

**TASEKO MINES LIMITED
(TSX-TKO C\$2.72)**

Recommendation: BUY
Revised 12-Month Target: C\$3.60
 Previous 12-Month Target: C\$2.30
Risk Rating: ABOVE AVERAGE

Q2/09 FINANCIAL AND OPERATING RESULTS

- Taseko reported Q2/09 net earnings of C\$0.06/share. Adjusting for a foreign exchange gain of C\$7.9 million and an unrealized C\$2.7 million loss in fair value of its copper hedge derivative instruments, adjusted earnings were C\$0.03 per fully diluted share, slightly ahead of our expectation of C\$0.02.
- Operating cash flow before non-cash working capital changes was C\$0.11 per fully diluted share versus our forecast of C\$0.06.
- In the quarter, the Company sold 21.0 million lbs of copper and 216,000 lbs of molybdenum at an average realized price of US\$2.10/lb and US\$10.56/lb, respectively.
- Total operating cost per production pound of copper for the quarter was US\$1.30 net of by-product credits. While higher than Q1/09, total cost for H1/09 was US\$1.23/lb, which remains on track with the Company's guidance of US\$1.15/lb for the year, given expected cost reduction efforts for the remainder of the year.
- Gibraltar benefitted from better copper recovery of 83.7%, much closer to the expected recovery for the Phase I Mill Expansion project and with the expected completion of Phase II, the Company expects further improvements to copper recovery to the 85% range.
- The Company has tabled plans for an in-pit crusher and conveyor system and modifications to the ore handling system that feeds the SAG mill, which is expected to increase mill throughput to 55,000 Tpd by Q3/10. We expect that achieving this rate of throughput will increase Taseko's annual production to 100 million lbs copper and 883,000 lbs molybdenum.
- Taseko continues to forecast 80 million lbs copper and 800,000 lbs molybdenum for 2009, at a total cash cost of US\$1.15/lb. We have forecast 2009 copper production of 79.7 million lbs and 754,400 lbs of molybdenum.
- Our revised copper and molybdenum price forecasts result in materially higher estimates for EPS and CFPS. Consequently, we are raising our 12-month target price, see page 5.

We continue to recommend purchase of Taseko Mines Limited as a **BUY** and **we have increased our 12-month target price to C\$3.60 per fully diluted share, up from C\$2.30.**

Sector: MINING AND METALS
Analyst: PETER CAMPBELL, P.ENG.
e-mail: peter.campbell@jenningscapital.com
Tel: (416) 304-3963 Fax: (416) 214-0177

Associate: MARK TURNER, MBA
e-mail: mark.turner@jenningscapital.com
Tel: (416) 304-3964 Fax: (416) 214-0177

Company Statistics	
Market Capitalization Basic	\$469.7 Million
Basic Shares O/S	182.1 Million
Fully Diluted Shares O/S	193.1 Million
52-Week Range	\$3.31 - \$2.68
Unrestricted Cash and Equivalents (06/30/2009)	\$33.1 Million
Convertible Debt (06/30/2009)	US\$22.5 Million due in August 2011
putable in August 2009 at 100.6%	Convertible into 6.7 MM shares at US\$3.35
Working Capital (06/30/2009)	\$14.4 Million

Earnings and Valuation Summary					
FYE: Dec. 31	2008A*	2009E	2010E	2011E	2012E
Production					
Copper (Million lbs)	76.8	79.7	87.4	100.6	100.4
Molybdenum (000 lbs)	837.0	754.4	763.2	883.2	883.2
Metal Price Assumptions					
Copper (US\$/lb)	3.24	2.13	2.50	2.25	2.25
Molybdenum Oxide (US\$/lb)	30.07	11.84	18.00	17.00	16.00
OCFPS (FD) (C\$)	\$0.16	\$0.33	\$0.49	\$0.43	\$0.50
EPS (FD) (C\$)	\$0.02	\$0.20	\$0.27	\$0.23	\$0.32
P/CF (FD)	17.0x	8.3x	5.6x	6.4x	5.5x
P/E (FD)	140.8x	13.7x	10.2x	12.0x	8.5x
Gibraltar Operations NAV _{9%}					C\$545.9 Million
Prosperity Project NAV _{14%}					C\$195.0 Million

2009 Quarterly Estimates					
	Q1A	Q2A	Q3E	Q4E	
Production					
Copper (Million lbs)	19.9	19.6	19.7	20.5	
Molybdenum (000 lbs)	230.0	216.0	172.8	177.6	
Metal Price Assumptions					
Copper (US\$/lb)	1.61	2.10	2.35	2.45	
Molybdenum Oxide (US\$/lb)	8.38	10.56	11.40	17.00	
EPS (FD) (C\$)	\$0.02	\$0.06	\$0.05	\$0.06	
CFPS (FD) (C\$)	\$0.00	\$0.11	\$0.10	\$0.10	



Taseko Mines Limited is a mining company that currently produces copper and molybdenum from its Gibraltar Mine, located in south-central British Columbia, Canada. Taseko plans to develop the Prosperity copper-gold project, also located in south-central BC.

