; Granite Lake, Gibraltar West Extension and the Sawmill Zone were completely covered by overburden. In this environment, the most effective exploration tools were soon found to be Induced Polarization ( IP ) geophysics and diamond drilling. Mine production began in March 1972 and the mine operated almost continuously from 1972-1998. Total production to the end of 1998 totalled 1.86 billion pounds of copper and 19.7 million pounds of molybdenum from 336 million tons milled. Reconciliation studies on a number of open pit stages demonstrated good correlation between reserve estimates and actual production.

The Gibraltar mine has also produced cathode copper by leaching both low grade dump material (374 million tons at grades lower than the milling cut-off grades of 0.16 -0.25%) and leachable oxide material from the pits using sulphuric acid and natural bacteria. From October 1986 to shutdown in late 1998, approximately 84.7 million pounds of copper were recovered from solution by the solvent extraction-electrowinning (SX/EW) process. SX/EW plant operations are expected to resume when further oxide material is mined from the Pollyanna and Connector pits. Future recovery of electrowon copper will be mainly from engineered leach pads.

From 1999-2004, Taseko geologists and engineers explored for additional mineralized material and to better define known resources. The on-site staff also completed on-going reclamation work and maintained the Gibraltar mine for re-start. Operating and environmental permits were kept in good standing. In early 2000, the digital database of geological information on the Gibraltar property was expanded to include information from both inside and outside the pit areas, including data from approximately 200 drill holes, totalling 24,000 m (78,400 ft). Plans identifying the location of drill holes relative to known geophysical and geochemical data and anomalies were generated. In August 2000, a property-scale Induced Polarization ( IP ) geophysical survey was initiated, involving approximately 220 km of IP survey. Interpretation of the results was completed in the spring of 2001, identifying deposit-scale anomalies. Six target areas were followed up by drilling in 2003 in 194 holes, totalling 33,752 m (110,720 ft), resulting in discovery of four mineralized areas. The most significant of these is the 98 Oxide Zone, where significant copper mineralization was encountered, indicating potential for a mineral resource in this area.

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In late 2003, Gibraltar developed a plan to mine 164 million tons of ore over 12 years to produce an average of 70 million pounds of copper and 980,000 pounds of molybdenum per year in concentrate plus additional cathode copper from its 10 million pounds per year SX/EW plant. The Gibraltar re-start decision was based on the initial three years of the 12-year mine plan. Open pit pre-development work began in the Pollyanna pit area in June 2004, milling in October and full commercial production in January 2005.

#### *Copper Refinery Study*

A scoping study (preliminary review of capital and operating costs to determine the viability of a project at an accuracy of plus or minus 30%) to investigate the concept of building and operating a copper refinery at the Gibraltar site, using a hydrometallurgical process developed by Cominco Engineering Services Ltd. ( CESL ) to recover copper from concentrate was completed in August 2000.

The scoping study projected that the capital cost for the refinery would be \$95.0 million including contingencies, and could reduce the operating costs of the mine by up to US\$0.20 per pound of copper produced due to elimination of transporting concentrate off-site and other site efficiencies. Based on the results of the scoping study, feasibility-level engineering and analyses were initiated under a Memorandum of Agreement dated October 6, 2000. The program included testwork at CESL's large-scale test plant facility in Vancouver, British Columbia.

During the latter half of the 2001 fiscal year, Bateman Engineering (Pty) of Australia was engaged to conduct an engineering feasibility-level cost study. The study involved engineering and design work sufficient to determine the capital and operating costs for the facility to an accuracy of -5% to +15%. The refinery would be capable of processing 130,000 tonnes of 24% copper concentrate and producing 30,000 tonnes of LME grade (99.999%) copper cathode annually. The study estimated the refinery capital cost to be \$109.5 million and the annual operating cost to be \$16.3 million, or US\$0.147/lb of copper produced.

The study also identified several synergies with the existing Gibraltar mill and treatment facilities. For example, as acid would be produced in the refinery, less acid would need to be procured for the heap leach facility at the Gibraltar site. In addition, heating the leach solution with excess heat generated by the refinery would enhance copper recovery from the heap leach. Implementing some of these additional opportunities would result in cost savings beyond the \$17.4 million per annum savings associated with changing the Gibraltar mine from a concentrate producer to a cathode producer.

#### *Property Geology*

The Gibraltar mine generally consists of seven separate mineralized zones. Six of these – Pollyanna, Granite Lake, Connector, Gibraltar East, Gibraltar West and Gibraltar West Extension – occur within the Granite Mountain batholith in a broad zone of shearing and alteration. A seventh copper mineralized body, the Sawmill zone, lies about six km to the south, within a complex contact zone between the batholith and Cache Creek Group rocks.

The Sunset and Granite Creek mineralized systems are two major structural orientations that control mineralization at Gibraltar. Structures of the Sunset system that host mineralization are mainly shear zones. Host structures of the Granite Creek system are predominantly oriented stockwork zones. The Granite Creek system provides the major structures that control mineralization of Pollyanna, Granite Lake and the Sawmill zones. These bodies have the characteristics of porphyry copper type mineralization.

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The Gibraltar East deposit is essentially a system of interconnected Sunset zones, which create a large body of uniform grade. Gibraltar West and Gibraltar West deposits are contained within a large complex shear zone.

Geological modelling, geophysical surveys (predominantly IP) and diamond drilling have been the primary exploration tools used at the Gibraltar mine. Mining phase exploration, during the period of 1972-1998, added additional sulphide resources. Data collected during a sulphide copper exploration program in the 1990s between the Gibraltar East and Pollyanna open pits (the "Connector Zone") indicate that there is potential for oxide copper mineralization in this zone. Targets also exist to explore for new deposits occur near the existing open pits (Gibraltar West Extension, Connector, Gibraltar East Extension, Crusher zones) and on other parts of the property (e.g. Sawmill).

#### *Mineralization Types*

Pyrite and chalcopyrite (copper sulphide; ore mineral of copper and iron) are the principal primary sulphide minerals in the Gibraltar mine mineralization. Fine-grained chalcopyrite, accounts for 60 percent of the copper content and constitutes the single most important form of copper mineralization. Coarser grained chalcopyrite usually occurs in quartz veins and shear zones.

Small concentrations of other sulphides are also present. Bornite (copper sulphide; an ore mineral of copper), associated with magnetite and chalcopyrite, occurs on the extremities of the Pollyanna and Sawmill deposits. Molybdenite (molybdenum sulphide; an ore of molybdenum) is a minor but economically important associate of chalcopyrite in the Pollyanna, Granite Lake and Sawmill deposits.

There is a close spatial relationship between sulphide mineralization and alteration in the Gibraltar deposits, for example, higher-grade mineralization is associated mainly with the presence of sericite and chlorite alteration.

#### *Exploration in 2005*

A core drilling program, encompassing holes for pit definition for the Granite Lake and PGE Connector deposits and property exploration at the 98 Oxide Zone, was carried out in September and October 2005. The program is summarized in the table below:

<b>AREA</b>	<b># OF HOLES</b>	<b>DEPTH (ft)</b>
Granite Lake	24	14,974
PGE Connector	3	2,148
Crusher	3	1,505
98 Oxide*	10	4,307
<b>TOTALS</b>	<b>40</b>	<b>22,934</b>

\*Note: 2 holes were completed during the fiscal year and 8 holes were completed subsequent to the end of the fiscal year.

In the Granite Lake area, 24 holes were drilled on the southern perimeter to test the geological model, refine the block model and provide metallurgical samples prior to making a decision on the next stage pit. Based upon this latest drilling, there are two areas (to the south-southwest and to the south) that warrant further step-out drilling, with potential to add new resources down plunge along existing ore trends.

Three holes were drilled at the PGE Connector deposit. Mineralization was encountered in all holes. Three holes were also drilled near the crusher and confirmed that there is no mineralization in this area.

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The 98 Oxide Zone was discovered by drilling in 2003. Mineralization was outlined over a significant area, demonstrating potential for a copper resource. Exploratory drilling (10 holes) in 2005 did not expand the zone.

#### *Sampling and Analytical Procedures*

In 2005, 22,934 ft of NQ sized core was drilled. All drill core was photographed, then logged and sampled by technical staff under the supervision of a qualified person. All exploration core was split into two pieces using a mechanical core splitter, with half of the core sent for analyses and the other half retained for audit purposes. All production core was whole core sampled for analyses. Average sample length is three metres. Primary sample crushing to -6 mesh and sub-sample (approximately 200 g) splitting of 2003 drill core samples was carried out on-site at the Gibraltar Mines Ltd. metallurgical testing services laboratory. Sub-samples were sent for pulverizing and final analytical testing at ALS-Chemex Laboratories in Vancouver, where all samples were analyzed for total copper and molybdenite. Comparison of the results with information obtained while logging will likely result in selected intervals also being analyzed for acid soluble copper (ASCu), cyanide-soluble copper (CNSCu) to assist with ore sub-typing during resource estimation.

Analyses provided for samples from both the 2005 Exploration and Production Programs include percent total copper, percent acid soluble copper, percent cyanide soluble copper, and percent molybdenite. The total copper, acid soluble copper, and molybdenite, analyses are performed by acid digestion of pulverized drill core samples followed by Atomic Absorption Spectrometry ( AAS ) analyses of the resulting solutions. The cyanide soluble copper assay is performed by cyanide digestion of pulverized drill core samples, followed by AAS on the resulting solution.

#### *Quality Assurance/Quality Control (QA/QC) Procedures*

The following QA/QC Protocols were implemented for the 2005 drilling program to ensure that accurate, precise and reproducible analytical results are obtained:

- Every twentieth sample is re-split from the crushed drill core reject and analyzed at a second laboratory (Assayers Canada) to ensure accurate sampling. A table and chart of mainstream vs. re-split sample assays is maintained.
- Two standards, known to the geologist, are randomly numbered and added to each sample batch of 33 drill core samples to test the laboratories ability to reproduce results. A table and chart of the standard assays is maintained.
- One randomly numbered silica blank sample is also added to each sample set submission (of 33 samples) to ensure that samples, solutions and apparatus are not contaminated.
- Reject assay pulps are placed in labelled bags and stored as sets corresponding to their diamond drill hole, for future reference. Each sample bag also contains an identification tag to ensure positive sample identification.
- Reject drill core pulps are stored in labelled bags as drill-hole sets for future reference. Each sample bag also contains an identification tag to ensure positive sample identification.

#### *Security of Samples*

At Gibraltar, a library of representative samples of the different rock types and mineralization is retained in a secured on-site core facility.

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All core from the 2005 program was drilled, transported, logged, and crushed on-site. For exploration samples (for 2005 this refers to the 98 Oxide drilling), the remaining half-core, pulps and rejects from half-core samples are retained in a secured on-site facility. For production core samples, the pulps and rejects are retained in a secured on-site facility.

The Gibraltar mine site has restricted access.

### *Mining*

The Gibraltar mine is a typical open pit operation that utilizes drilling, blasting, cable shovel loading and large-scale truck hauling to excavate rock. The mine is planned to enable excavation of sulphide mineralized material of sufficient grade that it can be economically mined, crushed, ground and processed to a saleable product by froth flotation. The flotation overflow, or concentrate (mineralization, which is increased in purity by primary production techniques that include crushing, grinding and flotation to eliminate portions of valueless rock), has a copper grade of about 100 times that of the rock from which it was processed and is sold to smelters for further treatment to provide high purity copper metal. The flotation underflow, or tailings, has had its minerals removed and is pumped to the tailings storage facility.

During the mining process, unmineralized rock must be excavated to expose the economically mineralized material. The unmineralized material is moved to rock dumps that will be sloped and reclaimed.

Rock containing lower grade sulphide mineralization or oxide mineralization is also mined but is not immediately processed. The lower grade sulphide material is stockpiled for later treatment in the mill. In addition, a portion of the low grade sulphide and all of the oxide material can be leached with sulphuric acid, which is naturally assisted by bacterial action, and the resultant copper sulphate solution can be processed to cathode copper in the Gibraltar mine's SX/EW plant. The SX/EW plant has not been reactivated since mining re-started in October 2004, so the oxide material has been stockpiled.

### *Production in 2005*

As a result of the delay in commissioning the molybdenum circuit and lower than planned mill throughput, the Company updated its forecast metal production for the year at the end of the second quarter (March 31, 2005). The following table is a summary of the operating statistics for the year compared to the revised forecast.

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<b>Gibraltar Production 2005</b>				
	<b>Actual</b>	<b>Revised Forecast</b>	<b>Variance</b>	<b>Comments</b>
Ore + waste mined (tons)	39,992,000	41,658,000	-4%	Mining rate adversely impacted by unscheduled maintenance on the shovel fleet, as well as truck availability.
Ore milled (tons)	11,484,000	11,913,000	-4%	Lower mill throughput due to poor crusher availability and grinding circuit productivity.
Stripping ratio	2.31	2.35	-2%	
Copper grade (%)	0.314	0.306	+3%	
Molybdenum grade (%MoS <sub>2</sub> )	0.017	0.016	+6%	
Copper recovery (%)	76.2	80.4	-5%	Lower copper recovery due to ore variability and higher amounts of secondary mineralization than expected.
Molybdenum recovery (%)	23.1	35.2	-35%	Molybdenum recovery was low as the new circuit was established.
Copper production (lb)	54,785,347	58,600,000	-7%	Below forecast throughput and recovery.
Molybdenum production (lb)	427,000	541,000	-20%	Below forecast throughput and recovery.

#### Year-end Reconciliation of Reserves

The reserves at fiscal 2005 year end were estimated by Gibraltar staff and audited by James W. Hendry, P.Eng., and C. Stewart Wallis, P.Geo., of Roscoe Postle and Associates Inc. ( Roscoe Postle ).

All mining in fiscal 2005 took place in the Pollyanna stage 4 pit: 12.4 million tons of ore grading 0.314% copper was mined with 0.9 million tons in live inventory at year end and 11.5 million tons processed; an additional 2.2 million tons of low grade sulphide material and 2.0 million tons of oxide ore were stockpiled for later processing. In addition, 23.4 million tons of waste rock was moved to rock piles. The geological model forecast 12.5 million tons of ore grading 0.313% copper; 2.9 million tons of low grade material and 1.9 million tons of oxide material. Roscoe Postle concluded that the geological model was predicting the mining tonnage and grade well within the accuracy of the model.

#### *Estimates of Mineralization*

The oxide reserves were estimated by Gibraltar staff and audited by James W. Hendry, P.Eng., and C. Stewart Wallis, P.Geo., of Roscoe Postle and Associates Inc. in 2004. These did not change in 2005. They are 16.5 million tonnes

grading 0.148% copper at a 0.10% acid soluble copper cut-off.

The sulphide reserves were updated subsequent to year-end. A detailed review of the geological model, confirmation of pit wall locations established in previous mine optimization studies, and an analysis of

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current price and mining cost projections allowed for expansion of the previously defined pits, specifically, at the PGE Connector and Granite Lake deposits. Long term metal prices of US\$1.10/lb for copper and US\$6.00/lb for molybdenum were used for the estimates. Results are tabulated below:

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

It is the opinion of the Company's experts that the above reserves are reported in accordance with both 43-101 and SEC Guide 7. The reserves occur on the perimeter of existing open pits and have been integrated into the existing mine plan for the operation. Long term metal prices have been utilized for the estimates and permits are in place that would allow mining to proceed. The estimates used a 0.20% copper cut-off grade for the sulphide reserves. Sulphide copper recoveries for the course of the mine plan are based on the historic metallurgical performance of the concentrator on each mineral system to be treated. The average life of mine recovery for copper is 81.9% and for molybdenum is 40.6% .

The operating costs and cash flow are calculated on a constant Q4 2005 Canadian dollar basis. Major input parameters for the model are summarized as follows:

#### **Metal Prices and Foreign Exchange:**

<u>Copper:</u>	2006:	US\$1.43/lb
	2007:	US\$1.30/lb
	2008:	US\$1.20/lb

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<u>Molybdenum:</u>	2009 and after:	US\$1.10/lb
	2006:	US\$21.26/lb
	2007:	US\$15.00/lb
	2008:	US\$10.00/lb
<u>Silver:</u>	2009 and after:	US\$6.00/lb
	2006:	US\$7.00/toz
	2007:	US\$6.00/toz
	2008 and after:	US\$5.00/toz
<u>US\$/CAN\$ Exchange Rate:</u>	2006-2007:	0.84
	2008:	0.82
	2009-2010:	0.80
	2011 and after:	0.78

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**Labour:**

<u>Staff:</u>	Constant:	current staff salaries
<u>Hourly:</u>	2006:	current contract rates
	2007 and after:	2007 contract rates

**Major Consumable Costs:**

<u>Fuel:</u>	2006:	0.645 per liter
	2007:	0.620 per liter
	2008:	0.580 per liter
	2009:	0.520 per liter
	2010:	0.480 per liter
<u>Explosives:</u>	2006:	at current supply price
	2007 and after:	adjusted for energy costs
<u>Haulage Truck Tires:</u>	Constant:	at current supply prices
<u>Natural Gas:</u>	Constant:	11.77 \$/GJ
<u>Power:</u>	Constant:	0.0355 \$/kWh
<u>Mill Reagents:</u>	Constant:	at current supply prices
<u>Grinding Media:</u>	2006:	current cost + steel surcharge,
	2007:	steel surcharge reduced by 50%,
	2008:	steel surcharge reduced by 75%,
	2009 and after:	steel surcharge eliminated.
<u>Concentrate transportation, treatment and refining:</u>	2006:	2006 contract prices,
	2007:	2007 contract prices,
	2008 and after:	constant at January 2008 contract prices.

The average life of mine unit operating costs are summarized below:

Area	Life of Mine Plan Average Cost
Mine cost/ton moved	\$0.89
Mine cost/ton milled	\$2.56
Mill cost/ton milled	\$2.06
Administration cost/ton milled	\$0.45
Total Sulphide Operating cost/ton milled	\$5.07

SX/EW cost/lb of cathode copper	\$0.91
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**Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources**

The following section use the terms measured resources and indicated resources. The Company advises U.S. investors that while those terms are recognized and required by Canadian regulations (under National Instrument 43-101 "Standards of Disclosure of Mineral Projects"), the United States Securities and Exchange Commission does not recognize them. **U.S. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

In addition to the above reserves, the mineral resources are estimated to be:

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

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

#### *Environmental Matters*

The Gibraltar mine had operated for some 28 years from four open pits, prior to its acquisition by Taseko in 1999. Waste dumps were developed in various areas adjacent to the open pits, and tailings were disposed in a pond located about three kilometres north of the mill. A comprehensive mine closure report containing an assessment of reclamation and long term environmental costs is produced approximately every 5 years.

On acquiring the mine in 1999, Taseko received both independent and government assessments of the reclamation and water management liability for the Gibraltar mine. The reclamation plan for Gibraltar involves a water management program and establishment of grass/legume vegetative covers for all areas in order to protect against wind and water erosion. Areas around the pits and waste rock storage areas will be re-sloped, dressed with overburden, and seeded. The beaches and slopes of the tailing storage area will also be seeded. The objective is to promote re-establishment of indigenous species, and evolve toward a self-sustaining ecosystem.

Taseko maintained the mine on standby from 1999-2004, and during that time progressive reclamation was completed. Also in 2002, Gibraltar and the Cariboo Regional District completed studies and agreed to develop a landfill site on waste dumps in an area that would not be needed for future operation of the mine. The landfill will provide reclamation credits to the land it occupies, as well as revenues. As a result, the Company received a release of \$2.5 million from the reclamation deposits in December 2002. Construction was initiated in June 2003 and operations began in October 2003. Additional credits and offsets are expected related to an on-site mini-hydro power generation project that is presently in the implementation stage.

The most recent reclamation plan and closure report, dated February 26, 2003, was approved by the BC Ministry of Energy and Mines ("MEM") in 2004. This report states that the total closure costs, including





covering rock piles with 1.0 m of till, would be \$36.7 million (assuming 2005 dollars and that an outside contractor is hired to do the work). The estimated amount of the reclamation costs, adjusted for estimated inflation at 2.5% per year, in 2017 dollars, is \$49.4 million. MEM agreed to consider Gibraltar's request to reduce the thickness of the till cover to 0.5 m. If approved, this would reduce final closure costs to \$32.9 million in current 2005 dollars.

The mine and reclamation permit approved in 2004 requires that the reclamation liability outlined in the final closure and reclamation report be covered by \$18.5 million in a reclamation trust. The additional liability is covered by MEM having a first charge on equipment owned by Gibraltar.

There have been no environmental non-compliances or incidents since the mine re-opened.

#### *Plans for 2006*

Continued copper and molybdenum production is planned for 2006. Further definition drilling and economic analysis will be undertaken in 2006 with the objective of upgrading additional resources into the reserve category. The drilling program will be focused on defining this resource between the existing pits and tying together the extensive mineralization ones.

In anticipation of a further increase in the mineral reserves, an engineering study was initiated to evaluate the economics in expanding the concentrator production rate by 25%. The upgrade was approved by the Board of Directors in late March 2006. The \$62 million approved expenditure will include expansion of the concentrator's grinding circuit by incorporating a Semi Autogenous Grinding (SAG) mill to improve the efficiency of the present milling and crushing system. The project also includes a complete replacement of the flotation recovery system.

