Taseko Mines Limited

CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED JUNE 30, 2008

(Expressed in thousands of Canadian Dollars)
(Unaudited)

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

TASEKO MINES LIMITED

Consolidated Balance Sheets

(Expressed in thousands of Canadian Dollars)

	June 30 2008 (unaudited)	September 30 2007
ASSETS		
Current assets		
Cash and equivalents	$ 35,388	$ 37,636
Marketable securities and investments (note 5)	10,843	18,542
Accounts receivable	16,541	12,021
Income taxes receivable	6,742	–
Advances to related party (note 8)	–	807
Inventory (note 6)	32,643	18,058
Prepaid expenses	11,057	1,069
Current portion of promissory note	1,397	2,086
	114,611	94,619
Restricted cash	4,400	4,400
Reclamation deposits	35,287	33,396
Promissory note	73,472	72,350
Property, plant and equipment (note 7)	252,645	176,898
	$ 480,415	**$ 377,263**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 35,953	$ 30,435
Advances from related party (note 8)	468	–
Current portion of deferred revenue	175	175
Current portion of royalty obligation	1,397	2,086
Income taxes payable	–	6,573
Current portion of future income taxes	3,491	5,320
	41,484	44,589
Income taxes	25,870	24,645
Royalty obligation	62,263	63,330
Deferred revenue	919	1,050
Convertible debt (note 9)	28,599	41,008
Site closure and reclamation costs (note 10)	14,881	17,441
Future income taxes	41,223	21,540
	215,239	213,603
Shareholders' equity		
Share capital	279,715	205,040
Equity component of convertible debt (note 9)	3,832	13,655
Tracking preferred shares	26,642	26,642
Contributed surplus	13,592	8,633
Accumulated other comprehensive income	(2,239)	2,338
Deficit	(56,366)	(92,648)
	265,176	163,660
Subsequent events (note 13)		
	$ 480,415	**$ 377,263**

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors

/s/ Russell E. Hallbauer
Russell E. Hallbauer
Director

/s/ Ronald W. Thiessen
Ronald W. Thiessen
Director

TASEKO MINES LIMITED

Consolidated Statements of Operations and Comprehensive Income

(Unaudited - Expressed in thousands of Canadian Dollars, except per share amounts)

	Three months ended June 30		Nine months ended June 30	
	2008	2007	2008	2007
Revenue				
Copper	$ 50,872	$ 50,296	$ 145,529	$ 150,694
Molybdenum	2,334	5,611	17,958	13,734
	53,206	55,907	163,487	164,428
Cost of sales	(35,675)	(26,113)	(96,762)	(87,251)
Amortization	(1,563)	(1,374)	(3,355)	(2,488)
Operating profit	15,968	28,420	63,370	74,689
Expenses (income)				
Accretion of reclamation obligation	322	339	942	1,016
Exploration	3,047	2,188	7,413	6,647
Foreign exchange	600	1,454	(359)	(523)
Asset retirement obligation change of estimates (note 10)	–	–	(2,413)	–
General and administration	2,245	1,333	6,671	5,550
Gain on sale of marketable securities	(586)	–	(1,154)	(1,508)
Loss on equipment disposal	161	–	161	–
Interest and other income	(1,897)	(2,438)	(6,671)	(8,191)
Interest expense	1,390	883	3,813	3,167
Interest accretion on convertible debt	467	1,321	1,967	2,776
Stock-based compensation	1,103	1,865	5,473	4,954
Change in fair value of financial instruments	–	2,331	886	1,308
	6,852	9,276	16,729	15,196
Earnings before income taxes	9,116	19,144	46,641	59,493
Income tax recovery (expense)	397	(5,020)	6,377	(9,290)
Future income tax expense	(5,714)	(1,718)	(16,736)	(14,586)
Net earnings for the period	$ 3,799	$ 12,406	$ 36,282	$ 35,617
Other comprehensive income (loss)				
Unrealized gain (loss) on available-for-sale reclamation deposit	(527)	(675)	391	(761)
Unrealized gain (loss) on available-for-sale marketable securities	(2,783)	(1,560)	(5,278)	3,511
Reclassification of realized gain on sales of marketable securities	(439)	–	(528)	–
Tax effect	554	–	838	–
Other comprehensive loss	$ (3,195)	$ (2,235)	$ (4,577)	$ 2,750
Total comprehensive income	$ 604	$ 10,171	$ 31,705	$ 38,367

See accompanying notes to consolidated financial statements.

Earnings per share				
Basic	$ 0.03	$ 0.10	$ 0.26	$ 0.28
Diluted	0.02	0.09	0.23	0.25
Weighted average number of common shares outstanding				
Basic	143,475	129,371	140,229	128,784
Diluted	158,197	145,846	154,580	144,572

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(Unaudited - Expressed in thousands of Canadian Dollars)

	Three months ended June 30		Nine months ended June 30	
	2008	2007	2008	2007
Operating activities				
Net earnings for the period	$ 3,799	$ 12,406	$ 36,282	$ 35,617
Items not involving cash				
Asset retirement obligation change in estimate	–	–	(2,413)	–
Accretion of reclamation obligation	322	339	942	1,016
Amortization	1,563	1,374	3,355	2,488
Interest accretion on convertible debt	465	1,321	1,965	2,776
Stock-based compensation	1,103	1,865	5,473	4,954
Future income taxes	5,714	4,499	16,736	17,366
Unrealized foreign exchange	(184)	(2,926)	691	(1,995)
Gain on sale of marketable securities	(586)	–	(1,154)	(2,083)
Change in fair value of financial instruments	–	2,002	886	1,308
Changes in non-cash operating working capital				
Accounts receivable	(4,332)	(4,217)	(4,520)	(6,861)
Advances to related patrties	349	–	1,274	–
Inventories	(9,920)	1,704	(14,586)	11,474
Prepaids	(10,218)	(1,499)	(9,988)	(1,420)
Accrued interest income on promissory note	(1,088)	(1,074)	(433)	(3,000)
Accounts payable and accrued liabilities	5,351	(6,536)	1,950	(1,315)
Deferred revenue	(43)	(44)	(131)	(19,715)
Accrued interest expense on royalty obligation	346	354	(1,757)	1,074
Income taxes	1,949	5,139	(10,135)	10,645
Site closure and reclamation expenditures	–	(75)	–	(127)
Cash provided by operating activities	(5,410)	14,632	24,437	52,202
Investing activities				
Purchase of property, plant and equipment	(26,942)	(37,121)	(74,971)	(95,886)
Reclamation deposits	–	–	(109)	–
Accrued interest income on reclamation deposits	(345)	(344)	(1,390)	(1,410)
Restricted cash	–	–	–	(4,400)
Investment in marketable securities	–	(480)	(254)	(18,470)
Proceeds from sale of marketable securities	1,372	–	2,416	17,574
Cash used for investing activities	(25,915)	(37,945)	(74,308)	(102,592)
Financing activities				
Common shares issued for cash, net of issue costs	297	4,897	47,623	5,288
Cash provided by financing activities	297	4,897	47,623	5,288
Increase (decrease) in cash and equivalents	(31,028)	(18,416)	(2,248)	(45,102)
Cash and equivalents, beginning of period	66,416	62,722	37,636	89,408
Cash and equivalents, end of period	**$ 35,388**	**$ 44,306**	**$ 35,388**	**$ 44,306**

Supplemental Schedule for Non-Cash Investing and Financing Activities

Share issued for the purchase of royalty interest (note 7a)	$ 5,220	$ -	$ 5,220	$ -
Conversion of convertible debenture (note 9)	$ 24,887	$ -	$ 24,887	$ -

See accompanying notes to consolidated financial statements.

