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TASEKO REPORTS SECOND QUARTER 2018 FINANCIAL AND OPERATIONAL RESULTS

This release should be read with the Company's Financial Statements and Management Discussion & Analysis ("MD&A"), available at **www.tasekomines.com** and filed on **www.sedar.com**. Except where otherwise noted, all currency amounts are stated in Canadian dollars. Taseko's 75% owned Gibraltar Mine is located north of the City of Williams Lake in south-central British Columbia. Production volume stated in this release are on a 100% basis unless otherwise indicated.

August 7, 2018, Vancouver BC – Taseko Mines Limited (TSX: TKO; NYSE American: TGB) ("Taseko" or the "Company") reports earnings from mining operations before depletion and amortization* of $36.3 million, adjusted EBITDA* of $32.3 million and adjusted net income* of $2.3 million the second quarter of 2018.

Russell Hallbauer, President & CEO commented, "Following six months of lower head grade at Gibraltar, mining operations returned to plan and copper grades increased by approximately 50% in the second quarter, as compared to the previous two quarters. This resulted in copper production of 34 million pounds in the second quarter, much higher than the previous two quarters. Improved metal production was due to the higher copper grade ore and improved copper recovery. Copper recovery improvement was a result of higher grades as well as less oxidation in the ore that was processed. We expect copper grades and recovery to average similar levels for the balance of 2018."

"Our Florence Copper Project continues to advance on time and on budget. Wellfield construction was completed in April and we have recently conducted a number of wellfield tests with very encouraging results that meet or exceed the bench-scale testing used for the 2017 technical report. We expect to begin injecting solutions and pre-leaching the deposit in August at the same time as we are commissioning the SX/EW plant. First cathode is anticipated before the end of December," Mr. Hallbauer added. "Development of our Florence project will come at a critical time as trade tariffs and trade disputes continue among the largest consumers of copper in the world. The USA imports approximately 600,000 metric tonnes of refined copper annually. With limited new copper production capacity expected to come on stream in the USA, Florence is an extremely valuable asset for our Company."

Mr. Hallbauer continued, "Demand for molybdenum remains strong and continues to reflect a tight market. We experienced some recovery issues with our molybdenum circuit in the second quarter which impacted metal production and resulted in reduced by-product credits. The circuit issues have been resolved and we expect molybdenum production to increase for the rest of the year and the important by-product credits to improve accordingly."

"Cash flow in the quarter was impacted by continued spending at our Florence Copper Project as well as a semi-annual bond interest payment. With our current cost structure and spending at Florence on the decline, we anticipate maintaining a solid cash balance in the months ahead. While the copper price has been volatile over the past six weeks, we continue to believe the fundamentals remain strong for copper in the medium to long-term," concluded Mr. Hallbauer.

*Non-GAAP performance measure. See end of news release.

Second Quarter Highlights

- Earnings from mining operations before depletion and amortization* were $36.3 million;
- Copper and molybdenum production in the second quarter was 33.5 million pounds and 0.5 million pounds, respectively, an increase from previous quarters as a result of the higher head grades and recoveries;
- Net loss was $4.7 million ($0.02 net loss per share) and Adjusted net income* was $2.3 million ($0.01 per share);
- Site operating costs, net of by-product credits* were US$1.66 per pound produced and Total operating costs (C1)* were US$1.98 per pound produced, as unit costs were positively impacted by the higher grades and production;
- Total sales (100% basis) for the quarter were 32.2 million pounds of copper and 0.4 million pounds of molybdenum;
- Construction of the Production Test Facility ("PTF") for the Florence Copper Project progressed on time and on budget. Construction activities at the site are now nearing completion and the facility is expected to be operational by the end of third quarter, with first copper cathode expected by the end of this year. Capital expenditures in the second quarter were $10.1 million (US$7.3 million);
- Cash flow from operations was $20.3 million and was negatively impacted by a $10.9 million working capital adjustment related to increased accounts receivables and inventories;
- At June 30, 2018 the Company held put options for 30 million pounds of copper with maturities between July 2018 and December 2018 at a strike price of US$2.80 per pound; and
- The Company's cash balance at June 30, 2018 was $52 million, reduced from $64 million at the end of the previous quarter due in part to cash used for construction of the Florence Copper PTF.

*Non-GAAP performance measure. See end of news release.

HIGHLIGHTS

Financial Data (Cdn$ in thousands, except for per share amounts)	Three months ended June 30, 2018	2017	Change	Six months ended June 30, 2018	2017	Change
Revenues	94,273	99,994	(5,721)	158,452	204,383	(45,931)
Earnings from mining operations before depletion and amortization*	36,267	46,460	(10,193)	49,811	99,887	(50,076)
Earnings from mining operations	18,312	34,661	(16,349)	17,076	78,511	(61,435)
Net income (loss)	(4,671)	5,247	(9,918)	(23,152)	21,726	(44,878)
Per share - basic (“EPS”)	(0.02)	0.02	(0.04)	(0.10)	0.10	(0.20)
Adjusted net income (loss)*	2,337	14,305	(11,968)	(8,662)	29,560	(38,222)
Per share - basic (“adjusted EPS”)*	0.01	0.06	(0.05)	(0.04)	0.13	(0.17)
EBITDA*	25,509	43,805	(18,296)	25,879	92,950	(67,071)
Adjusted EBITDA*	32,251	42,820	(10,569)	39,788	90,754	(50,966)
Cash flows provided by operations	20,349	62,291	(41,942)	31,905	142,056	(110,151)

Operating Data (Gibraltar - 100% basis)	Three months ended June 30, 2018	2017	Change	Six months ended June 30, 2018	2017	Change
Tons mined (millions)	27.4	21.1	6.3	54.1	42.9	11.2
Tons milled (millions)	7.5	7.5	-	15.0	14.8	0.2
Production (million pounds Cu)	33.5	39.4	(5.9)	56.4	80.6	(24.2)
Sales (million pounds Cu)	32.2	40.7	(8.5)	55.0	81.5	(26.5)

*Non-GAAP performance measure. See end of news release.

