

New
PROSPERITY
GOLD-COPPER PROJECT. TASEKO MINES LIMITED

EXECUTIVE SUMMARY

AUGUST 2011

Executive Summary

Taseko Mines Limited, a British Columbia based mining company that owns and operates the Gibraltar Mine near Williams Lake, British Columbia proposes to develop its 100% owned New Prosperity Gold-Copper Project 125 kilometres to the southwest of Williams Lake.

Prospected since the 1930s, the New Prosperity ore body was discovered in the late 1960s and has seen extensive exploration work to define an ore body in anticipation of a metal price regime that would support mine development.

An environmental impact statement/application was submitted for mine development after the completion of an updated feasibility study in 2007, and was subject to rigorous reviews under British Columbia's *Environmental Assessment Act* (BCEAA) and the *Canadian Environmental Assessment Act* (CEAA) through the period 2009 to 2010.

These reviews culminated in 2010 with the granting of an Environmental Assessment Certificate by the Province of British Columbia to enable the mine to proceed with development, while the federal government refused to grant approval, concluding that aspects of the mine as proposed would result in significant adverse environmental effects.

Through their respective reviews, the British Columbia and Canadian government concluded similar findings during their reviews that, if the mine moved forward to development, there would be no significant environmental effects to:

- air quality;
- terrain and soil;
- surface or groundwater quality;
- moose and mule deer and their habitat;
- vegetation, including old growth forest and grasslands;
- archaeological resources;
- fish in the Taseko River;
- water quality in Onion Lake; and,
- human health.

Both the province and federal government concluded significant adverse effects on fish and fish habitat; the province determined the impact was justified because of the significant economic benefit a mining operation brought to the local communities, the province and the country. The federal review further determined that through the development of the project that there would be adverse environmental effects:

- on navigation;
- on the current use of the land and resources by First Nations for traditional uses and on potential or established Aboriginal rights or title; and,
- in combination with existing and foreseeable projects, including logging and ranching, on grizzly bear.

In rendering the Government of Canada's decision the Minister of Environment made it clear that the decision did not preclude Taseko from submitting a project proposal that addresses the factors considered during the federal review.

The attached New Prosperity Project description includes a mine development plan that avoids the significant adverse environmental effects.

Background of Submission

Large, moderate grade copper/gold porphyry deposits such as New Prosperity usually take many years from discovery to development. On average the largest deposits developed in the world have taken 18 years from discovery to final development.

New Prosperity has effectively followed that path, while discovered in the 1960s it was not until 1993 that intense evaluation began. The time line for mine development is driven by a complex set of criteria particular to the mining industry primarily revolving around the risk associated with long term metal price projections, currency, interest rates and worldwide supply and demand outlook for metal consumption. This makes mine development a very time specific and difficult task, and that is reflected by the small number of mines that are built throughout the world in any given year.

When the previous mine proposal entered the British Columbian Environmental Assessment Review in 2009, long term metal price projections suggested that a mine design that required a tailings dam location distant enough from Fish Lake to maintain spawning habitat and that did not use the close proximity of the area occupied by Fish Lake to store overburden produced from the mining operation would have made the project uneconomic.

After receiving the British Columbia Government's approval for the proposal reviewed in 2009, long term metal price projections began to rise over those used in the economic modeling done from 2006 to 2008. By the end of 2010, when the Company received the federal decision on the proposal reviewed during the same year, long term metal price estimations had begun to reach a point where a reconfiguration of the mine plan to avoid the use of Fish Lake might be economically feasible if the metals' price outlook remained buoyant.

New Prosperity Project Description

In comparison to the mine proposal that was reviewed in 2009/2010, the development design for New Prosperity is predicated on higher long term prices for both copper and gold, which results in a direct increase in capital costs of \$200 million and a \$100 million in direct operating costs over the 20-year mine life to locate the tailings dam and mine waste away from Fish Lake.

The mine site layout of New Prosperity preserves Fish Lake and the lower portions of Upper Fish Creek (Table i), enabling future generations' use of these waters for navigation, fishing and recreational activities. In comparison to the mine proposal reviewed in 2009/2010 which did not meet with federal approval, the mine configuration in New Prosperity will result in the retention of:

- approximately 94% of existing lake habitat;
- 14,000 m² of fish-bearing stream habitat in Middle and Upper Fish Creek, including spawning habitat at Fish Lake;

- 33,000 m² of non-fish-bearing stream habitat in Middle and Upper Fish Creek;
- approximately 65,000 m² of stream riparian habitat;
- the highest value overwintering habitat in the system (Fish Lake). While the New Prosperity proposal does result in the loss of the 6 hectare Little Fish Lake, Little Fish Lake provides only low overwintering values (i.e., it is subject to winterkill); and,
- Fish Lake and adjacent habitat.

Table i. Fish Habitat Effects of the New Prosperity Project Design Compared to the Proposal Reviewed in 2009/2010

	<i>Effects of Proposal Reviewed in 2009/2010</i>	<i>Effects of New Prosperity Project</i>	<i>Amount of Habitat Retained</i>	<i>% Improvement in New Prosperity Compared to Proposal Reviewed in 2009/2010</i>
Lake Habitat	118 ha	6.6 ha	111 ha	94%
Fish-Bearing Stream Habitat	34,817 m ²	20,590 m ²	14,227 m ²	41%
Non-Fish Bearing Stream Habitat	53,444 m ²	20,633 m ²	32,811 m ²	61%
Riparian Habitat Along Streams	85,000 m ²	20,072 m ²	64,928 m ²	76%

First Nations

What Taseko heard during both the provincial and federal EA review processes in 2009/2010 was that the Tsilhqot'in people were not opposed to mining but were opposed to the development of a mine which required the loss of Fish Lake and its immediate surroundings because they are important to cultural heritage, for gathering plants, and a place to take their children for fishing and recreational activities. This New Prosperity project proposal attempts to address those concerns.