TASEKO MINES LIMITED

Consolidated Statements of Shareholders' Equity

(Expressed in thousands of Canadian Dollars, except for per share and share amounts)

	Nine months ended June 30, 2008 *(unaudited)*			Year ended September 30, 2007		
Common shares	Number of shares			Number of shares		
Balance at beginning of the period	130,580,538	$	205,040	128,388,175	$	197,592
Share purchase options at $1.15 per share	–		–	409,833		471
Share purchase options at $1.29 per share	–		–	75,000		97
Share purchase options at $2.07 per share	30,000		62	233,300		483
Share purchase options at $2.18 per share	145,500		317	244,000		532
Share purchase options at $2.63 per share	–		–	20,000		53
Share purchase options at $2.68 per share	7,500		20	27,500		74
Share purchase options at $3.07 per share	78,500		241	48,000		147
Share purchase options at $4.09 per share	3,600		15	–		–
Share purchase options at $4.50 per share	5,000		23	–		–
Shares issued for the purchase of mineral property interest	–		–	1,134,730		3,805
Fair value of stock options allocated to shares issued on exercise	–		514	–		1,786
Shares issued for the purchase of royalty interest (note 7a)	1,000,000		5,220	–		–
Shares issued for debt conversion (note 9)	2,612,971		21,318	–		–
Equity financings at $5.20 per share, net of issue costs (note 11)	9,637,792		46,945	–		–
Balance at end of the period	144,101,401		279,715	130,580,538		205,040
Equity component of convertible debt						
Balance at beginning of the period			13,655			13,655
Convertible debenture conversion adjustment (note 9)			(9,823)			–
Balance at end of the period			3,832			13,655
Tracking preferred shares						
Balance at beginning and end of the period			26,642			26,642
Contibuted surplus						
Balance at beginning of the period			8,633			3,648
Stock-based compensation			5,473			6,771
Fair value of stock options allocated to shares issued on exercise			(514)			(1,786)
Balance at end of the period			13,592			8,633
Accumulated other comprehensive income						
Balance at beginning of the period			2,338			–
Unrealized gain (loss) on reclamation deposits			391			(419)
Unrealized gain (loss) on available-for-sale marketable securities			(5,278)			4,710
Reclassification of realized gain on sale of marketable securities			(528)			(1,508)
Tax effect			838			(445)
Balance at end of the period			(2,239)			2,338
Deficit						
Balance at beginning of the period			(92,648)			(140,603)
Adjustment to opening deficit			–			(307)
Net earnings for the period			36,282			48,262
Balance at end of the period			(56,366)			(92,648)
TOTAL SHAREHOLDERS' EQUITY		$	265,176		$	163,660

See accompanying notes to consolidated financial statements.

1. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. They do not include all the disclosures as required for annual financial statements under generally accepted accounting principles. These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2007, which are available through the internet on SEDAR at www.sedar.com.

Operating results for the three and nine months period ended June 30, 2008 are not necessarily indicative of the results that may be expected for the full fiscal year ending September 30, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent audited annual financial statements for the year ended September 30, 2007, except as described in note 3.

3. CHANGES IN ACCOUNTING POLICIES

Effective October 1, 2007, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

(a) Accounting Changes (Section 1506)

This standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. As a result, changes in accounting policies are only permitted when required by a primary source of GAAP or when the change will result in more reliable and more relevant information. Changes in accounting estimates during the period resulting from the increase in the life of the Gibraltar mine are disclosed in notes 7 and 10.

(b) Capital Disclosures (Section 1535)

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any externally imposed capital requirements and, if it has not complied, the consequences of such non-compliance. These are presented in note 4(a).

(c) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

These standards replace CICA 3861, "*Financial Instruments – Disclosure and Presentation*". They increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. These are presented in note 4(b).

(d) New Accounting Standards Not Yet Adopted:

(i) Inventories (Section 3031)

This standard replaces the existing Section 3030 with the same title and will harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). This standard requires that inventories be measured at the lower of cost and net realizable value, and includes guidance on the determination of cost, including the allocation of overheads and other costs. The standard also requires that similar inventories within a consolidated group be measured using the same method. It also requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. This new section is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company is currently evaluating the impact of this new standard.

(ii) Going Concern – Amendments to Section 1400

CICA Section 1400, "*General Standards of Financial Statement Presentation*", was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company does not expect the adoption of these changes to have a material impact on its financial statements.

(iii) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Due to the Company's September 30 fiscal year end, the transition date for the Company is October 1, 2011. Therefore, the IFRS adoption will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company is currently in the process of developing an IFRS conversion plan and evaluating the impact of the transition to IFRS.

4. FINANCIAL INSTRUMENTS

(a) Capital Management Objectives

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the components of shareholders' equity, as well as its cash and equivalents and convertible debt as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue equity, sell assets, or return capital to shareholders as well as issue new debt. The Company is not subject to significant externally-imposed capital requirements.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are approved by the Board of Directors.

The Company’s investment policy is to invest its cash in highly liquid short-term interest-bearing investments, having maturity dates of three months or less from the date of acquisition, that are readily convertible to known amounts of cash.

There were no changes to the Company's approach to capital management during the three and nine months ended June 30, 2008 and the Company expects its current capital resources will be sufficient to carry out its plans of operations.

As at June 30, 2008 and September 30, 2007, the Company had no foreign currency hedges or commodity hedges in place, and consequently, hedge accounting is not used.

(Unaudited – Expressed in thousands of Canadian dollars, unless stated otherwise)

(b) Carrying Amounts and Fair Values of Financial Instrument

The carrying amounts of the Company's financial instruments approximate their fair values. The fair value of a financial instrument is the price at which a party would accept the rights and/or obligations of the financial instrument from an independent third party. Given the varying influencing factors, the reported fair values are only indicators of the prices that may actually be realized for these financial instruments. The following tables show the estimated fair values of the Company's financial instruments.

	Estimated fair value	
	June 30 2008	September 30 2007
Cash and equivalents	$ 35,388	$ 37,636
Restricted cash	4,400	4,400
Cash and equivalents	$ 39,788	$ 42,036
Accounts receivable	$ 16,541	$ 12,021
Advances to related party	–	807
Promissory note	74,869	74,436
Loans and receivables	$ 91,410	$ 87,264
Marketable securities and investments	$ 10,843	$ 18,542
Reclamation deposits	35,287	33,396
Available for sale financial assets	$ 46,130	$ 51,938
Total financial assets	$ 177,328	$ 181,238

The fair value of marketable securities and investments and reclamation deposits represents the market value of quoted investments.

The fair values of financial liabilities are as follows:

	Estimated fair value	
	June 30 2008	September 30 2007
Accounts payable and accrued liabilities	$ 36,050	$ 30,435
Advances from related party	468	–
Convertible debt	28,599	41,008
Royalty obligation	63,660	65,416
	$ 128,777	$ 136,859

At June 30, 2008, all the Company's financial liabilities were classified as other financial liabilities carried at amortized cost. The fair values of the convertible debt and royalty obligation were determined by discounting the stream of future payments of interest and principal at 14%, which approximates the estimated prevailing market rates for comparable debt instruments.

(c) Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, including treasury policies, counterparty limits, controlling and reporting structures. The types of risk exposure and the way in which such exposure is managed are provided as follows:

(i) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, restricted cash, reclamation deposits and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents, restricted cash and reclamation deposits with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

Substantially all the Company's cash and equivalents are held with one major Canadian financial institution and its subsidiaries. The reclamation trust and the promissory note are each held at different financial institutions from the cash and equivalents.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short and long term cash requirements. The Company's cash and equivalents are invested in business accounts and bankers acceptances, and which are available on demand for the Company's programs, and which are not invested in any asset backed deposits/investments.

(iii) Market Risk

The significant market risk exposures to which the Company is exposed are commodity price risk, foreign exchange risk, and interest rate risk.

(iv) Commodity Price Risk

The value of the Company's mineral resource properties is dependent on the price of copper, gold, molybdenum and niobium and the outlook for these minerals. The Company does not have any hedging or other commodity based risks respecting its operations.

Market prices for these metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. There are certain other factors related specifically to gold.

(Unaudited – Expressed in thousands of Canadian dollars, unless stated otherwise)

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

(v) *Foreign Exchange Risk*

The Company's revenues from the production and sale of copper and molybdenum are denominated in US dollars. The Company's concentrate treatment, refining, and transportation costs are substantially denominated in US dollars. However the Company's operating expenses are incurred primarily in Canadian dollars and its liabilities are denominated primarily in Canadian dollars. Consequently, the Company's operations are subject to currency transaction risk and currency translation risk.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuation of the US dollar in relation to the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities.