The ore processing capacity of the mill will increase from the current 36,750 tons per day to 46,000 tons per day. As a result of the increased capacity and the improved recoveries related to the new flotation system, the annual copper production is expected to rise by 30% to approximately 100 million pounds per year. The new SAG mill will, however, be capable of processing up to 50,000 tons of ore per day, depending on ore characteristics and operating strategy. Additional engineering analyses of the tailings system and electrical infrastructure, as well as long-term mine plans, are being undertaken to determine whether that additional daily throughput can be achieved.

Funding for the expansion will come from a combination of internally generated cash flows and commercial capital sources. The upgrade to the flotation system will begin immediately. Construction of the grinding circuit will begin in the summer of 2006, with completion planned for the latter part of 2007.

Since the Gibraltar mine re-opened, oxidized copper ore has been removed and stockpiled, while sulphide mineralization has been treated through conventional processes in the mine concentrator. Mining in the Pollyanna Pit has now progressed to the point where sufficient oxidized copper ore is available for placement on the leach pads to support continual operation of the solvent extraction and electrowinning (SX-EW) plant. As a result, in 2006 the Company announced that it would refurbish the SX-EW plant. The anticipated capital cost of rehabilitation of the SX-EW plant is \$3 million. It is expected to be operational by the fall of 2006. The plant is capable of producing up to 7 million lbs of LME Grade Cathode Copper per year.

#### *Copper Refinery Study Update*

Feasibility level studies were completed in 2002 to assess the viability of constructing a copper refinery at Gibraltar, based on a hydrometallurgical process developed by Cominco Engineering Services Ltd. A refinery located at Gibraltar would produce cathode copper from copper concentrate at the site rather than



sending these concentrates to an overseas smelter for treatment, which would result in an estimated operating cost saving to Gibraltar of approximately US\$0.20/lb of copper produced.

With mining operations now underway at Gibraltar, mine technical personnel have been re-assessing the refinery project. An updated refinery feasibility study is expected to be completed in the near term, but the immediate focus is to increase the reserves and evaluate the mill expansion as these will affect the refinery project economics. The British Columbia Environmental Assessment ( BCEA ) Office has advised Taseko that the proposed refinery would not be reviewable under the BCEA Act because the refining process would be integrated with ore milling operations of the fully permitted Gibraltar mine.

#### *Labor Matters*

In a vote held in November 2004 and counted in February 2005, 74% of the workers at the Gibraltar mine voted for the Christian Labour Association of Canada ("CLAC") union, making CLAC Local No. 68 the certified union for the mine. CLAC had previously ratified a collective agreement with Ledcor, the mine operator, in September 2004.

#### *Prosperity Project*

##### *Location, Access and Infrastructure*

The Prosperity project consists of 196 mineral claims covering the mineral rights for approximately 85 square km of south-central British Columbia, Canada. The property is located in the Clinton Mining Division, approximately 125 km southwest of the City of Williams Lake in south-central British Columbia. Access from Williams Lake is via Highway #20 to the community of Lee's Corner, then via an all-weather main line logging haulage road to the site, a total road distance of 192 km. The Canadian National Railway services Williams Lake and has rolling stock available to move copper concentrates by rail to points of sale in North America. The city of Williams Lake is sufficiently close and is capable of supplying goods, services and personnel to a mine.

Multiple high-voltage transmission lines from the existing Peace River hydroelectric power grid are situated 118 km east of the Prosperity project. The current design to supply the required power to service a large mine and mill complex at the Prosperity project site consists of a 124-km conventional power line to connect to the existing BC power grid. A major natural gas transmission pipeline is situated 112 km northeast of the Prosperity project and would be connected by a new pipeline following the existing road. Ample water is available nearby for a mining operation.

##### *Geology and Mineralization*

The Prosperity property hosts a large porphyry copper-gold deposit. The deposit is predominantly hosted in Cretaceous volcanic rocks. In the western portion of the deposit, the host rocks have been intruded by the multi-phase, steeply south-dipping Fish Creek Intrusive Stock. The stock is surrounded by an east-west trending, south-dipping swarm of subparallel quartz-feldspar porphyritic dikes. These comprise the Late Cretaceous Fish Lake Intrusive Complex that is related to the mineralization in the deposit. The central portion of the deposit is cut by two major faults, striking north-south and dipping steeply to the west.

Pyrite and chalcopyrite are the principal sulphide minerals in the deposit. They are uniformly distributed as disseminations, fracture-fillings, veins and veinlets and may be accompanied by bornite (a copper ore mineral) and lesser molybdenite (a molybdenum ore mineral) and tetrahedrite-tennantite (ore minerals of copper and silver). Native gold occurs as inclusions in and along microfractures with copper-bearing minerals and pyrite.

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*History*

Prospectors discovered mineralization in the 1930s. Exploration continued intermittently and by a variety of operators until about 1991, and included extensive IP, magnetic and soil geochemical surveys, and 176 percussion and diamond drill holes, totalling approximately 27,200 metres. This work helped define the Prosperity Project mineralization to a depth of 200 metres, and outlined a copper-gold mineralized zone approximately 850 metres in diameter.

Taseko carried out ongoing and systematic exploration programs from 1991-1999, 154,631 metres has been drilled in 452 holes and accompanied by progressive engineering, metallurgical and environmental studies.

In 1993, Melis Engineering Ltd. was retained by Taseko to carry out comprehensive metallurgical tests on drill core samples from the Prosperity Project to evaluate the metallurgical variability of the deposit. The test program included batch flotation tests and eleven lock-cycle flotation tests on various composites, and provided detailed copper-gold concentrate analyses, grindability assessments, tailings settling tests and environmental data.

The results from the variability testwork demonstrated that copper recoveries ranged from 83.0% to 88.4% with copper concentrate grades ranging from 22.2% Cu to 28.8% Cu. Gold recoveries ranged from 66.1% to 79.8% with grades ranging from 26.0 grams Au/tonne to 71.3 grams Au/tonne reporting to the copper concentrate. Bond rod mill and ball mill grindability tests of drill hole composites indicated a variation of hardness within individual levels and an increase in hardness with depth. Work indices ranged from 16.4 to 20.4.

The conceptual concentrator design was conventional, consisting of SAG (Semi-Autogenous Grinding) and ball mill grinding; bulk sulphide flotation; regrind and rougher/scavenger flotation; cleaner flotation; and concentrate dewatering.

Late in 1993, Kilborn Engineering Pacific Ltd. was contracted to complete a detailed Project Pre-feasibility Study, which was successfully tabled in mid-1994. The Kilborn Pre-feasibility Study, which considered a 60,000 tonne per day milling rate, addressed most aspects of the Project at the level of detail and analysis greater than that normally attributed to a pre-feasibility study. It confirmed that the Prosperity Project compared favourably with open pit mines currently operating in the region and provided excellent benchmarks for productivity and cost comparisons.

In October 1997, Lakefield Research Limited completed pilot plant metallurgical programs and bulk sample processing to confirm final process design criteria. The program focused on finalizing detailed process criteria for a feasibility study, including copper and gold recovery into a copper-gold flotation concentrate, assessment of grindability characteristics and detailed concentrate and environmental analyses. Results from the 50-tonne pilot plant program results compared favourably with the Pre-feasibility Study metallurgical results.

In 1998, G. Giroux, P.Eng., estimated measured and indicated mineral resources in the Prosperity deposit. This estimate was used as the basis for feasibility level studies in 1999-2000. That detailed investigative work included a review of all major facilities and their construction requirements, unit costs for labour, materials and equipment. Along with the construction aspects of the project, a series of optimization studies that analyzed how the mining should best progress in consideration of the most recent metal price and exchange rate forecasts. Milling reviews examined the original Lakefield Research investigations, pilot plant program and the more recent modal analyses by G&T Metallurgy to determine if they offered any changes that would result in cost savings. Upon completion of the multitude of studies, an all-encompassing project analysis was conducted in preparation for completing a project feasibility report.

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During 1999, consulting geotechnical engineers Knight Piesold Ltd. focused their attention on rock waste and tailings storage studies. At the same time, Merit Consultants reviewed the parameters for construction of major structures. The tailings storage studies investigated holding capacities from 490 million tonnes to 810 million tonnes, methods of embankment design from impervious to free draining, filling by cyclone or spigot, and various tailings pumping scenarios. Knight Piesold Ltd. designed the embankment, tailing and reclaim water pipeline system, freshwater supply system, open pit dewatering and slope, waste dumps, geotechnical foundation and surface water run-off control systems. Triton Environmental Consultants developed management for environmental and socio-economic permitting, planning, fisheries compensation, mitigation and reclamation. Merit Consultants International continued to review construction and project management criteria. They also provided details and rates for alternative collective bargaining construction agreements.

Mine engineers examined mining/milling rates of 60,000 and 90,000 tonnes per day along with a reduced mine plan of 400 million tonnes and stripping ratio of 1:1, respectively. Following the 60,000 and 90,000 tonnes per day investigations, Taseko engineers and outside consultants conducted detailed optimization investigations for mine production schedules and milling rates of 70,000, 75,000 and 80,000 tonnes per day.

In March 2000, subsequent to economic analyses and mining plan optimization studies undertaken by Taseko, a revised processing rate of 70,000 tonnes per day was adopted for a detailed study of the Prosperity Project. The open pit mine design, mine plans, mining capital and operating costs were prepared by Nilsson Mine Services Ltd. with the assistance of the engineering staff of Gibraltar Mines Ltd. Kilborn developed the mill flow sheet in conjunction with the Gibraltar engineering staff. Butterfield Mineral Consultants Ltd. conducted a study of the saleability of the Prosperity concentrate. Pilot plant tailings aging tests continued until August 2000 when the 36-month analyses were completed. The tailings aging tests tables for the 1998 Pilot Plant report were also updated for environmental requirements of the Project Reporting. Electrical transmission design engineers Ian Hayward International Ltd. designed the 230 kilovolt (kV) transmission line, provided the detailed material take-off and selected the right-of-way to the site from the BC Hydro Dog Creek substation.

The latest mining/milling optimization work has detailed much of the engineering work beyond that conducted previously by considering two major initiatives. Firstly, environmental analyses were reviewed and the waste rock storage criteria revised, enabling reduced truck haulage requirements. Secondly, application of current and actual Gibraltar mine equipment operating costs resulted in reduced overall mining costs. The most suitable waste rock and tailings storage designs were incorporated into the development. Reduced milling costs were achieved by increasing the primary grind specification from 160 microns to 200 microns. This improvement was determined through additional metallurgical reviews. Cost effective construction criteria, investigated by Merit Consultants, were applied to all major structure cost estimating.

Kilborn Engineering Pacific Ltd provided a draft report on the detailed engineering studies in December 2000. The studies indicated that the deposit was amenable to open pit mining but additional refinements were necessary to improve project economics. Further work had been deferred until late 2005.

#### *Sampling and Analysis*

Since the current Taseko management group took over the project in 1991, 127,000 metres of HQ and NQ core has been drilled in 275 bore holes, and a single 200-metre percussion hole. Core recovery averaged 95.7% . Drill company personnel boxed all core and delivered it to Taseko's logging compound at the Prosperity site twice daily. Taseko geological and engineering staff based at the Prosperity site supervised drilling, logging and sampling. A total of 57,778 core samples were taken, each sample was generally two metres in length.

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In 1991-1994, drill core was mechanically split, one half of which was submitted for preparation and analysis. In 1996-97, 42% was subject to whole core sampling, 44% was sampled as sawn half-core, 5% of samples comprised the larger portion of core sawn 80:20. The remaining 9% was cored overburden, which was not generally sampled. Half of the core remaining after splitting is stored in core racks at site.

Samples were bagged and shipped by commercial surface transport to Vancouver area laboratories, where they were prepared. Samples were dried at temperatures less than 65° C. In 1991-1993, primary comminution to approximately 1/4 inch (6.4 mm) size by a jaw crusher with secondary roll crushing to obtain minus 15 mesh. In 1994-1997, samples were crushed in a single stage so that greater than 60% passed a 10 mesh screen and 500 gram assay splits were riffled out for crushing. Coarse rejects were retained until year 2000 in a warehouse in Port Kells, British Columbia. Ring and puck pulverization was used. In 1991-1993, approximately 95% of the sample passed a 120 mesh screen. In 1994-1997, greater than 90% of the sample passed a 150 mesh screen. Pulp rejects are retained indefinitely at the Port Kells warehouse.

All assays and analyses were performed by Assayers Canada (formerly Min-En Laboratories). Gold analysis was done by lead collection fire assay, using a 30 gram charge and an Atomic Absorption Spectroscopy (AAS) finish. Copper analysis was done by Aqua Regia digestion on a 2 gram sample, AAS finish. Mercury analysis was done by Cold Vapour AA. Multi-element analysis by Inductively Coupled Plasma Emission Spectroscopy (ICP-ES) was also done on all samples.

In order to assess quality control, duplicate and standard reference samples were submitted for assaying, representing more than 10% of the total assays. Random duplicates were derived from 5% of all rejects. Every twentieth sample was shipped to either Chemex Labs Ltd. (now ALS Chemex) or International Plasma Laboratories Ltd. for riffle splitting of the coarse rejects, pulverization and analysis for gold and copper. In 1994-1997, project-based, bulk standard reference materials were created and submitted within the mainstream and duplicate analytical streams.

#### *Security of Samples*

For Prosperity, drill core is stacked and stored on the property. Pulps and rejects from core samples are generally stored by the analytical facility for one year, then acquired by the Company and stored in a secured facility in Port Kells. All rejects are discarded after two years.

#### *Plans for 2006*

In November 2005, work was re-initiated on the Prosperity Copper-Gold Project.

Previous work on the project included two years in the British Columbia Environmental Assessment ("BCEA") process. In 2005, Taseko was granted an extension order for the Prosperity Project Application under the BCEA process until April 30, 2007.

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

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## ***Harmony Gold Project***

### *Location, Access and Infrastructure*

The Harmony Gold Project is located in the Skeena Mining Division, on Graham Island, Queen Charlotte Islands (also referred to by its aboriginal inhabitants as "Haida Gwaii"), on the northwestern coast of British Columbia, Canada. The Harmony Gold Property comprises of 50 four post mineral claims, 37 two post mineral claims and one fractional claim, totalling 970 claim units and 24,250 ha. The deposit-area claims are in good standing until June 29, 2009.

The Queen Charlotte Islands-Haida Gwaii, are approximately 89 kilometres west of the British Columbia mainland, 159 kilometres southwest of the City of Prince Rupert, and approximately 770 kilometres northwest of the City of Vancouver. Existing high capacity industrial logging roads, extending from the towns of Port Clements, Masset and Queen Charlotte City, are used access the site. By road, the property is approximately 40 kilometres from Queen Charlotte City and 30 kilometres from Port Clements. Graham Island is readily accessed by ferries and commercial barges and shipping from both Prince Rupert and Vancouver. There are also daily commercial flights from Vancouver.

### *History*

Prospectors discovered mineralization at Harmony in 1970. The project claims were optioned by various companies during the period 1970 to 1975, which carried out geological mapping, geochemical surveys and minor drilling. Consolidated Cinola Mines Ltd. acquired the ground in 1977 and with partners, carried out detailed drilling totalling 30,116 m in 231 holes by 1984. In 1981, 465 m of an underground drift and crosscuts were excavated for a metallurgical bulk sample. A 45 tonne per day pilot mill was established to treat about 5,200 tonnes of material and in 1982 a feasibility study for a 10,000-15,000 tonnes per day operation was completed. From 1986 to 1988, City Resources drilled 83 diamond drill holes and 64 reverse-circulation drill holes, totalling 13,356 m, and completed 117.6 m of underground development to obtain a bulk sample, conducted bench scale metallurgical testing, and developed open pit scenarios for the project. Barrack Gold acquired the project in 1989 and renamed the company to Misty Mountain Gold Ltd.

Metallurgical testwork completed prior to 1987 fell short of arriving at an economically and environmentally viable ore treatment/gold extraction process for the Specogna Deposit. Since 1996, Misty Mountain has pursued a comprehensive program of extending the previous testwork and exploring other potentially viable process options for the recovery of gold, including gravity, flotation, bio-oxidation of flotation concentrate, bio-oxidation of whole ore, carbon-in-leach cyanidation and thiosulphate leaching. This work has included a reassessment of the ore deposit mineralogy, geology and characteristics of gold mineralization. The reassessment of pre-1987 metallurgical sampling discovered that the previous pilot plant bulk sample material was unrepresentative of the overall deposit, having been collected predominantly from a thin horizontal unit that comprises only about 7% of the overall in-pit rock.

Additional drilling, metallurgical and engineering studies were carried out from 1989-1999. In 1997, a resource estimate was completed by M. Nowak, P.Eng., and preliminary mine planning was done by Independent Mining Consultants Inc. of Tucson, Arizona .

Metallurgical samples for the 1997 and 1998 testwork were carefully selected so as to be representative of the overall in-pit rock units. Bench scale tests of these samples have revealed acceptable gold recoveries both through collection and treatment of a sulphide concentrate and through direct bio-oxidation of whole ore followed by gold leaching. Work is required to optimize the processes from an economical perspective and confirm initial results by applying these same processes to larger, representative samples.





### *Geology and Mineralization*

The Harmony property hosts the Specogna epithermal gold deposit, controlled by the Sandspit fault. It is a right lateral transverse-normal fault; the eastern side is down-dropped at least several hundred metres, and the dip is 40 to 60° to the east. Cretaceous Haida Formation mudstones underlie the western side (footwall) of the fault, and the eastern side by Miocene sandstones, siltstones and conglomerates of the Skonun Formation.

Dacite dykes of Tertiary age have intruded along the fault. Contemporaneous, pervasive silicification, hydrothermal brecciation, stockwork and banded quartz veining and gold mineralization have developed along the hanging wall of the fault. This extends for a strike distance of at least 800 metres, eastwards from the fault at least 200 metres and to a depth of at least 240 metres. Pyrite and marcasite (iron sulphides) are the dominant metallic minerals. Gold occurs as native gold and electrum, which are commonly visible. Silver is also present as an alloy with gold.

### *Sample Analysis and Security*

During the period from 1971 to 1989, previous operators sent either split or sawn half core samples for assaying. Samples were taken continuously over lengths ranging between 1.5 to 2.0 metres, and crossing lithologic boundaries in most instances. Early gold analyses included chemical extraction followed by gravimetric or Atomic Absorption (AA) finish. Check assaying procedures were included at various laboratories including Chemex, Bondar Clegg, General Testing and Bell-White Labs.

Drill core sample lengths chosen by Misty Mountain were varied to selectively isolate vein material and to avoid sampling across lithologic boundaries. Samples totalled 22,421 in number from 35,652 metres of core, and for the most part each sample was between 1.75 and 2.25 metres (actual range 0.06 – 6.10 metres) in length. Whole NQ2 core rather than half core was sampled to obtain maximum assay precision.

Sample preparation was carried out at Assayers Canada Vancouver, BC, where drill core was crushed to 60% passing 10 mesh and pulverized to 90% - 150 mesh. Prepared samples were sent to Chemex Labs Ltd. for mainstream assay and to CDN Laboratories for check assay. A one-assay ton charge was used for gold fire assay with an AA finish; a one-gram sample was assayed for silver using AA. All samples were sent for 32-element ICP analysis. A total of 23,690 prepared samples was analysed at Chemex and 1,132 prepared samples was analysed at CDN Laboratories using a similar assaying procedure.

### *Sample Security*

Sample pulps are stored in the Company's warehouse at Port Kells, British Columbia. Drill core is stored at site.

### *Environmental and Socio-economic Considerations*

Perceptions of possible acid rock drainage have been the main environmental concern relating to the Harmony Gold Project, based on the previously proposed large scale, open pit mine plan. The location and size of waste rock sites proposed in that plan was also a concern. The previous mine plan was a concern of First Nations and other community people; however, local citizens have not prevented any development work. The area has been extensively logged and permitting efforts by former operators on the Property were well advanced. Misty Mountain initiated base line environmental, wildlife, fisheries, climate, hydrology and vegetation monitoring studies. These studies were initiated before the commencement of the 1995 exploration work in order to establish both Misty Mountain's intention and desire for the utmost integrity of the database and to establish a firm foundation for future permitting, as the company recognized that successful development of the project must be done in a safe,



environmentally responsible manner, which will maximize benefits to regional communities. The open, co-operative consultation process with all stakeholders, with specific attention to the First Nations community, merged with successful exploration results and utilizing low impact, proven, conventional mining methods, applicable to gold production from epithermal gold mineralization initiated by Misty Mountain would also be the intention of Taseko.

#### Aboriginal (or "First Nations") Issues

The Queen Charlotte Islands-Haida Gwaii, including the area surrounding the Harmony Gold Project, is subject to aboriginal peoples' land claims. Aboriginal land claims are subject to the BC Treaty Commission Legislation and the BC Treaty Commission, both established in 1993. The Commission facilitates and manages a six stage process whereby the Government of Canada, the Government of British Columbia and a First Nation negotiate a treaty settlement. The Council of Haida Nations (the First Nation claiming jurisdiction over the area of the Harmony Gold Project) is presently in the second stage, Preparation for Negotiations. The British Columbia government has stated a policy that settlements will not adversely affect existing tenures in the settlement areas.

