



GLOBAL MARKETS

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Buy Recommendation: **TASEKO MINES LTD.**

Stock Listing:
NASDAQ - TKOCF
CDNX - TKO

January 31 Close:
US\$1.38, C\$2.00

Common Stock:
Authorized - 100 million
Issued - 22.22 million

TASEKO MINES LTD. is well positioned to take advantage of rising metal prices.

The Prosperity Property, with its immense gold reserves, is recognized as one of the world's largest undeveloped mineral resources and is now in the feasibility stage, while its Gibraltar Mine, recognized as one of the world's most efficient open pit copper mines, is being readied for production.

The company's management team is well known in the mining industry for their ability to identify properties with the potential for development into major mines, and carry out the exploration and development that attracts senior mining companies seeking takeover candidates.

The takeover of three prior projects has resulted in more than C\$360 million for shareholders.

Given the improving outlook

for the gold price, along with other metals prices, over the next several years, Taseko shares offer little downside risk with considerable upside potential from current levels and are a solid "buy".

PROSPERITY PROPERTY

The Prosperity Property covers some 33 square miles located approximately 78 miles southwest of the city of Williams Lake, in south central British Columbia.

It has emerged as one of the world's largest undeveloped mineral resources. More than 500,000 ft of drilling in 447 holes have delineated an orebody of 695 million tons grading 0.014 oz/ton gold and 0.254% copper, which translates to 9.49 million ounces gold and 3.53 billion pounds copper.

Exploration in the region dates from the 1930s when porphyry dykes with stringers containing copper and gold values were located east of the deposit, and the 1950s when shear zones containing copper and gold values were located northeast of the deposit.

Phelps Dodge Corp., in the 1960s, located copper and gold values in float and subcropping that indicated a porphyry environment. Subsequent work

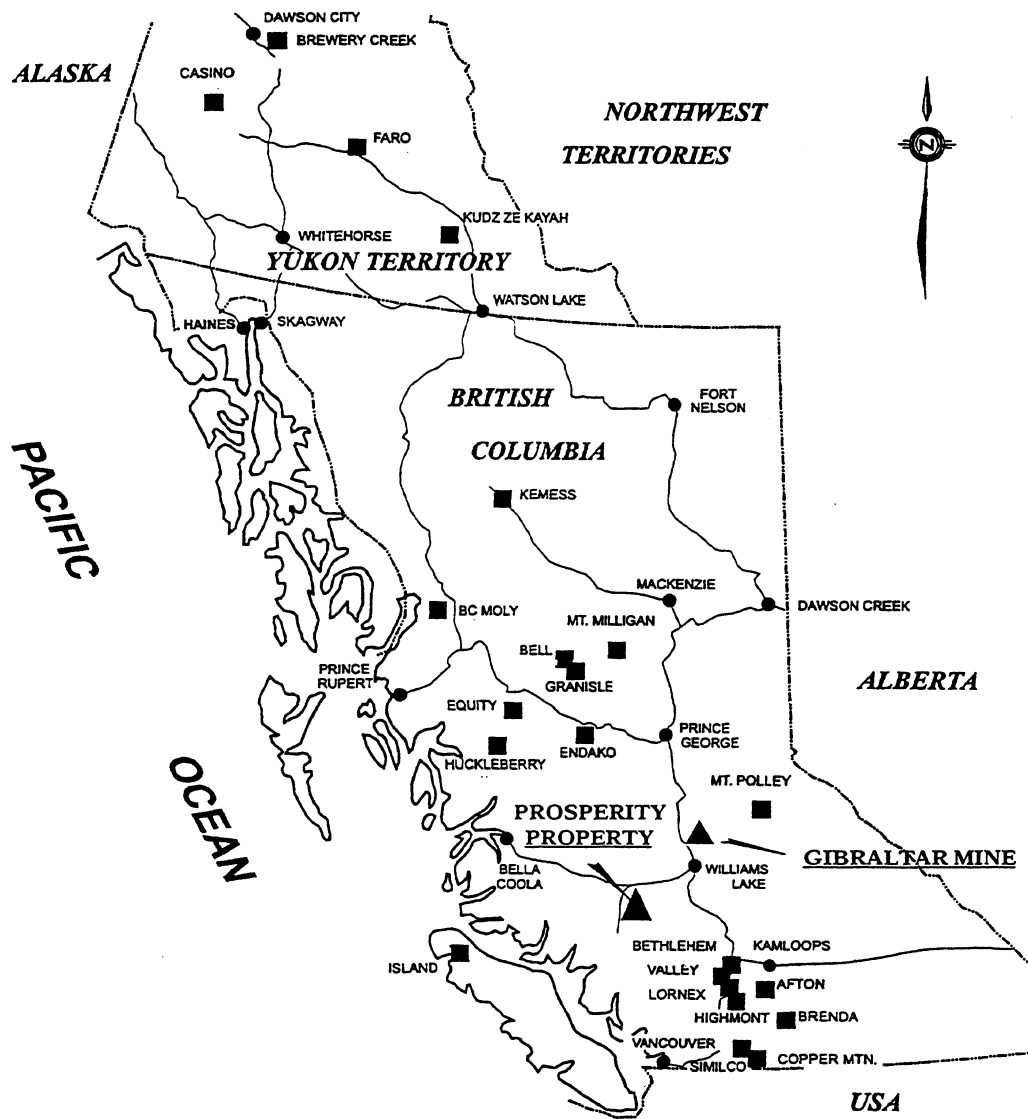
programs comprised of induced polarization (IP), geochemical and magnetic surveys, trenching and the drilling of eight holes totaling 2,400 ft were carried out north of the deposit, but the claims were allowed to lapse.