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

At June 30, 2008, the Company's financial assets held in the US dollars were:

Carrying value	Held in United States dollars (stated in Canadian dollars)
Cash and equivalents	$ 32,722
Accounts receivable	12,113
Total financial assets	$ 44,835

At June 30, 2008, the Company's financial liabilities held in the US dollars were:

Carrying value	Held in United States dollars (stated in Canadian dollars)
Accounts payable and accrued liabilities	$ 1,473
Convertible debt	28,599
Royalty obligation	–
Total financial liabilities	$ 30,072

(Unaudited – Expressed in thousands of Canadian dollars, unless stated otherwise)

(vi) *Interest Rate Risk*

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates impact on the value of cash equivalents and reclamation deposits, which are invested in Canadian provincial bonds.

In respect of financial liabilities, the royalty obligation is offset by an investment in a promissory note held by the Company. The convertible bonds carry a fixed interest rate of 7.125% per annum and as such are not subject to fluctuations in interest rate.

Reclamation deposits are held in Canadian provincial bonds with maturities of five years.

The exposure of the Company's financial assets to interest rate risk as at June 30, 2008 is as follows:

	Total	Weighted average effective interest rate (percent)	Weighted average period for which the interest rate is fixed (years)
Financial assets subject to floating interest rates	$ 114,657	2.7%	N/A
Financial assets subject to fixed interest rates	35,287	4.8%	5.5
Equity investments	10,843	N/A	N/A
Trade and other receivables	16,541	N/A	N/A
Total financial assets	$ 177,328		

The exposure of the Company's financial liabilities to interest rate risk at June 30, 2008 is as follows:

	Total	Weighted average effective interest rate (percent)	Weighted average period for which the interest rate is fixed (years)	Weighted average period until maturity (years)
Financial liabilities subject to floating interest rates	$ 63,660	1.8%	N/A	20
Financial liabilities subject to fixed interest rates	28,599	7.1%	3.2	3.2
Other liabilities	36,517	N/A	N/A	N/A
Total financial liabilities	$ 128,776			

(Unaudited – Expressed in thousands of Canadian dollars, unless stated otherwise)

5. MARKETABLE SECURITIES AND INVESTMENTS

	As at June 30, 2008		
	Cost	Unrealized gain (loss)	Fair value
Continental Minerals Corporation – common shares	$ 9,880	$ (2,130)	$ 7,750
Investment in other public companies	3,135	(42)	3,093
	$ 13,015	$ (2,172)	$ 10,843

	As at September 30, 2007		
	Cost	Unrealized gain (loss)	Fair value
Continental Minerals Corporation – common shares	$ 9,880	$ 2,566	$ 12,446
Continental Minerals Corporation – warrants	3,118	(2,232)	886
Investment in other public companies	4,574	636	5,210
	$ 17,572	$ 970	$ 18,542

On February 20, 2008, the Continental Minerals Corporation ("Continental") warrants expired unexercised. To reflect this expiry, a mark-to-market loss of $809 (nine months ended June 30, 2007 – loss of $1,615) was charged to operations.

As at June 30, 2008, the Company held 7,827,726 (2007 – 7,827,726) shares of Continental, a public company with certain directors in common with the Company.

6. INVENTORY

	June 30 2008	September 30 2007
Copper concentrate	$ 10,760	$ 6,623
Ore in-process	7,726	2,320
Copper cathode	156	605
Molybdenum	90	–
Product inventory	18,732	9,548
Materials and supplies	13,911	8,510
	$ 32,643	$ 18,058

(Unaudited – Expressed in thousands of Canadian dollars, unless stated otherwise)

7. PROPERTY, PLANT AND EQUIPMENT

	As at June 30, 2008		
	Cost	Accumulated Amortization	Net book value
Property, plant and equipment:			
Buildings and equipment	$ 6,115	$ 2,221	$ 3,894
Mine equipment	55,572	10,304	45,268
Plant and equipment	88,043	2,761	85,282
Vehicles	1,586	940	646
Computer equipment	3,389	2,662	727
Land	402	–	402
Deferred pre-stripping costs	52,520	838	51,682
Construction in progress	40,402	–	40,402
Asset retirement costs	337	–	337
Property, plant and equipment – Gibraltar mine	$ 248,366	$ 19,726	$ 228,640
Other equipment and leasehold improvements	386	56	330
	$ 248,752	$ 19,782	$ 228,970
Mineral property interests:			
Gibraltar Copper Mine			$ 14,050
Aley Niobium Property			8,343
Oakmont Ventures Ltd. (note 7(a))			7,520
Prosperity and Harmony properties			2
Total mineral property interests			$ 29,915
Asset retirement costs			(6,240)
Property, plant and equipment			$ 252,645

As at June 30, 2008, approximately $40,402 (September 30, 2007 – $52,887) of plant and equipment was under construction and not being amortized. Amortization recorded during the period reflected changes in accounting estimates during the period resulting from the increase in the life of the Gibraltar mine.

(Unaudited – Expressed in thousands of Canadian dollars, unless stated otherwise)

	As at September 30, 2007		
	Cost	Accumulated amortization	Net book value
Property, plant and equipment			
Buildings and equipment	$ 6,115	$ 1,905	$ 4,210
Mine equipment	55,529	9,216	46,313
Plant and equipment	26,900	1,698	25,202
Vehicles	1,511	753	758
Computer equipment	3,178	2,225	953
Land	402	–	402
Deferred pre-stripping costs	32,949	–	32,949
Construction in progress	52,887	–	52,887
Asset retirement costs	1,426	–	1,426
Property, plant and equipment – Gibraltar mine	180,897	15,797	165,100
Other equipment	27	27	–
	$ 180,924	$ 15,824	165,100
Mineral property interests:			
Gibraltar Copper Mine			10,062
Aley Niobium Property			8,343
Prosperity and Harmony properties			2
Total mineral property interests			18,407
Asset retirement costs			(6,609)
Total property, plant and equipment			$ 176,898

(a) *Purchase of Oakmont Ventures Ltd.*

On May 2, 2007, the Company completed the acquisition of all the issued and outstanding shares in the capital of a private company, Oakmont Ventures Ltd. ("Oakmont"), whose sole asset is the 30% net profits interest in certain claims that are part of the Gibraltar mine property located adjacent to the Gibraltar East pit. The acquisition was completed through the issuance of 1,000,000 common shares of the Company at the value of $5.22 million. The acquisition was accounted for under the purchase method.

The following table summarizes the total purchase consideration of Oakmont:

	Amount
Issuance of 1,000,000 common shares	$5,220
Payment of Oakmont's liabilities	302
Total purchase consideration	$5,522

The total acquisition price has been allocated to the net assets acquired and liabilities assumed as follows:

(Unaudited – Expressed in thousands of Canadian dollars, unless stated otherwise)

	Amount
Mineral property interests	7,520
Current liabilities	(43)
Future income taxes	(1,955)
Total consideration paid, being cash, common shares and units	$ 5,522

The results of operations of this acquired company have been included in the Company's consolidated financial statements from the date of the acquisition.

8. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions	Three months ended June 30		Nine months ended June 30	
	2008	2007	2008	2007
Hunter Dickinson Services Inc.				
Services rendered to the Company and its subsidiaries and reimbursement of third party expenses	$ 2,190	$ 1,156	$ 6,024	$ 3,683

Advances to (from):	As at June 30 2008	As at September 30 2007
Hunter Dickinson Services Inc.	$ (468)	$ 807

Hunter Dickinson Services Inc. ("HDSI") (formerly Hunter Dickinson Inc.) is a private company owned equally by several public companies, one of which is Taseko. HDSI has certain directors in common with the Company and provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company and its subsidiaries on a full cost recovery basis.