In late 1999, the First Nations people on Graham Island launched a lawsuit against the Government of British Columbia (Ministry of Forests). In the suit, the First Nations peoples challenged the ability of government to issue effective permits for resource development on the Queen Charlotte Islands. Due in part to this uncertainty, Misty Mountain and Taseko management deferred further work on the project. In late 2000, a decision was rendered on the lawsuit. The First Nations lost its application to have the permit set aside; however, the Court went on to create a new moral duty on the part of the exploration companies to consult with First Nations, and also introduced some new uncertainties. Although the decision did not decide whether the First Nations hold aboriginal title to the Queen Charlotte Islands-Haida Gwaii, the judge accepted to some degree that at least some of the lands are subject to aboriginal title or rights and contingent on future land claims negotiations. The government asked for further clarification of the Haida decision, which was heard in 2004. The key aspects of the October 2004 decision by the Supreme Court of Canada are: the Crown may have a legal duty to consult prior to rights being negotiated or proven; there is no independent duty on private third parties to consult and aboriginals do not have a right of veto over Crown decisions.

A formal land use planning process, co-sponsored by the Province and the Haida, was initiated in mid-2003. At this time, recommendations from the land use table and terms of reference for further discussions are being finalized and will be used by the BC government and the Haida for government to government negotiations. The Haida vision is to protect an additional 200,000 hectares of the land base, in addition to Goal One and Goal Two requests, involving the protection of approximately another 49,000 hectares. Lands presently in reserve and/or parks comprise approximately 220,000 hectares. The total area of the islands is about 1,000,000 hectares. A narrow corridor along the Yakoun River, which crosses the Harmony block of claims, is proposed for protection by the Haida. It is not yet known what the full effect will be on the Harmony property.

#### *Plan of Operation*

Assessments will be undertaken over time as metal prices indicate new opportunities for the Harmony project. However in 2006, Taseko anticipates focusing its resources on the Gibraltar mine and Prosperity project.

#### *Wasp and Anvil Properties*

In May 2005, the Company entered into an option agreement with Amarc Resources Ltd ("Amarc"), a public company with certain directors in common with Taseko, for Amarc to earn a 50% interest in the

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Wasp and Anvil properties currently held by Taseko, which are located approximately 15 kilometers southeast of the Company's Prosperity project. Amarc will be the operator and can acquire its interest by incurring \$150,000 of exploration expenditures over a two year period. To March 30, 2006, Amarc had incurred \$nil of eligible exploration expenditures on these properties.

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## ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with the consolidated financial statements of Taseko and notes thereto, included elsewhere in this Annual Report, which have been prepared in accordance with Canadian GAAP, with material measurement differences reconciled to US GAAP, and with the discussion of certain risk factors set forth under “Item 3. Key Information—Risk Factors” that might materially affect the Company’s operating results and financial condition.

### OVERVIEW

Taseko is a mining and mineral exploration company with three properties located in British Columbia, Canada. These are the Gibraltar copper-molybdenum mine and two exploration projects: the Prosperity copper-gold property and the Harmony gold property.

#### Gibraltar Mine

The Gibraltar mine reopened in early October 2004 as a copper producer with a 12-year mine plan. The first fiscal quarter was primarily a restart period and commercial production commenced on January 1, 2005. After the completion of an upgrade to the molybdenum circuit near the end of the second quarter, the mine commenced molybdenum production. The mine produced 54.8 million pounds of copper and 427,000 pounds of molybdenum during the 2005 fiscal year.

Highlights for the 2005 fiscal year included the following:

- For the 2005 fiscal year covering nine months of commercial production from January 1, 2005 to September 30, 2005, Gibraltar recorded revenues of \$71.9 million from sales of copper concentrate and \$15.7 million was realized from sales of molybdenum concentrate.
  - Average sales prices for the year were US\$1.48 per pound for copper and US\$31 per pound for molybdenum.
  - Copper concentrate production for the year was 96,208 wet metric tonnes (“WMT”), or 54.8 million pounds of copper (93% of the forecast revised at the end of the second quarter), of which 21,335 WMT, or 12.1 million pounds, relate to the pre-commercial-production period ending December 31, 2004 and which have been presented, to the extent they match to sales in the period, as an increase in restart project costs. The inventory build up of 13,210 WMT (7.4 million pounds of copper) was reported as concentrate inventory amounting to \$8.5 million at December 31, 2004.
  - Copper concentrate sales for the year were 77,695 WMT or 44.0 million pounds of copper, of which 8,103 WMT, or 4.8 million pounds, relate to the pre-commercial-production period ending December 31, 2004 and which have been presented as a reduction in restart project costs.
  - An inventory of 18,614 WMT of copper concentrate (10.6 million pounds of copper) remained at year end, of which approximately 14,500 WMT was pre-sold and held in a storage facility at the shipping dock as there were no ships available at that time to transport it to smelters in Asia.
  - Molybdenum in concentrate production during the year was 427,000 pounds (80% of the forecast revised at the end of the second quarter).
  - Molybdenum in concentrate sales over the year were 418,016 pounds.
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The copper circuit commenced initial operations in October 2004, and the first copper concentrate was shipped to a smelter in December 2004. A major upgrade to the molybdenum circuit was started in the first fiscal quarter, and the molybdenum circuit was commissioned in February 2005. The first molybdenum in concentrate was sold in March 2005.

### **Prosperity Project**

In November 2005, work was re-initiated on the Prosperity Copper-Gold Project, located 125 kilometres southwest of the City of Williams Lake in south-central British Columbia.

Taseko carried out extensive exploration, engineering, mine planning, environmental, and socioeconomic studies on the Prosperity project prior to 2001, including two years in the British Columbia Environmental Assessment ("BCEA") process. In 2005, Taseko was granted an extension order for the Prosperity Project Application under the BCEA process until April 30, 2007.

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

### **Harmony Project**

In 2005, the Company was focused on the Gibraltar mine and to a modest extent on the Prosperity project; therefore only maintenance activities were performed on the Harmony project. These activities will continue and assessments will be undertaken over time as metal prices indicate new opportunities for the Harmony project. In 2006, Taseko anticipates continuing to focus its resources and its efforts on the Gibraltar mine and the Prosperity project.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company's accounting policies are presented in note 3 of the accompanying financial statements. A reconciliation of material differences between these principles and accounting principles generally accepted in the United States is shown in note 15. The preparation of financial statements in conformity with Canadian and US generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The Company evaluates its estimates on an ongoing basis and bases them on various assumptions that are believed to be reasonable under the circumstances. The Company's estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Such estimates and assumptions include the estimation of mineral resources and reserves, the carrying values of mineral properties, the carrying values of property, plant and equipment, the assumptions used in determining the reclamation obligation, and the valuation of stock-based compensation expense.

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**A. Operating Results**

Selected operating results, expressed in Canadian GAAP, for the fiscal years ended September 30, 2005, 2004 and 2003 are presented below. Effective October 1, 2004, the Company adopted the CICA's Handbook Section 3110, "Asset Retirement Obligations". The standard requires the recognition of any statutory, contractual or other legal obligation related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. This standard has been adopted retroactively with a restatement of all prior periods presented:

	Year ended September 30 2005	As at September 30 2004 (restated)	As at September 30 2003 (restated)
<b>Statement of operations</b>			
Revenue	\$ (87,638,300)	\$	\$
Cost of production	57,799,558		
Transportation and treatment	13,548,560		
Amortization	2,657,165	17,296	42,564
Accretion of reclamation obligation	1,574,000	1,431,000	1,300,000
Exploration	505,586	4,456,901	2,024,671
Foreign exchange	34,080		
Loss (gain) on sale of equipment	2,160,992		(131,638)
General and administration	2,411,688	2,334,840	855,646
Interest and other income	(10,547,609)	(5,154,209)	(721,480)
Interest expense	3,175,353	499,294	201,942
Premium paid for acquisition of Gibraltar Reclamation Trust LP		5,095,249	
Refinery project			500,000
Restart project	6,346,650	14,982,008	
Stock-based compensation	1,129,026	5,172,244	65,344
Write down of mineral property acquisition costs		28,810,296	
Current income tax expense (recovery)	(4,099,000)	23,744,000	
Future income tax expense (recovery)	(13,423,000)		
Earnings (loss) for the year	24,365,251	(81,388,919)	(4,137,049)
Accretion expense on convertible debenture	1,075,478	977,705	888,823
Basic earnings (loss) per share	\$ 0.23	\$ (1.09)	\$ (0.09)
Diluted earnings (loss) per share	\$ 0.21	\$ (1.09)	\$ (0.09)
Basic weighted average number of common shares outstanding	100,021,655	75,113,426	46,984,378
Diluted weighted average number of common shares outstanding	110,732,926	75,113,426	46,984,378

**Fiscal 2005 Compared to Fiscal 2004****Earnings**

The Company's earnings for the year ended September 30, 2005 were \$24.4 million (including \$17.5 million of tax recoveries), compared to a loss of \$81.4 million (including \$23.7 million of tax expense) in the prior year. The

earnings are due to the resumption of active production at the Gibraltar copper-molybdenum mine, and the recognition of tax benefits in the consolidated financial statements.

**Revenues**

The Company recognized revenues of \$87.6 million for the year ended September 30, 2005 compared to \$nil in fiscal 2004. Revenues were comprised of sales of copper and molybdenum. Commercial production from the mine commenced on January 1, 2005. Sales of copper concentrate prior to January 1, 2005 relate to the pre-commercial production period ending December 31, 2004 and were offset against restart project costs. Commercial production from January 1, 2005 to September 30, 2005 was as follows:

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<b>Gibraltar Mine Commercial Production</b> <b>January 1, 2005 to September 30, 2005</b>		
Copper production (lb)	42,675,438	
Copper sales (lb)	39,584,722	
Molybdenum production (lb)	427,059	
Molybdenum sales (lb)	418,016	
	<b>Cdn\$</b>	<b>US\$</b>
Copper production costs, net of molybdenum, per lb of copper	\$ 1.06	\$ 0.87
Treatment and transportation cost per lb of copper	0.34	0.28
Total production cost per lb of copper	\$ 1.40	\$ 1.15

In late September 2005, the Company received funds of approximately \$14.3 million from the sale of copper concentrate during the last week of the fiscal year. The Company was unable to recognize the revenue from this sale as the copper concentrate was held in a storage facility at the dock as there were no ships available at that time to transport the copper concentrate to smelters in Asia. Consequently, the Company recorded this sale as deferred revenue for the year ended September 30, 2005 and will recognize this sale as revenue upon shipment to the customer.

### **Cost of Production**

Total production costs for the year were \$57.8 million compared to \$nil in fiscal 2004. These costs include mining (2005 – \$33.8 million; 2004 – \$nil), milling (2005 – \$23.4 million; 2004 – \$nil), mine administration (2005 – \$5.7 million; 2004 – \$nil), royalties;(2005 - \$0.3 million; 2004 – \$nil) and molybdenum treatment expenses (2005 – \$2.4 million; 2004 - \$nil). Production costs increased significantly from the prior year due to the reactivation of the Gibraltar Mine.

### **Transportation and Treatment**

Transportation costs are comprised of the trucking, rail, ocean freight and handling fees incurred to move concentrate from the mine to the smelters. Treatment costs are comprised of treatment charges and refining charges. Due to the Gibraltar mine re-start, these costs increased to \$13.5 million for fiscal 2005 compared to \$nil in fiscal 2004.

### **Amortization**

Amortization expense relates to the commissioning of new equipment purchased and leased during restart, and increased to \$2.7 million compared to \$0.02 million in fiscal 2004 due to the mine re-start.

### **Exploration**

Exploration expenses consist of assays and analysis, drilling, equipment rentals, geological expenses, mine planning and site activities. The expenses decreased to \$0.5 million in fiscal 2005 from \$4.5 million in fiscal 2004 due to a reduction in exploration activities and mine maintenance costs in fiscal 2005. These expenses consisted of \$0.3 million of exploratory drilling at the Gibraltar mine site, \$0.15 million on due diligence relating to potential new projects, \$0.03 million on the Prosperity project and \$0.02 million on the Harmony project.

### **Loss on Sale of Equipment**

Loss on sale of equipment was \$2,160,992 in fiscal 2005 compared to \$nil in fiscal 2004. This loss relates to the sale of a mining shovel and five haul trucks for approximately \$22 million which Taseko had purchased in March 2004 for 23.7 million (plus the cost of \$5 million was incurred installing the equipment at the Gibraltar mine. Of the \$22 million sale price, \$17.5 million was received, net of a 20% holdback (approximately \$4.5 million) which was applied as a down payment against the Leducor leases. The purchaser leased the shovel and trucks to a subsidiary of Leducor and this equipment is used at the Gibraltar mine. The Company has accounted for this as a sale-leaseback transaction and recognized the \$2,160,992 loss accordingly.

### **General and Administrative**

General and administrative costs increased slightly to \$2.4 million in fiscal 2005 from \$2.3 million in 2004. The main reason for the increase was significantly higher office and administration expenses, which included salaries, (2005 - \$1.1 million; 2004 - \$0.6 million) and relates to the overall increase in corporate activity. This increase was offset by a significant reduction in shareholder communication expenses (2005 - \$0.3 million; 2004 - \$0.7 million).

### **Interest and Other Income**

Interest and other income increased to \$10.5 million in fiscal 2005 from \$5.2 million in fiscal 2004 due primarily to higher cash and equivalent balances on hand.

### **Interest Expense**

Interest expense increased to \$3.2 million in fiscal 2005 from \$0.5 million in fiscal 2004 due to interest payments on the Company's capital lease obligations.

### **Restart Project**

Expenses relating to the restart project include costs for the mine, mill, site services, administration, warehouse, engineering and environmental matters. These expenses decreased in fiscal 2005 to \$6,346,650 compared to \$14,982,008 in fiscal 2004 since the restart activities for copper concentrate production ended in the first fiscal quarter and commercial production commenced on January 1, 2005, and the restart activities for molybdenum concentrate production ended near the end of the second quarter.

### **Stock-Based Compensation**

Stock-based compensation consists of the estimated fair value of all options granted during the year assuming a term of 2.75 years, 3% interest, 90% volatility and no expected dividends. The stock-based compensation costs recognized in operations decreased to \$1.1 million in fiscal 2005 from \$5.2 million in fiscal 2004 due to fewer options granted and a lower volatility in fiscal 2005 compared to fiscal 2004.

### **Income Tax Expense**

Future income tax assets and liabilities arise from mineral properties, loss carry forwards, equipment, royalty obligations, provincial mining taxes and other pools. The Company recorded a current income tax recovery of \$4.1 million and future income tax recovery of \$13.4 million in fiscal 2005 compared to a current income tax expense of \$23.7 million in fiscal 2004. The increase in income tax recoveries is due to the recognition of tax benefits in fiscal 2005.

### **Non-Recurring Expenses**



The Company did not have any significant non-recurring expenses in fiscal 2005 compared to fiscal 2004 when the Company paid the premium for acquisition of the Gibraltar Reclamation Trust (\$5,095,240) and a wrote down mineral property acquisition costs on the Harmony Gold Property (\$28,810,296).

**Fiscal 2004 Compared to Fiscal 2003**

The Company's loss for the year increased to \$80.7 million in 2004 from \$3.5 million in 2003. The loss arose primarily from (a) a \$28.8 million write down of the Company's interest in the Harmony Gold Property, (b) an accrual of \$23.7 million for possible income taxes related to the sale of the royalty, (c) a \$5.1 million premium paid to acquire all the units of the Gibraltar Reclamation Trust Limited Partnership, (d) exploration expenses of \$4.5 million, (e) expenses totaling \$15.0 million related to the restart of the Gibraltar mine and (f) \$8.1 million expenses from other operating and overhead activities.

While management does not believe there has been a fundamental change in the nature of the Harmony Gold Property it determined during the year ended September 30, 2004, to write down the Harmony Gold Property to a nominal value of \$1,000. Accounting rules require that the Company must write down its investment in the property if it has not conducted significant exploration or development on the property in the last several years, unless there is persuasive evidence to the contrary to support the carrying value.

The Company also accrued a tax provision of a subsidiary company of \$23.7 million in the accompanying financial statements reflecting possible income taxes on the proceeds of the Royalty Sale (see Gibraltar Property discussion in Item 4). This tax provision reflects an amount which management believes is less than likely of ever becoming payable. The amount represents a potential liability which has been recognized in a conservative manner in accordance with Canadian generally accepted accounting principles. It does not represent a payable amount based on any filed, or expected to be filed, tax return. It does not arise from a transaction in any already completed taxation year, nor has any taxation authority assessed the amount or any portion thereof as payable.

During fiscal 2004 the Company issued approximately 8 million common shares at \$2.79 per share for total consideration of \$22.23 million to acquire all of the units of the Gibraltar Reclamation Trust Limited Partnership, which resulted in a non-cash accounting loss of \$5.1 million.

Of the \$4.5 million in exploration expenditures, \$4.3 million was spent on Gibraltar, and the remainder spent on the Prosperity Project and the Harmony Gold Project. The expenditures include the cost of stand-by care and maintenance and exploratory drilling activities at Gibraltar, as well as routine ongoing costs for environmental monitoring, property assessment and claim fees, and mine planning studies for Prosperity and Harmony. The drilling costs included in exploration include the cost of exercising the Company's right to purchase the interest in the Gibraltar exploration lands earned by Northern Dynasty Minerals Ltd. and Rockwell Ventures Inc. (see Item 7).

Consulting, legal, and office costs increased as a result of legal and labour matters related to the restart of the Gibraltar mine. Shareholder communications also increased as a result of the Company's drive to restart the mine. Trust and filing fees increased as a result of the Company achieving a listing on the American Stock Exchange in October 2004.

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## B. Liquidity and Capital Resources

### Cash and Working Capital

At September 30, 2005, Taseko had positive working capital of \$6.4 million, as compared to a \$22.1 million working capital deficit at the end of fiscal 2004. The increase in working capital from the end of the previous year was primarily a result of earnings from operations from the Gibraltar mine, and the recognition of tax benefits.

### Restricted Cash

Pursuant to the operating agreement with Leducor, the Company is required to maintain a bank account with a minimum balance of at least \$5 million, for the purposes of providing a working capital reserve for operations and general administrative costs. Please refer to Item 4B for discussion of operating agreement with Leducor.

### Assets Under Capital Leases

In March 2004, the Company purchased a mining shovel for approximately \$13.0 million and in May 2004, the Company purchased five mine haul trucks for approximately \$10.7 million. In October 2004, the Company sold the mining shovel and the five haul trucks for approximately \$22.0 million, of which approximately \$17.5 million was received, net of a 20% holdback (approximately \$4.5 million) which was used to fund a downpayment on the Leducor leases and was recorded by the Company as prepaid lease payments. The purchaser leased the shovel and trucks to a subsidiary of Leducor, and this equipment forms part of Leducor's contribution to the operations at the Gibraltar mine. The Company has accounted for this as a sale-leaseback transaction, and has recorded a loss on sale of approximately \$2.2 million. The Company has also guaranteed residual values totaling US\$7.1 million (\$8.5 million) on this equipment at the end of the lease term in November 2008.

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

	Year ended September 30, 2006	Year ended September 30, 2007	Year ended September 30, 2008	Total
Principal US\$	1,799,548	US\$ 1,894,677	US\$ 9,273,127	US\$ 12,967,352
Total US\$	2,425,850	US\$ 2,425,850	US\$ 9,703,865	US\$ 14,555,565

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

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

### Reclamation Deposits

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Reclamation deposits totaling approximately \$18.3 million (including interest) and certain plant and equipment are secured to fund reclamation at the Gibraltar, Prosperity and Harmony properties.

### **Tracking Preferred Shares**

The 12,483,916 tracking preferred shares of Gibraltar Mines Ltd., a subsidiary of Taseko, with a net book value of \$26.6 million were issued as part of the cost to acquire the Harmony gold project. As Taseko has the right and the intention to settle these preferred shares with common shares of the Company, they have been included in shareholders' equity in the balance sheet.

### **Promissory Note - Royalty Sale Agreement**

In September 2004, the Company entered into agreements with an arms-length investment partnership, the Red Mile Resources No. 2 Limited Partnership ("Red Mile"). Gibraltar sold to Red Mile a royalty over Gibraltar production for \$67.357 million, which was received on September 29, 2004 but immediately loaned to a trust company as the Company had pledged the promissory note to secure its obligations under the royalty agreements.

At September 30, 2005, the promissory note amounted to \$72,317,854 (2004 - \$68,172,380), of which \$2,637,499 was current, while the royalty obligation amounted to \$68,790,797 (2004 - \$67,357,000) of which \$2,637,499 was current.

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

The Company also granted to Red Mile a net profits interest ("NPI"), which survives any "put" or "call" of the Red Mile units. For the years 2011 to 2014, the NPI is 2% if the price of copper averages US\$2.50 to US\$2.74 per pound, 3% if the price of copper averages US\$2.75 to US\$2.99 per pound and 4% if the price of copper averages US\$3.00 per pound or greater for any year during that period. The US-dollar pricing amounts specified above are based upon an exchange rate of US\$0.75 for C\$1.00, and shall be adjusted from time to time by any variation of such exchange rates. No NPI is payable until the Company reaches a pre-determined aggregate level of revenues less defined operating costs and expenditures. No NPI is payable at September 30, 2005.