Q2/09 FINANCIAL AND OPERATING RESULTS

Taseko reported net earnings for Q2/09 of C\$0.06/share. Adjusting for a foreign exchange gain of C\$7.9 million and an unrealized C\$2.7 million loss in fair value of its copper hedge derivative instruments, adjusted earnings were C\$0.03 per fully diluted share, slightly ahead of our expectation of C\$0.02. Operating cash flow before non-cash working capital changes was C\$0.11 per fully diluted share versus our forecast of C\$0.06.

Revenue for the quarter was C\$52.6 million from the sale of 21.0 million lbs of copper and 216,000 lbs of molybdenum at an average realized price of US\$2.10/lb for copper and US\$10.56/lb for molybdenum.

Taseko ended the quarter with cash and equivalents of C\$33.1 million, working capital of \$14.4 million and total debt of C\$60.1 million. Of the total debt, there is US\$22.5 million remaining of the August 2006 convertible debenture, which becomes putable in August at 100.6%. The bonds are convertible at US\$3.35 until August 19, 2011.

Summary of Q2/09 Results

	Q2/09			Q-Q	Y-Y*
	Actual	Estimate	Variance (%)		
Financial (C\$ millions, unless otherwise stated)					
Sales					
Copper sales (millions lb)	21.0	17.2	22%	14%	62%
Molybdenum sales (millions lb)	216	158	37%	(6%)	177%
Average Realized Price					
Copper (US\$/lb)	2.10	1.87	12%	30%	(46%)
Molybdenum (US\$/lb)	10.56	8.66	22%	26%	(67%)
Revenue	52.6	41.2	28%	31%	(1%)
Operating profit	16.7	13.0	28%	152%	4%
Reported net earnings	11.4			225%	200%
Reported EPS (FD)	\$0.06			191%	164%
Adjusted net earnings**	6.2	4.7	33%	(4%)	94%
Adjusted EPS (FD)**	\$0.03	\$0.02	33%	(14%)	71%
OCF	19.4	10.8	80%	3547%	59%
CFO	(10.8)	(2.7)	(300%)	5%	100%
OCFPS (FD)	\$0.11	\$0.06	80%	252%	40%
Cash and equivalents	33.1	35.7	(7%)	51%	(7%)

*Comparable period is fiscal Q3/08. Taseko changed its fiscal year to match the calendar year beginning in calendar Q1/09.

**Adjusted earnings removes impact of foreign exchange and unrealized changes in fair value of derivative instruments.

Source: Jennings Capital Inc. and Company Documents

OPERATIONAL RESULTS

For the quarter, Taseko reported production of 19.1 million lbs of copper and 217,000 lbs of molybdenum. This was 11% above our production estimate of 17.2 million lbs of copper and 37% above our estimate of 158,000 lbs of molybdenum. The Company reported a cash cost of production of US\$1.30/lb copper net of by-product credits. Cash cost was higher in Q2/09 compared to Q1/09, largely on lower head grade to the mill (0.33% copper versus 0.37%) and on increased stripping (Q1/09 strip ratio was 1.0, Q2/09 was 1.4). Copper in concentrate was slightly lower than the previous quarter, as a result of the lower head grade, but this was partially offset by improved recovery (83.7% versus 82.3% in Q1/09). Conversely,

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molybdenum in concentrate was higher than Q1/09, because of higher head grade (0.011% Mo versus 0.010% Mo in Q1/09)

The Company is on track to meet its 2009 production guidance of 80 million lbs copper and 800,000 lbs molybdenum at a cash cost of US\$1.15/lb of copper net of by-product credits. For H1/09, Taseko has produced 39.0 million lbs copper, 404,000 lbs molybdenum at a production cash cost of US\$1.23/lb copper net of by-product credits.