(Unaudited – Expressed in thousands of Canadian dollars, unless stated otherwise)

9. CONVERTIBLE DEBT

	June 30 2008	September 30 2007
Liability Component		
Convertible Bonds – August 2006	$ 28,599	$ 26,693
Convertible Debenture – NVI (a)	–	14,315
Convertible Debt – Liability Component	$ 28,599	$ 41,008
Equity Component		
Convertible Bonds – August 2006	$ 3,832	$ 3,832
Convertible Debenture – NVI (a)	–	9,823
Convertible Debt – Equity Component	$ 3,832	$ 13,655

(a) Convertible Debenture – NVI Mining Ltd (formerly Boliden Westmin (Canada Limited)

On July 21, 1999, in connection with the acquisition of the Gibraltar mine, the Company issued a $17,000 interest-free debenture to NVI Mining Ltd. (formerly Boliden Westmin Canada Limited) ("NVI"). The debenture was due on July 21, 2009 and is convertible into common shares of the Company over a 10 year period commencing at a price of $3.14 per share in year one and escalating by $0.25 per share per year thereafter. NVI had the right to convert, in part or in whole from time to time, the debenture into fully paid common shares of the Company from year one to year ten.

On April 2, 2008, NVI issued a notice to the Company to convert the principal amount of the debenture of $17 million at an effective conversion rate of $5.14 per common share, which would have resulted in 3,307,393 common shares of the Company being issued to NVI. However, the Company had already filed an action in BC Supreme Court in May 2006, seeking, among other relief, a right of set-off against the debenture in respect of damages owing from certain latent income tax liabilities that have been provisionally and conservatively quantified as the equivalent of 694,422 common shares. The Company therefore withheld 694,422 shares otherwise issuable pursuant to the conversion provision of the Debenture and issued the remainder of the common shares to NVI.

On April 28, 2008, NVI filed a Statement of Claim in the Supreme Court of British Columbia, naming Gibraltar and Taseko as defendants, and seeking an order that Taseko issue the 694,422 common shares withheld from the conversion of the Debenture, or pay damages in lieu of issuing the shares. Taseko has entered an appearance and has filed a Statement of Defense and Counterclaim, and is defending this action vigorously, while at the same time pursuing its original claim against NVI.

On July 29, 30 and 31, 2008, the Supreme Court of British Columbia heard argument on the issue of whether NVI should be required to await the outcome of the trial of Taseko's claims before receiving the 694,422 outstanding shares (or their equivalent in damages). That hearing has now concluded and the judge has reserved. A decision in that application is currently expected by August 14, 2008.

(Unaudited – Expressed in thousands of Canadian dollars, unless stated otherwise)

The continuity of the NVI convertible debenture is as follows:

Liability component:	
Present value of convertible promissory note at issuance, at September 30, 2007	$ 14,315
Accretion, net of interest, for the period to April 9, 2008	750
Balance, April 9, 2008	15,065
Conversion, April 9, 2008	15,065
Liability component, June 30, 2008	–
Equity component:	
Conversion right at September 30, 2007	9,823
Conversion, April 9, 2008	9,823
Equity component , June 30, 2008	–
Convertible debenture – NVI, June 30, 2008	$ –

10. SITE CLOSURE AND RECLAMATION OBLIGATIONS

The continuity of the provision for site closure and reclamation costs related to the Gibraltar mine is as follows:

Balance, September 30, 2007	$ 17,441
Changes during the period:	
Reclamation incurred	–
Accretion	942
Additional site closure and reclamation obligation recognized	337
Reduction in the present value of reclamation obligation due to a revision in mine life	(3,839)
Balance, June 30, 2008	$ 14,881

During the nine months ended June 30, 2008, the value of the underlying site closure and reclamation obligation was revised to reflect an increase in the life of the Gibraltar mine as well as an increased area of disturbance during the period. This change resulted in a revision to the timing of undiscounted cash flows associated with the carrying amount of the liability and a reduction in the present value of the site closure and reclamation obligation. The impact of these changes in estimates is as follows:

- a decrease of $3,839 (2007 – $nil) in the present value of the reclamation obligation due to an extension in the mine life.
- a net decrease of $1,314 (2007 – $nil) in asset retirement costs included in property, plant and equipment.
- a gain of $2,413 (2007 – $nil) resulting from a decrease in the asset retirement cost in excess of its carrying value.

The revised estimated reclamation costs, adjusted for estimated inflation at rates ranging from 2.2% to 2.5% per year, in 2026 dollars, are $76,700 (2007 – $68,400) and are expected to be spent over a period of approximately three years beginning in 2026. The credit-adjusted risk free rates at which the estimated future cash flows have been discounted are 7.1% to 10%, resulting in a net present value of $14,881 (2007 – $19,600).

Accretion for the nine months ended June 30, 2008 of $942 (2007 – $1,016) was charged to the statement of operations.

11. EQUITY FINANCINGS

In October 2007, the Company completed a short form prospectus offering of 7,115,385 common shares at a price of $5.20 per common share, and also granted to the underwriters an over-allotment option to purchase up to an additional 1,067,307 common shares at the same price, which over-allotment option was exercised in full, for aggregate gross proceeds to the Company of $42.5 million.

In November 2007, the Company completed a private placement financing of 1,455,100 common shares at a price of $5.20 per share for gross proceeds of $7.6 million.

12. TREATMENT AND REFINING AGREEMENT

In April 2008, Taseko entered into a six-year agreement commencing in the first fiscal quarter of 2009 and ending on December 31, 2014, with MRI Trading AG (“MRI”), a Swiss-based metal trading company, for the treatment and refining of Gibraltar copper concentrate. Under the terms of the agreement, Taseko has secured long-term, fixed, low cost rates for processing approximately 1.1 million tons of copper concentrate. The Company has the right to price payable copper within the concentrate based on a quotational period, declared prior to, and covering each ensuing calendar year.

Pursuant to this agreement, the Company also secured a US$30 million line of credit with MRI.

13. SUBSEQUENT EVENTS

In July 2008, the Company entered into a $14 million dollar lease agreement with Bank of America through Terex financial for the purchase of four new haulage trucks.

Taseko Mines Limited

THREE AND NINE MONTHS ENDED JUNE 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

THREE AND NINE MONTHS ENDED JUNE 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

1.1 Date

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements of Taseko Mines Limited ("Taseko", or the "Company") for the three months and nine months ended June 30, 2008 and the audited financial statements for the year ended September 30, 2007, prepared in accordance with Canadian generally accepted accounting principles, which are publicly available on SEDAR at www.sedar.com.

This MD&A is prepared as of August 8, 2008. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

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

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

This discussion uses the terms 'measured resources' and 'indicated resources'. The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

Cautionary Note to Investors Concerning Estimates of Inferred Resources

This discussion uses the term 'inferred resources'. The Company advises investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. 'Inferred resources' have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of economic studies, except in rare cases. **Investors are cautioned not to assume that any part or all of an inferred resource exists, or is economically or legally mineable.**

1.2 Overview

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

In the third quarter of fiscal 2008, Taseko continued to focus on the expansion of the Gibraltar concentrator, long range planning and resource definition for the Gibraltar Mine, project approval for the Prosperity Project, and review of potential acquisitions to provide for further corporate growth.

During the three months ended June 30, 2008, Taseko had an operating profit of $16.0 million, and net earnings after tax of $3.8 million, as compared to an operating profit of $28.4 million, and net earnings after tax of $12.4 million for the same period in fiscal 2007.

A Phase Three expansion of the concentrator at Gibraltar Mine was announced during the quarter, designed to increase the throughput to 85,000 tons per day ("tpd") and production capacity to approximately 180 million pounds of copper and 3.5 million pounds of molybdenum per year by the fourth quarter of 2010.

Plans to move forward with the Harmony and Aley Projects in 2008 have been deferred as the Company focuses on the Gibraltar Mine and the Prosperity Project.

1.2.1 Gibraltar Mine

Taseko's 100% owned Gibraltar mine is located north of the City of Williams Lake in south-central British Columbia.