Taseko restaked those claims in 1969.

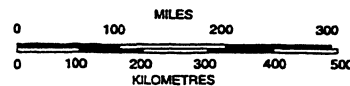
During 1969 and 1970, the company constructed a road into the property, followed by trenching and the drilling of 18 holes totaling 7,500 ft south of those put down by Phelps Dodge in 1963 and 1964. Those holes returned 0.20% to 0.30% copper, providing the first evidence that large tonnages of mineralized rock occurred on the property.

The Prosperity Property was subsequently optioned to several operators from 1970 to 1989, including Quintana Minerals Corp., which drilled 23 holes totaling some 15,400 ft in 1973 and 1974; and Bethlehem Copper Corp. from 1979 through 1981, and its successor Cominco Ltd. from 1982 through 1989, which further extended the deposit area by drilling another 121 holes totaling some 62,000 ft.

Interpretation of Cominco's option agreement came into dispute, however, and Taseko filed a lawsuit against Cominco, arguing that Cominco had not complied with all the terms necessary to extend the option, and specifically had not prepared a



■ Open Pit Mines And Projects



TASEKO MINES LIMITED B.C./YUKON OPEN PIT MINES

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proper feasibility study to determine the economic viability of the deposit.

Cominco successfully defended its position in both the trial and appeal courts.

Recognizing that a less-than-amicable relationship now existed, current management assumed control of Taseko in 1991. A settlement agreement was negotiated with Cominco, whereby Taseko regained control of the Prosperity Property on advantageous terms.

Through 1991, exploration at the property included IP, magnetic and soil geochemical surveys, and the drilling of 176 holes totaling 89,000 ft. This work defined the deposit as having a width of 2,800 ft and a depth of 650 ft, within which Cominco estimated a resource of 229 million tons grading 0.021 oz/ton gold and 0.23% copper.

After analyzing all available exploration data compiled by previous operators, Taseko embarked on the systematic exploration of the property.

In 1991, ten holes totaling 25,000 ft were drilled in a "cross" pattern to better define the deposit's core over an area 1,800 ft north-south, 1,600 ft east-west, and to a depth of 2,700 ft; and in 1992, 121 holes totaling 222,000 ft were drilled that further expanded the deposit to an area 4,600 ft north-south, 2,000 ft east-west, and to a depth of 2,800 ft.

Montgomery Consultants Ltd. reported a mineral resource of 1,075 million tons grading 0.014 oz/t gold and 0.23% copper, while Mineral Resources Ltd. subsequently reported a mineral resource of 959 million tons grading 0.013 oz/t gold and 0.23% copper.