REVIEW OF OPERATIONS

Gibraltar Mine (75% Owned)

Operating data (100% basis)	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Tons mined (millions)	27.4	26.7	26.9	23.3	21.1
Tons milled (millions)	7.5	7.5	7.9	7.2	7.5
Strip ratio	1.9	4.1	4.9	4.1	2.8
Site operating cost per ton milled (CAD$)*	$10.31	$8.68	$7.68	$5.93	$7.67
Copper concentrate					
Grade (%)	0.263	0.201	0.209	0.284	0.309
Recovery (%)	85.3	75.7	77.5	86.1	85.2
Production (million pounds Cu)	33.5	22.9	25.5	35.1	39.4
Sales (million pounds Cu)	32.2	22.8	32.0	30.2	40.7
Inventory (million pounds Cu)	4.2	2.9	2.7	9.3	4.6
Molybdenum concentrate					
Production (thousand pounds Mo)	506	443	537	445	789
Sales (thousand pounds Mo)	424	433	589	403	794
Per unit data (US$ per pound produced)*					
Site operating costs*	$1.78	$2.25	$1.86	$0.97	$1.08
By-product credits*	(0.12)	(0.23)	(0.17)	(0.09)	(0.11)
Site operating costs, net of by-product credits*	$1.66	$2.02	$1.69	$0.88	$0.97
Off-property costs	0.32	0.31	0.42	0.30	0.34
Total operating costs (C1)*	$1.98	$2.33	$2.11	$1.18	$1.31

OPERATIONS ANALYSIS

Second quarter results

Gibraltar mining operations returned to plan during the quarter, following the impact of the 2017 summer wildfires that affected the previous two quarters. Copper production in the second quarter was 33.5 million pounds, approximately 50% higher than the previous two quarters as a result of increased copper grade and recovery. Copper head grade was 0.263%, in line with expectations and consistent with Gibraltar's average reserve grade. Copper recovery also improved to 85.3% for the quarter, a result of the increased head grades and reduced oxidized ore in the mill feed.

A total of 27.4 million tons were mined during the period, an increase over previous quarters as additional trucking capacity was utilized to increase the mining rate. The strip ratio for the second quarter of 1.9 to 1 was lower than recent quarters and 1.9 million tons of mined ore was added to the ore stockpile. Whereas in the previous three quarters the strip ratio was higher and mill feed was drawn from the ore stockpile.

*Non-GAAP performance measure. See end of news release.

OPERATIONS ANALYSIS - CONTINUED

Site operating cost per ton milled* was $10.31 in the second quarter of 2018, which is higher than the first quarter primarily due to the decreased capitalization of stripping costs. Waste stripping costs of $7.7 million (75% basis), or $1.37 per ton milled, were capitalized in the second quarter, compared to $14.7 million ($2.61 per ton milled) in the first quarter of 2018. However, total site spending (including capitalized costs) remained at a similar level to the previous quarter.

Site operating costs per pound produced* decreased to US$1.78 from US$2.25 in the previous quarter, primarily due to higher copper production.

Molybdenum production was 0.5 million pounds in the second quarter which was in line with the previous quarter. Mechanical issues in the molybdenum plant, which have now been resolved, impacted recovery and as a result, molybdenum production did not increase in line with copper production in the period. By-product credits per pound of copper produced* decreased to US$0.12 in the second quarter from US$0.23 in the previous quarter.

Off-property costs per pound produced* were US$0.32 for the second quarter of 2018, which is in line with recent quarters. Total operating costs (C1) per pound* decreased to US$1.98, a 15% decrease from the first quarter of 2018.

GIBRALTAR OUTLOOK

Copper grades are expected to average approximately 0.26% for the remainder of 2018, which is consistent with the life of mine average grade and will result in continued strong production in the second half of the year.

Copper markets have declined since the end of the second quarter, falling from US$3.01 per pound at June 30, 2018 to US$2.78 per pound as of August 7, 2018. Molybdenum prices have strengthened to US$12.30 per pound as of August 7, 2018, compared to US$10.72 per pound at the end of the second quarter.

The Company is progressing with an insurance claim related to the Cariboo region wildfires in July 2017. The amount of the insurance claim has not been finalized and is currently estimated to be in the range of $4 million to $10 million on a 75% basis.

REVIEW OF PROJECTS

Taseko's strategy has been to grow the Company by leveraging cash flow from the Gibraltar Mine to assemble and develop a pipeline of projects. We continue to believe this will generate the best, long-term returns for shareholders. Our development projects are located in British Columbia and Arizona and represent a diverse range of metals, including gold, copper, molybdenum and niobium. Our current focus is on the development of the Florence Copper Project.

*Non-GAAP performance measure. See end of news release.

REVIEW OF PROJECTS - CONTINUED

Florence Copper Project

In September 2017, the Company announced that it was moving forward with the construction of the Production Test Facility ("PTF") for the Florence Copper Project. The SX/EW Plant and the associated wellfield, comprised of 24 production, monitoring, observation and point of compliance wells, will be built for approximately US$25 million. Construction of the PTF progressed smoothly through the second quarter and is now nearing completion.

The project is on time and on budget with expenditures in the first half of 2018 of $24.4 million (US$18.1 million). The facility, plant and wells are expected to be operational at the end of the third quarter of 2018, and first copper production is expected by the end of the year.

Successful operation of the in situ leaching process will allow permits to be amended for the full scale operation of 85 million pounds per year of copper cathode. It is anticipated that by late 2019, construction on the commercial scale operation could be commenced.

Aley Niobium Project

In 2014, the Company filed an NI43-101 technical report for the Aley Niobium Project. Further engineering and metallurgical test work has been completed since then which is expected to result in improved project economics. Environmental monitoring on the project continues and a number of product marketing initiatives are underway. A drill program is underway in the third quarter to collect samples for further metallurgical testing.

The Company will host a telephone conference call and live webcast on Wednesday, August 8, 2018 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific) to discuss these results. After opening remarks by management, there will be a question and answer session open to analysts and investors. The conference call may be accessed by dialing (877) 303-9079 in Canada and the United States, or (970) 315-0461 internationally.

The conference call will be archived for later playback until August 15, 2018 and can be accessed by dialing (855) 859-2056 in Canada and the United States, or (404) 537-3406 internationally and using the passcode 3185058.

For further information on Taseko, please visit the Taseko website at www.tasekomines.com or contact:

Brian Bergot, Vice President, Investor Relations - 778-373-4533 or toll free 1-877-441-4533

Russell Hallbauer
President and CEO

NON-GAAP PERFORMANCE MEASURES

This document includes certain non-GAAP performance measures that do not have a standardized meaning prescribed by IFRS. These measures may differ from those used by, and may not be comparable to such measures as reported by, other issuers. The Company believes that these measures are commonly used by certain investors, in conjunction with conventional IFRS measures, to enhance their understanding of the Company's performance. These measures have been derived from the Company's financial statements and applied on a consistent basis. The following tables below provide a reconciliation of these non-GAAP measures to the most directly comparable IFRS measure.

Total operating costs and site operating costs, net of by-product credits

Total costs of sales include all costs absorbed into inventory, as well as transportation costs and insurance recoverable. Site operating costs is calculated by removing net changes in inventory, depletion and amortization, insurance recoverable, and transportation costs from cost of sales. Site operating costs, net of by-product credits is calculated by removing by-product credits from the site operating costs. Site operating costs, net of by-product credits per pound are calculated by dividing the aggregate of the applicable costs by copper pounds produced. Total operating costs per pound is the sum of site operating costs, net of by-product credits and off-property costs divided by the copper pounds produced. By-product credits are calculated based on actual sales of molybdenum (net of treatment costs) and silver during the period divided by the total pounds of copper produced during the period. These measures are calculated on a consistent basis for the periods presented.