Third Quarter 2008 Sales and Inventory

Copper

- Copper in concentrate sales for the quarter were 12.4 million pounds of copper, a decrease from the 13.0 million pounds of copper sold during the same quarter in fiscal 2007. Copper in concentrate inventory at June 30, 2008 was 3.6 million pounds (June 30, 2007 – 0.34 million pounds).
- Copper cathode sales were 0.6 million pounds compared to 0.6 million in the same quarter of fiscal 2007. Copper cathode in inventory at June 30, 2008 was 0.08 million pounds. (June 30, 2007 – 0.9 million pounds).
- The average price realized for sales of copper in the quarter was US$3.86 per pound compared to US$3.53 per pound in the same quarter of the previous year.

Molybdenum

- Molybdenum concentrate sales in the quarter were 78,000 pounds of molybdenum, a decrease from the 151,000 pounds sold in the same quarter of fiscal 2007. Molybdenum in concentrate inventory at June 30, 2008 was 8,821 pounds (June 30, 2007 – 27,396 pounds).
- The average price realized for sales of molybdenum in the quarter was US$33.57 per pound compared to US$31.95 per pound received during the third quarter of fiscal 2007.

***Non-GAAP Measures**

This document includes certain non-GAAP performance measures including "total cash cost of production" that do not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company believes that these measures are commonly used, in conjunction with conventional GAAP measures, by certain investors to enhance their understanding of the Company's performance. The Company's use of these non-GAAP measures is intended to provide additional information that should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP.

Third Quarter 2008 Production

The following is a summary of the operating statistics for the third quarter of 2008 (Q3 2008) compared to the same quarter in fiscal 2007 (Q3 2007).

	Q3 – Fiscal 2008	Q3 – Fiscal 2007
Total tons mined (millions)[1]	12.0	8.9
Tons of ore milled (millions)	2.5	2.4
Stripping ratio	3.1	2.6
Copper grade (%)	0.34	0.32
Molybdenum grade (%Mo)	0.006	0.010
Copper recovery (%)	70.0	76.4
Molybdenum recovery (%)	24.4	36.3
Copper production (millions lb)[2]	12.4	12.7
Molybdenum production (thousands lb)	76	151
Copper production costs, net of by-product credits, per lb of copper	US$2.79[3]	US$1.14
Off property costs for transport, treatment (smelting & refining) & sales per lb of copper	US$0.46	US$0.32
Total cash costs of production* per lb of copper	US$3.25	US$1.46

Notes to table:
1 Total tons mined includes sulphide ore, oxide ore, low grade stockpile material, overburden, and waste rock which were moved from within pit limit to outside pit limit during the period.
2 2008 copper production includes 11.7 million lb in concentrate and 0.7 million lb in cathode.
2007 copper production includes 11.8 million lb in concentrate and 0.9 million lb in cathode
3 2008 by-product credit is based on pounds of molybdenum and ounces of silver sold.

Tons mined were higher in the third quarter of fiscal 2008 compared to the same quarter in fiscal 2007 as mine operations continued mining waste rock during an unplanned 16-day concentrator shutdown in May that was caused by a failed transformer. Tons of ore milled were essentially the same as in the third quarter of fiscal 2007, even with the unplanned shutdown, as concentrator's daily throughput is now higher than it was a year ago due to the successful completion of the construction of the Phase I mill expansion.

Copper production was lower in Q3 fiscal 2008 compared with the same quarter in 2007 as a result of lower copper recoveries caused by oxidized material in the mill feed and balancing the new mill circuits installed during the Phase I expansion with existing mill circuits. Molybdenum production decreased as a result of lower grades.

Cost per pound of copper in Q3 fiscal 2008 was higher than in the same quarter in 2007 as a result of lower copper production due to the transformer failure, increased waste stripping, increased price of site consumables, strength of Canadian currency, and other areas. The approximate affect of each major variance on quarterly cost per pound of copper produced is as follows:

• Canadian to US dollar exchange rate	$0.23/lb
• Production loss due to transformer failure	$0.52/lb
• Accelerated maintenance on the grinding circuit during shutdown	$0.13/lb
• Continued waste stripping during the transformer down	$0.25/lb
• Increased price of fuel, steel , explosives, and reagents	$0.26/lb
• Below target copper recovery	$0.24/lb

As the ramp up of the Phase I and, in future, Phases II and III expansions, progress cash costs should decline accordingly. Taseko forecasts long-term, normalized cash costs for the Gibraltar operation in the range of US$1.30 per pound, including both site and off property costs.

Off-property costs during the quarter were higher than in the comparable quarter in 2007 as a result of lower applicable pounds of metal moved, higher transportation charges, and fuel surcharges.

Treatment and Refining Agreement

In April 2008, Taseko entered into a six-year agreement commencing when the current agreement expires, early in 2009, and ending on December 31, 2014 with MRI Trading AG, a Swiss-based metal trading house, for the treatment and refining of Gibraltar copper concentrate. Under the terms of the agreement, Taseko has secured long-term, low cost rates for processing approximately 1.1 million tons of copper concentrate production into copper metal. The Company will maintain the ability to price payable copper, contained in the concentrate, based on a quotation period declared prior to, and covering each ensuing calendar year.

Within the framework of this treatment and refining agreement, Taseko has also secured a US$30 million line of credit, to add to its $35 million cash on hand at the end of the quarter.

Concentrator Expansion Projects

Construction of the Phase I mill expansion was completed in February. All sections of the mill have operated for sustained periods at or above nameplate capacity, but it is taking longer to stabilize the interface between old and new circuits than was anticipated. The ramp up to the rated processing capacity of 46,000 tpd is underway and Gibraltar staff continue with the integration of new equipment into the operation.

The Phase II expansion consists of modernizing and increasing the capacity of the regrind, cleaner flotation, and concentrate circuits, installing a two stage tailings pumping system and adding a pebble crusher to the SAG mill circuit. Phase II is designed to increase concentrator capacity from 46,000 to 55,000 tpd. The construction schedule for Phase II has been altered slightly by the introduction of the Phase III expansion but Phase II is on schedule for completion of construction by early 2009 Ramp up to the new full production rate will take approximately one year.

The Phase III expansion is designed to increase throughput capacity by a further 30,000 tpd to 85,000 tpd by the end of 2010. The engineering for Phase III is well advanced and the estimated capital cost has been confirmed at $300 million for mill infrastructure and $50 million for mining equipment. The Company is considering funding alternatives, involving approximately 30% debt and 70% generated from internal cash flow.

Equipment

An electrical transformer supplying power to the new SAG mill at the Gibraltar Mine failed on May 5. As a result, the concentrator was shutdown for 16 days until a replacement transformer could be sourced and installed. An investigation into the failure of the transformer has confirmed that it was caused by a defect that was present but undetected when it was purchased. Taseko is now pursuing a claim against the supplier's warrantee coverage and a separate claim for loss-of-business insurance.

All testing and operating procedures were of a high standard and the failure was not predictable. A back-up transformer was being constructed at the time of the failure but it was not available in time to avoid the interruption in production. This back-up transformer is now on site at Gibraltar.

Labour and Safety

The number of active personnel at the end of the third quarter of fiscal 2008 was 440, compared to 315 at the same period in fiscal 2007.

There were two lost time accidents during the quarter. By the end of June, all Gibraltar employees had been taken through the first two modules of a formal safety awareness and training program that was initiated in the previous quarter.

1.2.2 Prosperity Project

Taseko holds a 100% interest in the Prosperity property, located 125 kilometers southwest of the City of Williams Lake. The property hosts a large porphyry gold-copper deposit amenable to open pit mining.

In September 2007, the Company announced the positive results of a feasibility study for the Project. The Company is actively advancing opportunities for improved economic performance through further metallurgical testing and optimization of the concentrator flowsheet, applying the most up-to-date facility designs and construction techniques, and reducing indirect costs.

New metallurgical testwork completed to date, on ore representative of mill feed scheduled in years one through four, is consistent with the metallurgical performance conclusions of historical work. The metallurgical test program is scheduled to continue through locked-cycle testing on this material.

Basic engineering began in January 2008, focusing on completing layouts, detailing quantities for steel and concrete, and procurement. Detailed engineering has been performed in specific areas required to secure long-lead delivery items. Engineering is scheduled to continue with the intent of minimizing the timeline to production once permits are in place.