Operationally, Gibraltar benefitted from better copper recovery, much closer to the expected recovery for the Phase I Mill Expansion project, which should be in the +80% range. Molybdenum recovery for the quarter was still below average. Because of the erratic recovery in the molybdenum circuit, we model its recovery at 30% until we see operational stability being established.

Tons milled for the quarter are still below mill capacity of approximately 3.8 million tons. The mill's rated capacity is 45,000 Tpd but, averaged over the quarter, it operated at approximately 37,000 Tpd, or approximately 87% of capacity.

The mine continues to benefit from a low stripping ratio of 1.4 in the quarter, well below Life of Mine (LOM) stripping ratio of 2.5. Average stripping ratio for the year is expected to be approximately 1.4, but given increased commodity prices, Management is considering a return to LOM stripping ratio to keep stripping well ahead of production.

PHASE II MILL EXPANSION

Completion of the Phase II Mill Expansion project, consisting of modernizing and increasing the capacity of the regrind and cleaner flotation circuits to increase throughput capacity and improve metal recovery, is expected in August. The Company expects to quickly realize recovery improvements from this work. Copper recovery should increase to the 85% range upon successful implementation of this project.

IN-PIT CRUSHER PROJECT

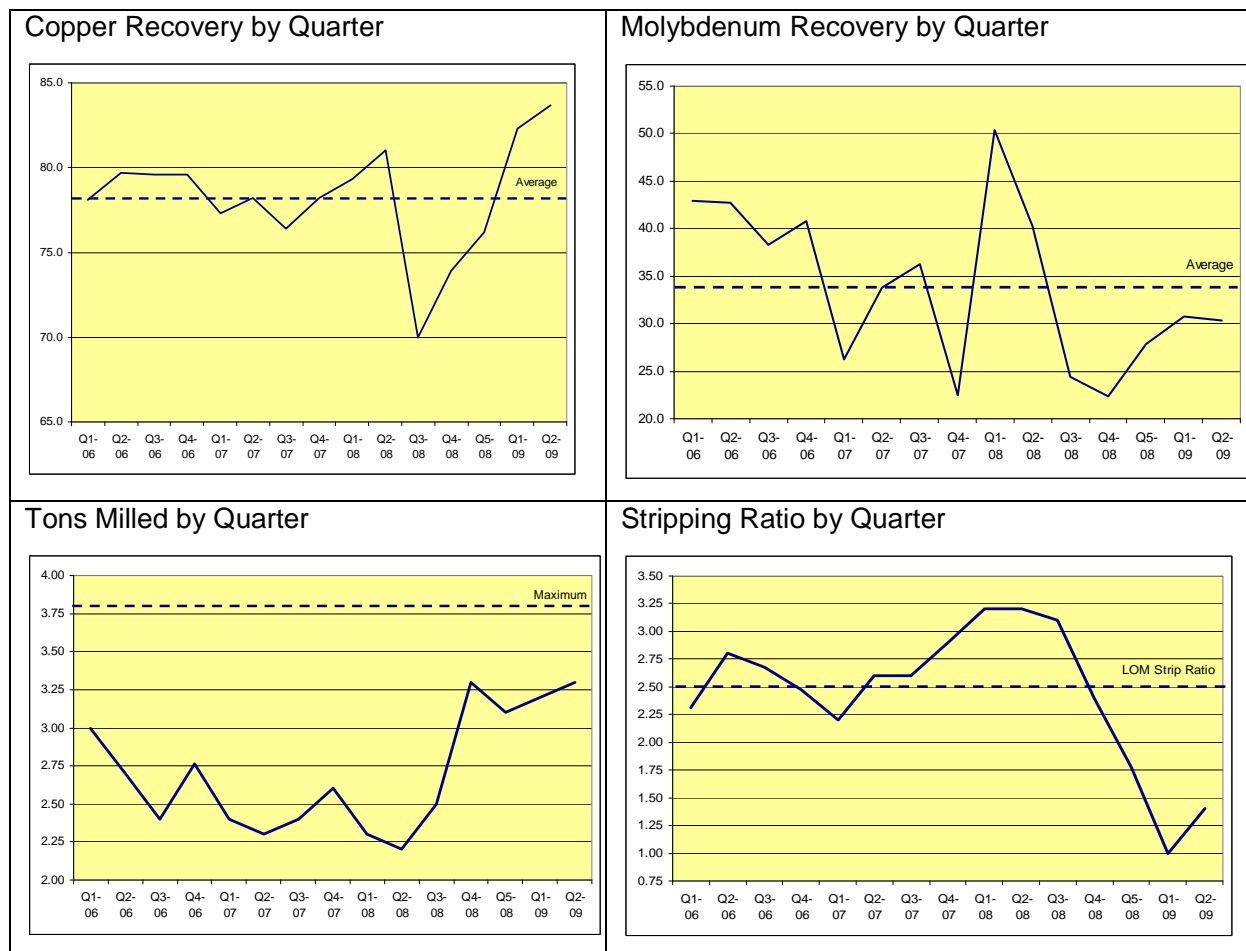
In order to achieve the ultimate goal of a 55,000 Tpd operation, a number of initiatives are required to be completed. Most significantly are the installation of in-pit crushing and construction of a conveyor system to transport crushed ore to the mill. Other initiatives, which we have previously described as part of the Phase II Mill Expansion program, are more directly related to the in-pit crusher project because they specifically relate to increasing mill capacity to 55,000 Tpd. These other initiatives include increasing capacity of ancillary mill circuits and installation of a two-stage tailings pumping system which are expected to be completed some time in the autumn.