	Three months ended June 30,		**Six months ended June 30,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2018**	**2017**	**2018**	**2017**
Cost of sales	75,961	65,333	141,376	125,872
Less:				
Depletion and amortization	(17,955)	(11,799)	(32,735)	(21,376)
Insurance recoverable	-	-	4,000	-
Net change in inventories of finished goods	(813)	23	154	256
Net change in inventories of ore stockpiles	5,007	(5,021)	1,111	(3,849)
Transportation costs	(4,529)	(5,492)	(7,358)	(10,709)
Site operating costs	57,671	43,044	106,548	90,194
Less by-product credits:				
Molybdenum, net of treatment costs	(3,830)	(4,335)	(8,839)	(10,142)
Silver, excluding amortization of deferred revenue	(159)	(82)	(251)	(530)
Site operating costs, net of by-product credits	53,682	38,627	97,458	79,522
Total copper produced (thousand pounds)	25,120	29,531	42,265	60,474
Total costs per pound produced	2.14	1.31	2.31	1.31
Average exchange rate for the period (CAD/USD)	1.29	1.34	1.28	1.33
Site operating costs, net of by-product credits (US$ per pound)	**1.66**	**0.97**	**1.80**	**0.99**
Site operating costs, net of by-product credits	53,682	38,627	97,458	79,522
Add off-property costs:				
Treatment and refining costs of copper concentrate	5,938	8,066	9,892	16,522
Transportation costs	4,529	5,492	7,358	10,709
Total operating costs	64,149	52,185	114,708	106,753
Total operating costs (C1) (US$ per pound)	**1.98**	**1.31**	**2.12**	**1.32**

NON-GAAP PERFORMANCE MEASURES - CONTINUED

Adjusted net income (loss)

Adjusted net income (loss) remove the effect of the following transactions from net income as reported under IFRS:

- Unrealized foreign currency gains/losses;
- Unrealized gain/loss on copper put options; and
- Losses on settlement of long-term debt and copper call option.

Management believes these transactions do not reflect the underlying operating performance of our core mining business and are not necessarily indicative of future operating results. Furthermore, unrealized gains/losses on derivative instruments, changes in the fair value of financial instruments, and unrealized foreign currency gains/losses are not necessarily reflective of the underlying operating results for the reporting periods presented.

	Three months ended June 30,		**Six months ended June 30,**	
($ in thousands, except per share amounts)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	**(4,671)**	**5,247**	**(23,152)**	**21,726**
Unrealized foreign exchange (gain) loss	7,729	(6,249)	16,061	(8,926)
Unrealized (gain) loss on copper put options	(987)	373	(2,152)	425
Loss on copper call option	-	4,891	-	6,305
Loss on settlement of long-term debt	-	13,102	-	13,102
Estimated tax effect of adjustments	266	(3,059)	581	(3,072)
Adjusted net income (loss)	**2,337**	**14,305**	**(8,662)**	**29,560**
Adjusted EPS	**0.01**	**0.06**	**(0.04)**	**0.13**

EBITDA and Adjusted EBITDA

EBITDA represents net income before interest, income taxes, and depreciation. EBITDA is presented because it is an important supplemental measure of our performance and is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry, many of which present EBITDA when reporting their results. Issuers of "high yield" securities also present EBITDA because investors, analysts and rating agencies consider it useful in measuring the ability of those issuers to meet debt service obligations. The Company believes EBITDA is an appropriate supplemental measure of debt service capacity, because cash expenditures on interest are, by definition, available to pay interest, and tax expense is inversely correlated to interest expense because tax expense goes down as deductible interest expense goes up; depreciation is a non-cash charge.

Adjusted EBITDA is presented as a further supplemental measure of the Company's performance and ability to service debt. Adjusted EBITDA is prepared by adjusting EBITDA to eliminate the impact of a number of items that are not considered indicative of ongoing operating performance.

Adjusted EBITDA is calculated by adding to EBITDA certain items of expense and deducting from EBITDA certain items of income that are not likely to recur or are not indicative of the Company's future operating performance consisting of:

- Unrealized foreign exchange gains/losses;
- Unrealized gain/loss on copper put options; and
- Losses on settlement of long-term debt and copper call option.

NON-GAAP PERFORMANCE MEASURES - CONTINUED

While some of the adjustments are recurring, other non-recurring expenses do not reflect the underlying performance of the Company's core mining business and are not necessarily indicative of future results. Furthermore, unrealized gains/losses on derivative instruments, and unrealized foreign currency translation gains/losses are not necessarily reflective of the underlying operating results for the reporting periods presented.

	Three months ended June 30,		Six months ended June 30,	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	**(4,671)**	**5,247**	**(23,152)**	**21,726**
Add:				
Depletion and amortization	17,955	11,799	32,735	21,376
Amortization of share-based compensation expense (recovery)	231	170	(608)	3,529
Finance expense	9,733	21,319	19,044	29,353
Finance income	(321)	(470)	(644)	(801)
Income tax expense (recovery)	2,582	5,740	(1,496)	17,767
EBITDA	**25,509**	**43,805**	**25,879**	**92,950**
Adjustments:				
Unrealized foreign exchange (gain) loss	7,729	(6,249)	16,061	(8,926)
Unrealized (gain) loss on copper put options	(987)	373	(2,152)	425
Loss on copper call option	-	4,891	-	6,305
Adjusted EBITDA	**32,251**	**42,820**	**39,788**	**90,754**

Earnings from mining operations before depletion and amortization

Earnings from mining operations before depletion and amortization is earnings from mining operations with depletion and amortization added back. The Company discloses this measure, which has been derived from our financial statements and applied on a consistent basis, to provide assistance in understanding the results of the Company's operations and financial position and it is meant to provide further information about the financial results to investors.