### **Convertible Debenture**

As a consequence of the acquisition of the Gibraltar mine in 1999, Taseko received funding pursuant to a \$17 million non-interest-bearing convertible debenture financing by Boliden Westmin (Canada) Ltd. As Taseko has the right and the intention to convert the debenture into common shares, the \$17 million debenture is classified as equity rather than as a liability on the Company's balance sheet.

Effective October 1, 2005 the Company adopted certain new provisions of the Canadian Institute of Chartered Accountants Handbook Section 3860, *Financial Instruments - Disclosure and Presentation*, which came into effect on that date. The standard requires that convertible debentures which may be settled in cash, or by common shares of the Company at the Company's discretion, be presented as a liability.

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### **Income Tax Liability**

For the year ending September 30, 2004 the Company accrued a tax provision of a subsidiary company of \$23.7 million in the consolidated financial statements. This accrual has been adjusted at September 30, 2005 to \$19.6 million as a result of current year tax pools. The amount represents a potential liability which has been recognized in a conservative manner in accordance with Canadian generally accepted accounting principles. It does not represent a payable amount based on any filed, or expected to be filed, tax return. No taxation authority has assessed the amount or any portion thereof as payable. Accordingly there is no immediate impact on liquidity.

### **Liquidity**

For the year ending September 30, 2004 the Company accrued a tax provision of a subsidiary company of \$23.7 million in the consolidated financial statements. This accrual has been adjusted at September 30, 2005 to \$19.6 million as a result of current year tax pools. The amount represents a potential liability which has been recognized in a conservative manner in accordance with Canadian generally accepted accounting principles. It does not represent a payable amount based on any filed, or expected to be filed, tax return. No taxation authority has assessed the amount or any portion thereof as payable. Accordingly there is no immediate impact on liquidity.

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

### **Operating Line of Credit**

The Company had an unsecured \$2 million operating line of credit with a Canadian chartered bank at an interest rate of prime, with no fixed terms of repayment. All amounts were paid off during fiscal 2005 and the line of credit was cancelled.

### **Vehicle Loans**

The Company has various loans on its on-road vehicles totaling \$396,616, of which \$214,715 is current.

### **Outstanding Share Purchase Warrants**

As of March 30, 2006, the Company had approximately 10.8 million warrants outstanding, all of which were in-the-money. No assurance can be given that these warrants will be exercised. Of these warrants, 6.1 million are subject to an accelerated expiry provision upon notice by the Company if the closing market price of the Company's shares exceeds \$2.80 for 10 consecutive trading days. Should the Company give notice of an accelerated expiry, the warrants will expire 45 days following the date of such notice.

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**Cash Used in Operating Activities**

Cash used in operating activities decreased to \$2.5 million for fiscal 2005, compared to \$3.1 million for fiscal 2004. Taseko anticipates that it will generate positive cash flow from operating activities in fiscal 2006 as Taseko continues to achieve production from the Gibraltar mine.

**Cash Used in Investing Activities**

Taseko received \$8.2 million from investing activities in fiscal 2005. The cash was used to cover operating activity shortfalls. Cash used in investing activities is anticipated to increase during fiscal 2006 as Gibraltar begins its mill expansion.

**Cash Generated by Financing Activities**

In fiscal 2005, Taseko generated \$9.6 million from financing activities, all of which was attributable to the issuance of shares for cash. These share issuances were attributable to the issuance of 5,204,361 common shares through private placements, 2,313,336 from the exercise of warrants and 1,172,000 from the exercise of share purchase options.

The purpose of the financings was to provide working capital for the day to day operations of the Gibraltar mine. There were no restrictions on the use of proceeds from the financing.

The Company had no commitments for material capital expenditures as of September 30, 2005. On March 30, 2006 the Company announced a \$62 million mill expansion.

**Gibraltar Reclamation Trust Limited Partnership**

On December 31, 2003, the Company reached agreements with Gibraltar Reclamation Trust Limited Partnership (the "GRT Partnership"), a largely arm's-length private Vancouver-based mining investment partnership which completed a financing to raise proceeds of \$18.6 million to partially fund a planned restart of the Gibraltar copper mine. As part of the financing the GRT Partnership entered into a Joint Venture arrangement with Gibraltar Mines Ltd. to proceed towards restarting the Gibraltar open pit copper mine. Gibraltar Mines Ltd., as its contribution to the Joint Venture, agreed to contribute the use of its mine assets and fund the startup expenses of the Gibraltar mine, and the GRT Partnership funded a qualifying environmental trust ("QET") with the \$18.6 million, which has allowed Gibraltar to access other funds currently held by the Government of British Columbia as a security for the mine's environmental reclamation obligations. Under the Joint Venture agreement, the GRT Partnership became entitled to certain revenues or production share from the Gibraltar mine following the resumption of production.

To facilitate the startup transactions, five directors and officers of the Company personally guaranteed certain obligations (each as to one fifth) to third parties on behalf of the Company to the extent of \$4.5 million. In consideration of the guarantee, they each received compensation equal to 10% of the amount guaranteed, calculated as 45,000 shares having a value of \$2.00 each.

In March 2004, Taseko elected to exercise its call rights for the GRT Partnership and issued 7,967,742 shares valued at \$2.79 each. Certain directors and officers participated as investors in the GRT Partnership in the aggregate amount of \$1,300,000, or about 8% of the financing. These directors and officers received shares as a consequence of Taseko exercising the call right. The acquisition of the GRT Partnership provides Taseko with 100% control of those elements necessary for a mine restart decision and eliminates the royalty entitlement held by the GRT Partnership.

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**Financial Instruments**

Taseko keeps its financial instruments denominated primarily in Canadian dollars and does not engage in any hedging activities with respect to currency. Funds, which are currently excess to Taseko's needs, are invested in short term near cash investments pending the need for the funds.

Taseko does not have any material commitments for capital expenditures and accordingly can remain relatively flexible in gearing its activities to the availability of funds. As of the fiscal 2006 year-end, Taseko estimates that the cost of maintaining its corporate administrative activities at approximately \$300,000 per month. Accordingly, Taseko's management estimates that approximately \$3.6 million will be needed to maintain its corporate status and assets over the ensuing one-year period excluding Gibraltar Property activities. Taseko had a positive working capital of approximately \$6.4 million as of September 30, 2005 and approximately \$14.9 million at December 31, 2005, expects to be able to raise sufficient capital through operations and financings to fund the cost of the next two years' administration costs. There is, however, no assurance that Taseko will be able to raise the required funds.

**C. Research Expenditures**

Taseko is a natural resource expenditure based corporation and does not have a program of intellectual property development or patenting or licensing.

**D. Trend Information**

As a natural resource exploration company, Taseko's activities have been mainly event-driven, that is based on exploration successes and failures than seasonal, but it may be seen to be affected by the cyclic nature of metal prices. Trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on Taseko's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources are identified above under the heading "Operating Results" and below in this item.

Copper is a commodity metal used extensively in the housing and automotive industries and accordingly demand for copper varies directly with general economic conditions. Copper prices strengthened throughout 2005. The average price for the year was approximately US\$1.62 per pound, compared to US\$1.29 per pound in 2004. At March 2006, the copper price is in the range of US\$2.20/lb.

Molybdenum prices increased from US\$7.60/lb to US\$34/lb in 2004. The average molybdenum price in 2005 was US\$33/lb. At March 30, 2006, molybdenum oxide prices were in the range of US\$23.50/lb.

Gold prices continued an overall uptrend in 2005. The average gold price for 2005 was US\$445 per ounce, compared to US\$410 per ounce in 2004. At March 30, 2006, the gold price was in the range of US\$565/oz.

The Company is subject to currency exchange rate risk. The prices of copper and molybdenum oxide are denominated in United States dollars and, accordingly, the Company's revenues will be received in United States dollars. The Company's operations are almost entirely paid for in Canadian dollars, which has recently shown strength against the United States dollar. The further strengthening in the Canadian dollar, if it continues, will negatively impact the profitability of the Company's mining operations.

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**E. Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

**F. Tabular Disclosure of Contractual Obligations**

Type of Contractual Obligation	Payment due by period				
	Total	Less than 1 Year	2 - 3 Years	4 - 5 Years	More than 5 Years
Long-Term Debt Obligations	\$ 396,616	\$ 214,715	\$ 181,901	\$ -	\$ -
Capital (Finance) Lease Obligations	15,077,139	2,092,334	12,984,805	-	-
Operating Lease Obligations	-	-	-	-	-
Purchase Obligations	-	-	-	-	-
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under the GAAP of the primary financial statements	-	-	-	-	-
<b>Total</b>	<b>\$15,473,755</b>	<b>\$2,307,049</b>	<b>\$13,166,706</b>	<b>\$ -</b>	<b>\$ -</b>

Note: The Company has a convertible debenture in the face amount of \$17,000,000 (see note 10(c) of the accompanying financial statements) which is not included in the above figures. The Company intends to settle this debenture through the issuance of common shares of the Company. This debenture is currently presented as equity on the balance sheet. Commencing October 1, 2005, as a result of a new Canadian accounting standard which the Company has adopted on that date, the convertible debenture will be presented as a long term liability.

**G. Safe Harbor**

The safe harbor provided in Section 27A of the *Securities Act* and Section 21E of the *Exchange Act* applies to forward-looking information provided pursuant to Item 5.E and F above.

**ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. Directors and Senior Management**

<b>Nominee Position with the Company and Province or State and Country of Residence</b>	<b>Period as a Director of the Company</b>
David J. Copeland	Since March 1994
Director	
British Columbia, Canada	
Barry Coughlan (1), (2), (3)	Since February 2001
Director	
British Columbia, Canada	
Scott D. Cousens	Since October 1992
Director	
British Columbia, Canada	
Robert A. Dickinson	Since January 1991
Co-Chairman of the Board of Directors	
British Columbia, Canada	
David Elliott (1), (2), (3)	Since July 2004
Director	
British Columbia, Canada	
Russell E. Hallbauer	Since July 2005
President, Chief Executive Officer and	
Director	
British Columbia, Canada	
Wayne Kirk (1), (2), (3)	Since July 2004
Director	
California, USA	
Jeffrey R. Mason (2), (3)	Since March 1994
Secretary, Chief Financial Officer and Director	
British Columbia, Canada	
John W. McManus	Since October 2005
Vice President, Operations	
Vancouver, BC, Canada	
Ronald W. Thiessen	Since October 1993
Co-Chairman of the Board and Director	
British Columbia, Canada	

**Notes:**

- (1) Member of the audit committee.
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(2) Member of the compensation committee.

(3) Member of the corporate governance committee.

None of our directors or senior management has any family relationship with any other and none were elected as a director or appointed as a member of senior management as a result of an arrangement or understanding with a major shareholder, customer, supplier or any other party.

### Principal Occupation of Current Management and Directors of Taseko

#### DAVID J. COPELAND, P.Eng. Director

David J. Copeland is a geological engineer who graduated in economic geology from the University of British Columbia. With over 30 years of experience, Mr. Copeland has undertaken assignments in a variety of capacities in mine exploration, discovery and development throughout the South Pacific, Africa, South America and North America. His principal occupation is President and Director of CEC Engineering Ltd., a consulting engineering firm that directs and co-ordinates advanced technical programs for exploration on behalf of Taseko and other companies for which Hunter Dickinson Inc. provides services. He is also a director of Hunter Dickinson Inc.

Mr. Copeland is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Taseko Mines Limited	Director	January 1994	Present
Amarc Resources Ltd.	Director	September 1995	Present
Anooraq Resources Corporation	Director	September 1996	September 2004
Casamiro Resource Corp.	Director	February 1995	August 2002
Continental Minerals Corporation	Director	November 1995	Present
Farallon Resources Ltd.	Director	December 1995	Present
Great Basin Gold Ltd.	Director	February 1994	Present
Northern Dynasty Minerals Ltd.	Director	June 1996	Present

#### T. BARRY COUGHLAN, BA Director

Barry Coughlan is a self-employed businessman and financier who has since 1983 been involved in the financing of publicly-traded companies. His principal occupation is President and Director of TBC Investments Ltd., a private investment company.

Mr. Coughlan is, or was within the past five years, an officer and/or director of the following companies:

Company	Positions Held	From	To
Taseko Mines Limited	Director	February 2001	Present
AMS Homecare Inc.	Director	November 2001	November 2004
Casamiro Resource Corp	Director	February 1995	August 2002



Company	Positions Held	From	To
Farallon Resources Ltd.	Director	March 1998	Present
Great Basin Gold Ltd.	Director	February 1998	Present
Icon Industries Ltd.	President, CEO and Director	September 1991	Present
Quartz Mountain Resources Ltd.	Director	January 2005	Present
Tri-Gold Resources Corp. (formerly Tri-Alpha Investments Ltd.)	President and Director	June 1986	Present

**SCOTT D. COUSENS Director**

Scott D. Cousens provides management, technical and financial services to a number of publicly-traded companies. Mr. Cousens focus since 1991 has been the development of relationships within the international investment community. Substantial financings and subsequent corporate success has established strong ties with North American, European and Asian investors. In addition to financing initiatives he also oversees the corporate communications programs for the public companies to which Hunter Dickinson Inc. provides services.

Mr. Cousens is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Taseko Mines Limited	Director	October 1992	Present
Amarc Resources Ltd.	Director	September 1995	Present
Anooraq Resources Corporation	Director	March 1994	September 1994
	Director	September 1996	Present
Continental Minerals Corporation	Director	June 1994	Present
Farallon Resources Ltd.	Director	December 1995	Present
Great Basin Gold Ltd.	Director	March 1993	Present
Northern Dynasty Minerals Ltd.	Director	June 1996	Present
Rockwell Ventures Inc.	Director	November 2000	Present

**ROBERT A. DICKINSON, B.Sc., M.Sc. Director and Co-Chairman**

Robert A. Dickinson is an economic geologist who serves as a member of management of several mineral exploration companies, primarily those for whom Hunter Dickinson Inc. provides services. He holds a Bachelor of Science degree (Hons. Geology) and a Master of Science degree (Business Administration -Finance) from the University of British Columbia. Mr. Dickinson has been active in mineral exploration since 1966. He is a director of Hunter Dickinson Inc. He is also President and Director of United Mineral Services Ltd., a private investment company.

Mr. Dickinson is, or was within the past five years, an officer and/or director of the following public companies:

<b>Company</b>	<b>Positions Held</b>	<b>From</b>	<b>To</b>
Taseko Mines Limited	Director	January 1991	Present
	Chairman	April 2004	July 2005
	Co-Chairman	July 2005	Present
Amarc Resources Ltd.	Director	April 1993	Present
	Co-Chairman	September 2000	April 2004
	Chairman	April 2004	Present
Anooraq Resources Corporation	Chairman	November 1990	September 2004
	Director	October 2004	Present
	Co-Chairman	October 2004	Present
Continental Minerals Corporation	Director	June 2004	Present
	Chairman	June 2004	Present
Farallon Resources Ltd.	Director	July 1991	Present
	Chairman	April 2004	September 2004
	Co-Chairman	September 2004	Present
Great Basin Gold Ltd.	Director	May 1986	Present
	Co-Chairman	September 2000	April 2004
	Chairman	April 2004	Present
Northern Dynasty Minerals Ltd.	Director	June 1994	Present
	Co-Chairman	November 2001	April 2004
	Chairman	April 2004	Present
Rockwell Ventures Inc.	Director	November 2000	Present
	Chairman	November 2000	Present

**DAVID ELLIOTT, B. Comm, CA Director**

David Elliott graduated from the University of British Columbia with a Bachelor of Commerce degree and then acquired a Chartered Accountant designation with KPMG LLP. Mr. Elliott joined BC Sugar Company in 1976, working in a number of senior positions before becoming President and Chief Operating Officer of the operating subsidiary, Rogers Sugar. In 1997, he joined Lantic Sugar in Toronto as Executive Vice President. He also served as Chairman of the Canadian Sugar Institute. He became President and Chief Operating Officer of the International Group based in St Louis, Missouri in 1999, a company involved with food distribution as well as manufacturing and distribution of pet and animal feed. For several years, he worked with companies developing e-mail and data management services. Mr. Elliott also serves on the boards of the BC Cancer Foundation and the University of BC Alumni Association.

Mr. Elliott is, or was within the past five years, an officer and/or director of the following public companies:



Company	Positions Held	From	To
Taseko Mines Limited	Director	July 2004	Present
Anooraq Resources Corporation	Director	July 2005	Present
Great Basin Gold Ltd.	Director	July 2004	Present
Northern Dynasty Minerals Ltd.	Director	July 2004	Present
Storage Flow Systems Corp.	Director	May 2002	July 2004

**RUSSELL E. HALLBAUER, P.Eng Director, President and Chief Executive Officer**

Mr. Hallbauer graduated from the Colorado School of Mines with a B.Sc. in Mining Engineering in 1979. He is a Registered Professional Engineer with the Association of Professional Engineers of British Columbia. He has been a member of the Canadian Institute of Mining and Metallurgy (CIM) since 1975 and is a director and former chairman of the Mining Association of B.C.

In 1983, he joined Teck Corporation's Bullmoose mine, advancing through Engineering and Supervisory positions to become Mine Superintendent in 1987, and in 1992, became General Manager of Quintette. In 1995, he assumed new responsibilities in Vancouver when he was appointed General Manager, Coal Operations, overseeing Teck's three operating coal mines in the Province. In 2002, he was appointed General Manager, Base Metal Joint Ventures, responsible for Teck Cominco's interests in Highland Valley Copper, Antamina in Peru, and Louvicourt in Quebec.

Within the last five years, Mr. Hallbauer is, or has been, an officer of the following public company:

Company	Positions Held	From	To
Taseko Mines Limited	President and Chief Executive Officer	October 2005	Present

**H. WAYNE KIRK, LLB - Director**

Wayne Kirk is a retired California State Attorney and Professional Consultant. Mr. Kirk has over 30 years of professional experience, including 10 years of senior executive experience in the mining industry.

Mr. Kirk is a US citizen and is a resident of California. A Harvard University graduate, Mr. Kirk received his law degree in 1968. From 1992 to 2002, Mr. Kirk was the Vice President, General Counsel and Corporate Secretary of Homestake Mining Company. Prior to his retirement in June 2004, he spent two years as Special Counsel for the law firm Thelen Reid & Priest, in San Francisco.

During the past five years, Mr. Kirk is, or has been, a director of the following public companies:

Company	Positions Held	From	To
Taseko Mines Limited	Director	July 2004	Present
Anooraq Resources Corporation	Director	July 2005	Present
Great Basin Gold Ltd.	Director	July 2004	Present
	Director	July 2004	Present

Northern Dynasty Minerals Ltd.			
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**JEFFREY R. MASON, B.Comm., CA** Director, Chief Financial Officer and Secretary

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Jeffrey R. Mason holds a Bachelor of Commerce degree from the University of British Columbia and obtained his Chartered Accountant designation while specializing in the mining, forestry and transportation sectors at the international accounting firm of Deloitte & Touche. Following comptrollership positions at an international commodity mercantilist and Homestake Mining Group of companies including responsibility for North American Metals Corp. and the Eskay Creek Project, Mr. Mason has spent the last several years as a corporate officer and director to a number of publicly-traded mineral exploration companies. Mr. Mason is also employed as Chief Financial Officer of Hunter Dickinson Inc. and his principal occupation is the financial administration of the public companies to which Hunter Dickinson Inc. provides services.

Mr. Mason is, or was within the past five years, an officer and or director of the following public companies:

<b>Company</b>	<b>Positions Held</b>	<b>From</b>	<b>To</b>
Taseko Mines Limited	Director	February 1994	Present
	Secretary	February 1994	Present
	Chief Financial Officer	November 1998	Present
Amarc Resources Ltd.	Director	September 1995	Present
	Secretary	September 1995	Present
	Chief Financial Officer	September 1998	Present
Anooraq Resources Corporation	Director	April 1996	September 2004
	Secretary	September 1996	Present
	Chief Financial Officer	February 1999	Present
Continental Minerals Corporation	Director	June 1995	Present
	Secretary	November 1995	Present
	Chief Financial Officer	June 1998	Present
Farallon Resources Ltd.	Director	August 1994	Present
	Secretary	December 1995	Present
	Chief Financial Officer	December 1997	Present
Great Basin Gold Ltd.	Director	February 1994	Present
	Secretary	February 1994	Present
	Chief Financial Officer	June 1998	Present
Northern Dynasty Minerals Ltd.	Director	June 1996	Present
	Secretary	June 1996	Present
	Chief Financial Officer	June 1998	Present
Quartz Mountain Resources Ltd.	Principal Accounting Officer	January 2005	Present
Rockwell Ventures Inc.	Director	November 2000	Present
	Chief Financial Officer	November 2000	Present

**JOHN McMANUS Vice-President, Operations**

John McManus is a dual US and Canadian citizen and holds a Bachelor of Science degree in Mining Engineering from The Colorado School of Mines. From graduation in 1982 until joining Teck Corporation in 1992, Mr. McManus held progressive mining engineering and supervisory positions with Cominco, Strato Geological Services, Denison Mines, and Westar Mining Ltd. Mr. McManus joined Teck Corporation in 1992 as Superintendent of Engineering at the Quintette coal mine, relocated to Teck's Elkview Coal mine as General Superintendent in 1995, relocated to Teck's Bullmoose coal mine as Mine Manager in 1997, and relocated to Elk Valley Coal Corporation's Coal Mountain Operation as General Manager in 2003.