At the same time, metallurgical work completed by Melis Engineering Ltd. demonstrated that acceptable recoveries of 66.1% to 79.8% gold and 83.0% to 88.4% copper could be obtained

by the conventional mining, milling and processing of ore.

A prefeasibility study, completed in 1994 by SNC-Lavalin Inc., concluded that the Prosperity Property hosted a mineable resource of 744 million tons grading 0.012 oz/ton gold and 0.236% copper, or 9.43 million ounces gold and 3.51 billion pounds copper, and that the geometry and continuity of the deposit would provide for efficient open pit mining.

At a milling rate of 66,000 tons per day, average annual production would be 222,360 ounces gold and 99 million pounds copper.

Taseko subsequently considered that one of the deposit's controlling geological features was a near-vertical fracture system, thus the vertical drilling had underestimated gold and copper values.

In 1996 and 1997, another 129 incline-oriented holes totaling 173,000 ft were drilled that confirmed this geological interpretation and, to the depth drilled, that gold and copper values were 4% and 11% higher, respectively, than previously indicated. These increased grades were the result of the inclined holes intersecting more of the near-vertical mineralized structures.

Giroux Consultants Ltd. reported a mineral resource of 1,344 million tons grading 0.011 oz/ton gold and 0.24% copper, while Independent Mining Consultants, Inc. subsequently reported a mineable resource of 695 million tons grading 0.014 oz/ton gold and 0.254% copper, or 9.49 million ounces gold and 3.53 billion pounds copper.

Metallurgical work by Lakefield Research Ltd. demonstrated acceptable recoveries of 75.6% gold and 90% copper.

SNC-Lavalin has been contracted to complete a feasibility study for the Prosperity Property which is scheduled for completion this year.

At a planned milling rate of 120,000 tons per day, annual production would average 460,000 ounces gold and 190 million pounds copper.

That would be Canada's largest gold mine and rank among the world's largest mines as well.

GIBRALTAR MINE

The Gibraltar Mine covers some seven square miles located approximately 37 miles north of Williams Lake.

Recognized as one of the world's most efficient open pit copper mines, throughput has totalled 290 million tons grading 0.35% copper and 0.016% molybdenum since operations began in 1972.

Gibraltar Mines Ltd., which also held some promising exploration properties, was acquired by Westmin Resources Ltd. in 1996. Westmin advanced exploration on those properties and was itself acquired by Boliden Ltd. in 1998.

Boliden's interest was in that portfolio of exploration properties and announced that the mine, despite substantial reserves, would be placed on a standby care and maintenance basis due to low copper prices.

Taseko once again seized the opportunity, successfully negotiated a purchase agreement for the property, mine and related facilities on advantageous terms, and assumed ownership in 1999.

Current reserves total 179 million tons grading 0.30% copper and 0.009% molybdenum, or more than one billion pounds copper and 36 million pounds molybdenum, which is sufficient to support operations for another 12 years.

Although the copper price was US\$0.62/lb when the decision was made to halt operations, it has since strengthened to the US\$0.85/lb level on improving demand and the company is

moving forward with plans to reopen the mine. At a throughput rate of 38,000 tons per day, annual capacity will be 80 million pounds copper and 700,000 pounds molybdenum.

An initial four-year mine plan, which estimates a breakeven cash operating cost of US\$0.84/lb, forecasts annual cash flow of C\$10 million at an average US\$1.00/lb and C\$20 million at an average US\$1.10/lb.

An exploration program is also planned beginning with a property-wide IP survey that will provide the basis for a drilling program to delineate additional reserves to extend the mine's life.

In acquiring the mine soon after operations were halted, Taseko was able to retain the operating team which is well experienced in both the mine's and region's geology. That will allow a more efficient reopening of the Gibraltar Mine.

MANAGEMENT

As a member of the Hunter-Dickinson, Inc. group of companies, Taseko's management team is well known in the mining industry for their ability to identify properties with the potential for development into major mines, effect the transactions needed to consolidate vari-

ous interests in those properties, and, finally, carry out the exploration and development that is essential to attracting senior mining companies seeking takeover candidates.