	Three months ended June 30,		Six months ended June 30,	
(Cdn$ in thousands)	**2018**	**2017**	**2018**	**2017**
Earnings from mining operations	**18,312**	**34,661**	**17,076**	**78,511**
Add:				
Depletion and amortization	17,955	11,799	32,735	21,376
Earnings from mining operations before depletion and amortization	**36,267**	**46,460**	**49,811**	**99,887**

NON-GAAP PERFORMANCE MEASURES - CONTINUED

Site operating costs per ton milled

	Three months ended June 30,		Six months ended June 30,	
(Cdn$ in thousands, except per ton milled amounts)	**2018**	**2017**	**2018**	**2017**
Site operating costs (included in cost of sales)	**57,671**	**43,044**	**106,548**	**90,194**
Tons milled (thousands) (75% basis)	5,592	5,611	11,225	11,100
Site operating costs per ton milled	**$10.31**	**$7.67**	**$9.49**	**$8.13**

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This document contains "forward-looking statements" that were based on Taseko's expectations, estimates and projections as of the dates as of which those statements were made. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should" and similar expressions.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. These included but are not limited to:

- uncertainties and costs related to the Company's exploration and development activities, such as those associated with continuity of mineralization or determining whether mineral resources or reserves exist on a property;
- uncertainties related to the accuracy of our estimates of mineral reserves, mineral resources, production rates and timing of production, future production and future cash and total costs of production and milling;
- uncertainties related to feasibility studies that provide estimates of expected or anticipated costs, expenditures and economic returns from a mining project;
- uncertainties related to our ability to complete the mill upgrade on time estimated and at the scheduled cost;
- uncertainties related to the ability to obtain necessary licenses permits for development projects and project delays due to third party opposition;
- uncertainties related to unexpected judicial or regulatory proceedings;
- changes in, and the effects of, the laws, regulations and government policies affecting our exploration and development activities and mining operations, particularly laws, regulations and policies;
- changes in general economic conditions, the financial markets and in the demand and market price for copper, gold and other minerals and commodities, such as diesel fuel, steel, concrete, electricity and other forms of energy, mining equipment, and fluctuations in exchange rates, particularly with respect to the value of the U.S. dollar and Canadian dollar, and the continued availability of capital and financing;
- the effects of forward selling instruments to protect against fluctuations in copper prices and exchange rate movements and the risks of counterparty defaults, and mark to market risk;
- the risk of inadequate insurance or inability to obtain insurance to cover mining risks;
- the risk of loss of key employees; the risk of changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates;
- environmental issues and liabilities associated with mining including processing and stock piling ore; and
- labour strikes, work stoppages, or other interruptions to, or difficulties in, the employment of labour in markets in which we operate mines, or environmental hazards, industrial accidents or other events or occurrences, including third party interference that interrupt the production of minerals in our mines.

For further information on Taseko, investors should review the Company's annual Form 40-F filing with the United States Securities and Exchange Commission www.sec.gov and home jurisdiction filings that are available at www.sedar.com.

Cautionary Statement on Forward-Looking Information

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 we believe 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 actual results or developments may differ materially from those projected in the forward-looking statements. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements. We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable law. Further information concerning risks and uncertainties associated with these forward-looking statements and our business may be found in our most recent Form 40-F/Annual Information Form on file with the SEC and Canadian provincial securities regulatory authorities.

TASEKO MINES LIMITED
Management's Discussion and Analysis

This management discussion and analysis ("MD&A") is intended to help the reader understand Taseko Mines Limited ("Taseko", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto, prepared in accordance with IAS 34 of International Financial Reporting Standards ("IFRS") for the three and six months ended June 30, 2018 (the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this MD&A and the Company's other public filings, which are available on the Canadian Securities Administrators' website at www.sedar.com and on the EDGAR section of the United States Securities and Exchange Commission's ("SEC") website at www.sec.gov.

This MD&A is prepared as of August 7, 2018. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Cautionary Statement on Forward-Looking Information

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 we believe 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 actual results or developments may differ materially from those projected in the forward-looking statements. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements. We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable law. Further information concerning risks and uncertainties associated with these forward-looking statements and our business may be found in the Company's other public filings with the SEC and Canadian provincial securities regulatory authorities.

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OVERVIEW

Taseko Mines Limited ("Taseko" or "Company") is a mining company that seeks to create shareholder value by acquiring, developing, and operating large tonnage mineral deposits which, under conservative forward metal price assumptions, are capable of supporting a mine for ten years or longer. The Company's sole operating asset is the 75% owned Gibraltar Mine, a large copper mine located in central British Columbia. The Gibraltar Mine is one of the largest copper mines in North America. Taseko also owns the Florence Copper Project, which is advancing towards an expected construction decision by the end of 2019, as well as the Aley niobium, Harmony gold and New Prosperity gold-copper projects.

HIGHLIGHTS

Financial Data	**Three months ended June 30,**			**Six months ended June 30,**		
(Cdn$ in thousands, except for per share amounts)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Revenues	94,273	99,994	(5,721)	158,452	204,383	(45,931)
Earnings from mining operations before depletion and amortization*	36,267	46,460	(10,193)	49,811	99,887	(50,076)
Earnings from mining operations	18,312	34,661	(16,349)	17,076	78,511	(61,435)
Net income (loss)	(4,671)	5,247	(9,918)	(23,152)	21,726	(44,878)
Per share - basic ("EPS")	(0.02)	0.02	(0.04)	(0.10)	0.10	(0.20)
Adjusted net income (loss)*	2,337	14,305	(11,968)	(8,662)	29,560	(38,222)
Per share - basic ("adjusted EPS")*	0.01	0.06	(0.05)	(0.04)	0.13	(0.17)
EBITDA*	25,509	43,805	(18,296)	25,879	92,950	(67,071)
Adjusted EBITDA*	32,251	42,820	(10,569)	39,788	90,754	(50,966)
Cash flows provided by operations	20,349	62,291	(41,942)	31,905	142,056	(110,151)

Operating Data (Gibraltar - 100% basis)	**Three months ended June 30,**			**Six months ended June 30,**		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
Tons mined (millions)	27.4	21.1	6.3	54.1	42.9	11.2
Tons milled (millions)	7.5	7.5	-	15.0	14.8	0.2
Production (million pounds Cu)	33.5	39.4	(5.9)	56.4	80.6	(24.2)
Sales (million pounds Cu)	32.2	40.7	(8.5)	55.0	81.5	(26.5)

*Non-GAAP performance measure. See page 19 of this MD&A.

HIGHLIGHTS - CONTINUED

Second Quarter Highlights

- Earnings from mining operations before depletion and amortization* were $36.3 million;
- Copper and molybdenum production in the second quarter was 33.5 million pounds and 0.5 million pounds, respectively, an increase from previous quarters as a result of the higher head grades and recoveries;
- Net loss was $4.7 million ($0.02 net loss per share) and Adjusted net income* was $2.3 million ($0.01 per share);
- Site operating costs, net of by-product credits* were US$1.66 per pound produced and Total operating costs (C1)* were US$1.98 per pound produced, as unit costs were positively impacted by the higher grades and production;
- Total sales (100% basis) for the quarter were 32.2 million pounds of copper and 0.4 million pounds of molybdenum;
- Construction of the Production Test Facility ("PTF") for the Florence Copper Project progressed on time and on budget. Construction activities at the site are now nearing completion and the facility is expected to be operational by the end of third quarter, with first copper cathode expected by the end of this year. Capital expenditures in the second quarter were $10.1 million (US$7.3 million);
- Cash flow from operations was $20.3 million and was negatively impacted by a $10.9 million working capital adjustment related to increased accounts receivables and inventories;
- At June 30, 2018 the Company held put options for 30 million pounds of copper with maturities between July 2018 and December 2018 at a strike price of US$2.80 per pound; and
- The Company's cash balance at June 30, 2018 was $52 million, reduced from $64 million at the end of the previous quarter due in part to cash used for construction of the Florence Copper PTF.