The in-pit crusher project also includes changes to the ore handling system that feeds the SAG mill. This has been a bottleneck in the overall material flow in the mill and will ultimately hamper increasing mill throughput to 55,000 Tpd for the in-pit crusher project. Essentially, these changes include optimization of SAG milling by completely removing secondary crushing and replacing the old fine ore handling system with a new coarse ore handling system.

Remaining capex for 2009 is approximately C\$4.5 million, which includes cleaner flotation cells and the Vertimill used in the regrind circuit. This is basically what remains to be spent on the Phase II Mill Expansion project. Capex for 2010 is estimated at C\$30.3 million. The in-pit crusher and conveyor system are estimated at C\$8.8 million and the coarse ore handling system is estimated at C\$15.0 million. The remaining capex of C\$6.5 million is for tailings pumping and concentrate filtering, which need to be increased to accommodate the increased production rate.

Key Operating Metrics

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Source: Jennings Capital Inc.

HEDGE PROGRAM

Taseko has established a copper hedge program for 50% of its expected copper production through to the end of May 2010. This was put in place to provide a degree of protection against decreasing copper prices to the end of all planned expansion phases.

The hedge program consists of a financial cap and collar arrangement that was constructed at essentially zero cost to the Company. There are three sequential periods to the hedge:

- To December, 2009 – US\$1.88/lb copper collar with US\$2.36/lb copper cap.
- To March 2010 – US\$2.00/lb copper collar with US\$2.61/lb copper cap.
- To May 2010 – US\$2.15/lb copper collar with US\$2.73/lb copper cap.

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OUTLOOK

Taseko continues to forecast 80 million lbs copper and 800,000 lbs molybdenum for 2009, at a total cash cost of production of US\$1.15/lb. We have modelled 2009 copper production of 79.7 million lbs and molybdenum production more conservatively, at 754,400 lbs. In the longer term, the Company expects to begin to realize its expansion to 55,000 Tpd in June 2010, which it expects will increase annual copper production to 115 million lbs and annual molybdenum production to 1.3 million lbs.

The Company expects approval for the environmental assessment of its Prosperity project in October 2009, as is required by BC law. There is no set time line for the federal approval, which is still required, but the Company expects it the end of Q1/10 and that construction may begin in the summer of 2010. Taseko continues to look for a partner to help it develop the Prosperity project. A 2007 feasibility study suggests a capital cost of C\$800 million for the project.

VALUATION AND RECOMMENDATION

We continue to rate the shares of Taseko Mines Limited as a **BUY** and **we have increased our 12-month target price to C\$3.60 per fully diluted share from C\$2.30.**

Since our last Note (Q1/09 Financial and Operating Results; May 15, 2009), we have revised our copper price, molybdenum price and foreign exchange forecast.

Metal Price and Foreign Exchange Forecast

	Q1/09	Q2/09	Q3/09	Q4/09	2010	2011	2012+
Cu (US\$/lb)	1.56 A	2.10 A	2.35	2.45	2.50	2.25	2.25
<i>Previous Estimate</i>	1.56 A	1.70	1.80	1.90	2.00	2.00	2.00
<i>Change</i>	UNCH	23.5%	30.6%	28.9%	25.0%	12.5%	12.5%
Mo (US\$/lb)	9.20 A	10.56 A	11.40	17.00	18.00	17.00	16.00
<i>Previous Estimate</i>	9.20 A	9.00	10.00	11.00	14.50	16.00	16.00
<i>Change</i>	9.20 A	17.3%	14.0%	54.5%	24.1%	6.3%	UNCH
USD:CAD	1.2457 A	1.1348 A	1.1200	1.1100	1.1100	1.1100	1.0900
<i>Previous Estimate</i>	1.2457 A	1.2300	1.2100	1.1900	1.1425	1.1100	1.1100
<i>Change</i>	UNCH	-7.7%	-7.4%	-6.7%	-2.8%	UNCH	-1.8%

Source: Jennings Capital Inc.