Payments securing manufacturing time for the heads and trunnions for a 38-foot SAG mill construction for Prosperity were placed. Discussions with vendors for securing other long-lead delivery items to meet a construction schedule consistent with expectations on having required mining permits are in progress.

In July 2008, the Company was advised by the Ministry of Environment of British Columbia that the Province will be moving forward under provisions of the Environmental Assessment Act with an Environmental Assessment Office led review of this Project. The first meeting of the Working Group is scheduled for September 3, 2008. In the meantime, Taseko continues to work closely with both federal and provincial regulatory agencies in the review of the Project and is also engaged in discussions with local First Nations and other communities.

1.2.3 Harmony Project

Taseko holds 100% of the Harmony gold project, located on the Queen Charlotte-Haida Gwaii on the northwest coast of British Columbia. The Company has undertaken property maintenance and environmental monitoring activities at Harmony since acquiring the project in 2001.

The Company initiated a review of engineering work on the project in late 2007 following the designation of the area as a mineral development zone under the Queen Charlotte-Haida Gwaii Land and Resource Management Plan.

1.2.4 Aley Project

Taseko acquired 100% of the Aley niobium project in northern British Columbia in fiscal 2007. Niobium is a metal used in making high strength steels required in the manufacture of automobiles, bridges, pipes, jet turbines and other high technology applications. Currently, the world supply is dominated by only two producers: CBMM, a Brazilian miner, and Iamgold, which operates the Niobec Mine in Quebec.

1.2.5 Purchase of Net Profits Interest

In May 2008, Taseko acquired a 30% Net Profits Interest in claims that are part of the Gibraltar mine property and located adjacent to the Gibraltar East pit. The purchase was structured as the acquisition of a privately held company, Oakmont Ventures Ltd., whose sole assets was the 30% net profit interest for a share settlement to the value of $5.22 million (consisting of 1,000,000 common shares).

1.2.6 Corporate

Convertible Debenture – NVI Mining Ltd (formerly Boliden Westmin (Canada) Limited) ("NVI")

On April 2, 2008, NVI issued a notice to the Company to convert the principal amount of the debenture of $17 million at an effective conversion rate of $5.14 per common share, which would have resulted in 3,307,393 common shares of the Company being issued to NVI. However, the Company had already filed an action in BC Supreme Court in May 2006, seeking, among other relief, a right of set-off against the debenture in respect of damages owing from certain latent income tax liabilities that have been provisionally and conservatively quantified as the equivalent of 694,422 common shares. The Company therefore withheld 694,422 shares otherwise issuable pursuant to the conversion provision of the Debenture and issued the remainder of the common shares to NVI.

On April 28, 2008, NVI filed a Statement of Claim in the Supreme Court of British Columbia, naming Gibraltar and Taseko as defendants, and seeking an order that Taseko issue the 694,422 common shares withheld from the conversion of the Debenture, or pay damages in lieu of issuing the shares. Taseko has entered an appearance and has filed a Statement of Defense and Counterclaim, and is defending this action vigorously, while at the same time pursuing its original claim against NVI.

On July 29, 30 and 31, 2008, the Supreme Court of British Columbia heard arguments on the issue of whether NVI should be required to await the outcome of the trial of Taseko's claims before receiving the 694,422 outstanding shares (or their equivalent in damages). That hearing has now concluded and the judge has reserved. A decision in that application is currently expected by August 14, 2008.

1.2.7 Market Trends

Overall, copper prices have been increasing since late 2003 and averaged US$3.22/lb in 2007. Prices have continued to be strong in 2008, averaging US$3.65/lb to July 31. Forecasts suggest that there will be continued strong demand over the medium term, keeping prices above US$2.50/lb, and growing demand over the longer term.

Gold prices have been increasing for more than three years. The gold price averaged approximately US$695/oz in 2007. Prices have continued to be strong in 2008, averaging US$915/oz to July 31, 2008. Gold prices are forecast to show continued strength over the medium to long term.

Molybdenum prices increased from US$7.60/lb in 2003 and peaked in 2005 at an average price of US$34/lb. Prices decreased in 2006, averaging US$25.53/lb over the year, and strengthened again in 2007, averaging US$30.47/lb for the year. Molybdenum prices averaged US$33.65/lb to July 31, 2008. Molybdenum prices are expected to moderate but average at or above US$18/lb through 2010.

Over the past two years, the Canadian dollar has strengthened significantly against the United States dollar. The Company sells its products in United States dollar but its expenses are denominated primarily in Canadian dollars. The twelve-month average at June 30, 2007 for one United States dollar was 1.1327 Canadian dollars. The twelve-month average at June 30, 2008 for one United States dollar was 1.032 Canadian dollars. At June 30, 2008, one United States dollar was equivalent to 1.0197 Canadian dollar. The Canadian dollar is expected to remain strong over the next two years, with forecasts anticipating an average of one United States dollar to 1.02 Canadian dollars in 2008 and 1.08 Canadian dollars in 2009.

1.3 Selected Annual Information

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in thousands of Canadian dollars except per share amounts.

	As at September 30		
Balance Sheets	**2007**	**2006**	**2005**
Current assets	$ 94,619	$ 149,447	$ 58,380
Mineral properties	18,407	2,628	3
Property, plant and equipment	158,492	43,817	9,914
Other assets	105,745	101,569	122,700
Total assets	$ 377,263	$ 297,461	$ 190,997
Current liabilities	44,589	47,863	52,205
Other liabilities	169,014	148,664	109,682
Shareholders' equity	163,660	100,934	29,110
Total liabilities & shareholders' equity	$ 377,263	$ 297,461	$ 190,997

	Year ended September 30		
Statements of Operations	**2007**	**2006**	**2005**
Revenue	$ 218,426	$ 161,900	$ 87,638
Cost of sales	(109,533)	(103,628)	(71,348)
Amortization	(3,155)	(3,412)	(2,657)
Operating profit	$ 105,738	$ 54,860	$ 13,633
Accretion of reclamation obligation	1,777	1,732	1,574
Exploration	8,967	3,544	506
Foreign exchange loss (gain)	233	(289)	34
Gain on asset retirement obligation change of estimates	(4,570)	–	–
Loss on sale of equipment	–	–	2,161
Loss on extinguishment of capital leases	–	240	–
General and administration	6,501	5,286	2,412
Ledcor termination fee	–	3,500	–
Gain on sale of marketable securities	(1,508)	–	–
Interest and other income	(11,093)	(7,170)	(10,548)
Interest expense	5,947	4,594	3,175
Interest accretion on convertible debt	2,922	1,280	1,075
Restart project	–	–	6,347
Stock-based compensation	6,771	3,182	1,129
Change in fair market value of financial instruments	1,925	–	–
Earnings before income taxes	$ 87,866	$ 38,961	$ 5,768
Current income tax recovery (expense)	(3,959)	(4,397)	4,099
Future income tax recovery (expense)	(35,645)	(1,648)	13,423
Earnings for the year	$ 48,262	$ 32,916	$ 23,290
Other comprehensive income (loss):			
Unrealized loss on reclamation deposits	(419)	–	–
Unrealized gain (loss) on marketable securities/investments	4,710	–	–
Reclassification of realized gain (loss) on sale of marketable securities	(1,508)	–	–
Tax effect	(445)	–	–
Other comprehensive income	$ 2,338	$ –	$ –
Total comprehensive income	$ 50,600	$ 32,916	$ 23,290
Basic earnings per share	$ 0.37	$ 0.29	$ 0.23
Diluted earnings per share	$ 0.36	$ 0.26	$ 0.21
Basic weighted average number of common shares outstanding	129,218	113,554	100,022
Diluted weighted average number of common shares outstanding	142,278	126,462	110,733

1.4 Summary of Quarterly Results

All numbers, except per-share amounts, are expressed in thousands of Canadian dollars. Small differences are due to rounding.