*Non-GAAP performance measure. See page 19 of this MD&A.

REVIEW OF OPERATIONS

Gibraltar Mine (75% Owned)

Operating data (100% basis)	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**
Tons mined (millions)	27.4	26.7	26.9	23.3	21.1
Tons milled (millions)	7.5	7.5	7.9	7.2	7.5
Strip ratio	1.9	4.1	4.9	4.1	2.8
Site operating cost per ton milled (CAD$)*	$10.31	$8.68	$7.68	$5.93	$7.67
Copper concentrate					
Grade (%)	0.263	0.201	0.209	0.284	0.309
Recovery (%)	85.3	75.7	77.5	86.1	85.2
Production (million pounds Cu)	33.5	22.9	25.5	35.1	39.4
Sales (million pounds Cu)	32.2	22.8	32.0	30.2	40.7
Inventory (million pounds Cu)	4.2	2.9	2.7	9.3	4.6
Molybdenum concentrate					
Production (thousand pounds Mo)	506	443	537	445	789
Sales (thousand pounds Mo)	424	433	589	403	794
Per unit data (US$ per pound produced)*					
Site operating costs*	$1.78	$2.25	$1.86	$0.97	$1.08
By-product credits*	(0.12)	(0.23)	(0.17)	(0.09)	(0.11)
Site operating costs, net of by-product credits*	$1.66	$2.02	$1.69	$0.88	$0.97
Off-property costs	0.32	0.31	0.42	0.30	0.34
Total operating costs (C1)*	$1.98	$2.33	$2.11	$1.18	$1.31

*Non-GAAP performance measure. See page 19 of this MD&A.

OPERATIONS ANALYSIS

Second quarter results

Gibraltar mining operations returned to plan during the quarter, following the impact of the 2017 summer wildfires that affected the previous two quarters. Copper production in the second quarter was 33.5 million pounds, approximately 50% higher than the previous two quarters as a result of increased copper grade and recovery. Copper head grade was 0.263%, in line with expectations and consistent with Gibraltar's average reserve grade. Copper recovery also improved to 85.3% for the quarter, a result of the increased head grades and reduced oxidized ore in the mill feed.

A total of 27.4 million tons were mined during the period, an increase over previous quarters as additional trucking capacity was utilized to increase the mining rate. The strip ratio for the second quarter of 1.9 to 1 was lower than recent quarters and 1.9 million tons of mined ore was added to the ore stockpile. Whereas in the previous three quarters the strip ratio was higher and mill feed was drawn from the ore stockpile.

Site operating cost per ton milled* was $10.31 in the second quarter of 2018, which is higher than the first quarter primarily due to the decreased capitalization of stripping costs. Waste stripping costs of $7.7 million (75% basis), or $1.37 per ton milled, were capitalized in the second quarter, compared to $14.7 million ($2.61 per ton milled) in the first quarter of 2018. However, total site spending (including capitalized costs) remained at a similar level to the previous quarter.

Site operating costs per pound produced* decreased to US$1.78 from US$2.25 in the previous quarter, primarily due to higher copper production.

Molybdenum production was 0.5 million pounds in the second quarter which was in line with the previous quarter. Mechanical issues in the molybdenum plant, which have now been resolved, impacted recovery and as a result, molybdenum production did not increase in line with copper production in the period. By-product credits per pound of copper produced* decreased to US$0.12 in the second quarter from US$0.23 in the previous quarter.

Off-property costs per pound produced* were US$0.32 for the second quarter of 2018, which is in line with recent quarters. Total operating costs (C1) per pound* decreased to US$1.98, a 15% decrease from the first quarter of 2018.

GIBRALTAR OUTLOOK

Copper grades are expected to average approximately 0.26% for the remainder of 2018, which is consistent with the life of mine average grade and will result in continued strong production in the second half of the year.

Copper markets have declined since the end of the second quarter, falling from US$3.01 per pound at June 30, 2018 to US$2.78 per pound as of August 7, 2018. Molybdenum prices have strengthened to US$12.30 per pound as of August 7, 2018, compared to US$10.72 per pound at the end of the second quarter.

The Company is progressing with an insurance claim related to the Cariboo region wildfires in July 2017. The amount of the insurance claim has not been finalized and is currently estimated to be in the range of $4 million to $10 million on a 75% basis.

*Non-GAAP performance measure. See page 19 of this MD&A

REVIEW OF PROJECTS

Taseko's strategy has been to grow the Company by leveraging cash flow from the Gibraltar Mine to assemble and develop a pipeline of projects. We continue to believe this will generate the best, long-term returns for shareholders. Our development projects are located in British Columbia and Arizona and represent a diverse range of metals, including gold, copper, molybdenum and niobium. Our current focus is on the development of the Florence Copper Project.

Florence Copper Project

In September 2017, the Company announced that it was moving forward with the construction of the Production Test Facility ("PTF") for the Florence Copper Project. The SX/EW Plant and the associated wellfield, comprised of 24 production, monitoring, observation and point of compliance wells, will be built for approximately US$25 million. Construction of the PTF progressed smoothly through the second quarter and is now nearing completion.

The project is on time and on budget with expenditures in the first half of 2018 of $24.4 million (US$18.1 million). The facility, plant and wells are expected to be operational at the end of the third quarter of 2018, and first copper production is expected by the end of the year.

Successful operation of the in situ leaching process will allow permits to be amended for the full scale operation of 85 million pounds per year of copper cathode. It is anticipated that by late 2019, construction on the commercial scale operation could be commenced.

Aley Niobium Project

In 2014, the Company filed an NI43-101 technical report for the Aley Niobium Project. Further engineering and metallurgical test work has been completed since then which is expected to result in improved project economics. Environmental monitoring on the project continues and a number of product marketing initiatives are underway. A drill program is underway in the third quarter to collect samples for further metallurgical testing.

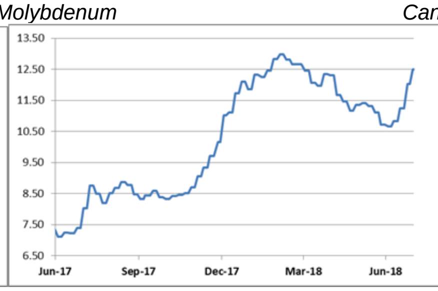
ANNUAL GENERAL MEETING

The Company's Annual General Meeting was held on June 7, 2018 and shareholders voted in favour of all items of business before the meeting, including the election of all director nominees. Detailed voting results for the 2018 Annual General Meeting are available on SEDAR at www.sedar.com.