The success of that approach is exemplified by its track record — North American Metals Corp., which held the Golden Bear property, was acquired by Homestake Mining Co. for C\$40 million in 1988; Continental Gold Corp., which held the Mt. Milligan property, was acquired by Placer-Dome Inc. for C\$210 million in 1990; and El Condor Resources Ltd., which held the Kemess property, was acquired by Royal Oak Mines Inc. for C\$111 million in 1996.

The company's management team clearly has the financial and technical expertise needed to direct the exploration and development of its projects, and is comprised of Robert G. Hunter, chairman and c.e.o., Robert A. Dickinson, president and c.f.o., and Jeffrey R. Mason, secretary and treasurer.

Joining them as directors are David J. Copeland, Scott D. Cousens, David S. Jennings and Ronald W. Thiessen.

FINANCES

An exploration and development company, Taseko funds its

ongoing work programs with various debt and equity financings.

Exploration and development costs on the Prosperity Property have thus far totaled C\$41.60 million. Costs related to the Gibraltar Mine have yet to be reflected in the financial data.

For the year ended September 30, 1998, the company reported a net loss of C\$4.95 million, or 33 cents per share, on income of C\$10,340, and for the year ended September 30, 1997, a net loss of C\$15.09 million, or C\$1.09 per share, on income of C\$102,470.

For the nine months ended June 30, 1999, the company reported a net loss of C\$4.61 million, or 26 cents per share, on income of C\$454,345.

At period end, the company had a working capital deficiency of C\$1.02 million, however, on the closing of the Gibraltar Mine acquisition, Boliden advanced the first stage of a C\$17 million convertible debenture and a separate private placement of 1.60 million units, each comprised of one flow-through share and a one year share purchase warrant, provided additional proceeds of C\$1.90 million.

As a result, Taseko is well funded with some C\$9.35 million in working capital.

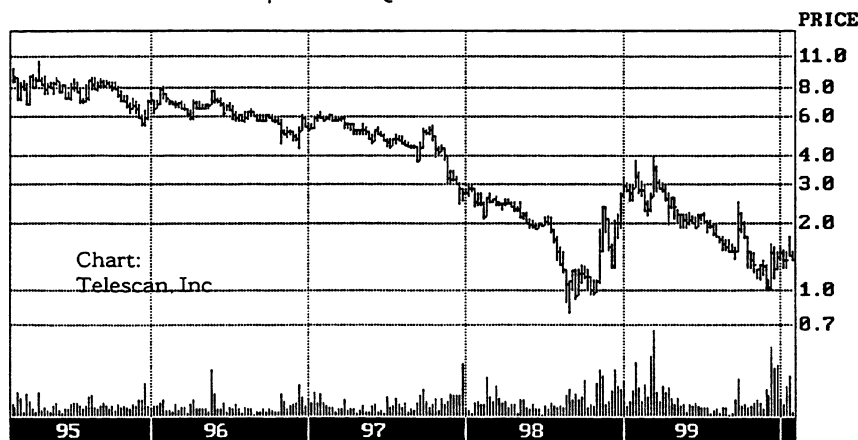
RECOMMENDATION

Taseko is well positioned to take advantage of rising metal prices.

It holds two properties that are undervalued in the marketplace and that has created an opportunity for astute investors to realize significant capital gains.

The Prosperity Property has reserves of 9.49 million ounces gold and 3.53 billion pounds copper, representing the world's largest undeveloped mineral resource; the Gibraltar Mine, recognized as one of the world's

TASEKO MINES LTD. | NASDAQ - TKOCF



most efficient open pit copper mines, has reserves of one billion pounds copper and 36 million pounds molybdenum.

Given an improving outlook for the gold price, along with other metals, as the company advances toward development of a mine at the Prosperity Property and commences production from the Gibraltar Mine, there is likely to be an upward valuation of the shares.

Management's practice has been to complete the exploration and development necessary to attract a corporate takeover by a senior mining company, so they would certainly be agreeable to a corporate takeover of Taseko, but they are equally prepared to proceed into production.

Taseko shares, which are actively traded on NASDAQ under symbol TKOCF, have a 52-week range of US\$1 to US\$4, and recently closed a US\$1-3/8. They are less actively traded on CDNX under symbol TKO.

We believe the shares offer considerable upside potential with little downside risk and therefore recommend their purchase up to US\$2-1/2.

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