Mr. McManus, as Vice-President, Operations is responsible for oversight of the Gibraltar mine and for all operational and permitting issues regarding the advancement of the Prosperity and Harmony projects.

Mr. McManus is an officer of the following public company:

Company	Positions Held	From	To
Taseko Mines Limited	Vice-President, Operations	October 2005	Present

**RONALD W. THIESSEN, CA Co-Chairman of the Board and Director**

Ronald W. Thiessen is a Chartered Accountant, with professional experience in finance, taxation, mergers, acquisitions and re-organizations. Since 1986, Mr. Thiessen has been involved in the acquisition and financing of mining and mineral exploration companies. Mr. Thiessen is employed by Hunter Dickinson Inc., a company providing management and administrative services to several publicly-traded companies and focuses on directing corporate development and financing activities. He is also a director of Hunter Dickinson Inc.

Mr. Thiessen is, or was within the past five years, an officer and/or director of the following public companies:

Company	Positions Held	From	To
Taseko Mines Limited	Director	October 1993	Present
	President and Chief Executive Officer	September 2000	July 2005
	Co-Chairman	July 2005	Present
Amarc Resources Ltd.	Director	September 1995	Present
	President and Chief Executive Officer	September 2000	Present
Anooraq Resources Corporation	Director	April 1996	Present
	President and Chief Executive Officer	September 2000	Present
Casamiro Resource Corp.	Director and President	February 1990	August 2002
Continental Minerals Corporation	Director	November 1995	Present
	President and Chief Executive Officer	September 2000	January 2006

Company	Positions Held	From	To
	Co-Chairman	January 2006	Present
Farallon Resources Ltd.	Director	August 1994	Present
	President and Chief Executive Officer	September 2000	September 2004
	Co-Chairman	September 2004	Present
Great Basin Gold Ltd.	Director	October 1993	Present
	President and Chief Executive Officer	September 2000	December 2005
	Co-Chairman	December 2005	Present
Northern Dynasty Minerals Ltd.	Director	November 1995	Present
	President and Chief Executive Officer	November 2001	Present
Rockwell Ventures Inc.	Director	November 2000	Present
	President and Chief Executive Officer	November 2000	Present

### B. Compensation

During Taseko's financial year ended September 30, 2005 the aggregate direct remuneration paid or payable to Taseko's directors and senior officers by Taseko and its subsidiaries, all of whose financial statements are consolidated with those of Taseko, was \$311,961. This figure includes any portion of remuneration received by the named person as an officer or employee of Hunter Dickinson Inc. that is attributable to Taseko's affairs. The direct remuneration paid or payable to Company's directors and senior officers by subsidiaries of Taseko, whose financial statements are not consolidated with those of Taseko was \$nil.

Russell E. Hallbauer, President, Chief Executive Officer and director, Jeffrey R. Mason, Secretary, Chief Financial Officer and director, John W. McManus, Vice President of Operations and Ronald W. Thiessen, former President and Chief Executive Officer and a current director are each a "Named Executive Officer" of Taseko for the purposes of the following disclosure.

The compensation paid to the Named Executive Officers during the Company's three most recently completed financial years is as set out below:

### Summary Compensation Table

		Annual Compensation			Long Term Compensation			
					Awards	Payouts		
				Other	Securities	Shares or Units	Subject to	
NAMED EXECUTIVE OFFICERS				Compen-	Under	Resale	LTIP	All Other

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Name and Principal		Salary	Bonus	sation	Options Granted	Restrictions	Payouts	Compensation
Position	Year	(\$)	(\$)	(\$)	(#)	(\$)	(\$)	(\$)
Russell E. Hallbauer <sup>(1)</sup>	2005	79,135	Nil	Nil	780,000 <sup>(4)</sup>	Nil	Nil	Nil
Current President and								
Chief Executive Officer								

		Annual Compensation			Long Term Compensation			
		Salary	Bonus	Other	Awards		Payouts	
Name and Principal Position	Year				(\$)	(\$)	(\$)	Shares or
		Units						
NAMED EXECUTIVE OFFICERS				Annual	Securities	Subject to		
				Compen-	Under	Resale	LTIP	All Other
				sation	Options	Restrictions	Payouts	Compensation
					Granted			
					(#)	(\$)	(\$)	(\$)
Ronald W. Thiessen <sup>(2)</sup>	2005	38,418	Nil	Nil	Nil	Nil	Nil	Nil
Former President and Chief Executive Officer	2004	48,576	Nil	Nil	780,000 <sup>(3)</sup>	Nil	Nil	Nil
Jeffrey R. Mason	2005	26,085	Nil	Nil	Nil	Nil	Nil	Nil
Secretary and Chief Financial Officer	2004	36,027	Nil	Nil	780,000 <sup>(3)</sup>	Nil	Nil	Nil
	2003	28,785	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Mr. Hallbauer was appointed as President and Chief Executive Officer on July 10, 2005.
- (2) Mr. Thiessen resigned as President and Chief Executive Officer on July 10, 2005.
- (3) These options were granted as follows: 280,000 on October 10, 2003 at an exercise price of \$0.55 per Share and expire on September 29, 2006; 200,000 May 20, 2004 at an exercise price of \$1.36 per Share and expire on September 29, 2006; 300,000 on September 24, 2004 at an exercise price of \$1.40 per Share and expire on September 20, 2006.
- (4) These options were granted on May 31, 2005 at an exercise of \$1.15 per Share and expire on September 28, 2010.
- (5) Mr. McManus did not become an Officer of the Company until October 2005.

#### Long-Term Incentive Plan Awards

Long term incentive plan ( LTIP ) means a plan providing compensation intended to motivate performance over a period greater than one financial year . LTIP s do not include option or stock appreciation rights ( SARs ) plans or plans for compensation through shares or units that are subject to restrictions on resale. The Company did not award any LTIPs to any Named Executive Officer during the most recently completed financial year.

#### Options

The Company has a share purchase option plan approved by the shareholders at the Company s annual general meeting held on March 22, 2006, that allows the Company to grant a maximum of 12% of the issued and outstanding common shares of the Company at the time an option is granted, less common shares reserved or issued in the plan, subject to regulatory terms and approval, to its employees, officers, directors and consultants. The exercise price of each option may be set equal to or greater than the closing market price of the common shares on the TSX on the day prior to the

date of the grant of the option, less any allowable discounts. Options have a maximum term of ten years and terminate 30 to 90 days following the termination of the optionee's employment or term of engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The share options granted to the Named Executive Officers during the financial year ended September 30, 2005 were as follows:

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**Option Grants During the Most Recently Completed Financial Year**

				Market Value of	
				Securities	
	Securities	% of Total		Underlying	
NAMED EXECUTIVE OFFICERS	Under Options Granted	Options Granted to Employees in	Exercise or Base Price	Options on the	
Name	(#)	Financial Year	(\$/Security)	(\$/Security)	Expiration Date
Russell E. Hallbauer	780,000	38.2 %	\$1.15	\$1.15	September 28, 2010
Ronald W. Thiessen	Nil	NA	NA	NA	NA
Jeffrey R. Mason	Nil	NA	NA	NA	NA

The share options exercised by the Named Executive Officers during the financial year ended September 30, 2005 and the values of such options at the end of such year were as follows:

**Aggregate Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values**

			Unexercised Options at	Value of Unexercised in-the-
	Securities		FY-End	Money Options at
NAMED EXECUTIVE OFFICERS	Acquired on	Aggregate Value	(#)	(\$)
Name	Exercise	Realized	Exercisable/	Exercisable/
	(#)	(\$)	Unexercisable	Unexercisable
Russell E. Hallbauer	Nil	Nil	260,000 / 520,000	36,400 / 72,800
Ronald W. Thiessen	Nil	Nil	780,000 / Nil	207,200 / Nil
Jeffrey R. Mason	Nil	Nil	780,000 / Nil	207,200 / Nil

No share options were repriced on behalf of the Named Executive Officers during the financial year ended September 30, 2005.

**Defined Benefit or Actuarial Plan Disclosure**

There are no defined benefit or actuarial plans in place for the Company.

**Termination of Employment, Change in Responsibilities and Employment Contracts**

There is no written employment contract between the Company and any Named Executive Officer other than Mr. Hallbauer, who has an employment agreement with Hunter Dickinson Inc. and who is seconded to the Company.

There are no compensatory plan(s) or arrangement(s) with respect to the Named Executive Officer resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of the Named Executive Officer's responsibilities following a change in control.

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## **Compensation of Directors**

To December 31, 2004, each director of the Company whether or not an executive officer, was paid an annual director's fee of \$2,400 and an additional fee of \$600 for each meeting of directors attended. Each director who was a member of a committee received \$2,400 for each committee of which he or she was a member and an additional fee of \$600 for each committee meeting attended.

Effective January 1, 2005, the Board changed the compensation to \$45,000 annually for each independent director plus an additional \$5,000 for the Audit Committee's Chairperson and \$3,000 each for other Committee Chairperson. Executive officers do not receive additional compensation for serving as a director.

Russell E. Hallbauer was the only director who received options under the Company's share option plan in his capacity as a director and an executive officer during the financial year ended September 30, 2005. See particulars of Mr. Hallbauer's grant of options to purchase shares under the heading *Options*

## **C. Board Practices**

All directors were re-elected at the March 2006 annual general meeting and have a term of office expiring at the next annual general meeting of Taseko scheduled for March 2006. All officers have a term of office lasting until their removal or replacement by the Board of Directors.

## **Committees of the Board of Directors**

The Policies suggest that (i) committees of the board of directors of a listed corporation (other than the audit committee) generally be composed of at least a majority of independent directors (and preferably all independents) and that (ii) every board of directors expressly assume responsibility, or assign to a committee of directors responsibility, for the development of the corporation's approach to governance issues, (iii) under the audit committee instrument, the audit committee of every board of directors must be composed only of independent directors, and the role of the audit committee be specifically defined and include the responsibility for overseeing management's system of internal control, (iv) the audit committee have direct access to the corporation's external auditor, and (v) the board of directors appoint a committee, of whom the majority are independent, with the responsibility for proposing new nominees to the board and for assessing directors on an ongoing basis.

Taseko's Board has to date established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

### ***Audit Committee***

The Board has adopted a charter for the Audit Committee in accordance with Canadian Multilateral Instrument 52-110 *Audit Committees*, (MI 52-110), the Canadian regulatory policy respecting audit committees, in carrying out its audit and financial review functions. The text of the audit committee charter (excluding specified definitions of independence and financial literacy under stock exchange policies and securities law) is available on Taseko's website. The Audit Committee reviews all financial statements of the Company prior to their publication, recommends the appointment of independent auditors, reviews and approves the professional services to be rendered by them and approves fees for audit services. The Audit Committee meets both separately with auditors (without management present) as well as with management present. The meetings with the auditors discuss the various aspects of the Company's financial presentation in the areas of audit risk and Canadian and U.S. generally accepted accounting principles.



The Company's Audit Committee is currently comprised of Barry Coughlan, David Elliott and Wayne Kirk, all of whom are independent as defined in MI 52-110. All members of the Audit Committee are financially literate as defined in MI 52-110. The audit committee typically meets quarterly.

#### ***Compensation Committee***

The Board has established a Compensation Committee, comprised of Barry Coughlan, David Elliott, Wayne Kirk and Jeffrey R. Mason, three of whom are independent as defined in MI 52-110. The Board has adopted a charter for the Compensation Committee which is also available for viewing at the Company's website.

The compensation function of the Compensation Committee is to review, on an annual basis, the compensation paid to the Company's executive officers and to the Directors, to review the performance of the Company's executive officers, and to make recommendations on compensation to the Board. In addition, the Committee reviews annually the compensation plans for the Company's non-executive staff. The Compensation Committee delivered management and director compensation recommendations to the Board late in 2005 based on advice from an independent consulting firm.

#### ***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee is comprised of four Directors (namely Barry Coughlan, David Elliott, Wayne Kirk and Jeffrey Mason), three of whom are independent Directors as defined in MI 52-110 for the reasons described above.

The Board has adopted a charter for the Nominating and Corporate Governance Committee in carrying out its duties. This charter is available for viewing at the Company's website.

The Nominating and Corporate Governance Committee has been given the responsibility of developing the Company's approach to corporate governance. This Committee has prepared a governance policies and procedures manual to assist members of the Board, management and employees in carrying out their duties. The Corporate Governance Committee reviews with management the prevailing rules and policies in effect from time to time that are applicable to governance of the Company in order to ensure that the Company remains in compliance with all prescribed legal requirements.

The nominating function of the Nominating and Corporate Governance Committee is to evaluate and recommend to the Board the size of the Board and persons as nominees for the position of director of the Company. The Committee has developed a written self-evaluation procedure for assessing and evaluating the effectiveness of the Board as a whole. This function is carried out annually by the Nominating and Corporate Governance Committee, whose evaluations and assessments are then provided to the Board of Directors in connection with its responsibility to evaluate the Board and nominate persons as nominees for the position of director of the Company.

#### **D. Employees**

At March 30, 2006, Taseko had 14 direct employees working at Gibraltar. Taseko's administrative and exploration functions are primarily administered through Hunter Dickinson Inc. (see Item 7). The workforce at the Gibraltar mine is provided primarily by the Company's partner at the Gibraltar mine, Ledcor. At March 30, 2006, approximately 250 persons were employed at the Gibraltar mine.

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**E. Share Ownership**

The following table sets out the share ownership as at March 30, 2006 of Taseko's directors and senior management and includes the details of all options or warrants to purchase shares of Taseko held by such persons:

			<b>Percentage of</b>
			<b>Issued and</b>
	<b>Common Shares</b>		<b>Outstanding</b>
<b>Name of Director or Senior Officer</b>	<b>Beneficially Owned or Controlled (1)</b>	<b>Incentive Stock Options Held</b>	<b>Shares Owned (1), (2)</b>
David J. Copeland	460,045 Common Shares	780,000 Options <sup>(3)</sup>	0.42%
Director			
Barry Coughlan	20,000 Common Shares	250,000 Options <sup>(4)</sup>	0.02%
Director			
Scott D. Cousens	110,666 Common Shares	780,000 Options <sup>(3)</sup>	0.10%
Director			
Robert A. Dickinson	500,000 Common Shares	500,000 Options <sup>(5)</sup>	0.46%
Co-Chairman of the Board of Directors			
David Elliott	40,000 Common Shares	100,000 Options <sup>(6)</sup>	0.04%
Director			
Russell E. Hallbauer	153,000 Common Shares	780,000 Options <sup>(7)</sup>	0.14%
President, Chief Executive Officer and Director			
Wayne Kirk	30,000 Common Shares	240,000 Options <sup>(8)</sup>	0.01%
Director			
Jeffrey R. Mason	Nil Common Shares	270,000 Options <sup>(9)</sup>	Nil
Secretary, Chief Financial Officer and Director			

			<b>Percentage of</b>
			<b>Issued and</b>
	<b>Common Shares</b>		<b>Outstanding</b>
<b>Name of Director or Senior Officer</b>	<b>Beneficially Owned or Controlled (1)</b>	<b>Incentive Stock Options Held</b>	<b>Shares Owned (1), (2)</b>
John W. McManus	Nil Common Shares	300,000 Options <sup>(10)</sup>	Nil
Vice President, Operations			
Ronald W. Thiessen	883,346 Common Shares	780,000 Options <sup>(3)</sup>	0.80%
Co-Chairman of the Board and Director			
<b>TOTAL HELD BY DIRECTORS AND SENIOR MANAGEMENT</b>	<b>2,197,057 Shares</b>	<b>4,780,000 Options</b>	<b>1.99%</b>

Notes:

- (1) Does not include any shares that may be acquired upon exercise of stock options.
- (2) Based on 111,518,327 common shares issued and outstanding as of March 30, 2006.
- (3) Mr. Copeland, Mr. Cousins and Mr. Thiessen each hold options to purchase 280,000 Common Shares at an exercise price of \$0.55 per Share expiring on September 29, 2006, 200,000 Common Shares at \$1.36 per Share expiring on September 29, 2006 and 300,000 Common Shares at \$1.40 per Share expiring on September 20, 2006.
- (4) Mr. Coughlan holds options to purchase 50,000 Common Shares at an exercise price of \$0.55 per Share expiring on September 29, 2006, 100,000 Common Shares at \$1.36 per Share expiring on September 29, 2006 and 100,000 Common Shares at \$1.40 per Share expiring on September 20, 2006.
- (5) Mr. Dickinson holds options to purchase 200,000 Common Shares at an exercise price of \$1.36 per Share expiring on September 29, 2006 and 300,000 Common Shares at \$1.40 per Share expiring on September 20, 2006.
- (6) Mr. Elliott holds options to purchase 100,000 Common Shares at an exercise price of \$1.40 per Share expiring on September 20, 2006.
- (7) Mr. Hallbauer holds options to purchase 780,000 Common Shares at an exercise price of \$1.15 per Share expiring on September 28, 2010.
- (8) Mr. Kirk holds options to purchase 140,000 Common Shares at an exercise price of \$1.36 per Share expiring on September 29, 2006 and 100,000 Common Shares at \$1.40 per Share expiring on September 20, 2006.

- (9) Mr. Mason holds options to purchase 270,000 Common Shares at \$1.40 per Share expiring on September 20, 2006.
- (10) Mr. McManus holds options to purchase 300,000 Common Shares at an exercise price of \$1.15 per Share expiring on September 28, 2010.

**(b) Share Incentive Plan**

Taseko has a Share Incentive Plan which reserves up to 12% of the outstanding number of shares for issuance. The Company's 2006 Plan was approved and ratified by shareholders at the Company's annual general meeting held on March 22, 2006. Under the 2006 Plan, the total number of Common Shares reserved for share incentive options for granting at the discretion of the Company's board of directors to

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eligible optionees (the Optionees ) is equal to twelve (12%) percent of the issued and outstanding Common Shares in the capital stock of the Company from time to time (approximately 13,382,199 Common Shares at the date hereof). As at March 30, 2006, 7,942,700 (approximately 7.1% of the current issued and outstanding Common Shares) options are outstanding under the 2006 Plan. There remain only a further 5,439,499 (approximately 4.9% of the current issued and outstanding Common Shares) Common Shares available for granting as options under the 2006 Plan.

The TSX permits a company to have a share option plan with a rolling maximum based on a percentage of a company's outstanding securities. In addition, certain amendments to the options are permitted if the ability to amend the option is contained in the share option plan approved by shareholders.

Under the 2006 Plan, as the outstanding options are exercised and the issued and outstanding Common Shares of the Company increases, the percentage of options available for granting to eligible Optionees will increase however, all validly outstanding options under the 2004 Plan will be counted as if they had been issued under the 2006 Plan for calculating what may yet be issued under the 2006 Plan.

The following is a summary of the material terms of the 2006 Plan:

- (a) persons who are directors, officers, employees, consultants to the Company or its affiliates, or who are employees of a management company providing services to the Company are eligible to receive grants of options under the 2006 Plan;
  - (b) all options granted under the 2006 Plan are non-assignable and non-transferable and may have a maximum term of up to 10 years;
  - (c) for stock options granted to employees or service providers (inclusive of management company employees), the Company must ensure that the proposed Optionee is a bona fide employee or service provider (inclusive of a management company employee), as the case may be, of the Company or of any of its subsidiaries;
  - (d) if an Optionee ceases to be employed by the Company (other than as a result of termination with cause) or ceases to act as a director or officer of the Company or a subsidiary of the Company, any option held by such Optionee may be exercised within 90 days after the date such Optionee ceases to be employed or act as an officer or director (30 days if the Optionee is engaged in investor relations activities);
  - (e) the exercise price of the option is established by the board of directors at the time of the option is granted, subject to a the minimum exercise price of not less than the Market Price (as defined in the policies of TSX but generally speaking that is the undiscounted volume weighted five day average price);
  - (f) no Optionee can be granted an option or options to purchase more than 5% of the outstanding listed shares of the Company in a one year period; and
  - (g) subject to the policies of the TSX, the 2006 Plan may be amended without shareholder approval to:
    - (i) make amendments which are of a housekeeping or clerical nature only;
    - (ii) change the vesting provisions of an option;
    - (iii) change the termination provision of an option granted hereunder which does not entail an extension beyond the original expiry date of such option; and
    - (iv) make such amendments as reduce, and do not increase, the benefits of the 2006 Plan to potential option recipients.
-

**ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. Major Shareholders****Major Shareholders**

Taseko is a publicly-held corporation, with its shares held by residents of Canada, the United States of America and other countries. To the best of Taseko's knowledge, no person, corporation or other entity beneficially owns, directly or indirectly, or controls more than 5% of the common shares of Taseko, the only class of securities with voting rights. For these purposes, beneficial ownership means the sole or shared power to vote or direct the voting or to dispose or direct the disposition of any security.