	Jun 30 2008	Mar 31 2008	Dec 31 2007	Sep 30 2007	Jun 30 2007	Mar 31 2007	Dec 31 2006	Sep 30 2006	Jun 30 2006
Current assets	114,611	124,105	117,251	94,619	97,907	114,756	129,940	149,447	68,651
Mineral properties	29,916	19,142	18,941	18,407	15,986	5,468	3,554	2,628	3
Properties, plant and equipment	222,729	202,679	182,342	158,492	120,857	95,627	63,281	43,817	31,266
Other assets	113,159	112,926	106,873	105,745	104,781	104,677	104,051	101,569	103,193
Total assets	**480,415**	**458,852**	**425,407**	**377,263**	**339,531**	**320,528**	**300,826**	**297,461**	**203,113**
Current liabilities	41,484	29,976	22,439	44,589	35,225	36,426	37,411	47,863	39,330
Other liabilities	173,755	182,419	173,042	169,014	155,070	151,799	149,912	148,664	97,588
Shareholders' equity	265,176	246,457	229,926	163,660	149,236	132,303	113,503	100,934	66,195
Total liabilities and shareholders' equity	**480,415**	**458,852**	**425,407**	**377,263**	**339,531**	**320,528**	**300,826**	**297,461**	**203,113**
Revenue	53,206	65,357	44,924	53,998	55,907	51,624	56,897	23,196	59,922
Mine site operating costs	(29,633)	(28,854)	(19,810)	(17,062)	(21,399)	(18,962)	(30,809)	(8,829)	(31,866)
Transportation and treatment	(6,042)	(7,194)	(5,229)	(5,220)	(4,714)	(5,062)	(6,305)	7,581	(8,973)
Amortization	(1,563)	(1,091)	(701)	(667)	(1,374)	(677)	(437)	(898)	(812)
	15,968	28,218	19,184	31,049	28,420	26,923	19,346	21,050	18,271
Expenses:									
Accretion of reclamation obligation	322	313	307	760	339	339	339	433	433
Conference and travel	164	370	157	98	72	156	168	223	39
Consulting	66	52	78	198	138	167	80	137	104
Exploration	3,047	2,243	2,123	2,320	2,188	2,546	1,913	(155)	2,958
Interest expense and accretion charges	1,857	2,032	1,891	2,042	2,199	2,722	1,906	1,678	2,311
Ledcor termination fee	–	–	–	–	–	–	–	3,500	–
Legal, accounting and audit	277	326	219	443	130	484	163	(81)	1,061
Office and administration	1,566	1,454	1,250	975	833	905	762	(107)	1,047
Shareholder communications	78	165	136	99	140	134	113	101	183
Trust and filing	94	105	115	23	20	118	81	55	23
Interest and other income	(1,897)	(2,239)	(2,535)	(2,901)	(2,434)	(2,978)	(2,778)	(2,418)	(1,579)
Gain on sale of marketable securities	(586)	(568)	–	–	–	(1,509)	–	–	–
Income tax expense (recovery)	5,317	6,357	(1,315)	15,727	6,739	11,485	5,653	(1,968)	5,603
Asset retirement obligation change of estimates	–	–	(2,413)	(4,570)	–	–	–	–	–
Foreign exchange loss (gain)	600	(1,000)	40	756	1,454	(472)	(1,505)	(132)	323
Stock-based compensation	1,103	1,598	2,772	1,817	1,865	2,330	759	731	1,685
Loss on equipment disposal	161	–	–	–	–	–	–	–	–
Change in fair value of financial instruments	–	809	77	617	2,331	(995)	(28)	–	–
Earnings for the period	**3,799**	**16,201**	**16,282**	**12,645**	**12,406**	**11,491**	**11,720**	**19,053**	**4,080**
Earnings per share – basic	0.03	0.11	0.12	0.10	0.10	0.09	0.09	0.16	0.04

1.5 Results of Operations

Three months ended June 30, 2008

The Company's pre-tax earnings for the quarter ended June 30, 2008 were $9.1 million, compared to $19.1 million for the three months ended June 30, 2007. The decrease in pre-tax earnings was mainly the result of lower production related to an electrical transformer failure at the concentrator facility causing mill activities to cease for 16 days in May and higher input costs of production.

The Company reported revenues of $53.2 million for the quarter, compared to $55.9 million in the third quarter of the prior year. The decrease in revenue was the result of lower shipments of copper as a result of the electrical transformer failure, partially offset by higher copper prices realized. The average price per pound of copper sold increased to US$3.86 per pound, up from US$3.53 per pound in the same quarter in fiscal 2007. In addition, copper cathode sales of $2.1 million were the same as in the prior year.

Revenues for the quarter consisted of copper concentrate sales of $48.8 million (2007 – $47.8 million), copper cathode of $2.1 million and molybdenum concentrate sales of $2.3 million (2007 – $5.6 million).

Cost of sales for the third quarter of fiscal 2008 was $35.7 million, compared to $26.1 million for the same period in fiscal 2007. Cost of sales was higher during the period mainly due to lost mill production time from the electrical transformer failure and higher input costs. Costs of sales consists of total production cost of $36.4 million (2007 – $20.8 million) for metal produced and sold during the quarter minus concentrate inventory adjustment of $6.8 million (2007 – positive adjustment of $0.6 million). Treatment and transportation costs totaling $6.1 million (2007 – $4.7 million) were also included in cost of sales for the third quarter of 2008. Included in costs of sales was an accrual for an insurance claim relating to the electrical transformer failure.

Amortization expense for the quarter was $1.6 million compared to $1.4 million for the same period in fiscal 2007. The increase is the result of capital equipment additions during the quarter as well as the utilization of several new pieces of equipment related to the concentrator expansion. The Company also began to amortize deferred stripping which had been capitalized in prior periods. Mining and milling assets are amortized using the units of production method based on tons mined and tons milled respectively and divided by the estimated tonnage to be mined and milled in the mine plan. An increase in recoverable reserves during the period resulted in a reduced annual amortization rate.

Exploration expenses increased to $3.0 million in the third quarter of fiscal 2008, compared to $2.2 million for the same period in fiscal 2007. This increase is due to a higher level of engineering activity at the Company's Prosperity Project in anticipation of proceeding with the environmental assessment review, and other related activities. During the quarter, the Company also capitalized $3.2 million (2007 – $2.3 million) of exploration expenses related to increasing the reserves and life of mine at Gibraltar.

General and administrative costs increased to $2.2 million in the third quarter of fiscal 2008 compared to $1.3 million for the same period in fiscal 2007. The increase was mainly attributable to higher staffing levels relating to increased work for Prosperity, the Gibraltar mill expansion, and new corporate offices.

Stock-based compensation decreased to $1.1 million in the current quarter, compared to $1.9 million in the same period in fiscal 2007, as a result of a greater portion of stock based compensation expense having been realized in prior periods.

Interest and other income during the third quarter of fiscal 2008 was $1.9 million as compared to $2.4 million in the third quarter of 2007. The decrease was due to a lower average cash balance in Q3 2008 compared to the same period in the prior year. Interest expense and interest accretion decreased to $1.9 million compared to $2.2 million in the third quarter of 2007 as a result of the conversion of the NVI mining convertible debenture.

The Company had income tax expense of $5.3 million in the current quarter compared to income tax expense of $6.7 million in the same period of fiscal 2007. Total income tax expense is lower than the same period in the previous year due to a recovery of current income taxes related to accelerated tax depreciation available to the Company and a reduction in corporate tax rates announced by the federal government in December 2007 that were substantively enacted during the quarter ended June 30, 2008. This was offset by future income tax expense mainly due to the accelerated tax depreciation taken on those assets and the future tax liability related to deferred stripping and deferred exploration costs.

The Company has a tax receivable of $6.7 million (2007 – payable of $6.6 million). The receivable relates to a refund of taxes, previously paid in installments to the taxation authorities, and also accounts for the current tax recovery of $0.4 million (2007 – income tax expense of $2.5 million).

The Company also has a tax liability provision of $25.5 million (2007 – $22.5 million) recorded on the Company's balance sheet in fiscal 2004 in accordance with Canadian generally accepted accounting principles.

Nine months ended June 30, 2008

The Company's pre-tax earnings for the nine months ended June 30, 2008 were $46.5 million, compared to $59.5 million for the nine months ended June 30, 2007. The decrease in pre-tax earnings was due mainly to higher production costs resulting from an electrical transformer failure at the concentrator facility causing mill activities to cease for 16 days in May 2008 and higher input costs of production.