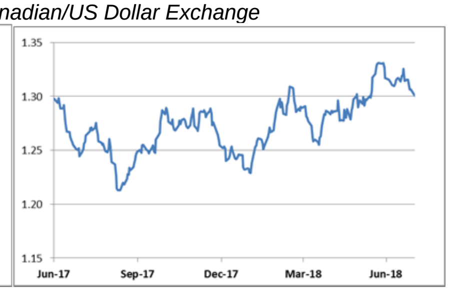
MARKET REVIEW

Copper

Molybdenum



Canadian/US Dollar Exchange



Prices (USD per pound for Commodities)
(Source Data: London Metals Exchange, Platts Metals, and Bank of Canada)

Copper prices have continued to be very volatile over the last year. Changes in Chinese economic demand, copper supply disruptions, global trade policies, interest rate expectations and speculative investment activity have all contributed to the recent price volatility.

The average price of London Metals Exchange ("LME") copper was US$3.12 per pound in the second quarter of 2018, which was slightly lower than the first quarter of 2018 and is approximately 21% higher than the second quarter of 2017. Subsequent to the end of the second quarter of 2018, copper prices weakened by about 8%. Despite the short-term volatility, management continues to believe that the copper market will benefit from tight mine supply going forward.

The average molybdenum price was US$11.65 per pound in the second quarter of 2018, which was 5% lower than the first quarter of 2018. The Company's sales agreement specifies molybdenum pricing based on the published Platts Metals reports. Molybdenum prices have strengthened to US$12.30 per pound as of August 7, 2018.

Approximately 80% of the Gibraltar Mine's costs are Canadian dollar denominated and therefore, fluctuations in the Canadian/US dollar exchange rate can have a significant effect on the Company's operating results and unit production costs, which are reported in US dollars. The Canadian dollar weakened by approximately 2% during the second quarter of 2018.

FINANCIAL PERFORMANCE

Earnings

The Company's net loss was $4.7 million and $23.2 million for the three and six months ended June 30, 2018, compared to a net income of $5.2 million and $21.7 million for the same periods in 2017. These decreases in net income are primarily due to the lower earnings from mining operations in the current year and also unrealized foreign exchange losses on the Company's US dollar denominated debt.

Earnings from mining operations before depletion and amortization* was $36.3 million and $49.8 million, respectively, for the three and six months ended June 30, 2018, compared to earnings of $46.5 million and $99.9 million, respectively for the same periods in 2017. These decreases are a result of lower copper sales volumes and higher unit operating costs this year, partially offset by higher copper and molybdenum prices in 2018.

Included in net income (loss) are a number of items that management believes require adjustment in order to better measure the underlying performance of the business. The following items have been adjusted as management believes they are not indicative of a realized economic gain/loss or the underlying performance of the business in the period:

	Three months ended June 30,			Six months ended June 30,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Net earnings (loss)	(4,671)	5,247	(9,918)	(23,152)	21,726	(44,878)
Unrealized foreign exchange gain (loss)	7,729	(6,249)	13,978)	16,061	(8,926)	24,987
Unrealized (gain) loss on copper put options	(987)	373	(1,360)	(2,152)	425	(2,577)
Loss on copper call option	-	4,891	(4,891)	-	6,305	(6,305)
Loss on settlement of long-term debt	-	13,102	(13,102)	-	13,102	(13,102)
Estimated tax effect of adjustments	266	(3,059)	3,325	581	(3,072)	3,653
Adjusted net income (loss)*	2,337	14,305	(11,968)	(8,662)	29,560	(38,222)

*Non-GAAP performance measure. See page 19 of this MD&A

In the three and six month periods ended June 30, 2018, the Canadian dollar weakened in comparison to the US dollar by 2% and 5% respectively, resulting in an unrealized foreign exchange loss of $7.7 million and $16.1 million, respectively. The unrealized foreign exchange losses were primarily related to the Company's US dollar denominated long-term debt.

Revenues

	Three months ended June 30,			Six months ended June 30,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Copper in concentrate	95,685	101,603	(5,918)	161,828	205,105	(43,277)
Molybdenum concentrate	4,834	6,468	(1,634)	9,848	12,935	(3,087)
Silver	1,229	417	812	2,169	1,026	1,143
Price adjustments on settlement receivables	(803)	1,087	(1,890)	(4,108)	4,952	(9,060)
Total gross revenue	100,945	109,575	(8,630)	169,737	224,018	(54,281)
Less: treatment and refining costs	(6,672)	(9,581)	2,909	(11,285)	(19,635)	8,350
Revenue	94,273	99,994	(5,721)	158,452	204,383	(45,931)
Copper in concentrate (thousands of pounds)*	23,267	29,427	(6,160)	39,752	58,931	(19,179)
Average realized copper price (US$ per pound)	3.13	2.61	0.52	3.06	2.67	0.39
Average LME copper price (US$ per pound)	3.12	2.57	0.55	3.14	2.61	0.53
Average exchange rate (US$/CAD)	1.29	1.34	(0.05)	1.28	1.33	(0.05)

* This amount includes a net smelter payable deduction of approximately 3.5% to derive net payable pounds of copper sold.

Copper revenues for the three and six months ended June 30, 2018 decreased by $5.9 million and $43.3 million, compared to the same periods in 2017, primarily due to decreases in copper sales volumes, partially offset by higher realized copper prices in the current year.

During the three and six months ended June 30, 2018, price adjustments of negative $0.4 million and negative $4.4 million, respectively, were recorded for provisionally priced copper concentrate. These adjustments resulted in US$0.01 and US$0.09 per pound decreases to the average realized copper price for the three and six months ended June 30, 2018.

Molybdenum revenues for the three and six months ended June 30, 2018 decreased by $1.6 million and $3.1 million, compared to the same periods in 2017. The decreases were due to lower production and sales volume of molybdenum, partially offset by higher molybdenum prices in the current year. During the three and six months ended June 30, 2018, price adjustments of negative $0.4 million and positive $0.3 million, respectively, were recorded for provisionally priced molybdenum concentrate.