**Geographic Breakdown of Shareholders**

As of March 30, 2006, Taseko's register of shareholder indicates that Taseko's common shares are held as follows:

	<b>Number of</b>		
	<b>Registered</b>		
	<b>Shareholders of</b>		<b>Percentage of Total</b>
<b>Location</b>	<b>Record</b>	<b>Number of Shares</b>	<b>Shares</b>
Canada	134	93,722,977	84.0%
United States	453	16,380,183	14.7%
Other	10	1,415,467	1.3%
<b>TOTAL</b>	<b>595</b>	<b>111,518,327</b>	<b>100.0%</b>

Shares registered in intermediaries were assumed to be held by residents of the same country in which the clearing house was located.

**Transfer Agent**

Taseko's securities are recorded on the books of its transfer agent, Computershare Trust Company of Canada located at 4th Floor, 510 Burrard Street, Vancouver, B.C. V6C 3B9 (604) 661-0271 in registered form. However, the majority of such shares are registered in the name of intermediaries such as brokerage houses and clearing houses (on behalf of their respective brokerage clients). Taseko does not have knowledge or access to the identities of the beneficial owners of such shares registered through intermediaries.

**Control**

To the best of its knowledge, Taseko is not directly or indirectly owned or controlled by any other corporation, by any foreign government or by any other natural or legal person, severally or jointly. There are no arrangements known to Taseko which, at a subsequent date, may result in a change in control of Taseko.

### **Insider Reports under the British Columbia Securities Act**

Under the British Columbia Securities Act, "insiders" (generally officers, directors and holders of 10% or more of Taseko's shares) are required to file insider reports of changes in their ownership in the first 10 days following a trade in Taseko's securities. Copies of such reports are available for public inspection at the offices of the British Columbia Securities Commission, 9th Floor, 701 West Georgia Street, Vancouver, British Columbia V7Y 1L2 (phone (604) 899-6500) or at the British Columbia Securities Commission web site ([www.bsc.bc.ca](http://www.bsc.bc.ca)). Commencing in 2002 in British Columbia all insider reports must be filed electronically 10 days following the date of the trade at [www.sedi.ca](http://www.sedi.ca). The public is able to access these reports at [www.sedi.ca](http://www.sedi.ca).

### **B. Related Party Transactions**

Except as disclosed below, Taseko has not since October 1, 2004, being the beginning of Taseko's most recently completed fiscal year, entered into or made, and does not propose to enter into or make:

- (1) any transaction with a related party which is either material to Taseko or the related party;
- (2) any transaction with a related party which is unusual in its nature or conditions, involving goods, services or tangible or intangible assets;
- (3) any loans or guarantees directly by Taseko or through any of its subsidiaries to or for the benefit of any related party.

For the purposes of this Item 7.B, the following definitions apply:

- (a) **associate** means any unconsolidated enterprises in which the Company has significant influence or which has significant influence over the Company; and
  - (b) **related party** includes any of the following persons:
    - (i) enterprises that, directly or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company;
    - (ii) associates of the Company;
    - (iii) individuals owning, directly or indirectly, shares of the Company that gives them significant influence over the Company and close members of such individuals' family;
    - (iv) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and senior management of the Company and close members of such individuals' families; or
    - (v) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence.
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***(a) Arrangements with Hunter Dickinson Inc.***

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

The Company has fourteen (14) full time employees at the Gibraltar Mine. Other management and administrative services are provided to the Company by HDI pursuant to a geological, corporate development, administrative and management services agreement dated for reference December 31, 1996. HDI is a private company owned equally by nine publicly traded exploration and mining companies (one of which is the Company) and is managed by persons, the majority of whom are also directors of the Company. HDI is one of the largest independent mining exploration groups in North America and as of March 30, 2006, employed or retained on a substantially full-time basis, 23 geoscientists, including six with advanced degrees (two PhD's and five M.Sc's), eight professional geologists (PGeo), and four professional engineers (PEng); six engineers, including four mining engineers and one civil engineer, all with professional engineer designations; one professional agrologist, one biologist (MSc); 11 accountants (including six Chartered Accountants, one CMA and two CGAs) and 28 administrative and support personnel. It has supervised mineral exploration projects in Canada (British Columbia, Manitoba, Ontario, Québec, Yukon and Northwest Territories) and internationally in Brazil, Nevada, Mexico and South Africa. HDI allocates the cost of staff input into projects, such as the Gibraltar project, based on the time records of involved personnel. Costs of such personnel and third party contractors are billed to the participating public companies on a full cost recovery basis (inclusive of HDI staff costs and overhead) for amounts which are considered by the Company management to be at a cost that is competitive with arm's-length suppliers. The shares of HDI are owned by each of the participating public corporations (including the Company) for as long as HDI's services are being retained by such participating company. However, a participant surrenders its single share of HDI at the time of termination of the standard form of services agreement. The agreement can be cancelled on 30 days' notice.

Costs for services rendered by HDI to the Company were approximately \$1,223,000 in fiscal 2005 as compared to approximately \$807,000 in fiscal 2004, an increase primarily related to the increased activity of the Company.

**C. Interests of Experts and Counsel**

Not applicable.

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## **ITEM 8 FINANCIAL INFORMATION**

### **A. Consolidated Statements and Other Financial Information**

See "Item 17 Financial Statements".

#### **Legal Proceedings**

Taseko is not involved in any actual litigation or legal proceedings and to Taseko's knowledge, no material legal proceedings involving Taseko or its subsidiaries are to be initiated against Taseko.

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

The dispute is set for arbitration in London, England, in June 2006. If Gibraltar is successful in the arbitration, and there is no appeal, then Gibraltar should immediately receive the full amount that has been withheld by Glencore. While Taseko believes in the merits of its position and case, there can be no certainty of the ultimate outcome of the arbitration. An unsuccessful resolution of the arbitration may result in Taseko foregoing the amounts currently withheld by Glencore and further future "price participation" deductions.

#### **Dividend Policy**

The Company has not paid any dividends on its outstanding common shares since its incorporation and does not anticipate that it will do so in the foreseeable future. All funds of Taseko are being retained for exploration and operations at its Projects.

### **B. Significant Changes**

Taseko has not experienced any significant changes since the date of the financial statements included with this Registration Statement except as disclosed in this Annual Report on Form 20-F.

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**ITEM 9 THE OFFER AND LISTING****A. Offer and Listing Details****Trading Markets**

The Company's shares are traded in Canada on the Toronto Stock Exchange under the symbol TKO. Prior to March 8, 2006, the Company's shares were traded in Canada on the TSX Venture Exchange. In the United States, the Company's shares were traded on the OTCBB under the symbol TKOCF until October 3, 2004, after which date the Company's shares commenced trading on the American Stock Exchange under the symbol TGB.

The following table sets forth the high and low market prices of the Company's common shares during the periods indicated.

	TKO.TO			TGB and TKOCF		
	High Canadian Dollars	Low	Volume	High U.S. Dollars	Low	Volume
<b>Last six months</b>						
March 2006	\$ 2.73	\$ 1.91	519,364	\$ 2.13	\$ 1.69	771,641
February 2006	\$ 2.37	\$ 1.85	508,275	\$ 2.07	\$ 1.60	1,172,389
January 2006	\$ 2.07	\$ 1.44	601,366	\$ 1.81	\$ 1.24	1,697,200
December 2005	\$ 1.43	\$ 1.12	256,555	\$ 1.24	\$ 0.99	1,976,300
November 2005	\$ 1.30	\$ 1.06	113,318	\$ 1.10	\$ 0.90	210,300
October 2005	\$ 1.36	\$ 1.10	89,525	\$ 1.16	\$ 0.93	106,700
September 2005	\$ 1.39	\$ 1.02	146,600	\$ 1.20	\$ 0.88	414,200
<b>By fiscal quarter</b>						
Quarter ended December 31, 2005	\$ 1.43	\$ 1.06	153,133	\$ 1.24	\$ 0.90	764,433
Quarter ended September 30, 2005	\$ 1.50	\$ 1.02	132,279	\$ 1.26	\$ 0.81	211,067
Quarter ended June 30, 2005	\$ 1.64	\$ 1.02	127,101	\$ 1.34	\$ 0.80	169,567
Quarter ended March 31, 2005	\$ 2.01	\$ 1.40	242,066	\$ 1.77	\$ 1.15	243,733
Quarter ended December 31, 2004	\$ 2.14	\$ 1.63	142,192	\$ 1.85	\$ 1.32	225,733
Quarter ended September 30, 2004	\$ 2.03	\$ 1.28	156,198	\$ 1.60	\$ 0.98	529,100
Quarter ended June 30, 2004	\$ 2.33	\$ 1.23	165,121	\$ 1.79	\$ 0.88	198,567
Quarter ended March 31, 2004	\$ 3.01	\$ 1.65	387,951	\$ 2.30	\$ 1.33	239,767
Quarter ended December 31, 2003	\$ 2.15	\$ 0.42	552,515	\$ 1.67	\$ 0.31	167,500
<b>By fiscal year</b>						
Year ended September 30, 2005	\$ 2.14	\$ 1.02	160,910	\$ 1.85	\$ 0.80	212,525
Year ended September 30, 2004	\$ 3.01	\$ 0.42	315,446	\$ 2.30	\$ 0.31	283,733
Year ended September 30, 2003	\$ 0.65	\$ 0.25	40,137	\$ 0.44	\$ 0.19	56,300
Year ended September 30, 2002	\$ 0.85	\$ 0.36	19,783	\$ 0.60	\$ 0.23	116,192
Year ended September 30, 2001	\$ 1.80	\$ 0.52	5,231	\$ 1.25	\$ 0.11	80,267

**B. Plan of Distribution**

Not applicable.

**C. Markets**

The Company trades, or has traded, on the following markets

<b>Jurisdiction</b>	<b>Exchange</b>	<b>Stock Symbol</b>	<b>From</b>	<b>To</b>
Canada	TSX Venture Exchange ( TSXV (successor exchange to the Vancouver Stock Exchange and the CDNX Exchange)	TKO	March 10, 1969	March 7, 2006
Canada	Toronto Stock Exchange ( TSX )	TKO	March 8, 2006	Present
United States	National Association of Securities Dealers Automated Quotation System ( NASDAQ ) Regular Market		March 1992	November 29, 1994
United States	National Association of Securities Dealers Automated Quotation System ( NASDAQ ) National Market		November 30, 1994	July 5, 2001
United States	Over The Counter Bulletin Board ( OTCBB )	TKOCF	July 6, 2001	October 3, 2004
United States	American Stock Exchange	TGB	October 4, 2004	Present

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

## ITEM 10 ADDITIONAL INFORMATION

### A. Share Capital

Not required in an annual report.

### B. Memorandum and Articles of Association

The following is a summary of certain material provisions of (i) Taseko's new Articles, as adopted by shareholders, and (ii) certain provisions of the *Business Corporations Act* applicable to Taseko:

#### 1. Objects and Purposes

Taseko's Memorandum and Articles do not specify objects or purposes. Taseko is entitled under the *Business Corporations Act* to carry on all lawful businesses which can be carried on by a natural person.

#### 2. Directors

##### ***Director's power to vote on a proposal, arrangement or contract in which the director is interested.***

According to the *Business Corporations Act*, a director holds a disclosable interest in a contract or transaction if:

1. the contract or transaction is material to the company;
2. the company has entered, or proposes to enter, into the contract or transaction, and
3. either of the following applies to the director:
  - a. the director has a material interest in the contract or transaction;
  - b. the director is a director or senior officer of, or has a material interest in, a person who has a material interest in the contract or transaction.

However, the *Business Corporations Act* also provides that in the following circumstances, a director does not hold a disclosable interest in a contract or transaction if:

1. the situation that would otherwise constitute a disclosable interest arose before the coming into force of the *Business Corporations Act* or, if the company was recognized under the *Business Corporations Act*, before that recognition, and was disclosed and approved under, or was not required to be disclosed under, the legislation that:
  - a. applied to the company on or after the date on which the situation arose; and
  - b. is comparable in scope and intent to the provisions of the *Business Corporations Act*;



4. the other party to the contract or transaction is a wholly owned subsidiary of the company; or
5. where the director or senior officer is the sole shareholder of the company or of a corporation of which the company is a wholly owned subsidiary.

The *Business Corporations Act* further provides that a director of a company does not hold a disclosable interest in a contract or transaction merely because:

1. the contract or transaction is an arrangement by way of security granted by the company for money loaned to, or obligations undertaken by, the director or senior officer, or a person in whom the director or senior officer has a material interest, for the benefit of the company or an affiliate of the company;
2. the contract or transaction relates to an indemnity or insurance;
3. the contract or transaction relates to the remuneration of the director or senior officer in that person's capacity as director, officer, employee or agent of the company or of an affiliate of the company;
4. the contract or transaction relates to a loan to the company, and the director or senior officer, or a person in whom the director or senior officer has a material interest, is or is to be a guarantor of some or all of the loan; or
5. the contract or transaction has been or will be made with or for the benefit of a corporation that is affiliated with the company and the director or senior officer is also a director or senior officer of that corporation or an affiliate of that corporation.

Under Taseko's Articles, a director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which Taseko has entered or proposes to enter:

1. is liable to account to Taseko for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the Act;
2. is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution;
3. and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*. No director or intended director is disqualified by his or her office from contracting with Taseko either with regard to the holding of any office or place of profit the director holds with Taseko or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of Taseko in which a director is in any way interested is liable to be voided for that reason.

***Directors' power, in the absence of an independent quorum, to vote compensation to themselves or any members of their body.***

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The compensation of the directors is decided by the directors unless the board of directors requests approval to the compensation from the shareholders by ordinary resolution. The *Business Corporations Act* provides that a director of a company does not hold a disclosable interest in a contract or transaction merely because the contract or transaction relates to the remuneration of the director or senior officer in that person's capacity as director, officer, employee or agent of Taseko or of an affiliate of Taseko.

***Borrowing powers exercisable by the directors.***

Under the Articles, the directors may, on behalf of Taseko:

1. Borrow money in such manner and amount, on such security, from such sources and upon such terms, and conditions as they consider appropriate;
2. Issue bonds, debentures, and other debt obligations either outright or as a security for any liability or obligation of Taseko or any other person and at such discounts or premiums and on such other terms as they consider appropriate;
3. guarantee the repayment of money by any other person or the performance of any obligation of any other person; and
4. mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of Taseko.

***Retirement and non-retirement of directors under an age limit requirement.***

There are no such provisions applicable to Taseko under its Memorandum or its Articles or the *Business Corporations Act*.

***Number of shares required for a director's qualification.***

Directors need not own any shares of Taseko in order to qualify as directors.

**3. Rights, Preferences and Restrictions Attaching to Each Class of Shares**

***Dividends***

Dividends may be declared by the Board out of available assets and are paid rateably to holders of common shares. No dividend may be paid if Taseko is, or would thereby become, insolvent.

***Voting Rights***

Each Taseko share is entitled to one vote on matters to which common shares ordinarily vote including the annual election of directors, appointment of auditors and approval of corporate changes. Directors automatically retire at each annual meeting, and may be elected thereat. There are no staggered directorships among Taseko's directors. There are no cumulative voting rights applicable to Taseko.

***Rights to Profits and Liquidation Rights***

All common shares of Taseko participate rateably in any net profit or loss of Taseko and shares rateably any available assets in the event of a winding up or other liquidation.

***Redemption***

Taseko has no redeemable securities authorized or issued.

***Sinking Fund Provisions***

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Taseko has no sinking fund provisions or similar obligations.

***Shares Fully Paid***

All Taseko shares must, by applicable law, be issued as fully paid for cash, property or services. They are therefore non-assessable and not subject to further calls for payment.

***Pre-emptive Rights***

There are no pre-emptive rights applicable to Taseko which provide a right to any person to participate in offerings of Taseko's equity or other securities

With respect to the rights, preferences and restrictions attaching to Taseko's common shares, there are generally no significant differences between Canadian and United States law as the shareholders, or the applicable corporate statute, will determine the rights, preferences and restrictions attaching to each class of Taseko's shares.

**4. Changes to Rights and Restrictions to Shares**

The *Business Corporations Act* provides that a company may, by the type of shareholders' resolution specified by the articles, or, if the articles do not specify the type of resolution, by a special resolution:

- i) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or
- ii) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued.

Taseko's Articles provide that, subject to the *Business Corporations Act*, Taseko may by ordinary resolution or a resolution of the directors (or a resolution of the directors in the case of §(c) or §(f) below):

- (a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- (b) increase, reduce or eliminate the maximum number of shares that Taseko is authorized to issue out of any class or series of shares or establish a maximum number of shares that Taseko is authorized to issue out of any class or series of shares for which no maximum is established;
- (c) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;
- (d) if Taseko is authorized to issue shares of a class of shares with par value:
  - (i) decrease the par value of those shares; or
  - (ii) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

- (g) otherwise alter its shares or authorized share structure when required or permitted to do so by the Act where it does not specify a special resolution.

An ordinary resolution is a resolution of shareholders that is approved by a majority of those votes cast at a properly constituted meeting of shareholders. The Articles provide that a special resolution is a resolution of shareholders that is approved by two thirds (66 2/3%) of those votes cast at a properly constituted meeting of shareholders.

If special rights and restrictions are altered and any right or special right attached to issued shares is prejudiced or interfered with, then the consent of the holders of shares of that class or series by a special separate resolution will be required.

The *Business Corporations Act* also provides that a company may reduce its capital if it is authorized to do so by a court order, or, if the capital is reduced to an amount that is not less than the realizable value of the company's assets less its liabilities, by a special resolution or court order.

Generally, there are no significant differences between British Columbia and United States law with respect to changing the rights of shareholders as most state corporation statutes require shareholder approval (usually a majority) for any such changes that affect the rights of shareholders.

## 5. Meetings of Shareholders

The Articles provide that Taseko must hold its annual general meeting once in every calendar year (being not more than 15 months from the last annual general meeting) at such time and place to be determined by the directors of Taseko. Shareholders meetings are governed by the Articles of Taseko but many important shareholder protections are also contained in the *Securities Act* (British Columbia) (the *Securities Act*) and the *British Columbia Corporations Act*. The Articles provide that Taseko will provide at least 21 days' advance written notice of any meeting of shareholders and will provide for certain procedural matters and rules of order with respect to conduct of the meeting. The directors may fix in advance a date, which is no fewer than 21 days prior to the date of the meeting for the purpose of determining shareholders entitled to receive notice of and to attend and vote at a general meeting.

The *Securities Act* and the *British Columbia Corporations Act* superimpose requirements that generally provide that shareholders meetings require not less than a 60 day notice period from initial public notice and that Taseko makes a thorough advanced search of intermediary and brokerage registered shareholdings to facilitate communication with beneficial shareholders so that meeting proxy and information materials can be sent via the brokerages to unregistered but beneficial shareholders. The form and content of information circulars and proxies and like matters are governed by the *Securities Act* and the *British Columbia Corporations Act*. This legislation specifies the disclosure requirements for the proxy materials and various corporate actions, background information on the nominees for election for director, executive compensation paid in the previous year and full details of any unusual matters or related party transactions. Taseko must hold an annual shareholders meeting open to all shareholders for personal attendance or by proxy at each shareholder's determination. The meeting must be held within 13 months of the previous annual shareholders meeting and must present audited statements which are no more than 180 days old at such meeting.

Most state corporation statutes require a public company to hold an annual meeting for the election of directors and for the consideration of other appropriate matters. The state statutes also include general provisions relating to shareholder voting and meetings. Apart from the timing of when an annual Meeting must be held and the percentage of shareholders required to call an annual Meeting or an extraordinary

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meeting, there are generally no material differences between Canadian and United States law respecting annual meetings and extraordinary meetings.

## **6. Rights to Own Securities**

There are no limitations under Taseko's Articles or in the *Business Corporations Act* on the right of persons who are not citizens of Canada to hold or vote common shares.

## **7. Restrictions on Changes in Control, Mergers, Acquisitions or Corporate Restructuring of the Company**

Taseko's Articles do not contain any provisions that would have the effect of delaying, deferring or preventing a change of control of Taseko. Taseko has not implemented any shareholders' rights or other "poison pill" protection against possible take-overs. Taseko does not have any agreements which are triggered by a take-over or other change of control. There are no provisions in its Articles triggered by or affected by a change in outstanding shares which gives rise to a change in control. There are no provisions in Taseko's material agreements giving special rights to any person on a change in control.

The *Business Corporations Act* does not contain any provisions that would have the effect of delaying, deferring or preventing a change of control of a company.

Generally, there are no significant differences between British Columbia and United States law in this regard, as many state corporation statutes also do not contain such provisions and only empower a company's board of directors to adopt such provisions.

## **8. Ownership Threshold Requiring Public Disclosure**

The Articles of Taseko do not require disclosure of share ownership. Share ownership of director nominees must be reported annually in proxy materials sent to Taseko's shareholders. There are no requirements under British Columbia corporate law to report ownership of shares of Taseko but the *Securities Act* requires disclosure of trading by insiders (generally officers, directors and holders of 10% of voting shares) within 10 days of the trade. Controlling shareholders (generally those in excess of 20% of outstanding shares) must provide seven days advance notice of share sales. Effective January 31, 2003 all insider trading reports filed by Taseko's insiders pursuant to Canadian securities legislation are available on the Internet at [www.sedi.ca](http://www.sedi.ca).