Incorporating our revised metal prices and tweaking our DCF model for the aforementioned operational adjustments, our project NAV_{8%} for the Gibraltar operations is now C\$545.9 million, up from C\$420.2 million. Our NAV_{14%} for the Prosperity project has also increased, due to the increase in our long-term copper price forecast, and is now C\$195.0 million, up from C\$127.1 million.

To determine our 12-month target of the Gibraltar operations we maintain our valuation methodology using 1.0x NAV_{8%}, 6.0x NTM (Q3/09-Q2/10) CFPS and 10.0x NTM EPS. We continue to value the Prosperity project at a 1.0x multiple to NAV at a 14.0% discount rate.

Target Price Valuation Methodology

Gibraltar Operations	Current			Previous		
	Value Per FD Share	Multiple	Contribution to FD Share Target	Value Per FD Share	Multiple	Contribution to FD Share Target
NAV _{8%}	\$2.87	1.00 x	\$2.87	\$2.22	1.00 x	\$2.22
EPS NTM	\$0.23	10.0 x	\$2.35	\$0.12	10.0 x	\$1.19
CFO NTM	\$0.44	6.0 x	\$2.61	\$0.25	6.0 x	\$1.51
Average			\$2.61			\$1.64
Prosperity - NAV _{14%}			\$1.01	NAV _{14%}		\$0.67
Total per FD Share			\$3.62			\$2.31
12-Month Target Price per FD Share			\$3.60			\$2.30

Source: JCI

We continue to rate the shares of Taseko Mines Limited as a **BUY** and **we have increased our 12-month target price to C\$3.60 per fully diluted share from C\$2.30.**

SENSITIVITY

The following tables demonstrate the sensitivity of our estimates to copper and molybdenum prices, noting that the metal prices have been flat lined through the life of mine.

Sensitivity of 12-Month Target Price (Metal price flat-lined through life of mine starting in Q3/09)

		Copper Price US\$/lb								
		1.60	1.80	2.00	2.20	2.40	2.60	2.80	3.00	3.20
Molybdenum Price US\$/lb	10.00	0.84	1.49	2.13	2.83	3.53	4.16	4.71	5.25	5.78
	12.00	0.91	1.56	2.19	2.89	3.59	4.22	4.78	5.31	5.84
	14.00	0.99	1.63	2.26	2.95	3.66	4.29	4.84	5.37	5.91
	16.00	1.06	1.70	2.32	3.02	3.72	4.35	4.90	5.44	5.97
	18.00	1.14	1.76	2.39	3.08	3.78	4.41	4.97	5.50	6.03
	20.00	1.21	1.83	2.45	3.15	3.85	4.47	5.03	5.56	6.10
	22.00	1.28	1.90	2.52	3.21	3.91	4.54	5.09	5.63	6.16
	24.00	1.36	1.97	2.58	3.27	3.98	4.60	5.16	5.69	6.22
	26.00	1.43	2.03	2.65	3.34	4.04	4.66	5.22	5.75	6.28

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2009 Operating Cash Flow C\$ Million (Before Changes in Non-Cash Working Capital)

		Copper Price US\$/lb (Average for Q3/09 & Q4/09)								
		1.60	1.80	2.00	2.20	2.40	2.60	2.80	3.00	3.20
Molybdenum Price US\$/lb	7.00	27.3	32.4	39.8	48.8	57.0	62.0	67.1	72.2	77.2
	9.00	28.1	33.2	40.6	49.6	57.8	62.8	67.9	72.9	78.0
	11.00	28.9	34.0	41.4	50.3	58.5	63.6	68.7	73.7	78.8
	13.00	29.7	34.7	42.2	51.1	59.3	64.4	69.4	74.5	79.6
	15.00	30.5	35.5	42.9	51.9	60.1	65.2	70.2	75.3	80.4
	17.00	31.2	36.3	43.7	52.7	60.9	65.9	71.0	76.1	81.1
	19.00	32.0	37.1	44.5	53.5	61.7	66.7	71.8	76.9	81.9
	21.00	32.8	37.9	45.3	54.3	62.4	67.5	72.6	77.6	82.7
	23.00	33.6	38.6	46.1	55.0	63.2	68.3	73.4	78.4	83.5