Cost of sales

	Three months ended June 30,			**Six months ended June 30,**		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Site operating costs	57,671	43,044	14,627	106,548	90,194	16,354
Transportation costs	4,529	5,492	(963)	7,358	10,709	(3,351)
Insurance recoverable	-	-	-	(4,000)	-	(4,000)
Changes in inventories of finished goods	813	(23)	836	(154)	(256)	102
Changes in inventories of ore stockpiles	(5,007)	5,021	(10,028)	(1,111)	3,849	(4,960)
Production costs	58,006	53,534	4,472	108,641	104,496	4,145
Depletion and amortization	17,955	11,799	6,156	32,735	21,376	11,359
Cost of sales	75,961	65,333	10,628	141,376	125,872	15,504
Site operating costs per ton milled*	$10.31	$7.67	$2.64	$9.49	$8.13	$1.36

*Non-GAAP performance measure. See page 19 of this MD&A

Site operating costs for the three months and six months ended June 30, 2018 increased by $14.6 million and $16.4 million, respectively. The cost increases are a result of increased mining rates in the first half of 2018, and reduced allocations to capitalized stripping costs.

Site operating costs exclude costs that are allocated to capitalized stripping as a result of waste stripping in a new section of the Granite pit, in accordance with the mine plan. For the three and six months ended June 30, 2018, $7.7 million and $22.3 million, respectively, was allocated to capitalized stripping, compared to $18.1 million and $28.7 million for the same periods in 2017.

The Company is pursuing an insurance claim related to the Cariboo region wildfires in July 2017. The amount of the insurance claim has not been finalized and is currently estimated to be in the range of $4 million to $10 million (75% basis). During the first quarter of 2018, the Company recorded an insurance recoverable of $4 million.

Cost of sales is also impacted by changes in ore stockpile inventories. In the three months ended June 30, 2018, the ore stockpiles were increased by 1.9 million tons resulting in an increase in inventories (decrease in cost of sales) of $5.0 million. In the second quarter of 2017, the ore stockpile inventory decreased by $5.0 million (increase in cost of sales) due to a decrease in the stockpiled tonnage.

Depletion and amortization for three and six months ended June 30, 2018 increased by $6.2 million and $11.4 million, respectively, over the same periods in 2017. These differences are primarily due to increased amortization of capitalized stripping costs which has increased significantly in the current year as ore tons are now being mined from the new section of the Granite pit.

Other operating (income) expenses

	Three months ended June 30,			Six months ended June 30,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
General and administrative	2,751	2,590	161	7,502	7,760	(258)
Share-based compensation expense (recovery)	200	152	48	(795)	3,442	(4,237)
Exploration and evaluation	690	484	206	1,535	959	576
Realized loss on copper put options	993	430	563	2,301	585	1,716
Unrealized (gain) loss on copper put options	(987)	373	(1,360)	(2,152)	425	(2,577)
Loss on copper call option	-	4,891	(4,891)	-	6,305	(6,305)
Other income	(328)	(322)	(6)	(659)	(546)	(113)
	3,319	8,598	(5,279)	7,732	18,930	(11,198)

General and administrative costs for the three and six month periods ended June 30, 2018 are comparable to the same periods in 2017.

Share-based compensation expense for the three months ended June 30, 2018 was comparable to the same prior year periods. The lower share based compensation expense for the first half of 2018 was primarily due to the revaluation of the liability for deferred share units resulting from a decrease in the Company's share price.

Exploration and evaluation costs for the three and six months ended June 30, 2018, represent costs associated with the New Prosperity and Aley projects.

During the three and six months ended June 30, 2018, the Company incurred realized losses of $1.0 million and $2.3 million, respectively from copper put options that settled out-of-the-money. The unrealized gains of $1.0 million and $2.2 million, respectively relates to the fair value adjustment of copper put options that will be settled during the third and fourth quarters of 2018.

Finance expenses

	Three months ended June 30,			Six months ended June 30,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Interest expense	7,889	7,628	261	15,699	15,114	585
Finance expense – deferred revenue	1,241	-	1,241	2,142	-	2,142
Accretion of PER	603	589	14	1,203	1,137	66
Loss on settlement of long-term debt	-	13,102	(13,102)	-	13,102	(13,102)
	9,733	21,319	(11,586)	19,044	29,353	(10,309)

Interest expense for the three and six months ended June 30, 2018 increased by $0.3 million and $0.6 million, respectively, compared to the same period in 2017. The Company's total interest costs are lower in the three and six months ended June 30, 2018 due to reduced long-term debt as a result of the June 2017 refinancing. However, interest expense recorded on the income statement is higher in 2018 because no interest was capitalized in the current year, whereas $2.6 million of interest was capitalized in the first half of 2017. Deferred revenue finance expense for the three months and six months ended June 30, 2018 of $1.2 million and $2.1

million, respectively, represents the financing component of the upfront deposit from the silver purchase and sale agreement.

Loss on settlement of long-term debt of $13.1 million in 2017 relates to the write-off of deferred financing costs and additional interest expense incurred upon the settlement of the senior notes and the senior secured credit facility in June 2017.

Income tax

	Three months ended June 30,			Six months ended June 30,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Current income tax expense	490	328	162	490	976	(486)
Deferred income tax expense (recovery)	2,092	5,412	(3,320)	(1,986)	16,791	(18,777)
	2,582	5,740	(3,158)	(1,496)	17,767	(19,263)
Effective tax rate	123.6%	52.2%	71.4%	6.1%	45.0%	(38.9%)
Canadian statutory rate	27%	26%	1%	27%	26%	1%
B.C. Mineral tax rate	9.6%	9.6%	-	9.6%	9.6%	-

The income tax expense for the second quarter of 2018 decreased from the same quarter in 2017 mainly due to lower earnings. Current income tax expense relates to the Company's estimated B.C. mineral taxes for the quarter. For deferred income tax, the expense is due in part to the reversal of certain deferred income tax assets in the quarter.

FINANCIAL CONDITION REVIEW

Balance sheet review

(Cdn$ in thousands)	As at June 30, 2018	As at December 31, 2017	Change
Cash and cash equivalents	51,682	80,231	(28,549)
Other current assets	68,746	65,505	3,241
Property, plant and equipment	826,297	797,265	29,032
Other assets	46,219	45,709	510
Total assets	**992,944**	**988,710**	**4,234**
Current liabilities	54,784	50,139	4,645
Debt:			
Senior secured notes	318,721	302,085	16,636
Capital leases and secured equipment loans	30,133	27,133	3,000
Deferred revenue	39,008	39,640	(632)
Other liabilities	200,187	202,633	(2,446)
Total liabilities	**642,833**	**621,630**	**21,203**
Equity	**350,111**	**367,080**	**(16,969)**
Net debt (debt minus cash and equivalents)	297,172	248,987	48,185
Total common shares outstanding (millions)	228.3	227.0	1.3

The Company's asset base is comprised principally of non-current assets, including property, plant and equipment, reflecting the capital intensive nature of the mining business. Other current assets include accounts receivable, other financial assets and inventories (concentrate inventories, ore stockpiles, and supplies), along with prepaid expenses and deposits. Concentrate inventories, accounts receivable and cash balances fluctuate in relation to shipping and cash settlement schedules.