Most state corporation statutes do not contain provisions governing the threshold above which shareholder ownership must be disclosed. United States federal securities laws require a company that is subject to the reporting requirements of the Securities Exchange Act of 1934 to disclose, in its annual reports filed with the Securities and Exchange Commission those shareholders who own more than 5% of a corporation's issued and outstanding shares.

## **9. Differences in Law between the US and British Columbia**

Differences in the law between United States and British Columbia, where applicable, have been explained above within each category.

## **10. Changes in the Capital of the Company**

There are no conditions imposed by Taseko's Notice of Articles or Articles which are more stringent than those required by the *Business Corporations Act*.



**Securities Act (*British Columbia*)**

This statute applies to Taseko and governs matters typically pertaining to public securities such as continuous quarterly financial reporting, immediate disclosure of material changes, insider trade reporting, take-over protections to ensure fair and equal treatment of all shareholders, exemption and resale rules pertaining to non-prospectus securities issuances as well as civil liability for certain misrepresentations, disciplinary, appeal and discretionary ruling matters. All Taseko shareholders regardless of residence have equal rights under this legislation.

**Subsidiary Gibraltar Mines Ltd.**

The common shares of Gibraltar are wholly owned by Taseko and Gibraltar has constituting documents ordinary to a British Columbia corporation pursuing mining activities. Gibraltar has a class of preference shares outstanding which are owned by Continental Minerals Corporation and which were received for transferring to Gibraltar the Harmony Gold Project. These preference shares are convertible into Taseko shares in the event of a liquidation event in connection with the Harmony Gold Project.

**C. Material Contracts**

Taseko's material contracts are:

- (a) Convertible Debenture July 21, 1999 in the principal amount of CDN \$17,000,000 issued by Gibraltar to Boliden Westmin (Canada) Limited pursuant to the acquisition of the Gibraltar mine (see Item 4 "The Gibraltar Mine") filed with 20-F in March 30, 2000;
- (b) Geological Management and Administration Services Agreement with Hunter Dickinson Inc. dated for reference December 31, 1996 filed with Form 20-F for fiscal year 1999 filed on March 30, 2000 (See Item 7 "Interest of Management in Certain Transactions");
- (c) Arrangement Agreement dated February 22, 2001 among Taseko, Misty Mountain Gold Limited and Gibraltar Mines Ltd. whereby Taseko caused Gibraltar to acquire the 3 million ounce Harmony Gold Project (see Item 4) in consideration of the issuance of Preferred Shares of Gibraltar which are convertible into Taseko shares in the event of a liquidation event in connection with the Harmony Gold Project.;
- (d) Agreements with the GRT Limited Partnership described in Items 4 , 7 and 19;
- (e) Royalty Agreement dated September 29, 2004 between Gibraltar Mines Ltd., Wilshire Financial Services Inc.
- (f) Call Option Agreement dated September 29, 2004. among: 688888 B.C. Ltd., Red Mile Resources Inc., in its capacity as general partner on behalf of all of the partners of Red Mile Resources Fund Limited Partnership, and Wilshire (GP) No. 2 Corporation, in its capacity as general partner on behalf of all of the partners of Red Mile Resources No. 2 Limited Partnership.
- (g) Funding Agreement dated September 29, 2004 between Gibraltar Mines Ltd. and Wilshire Financial Services Inc.
- (h) Funding Pledge Agreement dated September 29, 2004 between Wilshire Financial Services Inc., Gibraltar Mines Ltd. and Alberta Capital Trust Corporation





- (i) Pledge, Priorities and Direction Agreement dated September 29, 2004 among Red Mile Resources Inc., in its capacity as general partner on behalf of all of the partners of Red Mile Resources Fund Limited Partnership, and Wilshire (GP) No. 2 Corporation, in its capacity as general partner on behalf of all of the partners of Red Mile Resources No. 2 Limited Partnership, Gibraltar Mines Ltd., 688888 B.C. Ltd., Wilshire Financial Services Inc, Alberta Capital Trust Corporation, Wilshire (GP) No. 2 Corporation, Red Mile Resources Inc., and all of the Limited Partners of Red Mile Resources Fund Limited Partnership.
- (j) Indemnification Agreement dated September 29, 2004 between Gibraltar Mines Ltd. and Wilshire Financial Services Inc.
- (k) General Partner Share Purchase Agreement between Red Mile Resources Inc. as general partner on behalf of Red Mile Resources Fund Limited Partnership, Wilshire (GP) No. 2 Corporation as general partner on behalf of Red Mile Resources No. 2 Limited Partnership, Gibraltar Mines Ltd., 688888 BC Ltd. as Optionee dated September 29, 2004;
- (l) Shortfall Agreement between Red Mile Resources Inc. as general partner on behalf of Red Mile Resources Fund Limited Partnership, Wilshire (GP) No. 2 Corporation as general partner on behalf of Red Mile Resources No. 2 Limited Partnership, Wilshire Financial Services Inc., Gibraltar Mines Ltd. and
- (m) Fee Agreement dated September 29, 2004 between Red Mile Resources Fund Limited Partnership and Taseko Mines Limited;
- (n) Operating Agreement dated September 28, 2004 between Ledcor Mining Ltd. and Gibraltar Mines Ltd. This information has been previously reported and is incorporated by reference to the Company's Form 20-F — Annual Report for the fiscal year ended September 30, 2004 filed with the Securities and Exchange Commission on April 15, 2005.

#### **D. Exchange Controls**

Taseko is a Province of British Columbia, Canada, corporation. There is no law or governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to a non-resident holder of Common Shares, other than withholding tax requirements. Any such remittances to United States residents are generally subject to withholding tax, however no such remittances are likely in the foreseeable future. See "Taxation", below.

There is no limitation imposed by the laws of Canada or by the charter or other constituent documents of Taseko on the right of a non-resident to hold or vote its common shares, other than as provided in the *Investment Canada Act* (Canada) (the "*Investment Act*"). The following discussion summarizes the material features of the *Investment Act* for a non-resident who proposes to acquire a controlling number of Taseko's common shares. It is general only, it is not a substitute for independent advice from an investor's own advisor, and it does not anticipate statutory or regulatory amendments. Taseko does not believe the *Investment Act* will have any affect on it or on its non-Canadian shareholders due to a number of factors including the nature of its operations and Taseko's relatively small capitalization.

The *Investment Act* generally prohibits implementation of a "reviewable" investment by an individual, government or agency thereof, corporation, partnership, trust or joint venture (each an "entity") that is not

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a "Canadian" as defined in the *Investment Act* (ie. a "non-Canadian"), unless after review the Director of Investments appointed by the minister responsible for the *Investment Act* is satisfied that the investment is likely to be of net benefit to Canada. The size and nature of a proposed transaction may give rise to an obligation to notify the Director to seek an advance ruling. An investment in Taseko's common shares by a non-Canadian (other than a "WTO Investor" as that term is defined in the *Investment Act* and which term includes entities which are nationals of or are controlled by nationals of member states of the World Trade Organization) when Taseko was not controlled by a WTO Investor, would be reviewable under the *Investment Act* if it was an investment to acquire control of Taseko and the value of the assets of Taseko, as determined in accordance with the regulations promulgated under the *Investment Act*, was over a certain figure, or if an order for review was made by the federal cabinet on the grounds that the investment related to Canada's cultural heritage or national identity, regardless of the value of the assets of Taseko. An investment in the Common Shares by a WTO Investor, or by a non-Canadian when Taseko was controlled by a WTO Investor, would be reviewable under the *Investment Act* if it was an investment to acquire control of Taseko and the value of the assets of Taseko, as determined in accordance with the regulations promulgated under the *Investment Act*, was not less than a specified amount, which currently exceeds approximately C\$250 million. A non-Canadian would acquire control of Taseko for the purposes of the *Investment Act* if the non-Canadian acquired a majority of the Common Shares. The acquisition of less than a majority but one-third or more of the Common Shares would be presumed to be an acquisition of control of Taseko unless it could be established that, on the acquisition, Taseko was not controlled in fact by the acquiror through the ownership of the Common Shares.

The foregoing assumes Taseko will not engage in the production of uranium or own an interest in a producing uranium property in Canada, or provide any financial service or transportation service, as the rules governing these businesses are different.

Certain transactions relating to the Common Shares would be exempt from the *Investment Act*, including

- (a) an acquisition of the Common Shares by a person in the ordinary course of that person's business as a trader or dealer in securities,
- (b) an acquisition of control of Taseko in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the *Investment Act*, and
- (c) an acquisition of control of Taseko by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of Taseko, through the ownership of the Common Shares, remained unchanged.

## **E. Taxation**

### ***Material Canadian Federal Income Tax Consequences for United States Residents***

The following, in management's understanding summarizes the material Canadian federal income tax consequences generally applicable to the holding and disposition of Common Shares by a holder (in this summary, a "U.S. Holder") who, (a) for the purposes of the Income Tax Act (Canada) (the "Tax Act"), is not resident in Canada, deals at arm's length with Taseko, holds the Common Shares as capital property and does not use or hold the Common Shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) for the purposes of the Canada-United States Income Tax Convention, 1980 (the "Treaty"), is a resident solely of the United States, has never been a resident of Canada, and has not held or used (and does not hold or use) Common Shares in connection with a permanent establishment or fixed base in Canada. This summary does not apply to traders or dealers in securities,

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limited liability companies, tax-exempt entities, insurers, financial institutions (including those to which the mark-to-market provisions of the Tax Act apply), or any other U.S. Holder to which special considerations apply.

This summary is based on the current provisions of the Tax Act including all regulations thereunder, the Treaty, all proposed amendments to the Tax Act, the regulations and the Treaty publicly announced by the Government of Canada to the date hereof, and the current administrative practices of the Canada Customs and Revenue Agency. It has been assumed that all currently proposed amendments will be enacted as proposed and that there will be no other relevant change in any governing law or administrative practice, although no assurances can be given in these respects. This summary does not take into account provincial, U.S., state or other foreign income tax law or practice. The tax consequences to any particular U.S. Holder will vary according to the status of that holder as an individual, trust, corporation, partnership or other entity, the jurisdictions in which that holder is subject to taxation, and generally according to that holder's particular circumstances. Accordingly, this summary is not, and is not to be construed as, Canadian tax advice to any particular U.S. Holder.

### *Dividends*

Dividends paid or deemed to be paid to a U.S. Holder by Taseko will be subject to Canadian withholding tax. Under the Treaty, the rate of withholding tax on dividends paid to a U.S. Holder is generally limited to 15% of the gross amount of the dividend (or 5% if the U.S. Holder is a corporation and beneficially owns at least 10% of Taseko's voting shares). Taseko will be required to withhold the applicable withholding tax from any such dividend and remit it to the Canadian government for the U.S. Holder's account.

### *Disposition*

A U.S. Holder is not subject to tax under the Tax Act in respect of a capital gain realized on the disposition of a Common Share in the open market unless the share is "taxable Canadian property" to the holder thereof and the U.S. Holder is not entitled to relief under the Treaty. A Common Share will be taxable Canadian property to a U.S. Holder if, at any time during the 60 months preceding the disposition, the U.S. Holder or persons with whom the U.S. Holder did not deal at arm's length alone or together owned, or had rights to acquire, 25% or more of Taseko's issued shares of any class or series.

A U.S. Holder whose Common Shares do constitute taxable Canadian property, and who might therefore be liable for Canadian income tax under the Tax Act, will generally be relieved from such liability under the Treaty unless the value of such shares at the time of disposition is derived principally from real property situated in Canada. Common shares of Taseko would be considered taxable Canadian property.

### ***United States Tax Consequences***

#### *United States Federal Income Tax Consequences*

The following is, in management's understanding, a discussion of the material United States federal income tax consequences, under current law, generally applicable to a U.S. Holder (as hereinafter defined) of common shares of Taseko. This discussion does not address all potentially relevant federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. (see "Taxation – Canadian Federal Income Tax Consequences" above). Accordingly, holders and prospective holders of common shares of Taseko should consult their own tax advisors about the specific federal,

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state, local, and foreign tax consequences to them of purchasing, owning and disposing of common shares of Taseko, based upon their individual circumstances.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time and which are subject to differing interpretations. This discussion does not consider the potential effects, both adverse and beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

#### *U.S. Holders*

As used herein, a "U.S. Holder" means a holder of common shares of Taseko who is a citizen or individual resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof, an entity created or organized in or under the laws of the United States or any political subdivision thereof which has elected to be treated as a corporation for United States Income Tax Purposes (under Treasury Regulation section 301.7201 -3), an estate whose income is taxable in the United States irrespective of source or a trust subject to the primary supervision of a court within the United States and control of a United States fiduciary as described Section 7701(a)(30) of the Code. This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to specific provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a "functional currency" other than the U.S. dollar, shareholders subject to the alternative minimum tax, shareholders who hold common shares as part of a straddle, hedging or conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to U.S. Holders who own common shares as capital assets and who own (directly and indirectly, pursuant to applicable rules of constructive ownership) no more than 5% of the value of the total outstanding stock of Taseko. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares. In addition, this summary does not address special rules applicable to United States persons (as defined in Section 7701(a)(30) of the Code) holding common shares through a foreign partnership or to foreign persons holding common shares through a domestic partnership.

#### *Distribution on Common Shares of Taseko*

In general, U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of Taseko are required to include in gross income for United States federal income tax purposes the gross amount of such distributions, equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that Taseko has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's federal taxable income by those who itemize deductions. (See more detailed discussion at "Foreign Tax Credit" below). To the extent that distributions exceed current or accumulated earnings and profits of Taseko, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of property. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation.



In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally, any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, an individual whose realized gain does not exceed \$200 will not recognize that gain, provided that there are no expenses associated with the transaction that meet the requirements for deductibility as a trade or business expense (other than travel expenses in connection with a business trip) or as an expense for the production of income.

Dividends paid on the common shares of Taseko generally will not be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation and which owns shares representing at least 10% of the voting power and value of Taseko may, under certain circumstances, be entitled to a 70% (or 80% if the U.S. Holder owns shares representing at least 20% of the voting power and value of Taseko) deduction of the United States source portion of dividends received from Taseko (unless Taseko qualifies as a "foreign personal holding company" or a "passive foreign investment company," as defined below). Taseko does not anticipate that it will earn any United States income, however, and therefore does not anticipate that any U.S. Holder will be eligible for the dividends received deduction.

Under current Treasury Regulations, dividends paid on Taseko's common shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. However, dividends and the proceeds from a sale of Taseko's common shares paid in the U.S. through a U.S. or U.S. related paying agent (including a broker) will be subject to U.S. information reporting requirements and may also be subject to the 28% U.S. backup withholding tax, unless the paying agent is furnished with a duly completed and signed Form W-9. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

#### *Foreign Tax Credit*

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of Taseko may be entitled, at the option of the U.S. Holder, to either receive a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as "passive income," "high withholding tax interest," "financial services income," "shipping income," and certain other classifications of income. Dividends distributed by Taseko will generally constitute "passive income" or, in the case of certain U.S. Holders, "financial services income" for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and U.S. Holders of common shares of Taseko should consult their own tax advisors regarding their individual circumstances.

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*Disposition of Common Shares of Taseko*

In general, U.S. Holders will recognize gain or loss upon the sale of common shares of Taseko equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of Taseko. Preferential tax rates apply to long-term capital gains of U.S. Holders which are individuals, estates or trusts. In general, gain or loss on the sale of common shares of Taseko will be long-term capital gain or loss if the common shares are a capital asset in the hands of the U.S. Holder and are held for more than one year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders which are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders that are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

*Other Considerations*

Set forth below are certain material exceptions to the above-described general rules describing the United States federal income tax consequences resulting from the holding and disposition of common shares:

*Foreign Investment Company*

If 50% or more of the combined voting power or total value of Taseko's outstanding shares is held, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), and Taseko is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that Taseko may be treated as a "foreign investment company" as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging common shares to be treated as ordinary income rather than capital gain. Taseko does not believe that it currently qualifies as a foreign investment company. However, there can be no assurance that Taseko will not be considered a foreign investment company for the current or any future taxable year.

*Passive Foreign Investment Company*

United States income tax law contains rules governing "passive foreign investment companies" ("PFIC") which can have significant tax effects on U.S. Holders of foreign corporations. These rules do not apply to non-U.S. Holders. Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States if, for any taxable year, either (i) 75% or more of its gross income is "passive income,"

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which includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if the corporation is not publicly traded and either is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more. In addition, Taseko expects to qualify as a PFIC for the fiscal year ending September 30, 2005 and may also qualify as a PFIC in future fiscal years. Each U.S. Holder of Taseko is urged to consult a tax advisor with respect to how the PFIC rules affect such U.S. Holder's tax situation.

Each U.S. Holder who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to United States federal income taxation under one of three alternative tax regimes at the election of such U.S. Holder. The following is a discussion of such alternative tax regimes applied to such U.S. Holders of Taseko. In addition, special rules apply if a foreign corporation qualifies as both a PFIC and a "controlled foreign corporation" (as defined below) and a U.S. Holder owns, actually or constructively, 10% or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation (See more detailed discussion at "Controlled Foreign Corporation" below).

A U.S. Holder who elects to treat Taseko as a qualified electing fund ("QEF") will be subject, under Section 1293 of the Code, to current federal income tax for any taxable year to which the election applies in which Taseko qualifies as a PFIC on his pro rata share of Taseko's (i) "net capital gain" (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain, and (ii) "ordinary earnings" (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income, in each case, for the shareholder's taxable year in which (or with which) Taseko's taxable year ends, regardless of whether such amounts are actually distributed. A U.S. Holder's tax basis in the common shares will be increased by any such amount that is included in income but not distributed.

The procedure a U.S. Holder must comply with in making an effective QEF election, and the consequences of such election, will depend on whether the year of the election is the first year in the U.S. Holder's holding period in which Taseko is a PFIC. If the U.S. Holder makes a QEF election in such first year, i.e., a "timely" QEF election, then the U.S. Holder may make the QEF election by simply filing the appropriate documents at the time the U.S. Holder files his tax return for such first year. If, however, Taseko qualified as a PFIC in a prior year during the U.S. Holder's holding period, then, in order to avoid the Section 1291 rules discussed below, in addition to filing documents, the U.S. Holder must elect to recognize under the rules of Section 1291 of the Code (discussed herein), (i) any gain that he would otherwise recognize if the U.S. Holder sold his stock on the qualification date or (ii) if Taseko is a controlled foreign corporation, the U.S. Holder's pro rata share of Taseko's post-1986 earnings and profits as of the qualification date. The qualification date is the first day of Taseko's first tax year in which Taseko qualified as a QEF with respect to such U.S. Holder. For purposes of this discussion, a U.S. Holder who makes (i) a timely QEF election, or (ii) an untimely QEF election and either of the above-described gain-recognition elections under Section 1291 is referred to herein as an "Electing U.S. Holder." A U.S. Holder who holds common shares at any time during a year of Taseko in which Taseko is a PFIC and who is not an Electing U.S. Holder (including a U.S. Holder who makes an untimely QEF election and makes neither of the above-described gain-recognition elections) is referred to herein as a "Non-Electing U.S. Holder." An Electing U.S. Holder (i) generally treats any gain realized on the disposition of his Taseko common shares as capital gain; and (ii) may either avoid interest charges resulting from PFIC status altogether, or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of Taseko's annual realized net capital gain and ordinary earnings subject, however, to an interest charge. If the U.S. Holder is not a corporation, any interest charge imposed under the PFIC regime would be treated as "personal interest" that is not deductible.

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In order for a U.S. Holder to make (or maintain) a valid QEF election, Taseko must provide certain information regarding its net capital gains and ordinary earnings and permit its books and records to be examined to verify such information. Taseko intends to make the necessary information available to U.S. Holders to permit them to make (and maintain) QEF elections with respect to Taseko. Taseko urges each U.S. Holder to consult a tax advisor regarding the availability of, and procedure for making, the QEF election.

A QEF election, once made with respect to Taseko, applies to the tax year for which it was made and to all subsequent tax years, unless the election is invalidated or terminated, or the IRS consents to revocation of the election. If a QEF election is made by a U.S. Holder and Taseko ceases to qualify as a PFIC in a subsequent tax year, the QEF election will remain in effect, although not applicable, during those tax years in which Taseko does not qualify as a PFIC. Therefore, if Taseko again qualifies as a PFIC in a subsequent tax year, the QEF election will be effective and the U.S. Holder will be subject to the rules described above for Electing U.S. Holders in such tax year and any subsequent tax years in which Taseko qualifies as a PFIC. In addition, the QEF election remains in effect, although not applicable, with respect to an Electing U.S. Holder even after such U.S. Holder disposes of all of his or its direct and indirect interest in the shares of Taseko. Therefore, if such U.S. Holder reacquires an interest in Taseko, that U.S. Holder will be subject to the rules described above for Electing U.S. Holders for each tax year in which Taseko qualifies as a PFIC.