2009 Net Income C\$ Million

		Copper Price US\$/lb (Average for Q3/09 & Q4/09)								
		1.60	1.80	2.00	2.20	2.40	2.60	2.80	3.00	3.20
Molybdenum Price US\$/lb	7.00	14.7	18.0	22.9	28.8	34.2	37.6	40.9	44.2	47.6
	9.00	15.2	18.5	23.4	29.3	34.7	38.1	41.4	44.8	48.1
	11.00	15.7	19.0	23.9	29.8	35.3	38.6	41.9	45.3	48.6
	13.00	16.2	19.5	24.4	30.4	35.8	39.1	42.5	45.8	49.1
	15.00	16.7	20.1	25.0	30.9	36.3	39.6	43.0	46.3	49.7
	17.00	17.2	20.6	25.5	31.4	36.8	40.1	43.5	46.8	50.2
	19.00	17.8	21.1	26.0	31.9	37.3	40.7	44.0	47.3	50.7
	21.00	18.3	21.6	26.5	32.4	37.8	41.2	44.5	47.9	51.2
	23.00	18.8	22.1	27.0	32.9	38.3	41.7	45.0	48.4	51.7

2010 Operating Cash Flow C\$ Million (Before Changes in Non-Cash Working Capital)

		Copper Price US\$/lb								
		1.30	1.60	1.90	2.20	2.50	2.80	3.10	3.40	3.70
Molybdenum Price US\$/lb	10.00	(15.1)	8.3	31.8	57.8	86.9	113.3	136.7	160.1	183.3
	12.00	(13.4)	10.0	33.5	59.5	88.6	115.0	138.4	161.8	184.6
	14.00	(11.7)	11.7	35.2	61.2	90.3	116.7	140.1	163.5	186.0
	16.00	(10.0)	13.4	36.9	62.9	92.0	118.3	141.8	165.2	187.4
	18.00	(8.3)	15.1	38.6	64.6	93.7	120.0	143.5	166.9	188.7
	20.00	(6.6)	16.8	40.2	66.3	95.4	121.7	145.2	168.6	190.1
	22.00	(4.9)	18.5	41.9	68.0	97.1	123.4	146.9	170.3	191.5
	24.00	(3.2)	20.2	43.6	69.7	98.8	125.1	148.6	172.0	192.8
	26.00	(1.6)	21.9	45.3	71.4	100.5	126.8	150.3	173.7	194.2

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2010 Net Income C\$ Million

		Copper Price US\$/lb								
		1.30	1.60	1.90	2.20	2.50	2.80	3.10	3.40	3.70
Molybdenum Price US\$/lb	10.00	(20.2)	(4.7)	10.7	27.9	47.1	64.5	80.0	95.5	110.9
	12.00	(19.1)	(3.6)	11.9	29.1	48.3	65.6	81.1	96.6	112.0
	14.00	(18.0)	(2.5)	13.0	30.2	49.4	66.8	82.2	97.7	113.2
	16.00	(16.8)	(1.4)	14.1	31.3	50.5	67.9	83.3	98.8	114.3
	18.00	(15.7)	(0.3)	15.2	32.4	51.6	69.0	84.5	99.9	115.4
	20.00	(14.6)	0.9	16.3	33.5	52.7	70.1	85.6	101.0	116.5
	22.00	(13.5)	2.0	17.5	34.6	53.8	71.2	86.7	102.2	117.6
	24.00	(12.4)	3.1	18.6	35.8	55.0	72.3	87.8	103.3	118.8
	26.00	(11.2)	4.2	19.7	36.9	56.1	73.5	88.9	104.4	119.9

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Company	Ticker
Taseko Mines Limited	TSX-TKO

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Note: We initiated coverage on **Taseko Mines Limited** on July 23, 2008 with a **BUY** recommendation, an **ABOVE AVERAGE** risk rating and a target price of C\$6.75. Share price at that time was C\$3.98. On October 10, 2008 we reduced our target price to C\$5.00 in our Base Metals Sector Comment. Share price at that time was C\$1.21. On November 11, 2008 we reduced our target price to C\$3.50. Share price at that time was C\$0.99. On April 27, 2009 we decreased our target price to C\$2.10. Share price at that time was C\$1.63. On May 15, 2009 we increased our target price to C\$2.30. Share price at that time was C\$1.61.

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