Preservation of the Island and Archaeology Sites

With the project design in New Prosperity, the island in Fish Lake and surrounding archaeology sites will be preserved. The Tsilhqot'in have expressed the importance of the island in Teztan Biny (Fish Lake) as a place of spiritual power and healing.

Grizzly Bears

The mine development is not located in high value grizzly bear habitat. For the proposal reviewed in 2009/2010, the federal review came to the conclusion that, due to the low numbers of grizzly in the South Chilcotin Grizzly Bear Management Unit where the mine will be built, any development of any kind would result in increased human activity and road traffic, and along with existing and future forestry and ranching activities that are expected to occur, may result in incidents of human-caused mortality.

The mine site layout in New Prosperity reduces the risk to grizzly bears as hectares of disturbance of bear habitat are reduced; the habitat on the east and west flanks of the watershed are less fragmented; and, two new mitigation measures are proposed to assist with the province's efforts in documenting and protecting the region's grizzly bear population.

Aboriginal Rights and Title

The federal review concluded that the mine proposal reviewed in 2009/2010 would result in adverse effects on the established Tsilhqot'in Aboriginal rights as defined by the William case, with no offer of compensation.

The New Prosperity Project will have less impact on the established aboriginal rights to hunt and trap birds and animals in the mine area in comparison to the mine proposal reviewed in 2009/2010 as hectares of land disturbed in the Fish Lake area are less. The province has recently demonstrated its willingness to sign Revenue Sharing agreements with First Nations which will result in significant economic benefits to participating communities. In addition, Taseko remains committed to working with First Nations, to

ensure local people benefit from the project through employment, contracting and education/training opportunities.

Other Considerations for Federal Approval

The federal panel report on the mine proposal reviewed in 2009/2010 contains 24 recommendations and other considerations; this New Prosperity Project incorporates and commits to the implementation of those recommendations.

The environmental components where the federal panel reached the conclusion of „no significant effect“ adverse effect on the mine proposal in 2009/2010 are not expected to be affected as a result of the change to the mine development plan in New Prosperity, including:

- atmospheric environment;
- noise;
- terrain and soil;
- surface and groundwater quality;
- mule deer and moose habitat;
- old growth forests and grasslands;
- archaeological resources;
- traffic;
- health;
- biodiversity; and,
- sustainability.

There are no design changes in the New Prosperity project compared to the proposal reviewed in 2009/2010 for the transmission line, existing rail load-out facility or road access.

Considerations for the Province

The province approved the mine proposal reviewed in 2009/2010 which included the loss of Fish Lake. With the revised mine design in New Prosperity, not only is Fish Lake preserved, but there is a 23% reduction in hectares of disturbance to land and water, including greater avoidance of:

- grasslands;
- fisher habitat;
- blue heron habitat;
- Barrow's goldeneye habitat; and,
- mallard habitat.

The New Prosperity project will not have any negative environmental effect on any other social or environmental aspect of the project. Therefore, where a conclusion of "no significant environmental effect" was reached in the 2009/2010 assessment, including:

- air;
- surface and groundwater;
- terrain and soils;
- vegetation;
- wildlife; and
- human and ecological health, that conclusion should remain valid in the New Prosperity project design.

Many elements and features of the New Prosperity project design are identical to the proposal approved by the provincial government in 2009/2010. There have been no changes to the proposed open pit or milling operations and facilities. There have also been no changes to the proposed access road, transmission line or rail load-out facility components of the project. With the implementation of all mitigation measures, monitoring and commitments previously proposed and included as legally binding obligations of the Environmental Assessment Certificate #M09-02 dated 14 January 2010, it is anticipated that the BC EAO could conclude no significant adverse effects as a

result of the mine development modifications in New Prosperity and amend the EA certificate.

Economic Benefits

The magnitude of the New Prosperity Project's economic impact, its job creation and business development capacity, can be measured on both a provincial and national scale. It will create 550 direct and 1280 indirect jobs annually and provide 22 years of economic development in the Province of British Columbia. These are positive impacts for an area hard hit by the Mountain Pine Beetle epidemic.

The New Prosperity project design is expected to generate local and provincial economic value and tax revenues in excess of the estimates provided in the proposal reviewed in 2009/2010. Economic benefits identified through the 2009/2010 review process were:

- The demand for labour would be substantial during construction and operations, having a "positive and significant" effect on direct and indirect employment;
- Wages during operations would be more than twice the average personal income in the Regional Study Area (RSA);
- Government revenues would increase through income, consumption, and property taxes payable by the mine and its employees; average annual government revenues of \$26.2 M during construction and \$48.4 M during operations, will continue for the life of the operation, exceeding 1 billion dollars.
- The Project will partially offset lost opportunities due to downturn in the economic activity resulting from Mountain Pine Beetle.

The New Prosperity Mine will generate \$340 million in GDP annually which is larger than the province's film and television industry and three times larger than the entire output of the commercial fishing industry, including fish processing.

Next Steps for Consultation

Taseko has engaged First Nations in this project and baseline studies associated with it since the early 1990s¹⁶. Taseko has made attempts to engage First Nations on working together on a New Prosperity Project design since December 2010 and will continue to do so. Involvement and input from First Nations will be encouraged, facilitated and supported by the Company through the provision of Project-related information as well as in-house expertise to explain that information. Further, consistent with the federal Review Panel's recommendations, Taseko proposes to establish and support a Joint Implementation Committee with First Nations to assist in building trust and to operate in a fully transparent manner with them, and implement the principles identified in Taseko's Aboriginal Policy which are consistent with Towards Sustainable Mining and will ensure First Nations individuals and communities benefit from this Project.