In the case of a Non-Electing U.S. Holder, special taxation rules under Section 1291 of the Code will apply to (i) gains realized on the disposition (or deemed to be realized by reasons of a pledge) of his Taseko common shares and (ii) certain "excess distributions," as defined in Section 1291(b), by Taseko.

A Non-Electing U.S. Holder generally would be required to pro rate all gains realized on the disposition of his Taseko common shares and all excess distributions on his Taseko common shares over the entire holding period for the common shares. All gains or excess distributions allocated to prior years of the U.S. Holder (excluding any portion of the holder's period prior to the first day of the first year of Taseko (i) which began after December 31, 1986, and (ii) for which Taseko was a PFIC) would be taxed at the highest tax rate for each such prior year applicable to ordinary income. The Non-Electing U.S. Holder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-Electing U.S. Holder that is not a corporation must treat this interest charge as "personal interest" which, as discussed above, is wholly non-deductible. The balance, if any, of the gain or the excess distribution will be treated as ordinary income in the year of the disposition or distribution, and no interest charge will be incurred with respect to such balance. In certain circumstances, the sum of the tax and the PFIC interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the U.S. Holder.

If Taseko is a PFIC for any taxable year during which a Non-Electing U.S. Holder holds Taseko common shares, then Taseko will continue to be treated as a PFIC with respect to such Taseko common shares, even if it is no longer definitionally a PFIC. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules discussed above for Non-Electing U.S. Holders) as if such Taseko common shares had been sold on the last day of the last taxable year for which it was a PFIC.

Effective for tax years of U.S. Holders beginning after December 31, 1997, U.S. Holders who hold (actually or constructively) marketable stock of a foreign corporation that qualifies as a PFIC may elect to mark such stock to the market annually (a "mark-to-market election"). If such an election is made, such U.S. Holder will generally not be subject to the special taxation rules of Section 1291 discussed above. However, if the mark-to-market election is made by a Non-Electing U.S. Holder after the beginning of the holding period for the PFIC stock, then the Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to Taseko common shares. A U.S. Holder who



makes the mark-to market election will include in income for each taxable year for which the election is in effect an amount equal to the excess, if any, of the fair market value of the common shares of Taseko as of the close of such tax year over such U.S. Holder's adjusted basis in such common shares. In addition, the U.S. Holder is allowed a deduction for the lesser of (i) the excess, if any, of such U.S. Holder's adjusted tax basis in the common shares over the fair market value of such shares as of the close of the tax year, or (ii) the excess, if any, of (A) the mark-to-market gains for the common shares in Taseko included by such U.S. Holder for prior tax years, including any amount which would have been treated as a mark-to-market gain for any prior tax year but for the Section 1291 rules discussed above with respect to Non-Electing U.S. Holders, over (B) the mark-to-market losses for shares that were allowed as deductions for prior tax years. A U.S. Holder's adjusted tax basis in the common shares of Taseko will be adjusted to reflect the amount included in or deducted from income as a result of a mark-to-market election. A mark-to-market election applies to the taxable year in which the election is made and to each subsequent taxable year, unless Taseko common shares cease to be marketable, as specifically defined, or the IRS consents to revocation of the election. Because the IRS has not established procedures for making a mark-to-market election, U.S. Holders should consult their tax advisor regarding the manner of making such an election. No view is expressed regarding whether common shares of Taseko are marketable for these purposes or whether the election will be available.

Under Section 1291(f) of the Code, the IRS has issued Proposed Treasury Regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by Non-Electing U.S. Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases the basis of Taseko common shares in the hands of the transferee and the basis of any property received in the exchange for those common shares would be increased by the amount of gain recognized. Under the Proposed Treasury Regulations, an Electing U.S. Holder would not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. The transferee's basis in this case will depend on the manner of the transfer. In the case of a transfer by an Electing U.S. Holder upon death, for example, the transferee's basis is generally equal to the fair market value of the Electing U.S. Holder's common shares as of the date of death under Section 1014 of the Code. The specific tax effect to the U.S. Holder and the transferee may vary based on the manner in which the common shares are transferred. Each U.S. Holder of Taseko is urged to consult a tax advisor with respect to how the PFIC rules affect his or its tax situation.

Whether or not a U.S. Holder makes a timely QEF election with respect to common shares of Taseko, certain adverse rules may apply in the event that both Taseko and any foreign corporation in which Taseko directly or indirectly holds shares is a PFIC (a "lower-tier PFIC"). Pursuant to certain Proposed Treasury Regulations, a U.S. Holder would be treated as owning his or its proportionate amount of any lower-tier PFIC shares, and generally would be subject to the PFIC rules with respect to such indirectly-held PFIC shares unless such U.S. Holder makes a timely QEF election with respect thereto. Taseko intends to make the necessary information available to U.S. Holders to permit them to make (and maintain) QEF elections with respect to each subsidiary of Taseko that is a PFIC.

Under the Proposed Treasury Regulations, a U.S. Holder who does not make a timely QEF election with respect to a lower-tier PFIC generally would be subject to tax (and the PFIC interest charge) on (i) any excess distribution deemed to have been received with respect to his or its lower-tier PFIC shares and (ii) any gain deemed to arise from a so-called "indirect disposition" of such shares. For this purpose, an indirect disposition of lower-tier PFIC shares would generally include (i) a disposition by Taseko (or an intermediate entity) of lower-tier PFIC shares, and (ii) any other transaction resulting in a dilution of the U.S. Holder's proportionate ownership of the lower-tier PFIC, including an issuance of additional common shares by Taseko (or an intermediate entity or the lower tier PFIC). Accordingly, each prospective U.S. Holder should be aware that he or it could be subject to tax even if such U.S. Holder receives no distributions from Taseko and does not dispose of its common shares.

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**Taseko strongly urges each prospective U.S. Holder to consult a tax advisor with respect to the adverse rules applicable, under the Proposed Treasury Regulations, to U.S. Holders of lower-tier PFIC shares.**

Certain special, generally adverse, rules will apply with respect to Taseko common shares while Taseko is a PFIC unless the U.S. Holder makes a timely QEF election. For example under Section 1298(b)(6) of the Code, a U.S. Holder who uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in regulations, be treated as having made a taxable disposition of such shares.

*Controlled Foreign Corporation*

If more than 50% of the total combined voting power of all classes of shares entitled to vote or the total value of the shares of Taseko is owned, actually or constructively, by citizens or residents of the United States, United States domestic partnerships or corporation, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), each of which own, actually or constructively, 10% or more of the total combined voting power of all classes of shares entitled to vote of Taseko ("United States Shareholder"), Taseko could be treated as a controlled foreign corporation ("CFC") under Subpart F of the Code. This classification would effect many complex results, one of which is the inclusion of certain income of a CFC which is subject to current U.S. tax. The United States generally taxes United States Shareholders of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such United States Shareholders are generally treated as having received a current distribution out of the CFC's Subpart F income and are also subject to current U.S. tax on their pro rata shares of increases in the CFC's earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. Holder of common shares of Taseko which is or was a United States Shareholder at any time during the five-year period ending on the date of the sale or exchange is treated as ordinary income to the extent of earnings and profits of Taseko attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to United States Shareholders of the CFC. This rule generally will be effective for taxable years of United States Shareholders beginning after 1997 and for taxable years of foreign corporations ending with or within such taxable years of United States Shareholders. Special rules apply to United States Shareholders who are subject to the special taxation rules under Section 1291 discussed above with respect to a PFIC. Because of the complexity of Subpart F, a more detailed review of these rules is outside of the scope of this discussion. Taseko does not believe that it currently qualifies as a CFC. However, there can be no assurance that Taseko will not be considered a CFC for the current or any future taxable year.

**F. Dividends and Paying Agents**

Not applicable.

**G. Statement by Experts**

Not applicable.

**H. Documents on Display**

Exhibits attached to this Form 20-F are also available for viewing at the offices of Taseko, Suite 1020 800 West Pender Street, Vancouver, British Columbia V6C 2V6 or on request of Taseko at 604-684-6365, attention: Shirley Main. Copies of Taseko's financial statements and other continuous disclosure documents required under the British Columbia *Securities Act* are available for viewing on the internet at

www.SEDAR.com. Taseko's only material subsidiary, Gibraltar Mines Ltd., is also a British Columbia corporation and the foregoing discussion of articles and memorandum is generally applicable.

**I. Subsidiary Information**

Not applicable.

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## **ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **A. Transaction Risk and Currency Risk Management**

Taseko's operations do not employ financial instruments or derivatives which are market sensitive. The Company has certain sales contracts which are subject to transaction risk.

### **B. Exchange Rate Sensitivity**

Taseko's revenues from the production and sale of copper and molybdenum are denominated in US dollars; however the Company's operating expenses are primarily incurred in Canadian dollars.

Its liabilities are primarily denominated in Canadian dollars.

The results of the Company's operations are subject to currency transaction risk and currency translation risk. The operating results and financial position of the Company are reported in Canadian dollars in the Company's consolidated financial statements. The fluctuation of the US dollar in relation to the Canadian dollar will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity.

The Company's functional currency is the Canadian dollar and its expenses are predominantly incurred in Canadian dollars. The Company incurs a relatively small portion of its expenses in U.S. dollars.

The Company's revenues and treatment and transportation charges are substantially denominated in US dollars, whereas all other expenses are substantially denominated in Canadian dollars. Accordingly, a 10% increase in the US dollar against the Canadian dollar would result in an increase in earnings of approximately \$7.4 million.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

### **C. Interest Rate Risk and Equity Price Risk**

The Boliden Debenture, an obligation of the Company, is non-interest bearing.

The Company's royalty obligation amounting to approximately \$68.8 million at September 30, 2005 and \$66.1 million at December 31, 2005, is secured by a promissory note held by the Company.

The Company has routine vehicle loans and leases amounting to approximately \$180,000 which are subject to interest rate risk.

### **D. Commodity Price Risk**

The value of Taseko's resource properties can be said to relate to the price of gold and copper and the outlook for same. Taseko does not have any hedging or other commodity based risks respecting its operations.

Gold and copper prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, central bank lending,

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forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

The profitability of the Company's operations is highly correlated to the market price of copper, molybdenum, and gold. If metal prices decline for a prolonged period below the cost of production of the Company's Gibraltar mine, it may not be economically feasible to continue production.

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**ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not applicable. (Taseko has a single outstanding debenture issued to Boliden see Item 2)

**B. Warrants and Rights**

Not applicable. (No market exists for Taseko's warrants and options. Taseko has issued no rights.)

**C. Other Securities**

Not applicable.

**D. American Depositary Shares**

Not applicable.

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**PART II**

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**ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable.

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**ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable.

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**ITEM 15 CONTROLS AND PROCEDURES**

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the Exchange Act), Taseko's management carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of September 30, 2005, being the date of Taseko's most recently completed fiscal year end. This evaluation was carried out under the supervision and with the participation of Taseko's Chief Executive Officer, Russell E. Hallbauer, and Chief Financial Officer, Jeffrey R. Mason. Based upon that evaluation, Taseko's Chief Executive Officer and Chief Financial Officer concluded that Taseko's disclosure controls and procedures are effective to ensure that the information required to be disclosed by Taseko in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed a registrant's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including Taseko's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

During the most recently completed fiscal year ended September 30, 2005, there were no changes in Taseko's internal control over financial reporting that have materially affected, or are reasonably likely to affect, Taseko's internal control over financial reporting.

The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and 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 registrant;
  - (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
  - (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.
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**ITEM 16 AUDIT COMMITTEE, CODE OF ETHICS, ACCOUNTANT FEES AND EXEMPTIONS****A. Audit Committee Financial Expert**

Taseko's board of directors has determined that David M.S. Elliott, who is a Canadian Chartered Accountant, is an audit committee financial expert as defined by the rules of the SEC. The board of directors has also determined that Mr. Elliott is "independent", as the term is defined by the American Stock Exchange which is a national securities exchange.

**B. Code of Ethics**

The Company has adopted a code of ethics that applies to the Company's chief executive officer, the chief financial officer, and other members of senior management. The Code of Ethics was filed as an exhibit to the Form 20-F registration statement filed by the Company on December 17, 2005 and is available for viewing on the Company's website at [www.tasekomines.com](http://www.tasekomines.com).

**C. Principal Accountant Fees and Services**

The following table discloses the aggregate fees billed for each of the last two fiscal years for professional services rendered by the Company's audit firm for various services

	Year ended September 30, 2005	Year ended September 30, 2004
<b>Services:</b>		
Audit services	100,000	\$ 52,000
Audit-related services	4,000	
Tax services	10,000	15,000
All other services	-	5,000
	<b>\$ 114,000</b>	<b>\$ 72,000</b>

*Audit Fees* consist of the aggregate fees billed for professional services rendered by the principal accountant for the audit of the Company's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

*Audit-Related Fees* consist of the aggregate fees billed for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under paragraph (a) of this Item.

*Tax Fees* consist of the aggregate fees billed for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning.

*All Other Fees* consist of the aggregate fees billed for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item.

The Company has procedures for the review and pre-approval of any services performed by KPMG LLP. The procedures require that all proposed engagements of KPMG LLP for audit and non-audit services are submitted to the audit committee for approval prior to the beginning of any such services. The audit

committee routinely considers such requests at committee meetings, and if acceptable to a majority of the audit committee members, pre-approves such non-audit services by a resolution authorizing management to engage the Company's auditors for such non-audit services, with set maximum dollar amounts for each itemized service. During such deliberations, the audit committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the US Securities and Exchange Commission, and whether the services requested and the fees related to such services could impair the independence of the auditors.

**D. Exemptions from Listing Standards for Audit Committees**

Not applicable.

**E. Purchases Of Equity Securities by the Issuer and Affiliated Purchasers**

None.

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**PART III**

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**ITEM 17 FINANCIAL STATEMENTS**

The following attached financial statements are incorporated herein:

- (1) Report of the Independent Registered Public Accounting Firm on the consolidated balance sheets as at September 30, 2005 and 2004, and the consolidated statements of operations, deficit and cash flows for each of the years in the three year period ended September 30, 2005;
  - (2) Consolidated balance sheets as at September 30, 2005 and 2004;
  - (3) Consolidated statements of operations for each of the years in the three year period ended September 30, 2005;
  - (4) Consolidated statements of deficit for each of the years in the three year period ended September 30, 2005;
  - (5) Consolidated statements of cash flows for the periods referred to in (3) above;
  - (6) Notes to the consolidated financial statements;
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**ITEM 18 FINANCIAL STATEMENTS**

The Company has elected to provide financial statements pursuant to Item 17.

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**ITEM 19 EXHIBITS**

The following exhibits are included in this Annual Report on Form 20-F:

**Exhibit****Number****Description**

1.01	Certificate of Incorporation dated July 1991 (1)
1.02	Articles dated July 1991 (1)
1.03	Notice of Articles dated January 2005 (1)
<u>1.04</u>	<u>Notice of Article issued February 10, 2006</u>
4.01	Convertible Debenture July 21, 1999 in the principal amount of CDN \$17,000,000 issued by Gibraltar to Boliden Westmin (Canada) Limited pursuant to the acquisition of the Gibraltar Mine (see Item 4 "The Gibraltar Mine") filed with 20-F in March 30, 2000. (1)
4.02	Geological Management and Administration Services Agreement dated for reference December 31, 1996 filed with Form 20-F for fiscal year 1999 on March 30, 2000 (See Item 7 "Related Party Transactions"). (1)
<u>4.03</u>	<u>2006 Share Option Plan dated for reference March 22, 2006 (See Item 6 "Share Incentive Plan").</u>
4.04	Arrangement Agreement dated February 22, 2001 among Taseko, Misty Mountain Gold Limited and Gibraltar Mines Ltd., whereby Taseko caused Gibraltar to acquire the 3 million ounce Harmony Gold Project in consideration of the issuance of Preferred Shares of Gibraltar which are convertible into shares of Taseko in the event of a liquidation event in connection with the Harmony Gold Project (see Item 4) (filed with Taseko's Annual Report on Form 20-F for the year ended September 30, 2000 filed on March 31, 2001). (1)
4.05	Memorandum of Agreement dated for reference December 1, 2000 pursuant to which Procorp Services Limited Partnership ("Procorp") and Taseko have agreed that Procorp will seek to finance engineering of a processing plant using the CESL technology and other services in consideration of \$900,000 US cash (initial payment made), \$900,000 cash on successful start up of the Gibraltar mine plus 3.4 million Taseko Warrants, subject to regulatory acceptance (filed with Taseko's Annual Report on Form 20-F for the year ended September 30, 2000 filed on March 31, 2001). (1)
4.06	Joint Venture Agreement with the GRT Limited Partnership, Put/Call Agreement among the partners of GRT Limited Partnership and Taseko dated December 30, 2003. (2)
4.07	Guarantee Agreement between Taseko and Province of British Columbia dated December 30, 2003. (2)

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
4.08	Guarantee Bonus Agreement dated December 30, 2003 whereby Taseko will issue 225,000 shares to certain insiders in consideration of them back-stopping Taseko's Guarantee Agreement with the Province of British Columbia as described in Item 7. (2)
4.09	Farm-In Agreement with Northern Dynasty Minerals Ltd and Rockwell Ventures Inc whereby these related party companies expended \$850,000 exploring Gibraltar's mineral properties and subsequently sold the earned interests in the properties to Taseko for 304,660 Taseko shares valued at \$2.79 each, as described in Item 7. (2)
4.10	Royalty Agreement dated September 29, 2004 between Gibraltar Mines Ltd., Wilshire Financial Services Inc. (4)
4.11	Call Option Agreement dated September 29, 2004. among: 688888 B.C. Ltd., Red Mile Resources Inc., in its capacity as general partner on behalf of all of the partners of Red Mile Resources Fund Limited Partnership, and Wilshire (GP) No. 2 Corporation, in its capacity as general partner on behalf of all of the partners of Red Mile Resources No. 2 Limited Partnership. (4)
4.12	Funding Agreement dated September 29, 2004 between Gibraltar Mines Ltd. and Wilshire Financial Services Inc. (4)
4.13	Funding Pledge Agreement dated September 29, 2004 between Wilshire Financial Services Inc., Gibraltar Mines Ltd. and Alberta Capital Trust Corporation. (4)
4.14	Indemnification Agreement dated September 29, 2004 between Gibraltar Mines Ltd. and Wilshire Financial Services Inc. (4)
4.15	Pledge, Priorities and Direction Agreement dated September 29, 2004 among Red Mile Resources Inc., in its capacity as general partner on behalf of all of the partners of Red Mile Resources Fund Limited Partnership, and Wilshire (GP) No. 2 Corporation, in its capacity as general partner on behalf of all of the partners of Red Mile Resources No. 2 Limited Partnership, Gibraltar Mines Ltd., 688888 B.C. Ltd., Wilshire Financial Services Inc, Alberta Capital Trust Corporation, Wilshire (GP) No. 2 Corporation, Red Mile Resources Inc., and all of the Limited Partners of Red Mile Resources Fund Limited Partnership. (4)
4.16	General Partner Share Purchase Agreement between Red Mile Resources Inc. as general partner on behalf of Red Mile Resources Fund Limited Partnership, Wilshire (GP) No. 2 Corporation as general partner on behalf of Red Mile Resources No. 2 Limited Partnership, Gibraltar Mines Ltd., 688888 BC Ltd. as Optionee dated September 29, 2004. (4)
4.17	Fee Agreement dated September 29, 2004 between Red Mile Resources Fund Limited Partnership and Taseko Mines Limited. (4)
4.18	Shortfall Agreement between Red Mile Resources Inc. as general partner on behalf of Red Mile Resources Fund Limited Partnership, Wilshire (GP) No. 2 Corporation as general partner on behalf of Red Mile Resources No. 2 Limited Partnership, Wilshire Financial Services Inc., Gibraltar Mines Ltd. (4)



<u>Exhibit Number</u>	<u>Description</u>
4.19	Operating Agreement dated September 28, 2004 between Ledcor Mining Ltd. and Gibraltar Mines Ltd. (3)
11.01	Code of Ethics (1)
<u>12.1</u>	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>12.2</u>	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>13.1</u>	<u>Certification of Chief Executive Officer pursuant to pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>13.2</u>	<u>Certification of Chief Financial Officer pursuant to pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>99.1</u>	<u>Consolidated balance sheets as at September 30, 2005 and 2004; consolidated statements of operations and deficit, and cash flows for each of the years ended September 30, 2005, 2004 and 2003, together with Report of Independent Public Accounting Firm thereon;</u>
(1)	Filed as an exhibit to the Form 20-F Annual Report filed by Taseko in previous years.
(2)	Filed as an exhibit with Taseko's Annual Report on Form 20-F for the year ended September 30, 2003 filed on May 3, 2004.
(3)	Filed as an exhibit with Taseko's Annual Report on Form 20-F for the year ended September 30, 2004 filed on April 15, 2005.
(4)	Filed as an exhibit with Taseko's Annual Report on Amended Form 20-F for the year ended September 30, 2004 filed on June 27, 2005.

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**TASEKO MINES LIMITED**

/s/ Jeffrey R. Mason

Jeffrey R. Mason, CA  
Director, Chief Financial Officer, and Secretary

Date: April 17, 2006

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