The Company reported revenues of $163.5 million for the first three quarters of 2008, compared to $164.4 million for the same nine months in the prior year.

Cost of sales for the first nine months of fiscal 2008 was $96.8 million, compared to $87.3 million for the same period in fiscal 2007. Amortization expense was $3.4 million compared to $2.5 million for the same period in fiscal 2007. The increase is the result of capital equipment additions as well as the utilization of several new pieces of equipment related to the concentrator expansion. The Company also began to amortize deferred stripping which had been capitalized in prior periods.

Exploration expenses increased to $7.4 million for nine months ended June 30, 2008, compared to $6.6 million for the same period in fiscal 2007. This increase is due to a higher level of exploration activity at the Company's Prosperity project, and related activities.

General and administrative costs increased to $6.7 million for the first three quarters of fiscal 2008 compared to $5.6 million for the same period in fiscal 2007. The increase was mainly attributable to higher staffing levels relating to increased work for Prosperity, the mill expansion, additional new office facilities at the Company's corporate offices and an increase in corporate activities relating to the Company's acquisition and tax planning initiatives.

Interest and other income decreased to $6.7 million as compared to $8.2 million for the same nine months in 2007. The decrease was due to a lower average cash balance and interest rates compared to the same period in the prior year.

The Company had a future income tax expense of $16.7 million for the nine months ended June 30, 2008 compared to a future income tax expense of $14.6 million in the same period of fiscal 2007. The increase in the future income tax liability is due mainly to additional book-to-tax differences due to the Company's ability to take accelerated tax depreciation on certain mining assets. This is offset partially by future tax recoveries due primarily to a reduction in corporate tax rates announced by the federal government in December 2007 that were substantively enacted during the quarter ended June 30, 2008.

1.6 Liquidity

At June 30, 2008, Taseko had working capital of $73.1million, as compared to a $50.0 million at September 30, 2007. The increase in working capital was primarily the result of the financings discussed below and certain income taxes receivable. Furthermore, in connection with the copper concentrate treatment and refining agreement with MRI Trading AG discussed in *Section 1.2.*the Company has secured a US$30 million line of credit, to add to its $35 million cash on hand at the end of the quarter.

On October 30, 2007, the Company closed a "bought deal" short form prospectus offering of 7,115,385 common shares at a price of $5.20 per common share. The Company granted to the underwriters an over-allotment option to purchase up to an additional 1,067,307 common shares at $5.20. The underwriters elected to exercise the over-allotment option in full at the closing, resulting in aggregate gross proceeds to the Company of $42.5 million.

On November 13, 2007, the Company completed a private placement financing by issuing 1,455,100 common shares at a price of $5.20 per share for gross proceeds of $7.6 million.

Management anticipates that revenues from copper and molybdenum in concentrates and copper cathode, along with current cash balances and the Company's line of credit, will be sufficient to cover operating costs, working capital, and the Gibraltar mill expansion.

The Company's cash and equivalents are invested in business accounts and banker's acceptances with a major Canadian bank, which are available on demand for the Company's programs, and are not invested in any asset backed deposits or similar investments.

Other than those obligations disclosed in the notes to its unaudited financial statements for the period ended June 30, 2008 and its audited annual financial statements for the year ended September 30, 2007, the Company has no other long term debt, capital lease obligations, operating leases or any other long term obligations.

1.7 Capital Resources

Other than those obligations disclosed in the notes to its unaudited financial statements for the period ended June 30, 2008 and its audited annual financial statements for the year ended September 30, 2007, the Company had no material commitments for material capital expenditures as of June 30, 2008.

The Company has purchase orders in the normal course of operations for capital equipment required for the Gibraltar expansion project. The orders have specific delivery dates and financing of this equipment will be through existing cash resources.

Taseko has secured a US$30 million line of credit pursuant to its treatment and refining agreement, but to date has not drawn any amounts against this facility.

1.8 Off-Balance Sheet Arrangements

None.

1.9 Transactions with Related Parties

Hunter Dickinson Services Inc. ("HDSI") (formerly Hunter Dickinson Inc.) is a private company owned equally by several public companies, one of which is Taseko. HDSI has certain directors in common with the Company and carries out geological, engineering, corporate development, administrative, financial management, investor relations, and other management activities for, and incurs third party costs on behalf of, the Company. The Company reimburses HDSI on a full cost-recovery basis.

Costs for services rendered and costs incurred on behalf of the Company by HDSI during the nine months ended June 30, 2008 were $6.0 million, as compared to $3.7 million in the first nine months of 2007. The increase over prior fiscal year is due to higher staffing levels required to support the increase in general corporate development and exploration activities.

1.10 Fourth Quarter

Not applicable.

1.11 Proposed Transactions

None.

1.12 Critical Accounting Estimates

The Company's significant accounting policies are presented in notes 3 and 4 of the audited consolidated statements for the year ended September 30, 2007. The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the consolidated financial statements. These estimates include:

- mineral resources and reserves,
- the carrying values of concentrate inventories and supplies inventories
- the carrying values of mineral properties,
- the carrying values of property, plant and equipment,
- rates of amortization of property, plant and equipment
- the carrying values of the reclamation liability,
- the carrying values of the convertible debentures and conversion rights,
- income taxes,
- the valuation allowances for future income taxes,
- the carrying values of the receivables from sales of concentrate,
- the carrying values of deferred revenue,
- the assumptions used in determining the reclamation obligation, and
- the valuation of stock-based compensation expense.

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

During the nine months period ended June 30, 2008, the Company increased its mineral reserves at the Company's Gibraltar mine, thereby extending the life of the mine. Consequently, the rates of amortization of the Company's property, plant and equipment, the carrying values of the reclamation liability, and the Company's future income taxes have been revised to reflect the extended mine life.

Mining and milling assets are amortized using the units of production method based on tons mined and milled divided by the estimated tonnage to be recovered in the mine plan. An increase in recoverable reserves results in higher estimated tonnage to be recovered in the mine plan and hence a reduced annual amortization rate.

1.13 Change in Accounting Policies including Initial Adoption

Please refer to note 3 of the accompanying unaudited consolidated financial statements.

1.14 Financial Instruments and Other Instruments

Please refer to note 4 of the accompanying unaudited consolidated financial statements.

1.15 Other MD&A Requirements

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

1.15.1 Additional Disclosure for Venture Issuers without Significant Revenue

Not applicable. The Company is not a Venture Issuer.

1.15.2 Disclosure of Outstanding Share Data

The following details the share capital structure as at August 8 2008.

	Expiry date	Exercise price	Number	Number
Common shares				140,370,430
Share purchase option	March 27, 2009	$ 2.18	80,000	
	March 27, 2009	$ 2.68	102,500	
	February 24, 2010	$ 3.07	834,500	
	July 3, 2010	$ 4.03	130,000	
	September 28, 2010	$ 1.15	1,128,334	
	September 28, 2010	$ 2.07	70,000	
	September 28, 2010	$ 2.18	40,000	
	March 28, 2011	$ 2.18	442,000	
	March 28, 2011	$ 2.63	360,000	
	March 28, 2011	$ 2.68	90,000	
	August 22, 2011	$ 4.09	320,166	
	February 24, 2011	$ 4.50	1,370,000	
	February 24, 2012	$ 4.50	903,334	
	February 24, 2012	$ 3.07	1,818,000	
	February 24, 2012	$ 5.06	193,000	
	April 22, 2011	$ 5.45	60,000	
	May 16, 2013	$ 5.30	50,000	7,991,834
Convertible bonds	August 29, 2011	US$3.35	8,955,224	8,955,224
Preferred shares redeemable into Taseko Mines Limited common shares				12,483,916

1.15.3 Internal Controls over Financial Reporting Procedures

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no significant changes in internal controls over financial reporting occurred during the period ended June 30, 2008 that could have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

1.15.4 Disclosure Controls and Procedures

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

There have been no significant changes in the Company's disclosure controls and procedures during the period ended June 30, 2008 that could significantly affect disclosure controls and procedures subsequent to the date the Company carried out its evaluation.