Total long-term debt increased by $19.6 million for the six months ended June 30, 2018, due primarily to the foreign exchange losses on the Company's US dollar denominated debt and a new equipment loan for $9 million, partially offset by the payments on the Company's capital leases and equipment loans. The Company's net debt has increased by $48.2 million for the six months ended June 30, 2018 primarily due to impact of foreign exchange on the Company's US denominated long-term debt and the use of cash for the Florence PTF capital expenditures.

Deferred revenue relates to the US$33 million advance payment received in March 2017 from Osisko Gold Royalties Ltd. ("Osisko") for the sale of future silver production from the Gibraltar Mine.

Other liabilities decreased by $2.5 million mainly due to the decrease in deferred tax liabilities, partially offset by an increase in the provision for environmental rehabilitation ("PER").

The increase in the PER is driven by a reduction in the discount rates. At June 30, 2018, the Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates was 2.20% compared to 2.26% at December 31, 2017. Given the long time frame over which environmental rehabilitation expenditures are expected to be incurred (over 100 years), the carrying value of the provision is very sensitive to changes in discount rates.

As at August 7, 2018, there were 228,369,834 common shares outstanding. In addition, there were 10,444,400 stock options and 3,000,000 warrants outstanding at August 7, 2018. More information on these instruments and the terms of their exercise is set out in Notes 13 and 15 of the June 30, 2018 unaudited condensed consolidated interim financial statements.

Liquidity, cash flow and capital resources

During the three months ended June 30, 2018, the Company generated operating cash flow of $20.3 million, which was negatively impacted by non-cash working capital adjustments of $10.9 million primarily related to increases in inventories and accounts receivable. The Company used $24.2 million of cash for investing activities in the second quarter, which included $9.6 million of cash payments for construction of the PTF at Florence, $7.7 million for capitalized stripping costs, $4.1 million on other capital expenditures for Gibraltar, $2.0 million on other project costs at the Florence and Aley projects, and $1.1 million for the purchase of copper put options.

During the six months ended June 30, 2018, the Company generated operating cash flow of $31.9 million and used $48.6 million for investing activities. Investing activities in the period included $16.2 million of cash payments for construction of the PTF at Florence, $22.3 million for capitalized stripping costs, $5.3 million on other capital expenditures for Gibraltar, $4.1 million on other project costs at the Florence and Aley projects, and $1.1 million for the purchase of copper put options.

Cash used for financing activities during the three months ended June 30, 2018 includes a $14.5 million interest payment on the senior secured notes, $2.7 million of payments for capital leases and equipment loans, partially offset by $8.9 million of net proceeds from a June 2018 equipment financing.

During the six months ended June 30, 2017 the Company generated $102 million of positive cash flow from operating and investing activities, as a result of strong operating results at the Gibraltar Mine and including $44 million of cash proceeds from the sale of a silver stream to Osisko.

At June 30, 2018, the Company had cash and equivalents of $52 million (December 31, 2017 - $80 million) and continues to maintain a strategy of retaining a significant cash balance to reflect the volatile and capital intensive nature of the copper mining business. The Company continues to make monthly principal repayments for capital leases and equipment loans, however, there are no principal payments required on the senior secured notes until the maturity date in June 2022.

Liquidity outlook

The Company has a pipeline of development stage projects, including the Florence Copper Project and Aley Niobium Project, and additional funding will be required to advance these projects to production. To address project funding requirements, the Company may seek to raise additional capital through debt or equity financings or asset sales (including royalties, sales of project interests, or joint ventures). The senior secured notes (due in June 2022) allow for up to US$100 million of first lien secured debt to be issued, subject to the terms of the note indenture. The Company may also redeem or repurchase senior secured notes on the market. From time to time, the Company evaluates these alternatives, based on a number of factors including the prevailing market prices of the senior secured notes, metal prices, liquidity requirements, covenant restrictions and other factors, in order to determine the optimal mix of capital resources to address capital requirements, minimize the Company's cost of capital, and maximize shareholder value.

Future changes in copper and molybdenum market prices could also impact the timing and amount of cash available for future investment in development projects, debt obligations, and other uses of capital. To partially mitigate commodity price risks, copper put options are entered into for a portion of Gibraltar copper production (see section below "Hedging Strategy").

Hedging strategy

The Company's hedging strategy is to secure a minimum price for a portion of copper production using put options that are either purchased outright or funded by the sale of call options that are significantly out of the money. The amount and duration of the hedge position is based on an assessment of business-specific risk elements combined with the copper pricing outlook. Copper price and quantity exposure are reviewed at least quarterly to ensure that adequate revenue protection is in place. Hedge positions are typically extended adding incremental quarters at established put strike prices to provide the necessary price protection. The Company's hedging strategy is designed to mitigate short-term declines in copper price.

Considerations on the cost of the hedging program include an assessment of Gibraltar's estimated production costs, anticipated copper prices and the Company's capital requirements during the relevant period. During the second quarter of 2018, the Company spent $1.1 million to purchase copper put options that mature evenly over the third and fourth quarters of 2018. The following table shows the commodity contracts that were outstanding as at the date of this MD&A.

	Notional amount	Strike price	Term to maturity	Original cost
At August 7, 2018				
Copper put options	10 million lbs	US$2.80 per lb	Q3 2018	$0.4 million
Copper put options	15 million lbs	US$2.80 per lb	Q4 2018	$0.4 million

Commitments and contingencies

Commitments

	Payments due						
($ in thousands)	**Remainder of 2018**	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
Debt [1]:							
Repayment of principal	6,250	9,852	6,111	4,897	332,177	-	359,287
Interest	15,075	29,730	29,313	29,071	14,450	-	117,639
PER [2]	-	-	-	-	-	112,066	112,066
Operating leases	1,549	2,277	1,192	96	-	-	5,114
Capital expenditures [3]	3,187	-	-	-	-	-	3,187
Other expenditures [4]	2,253	1,122	624	327	246	-	4,572

[1] As at June 30, 2018, debt is comprised of senior secured notes, capital leases and secured equipment loans.

[2] As at June 30, 2018, provision for environmental rehabilitation amounts presented in the table represents the expected cost of environmental rehabilitation for Gibraltar Mine.

[3] Capital expenditure commitments include only those items where the Company has entered into binding commitments.

[4] Other expenditure commitments include the purchase of goods and services and exploration activities.

The Company has guaranteed 100% of certain capital lease and equipment loans entered into by the Gibraltar joint venture in which it holds a 75% interest. As a result, the Company has guaranteed the joint venture partner's 25% share of this debt which amounted to $10.0 million as at June 30, 2018.

SUMMARY OF QUARTERLY RESULTS

	2018		2017				2016	
(Cdn$ in thousands, except per share amounts)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	94,273	64,179	95,408	78,508	99,994	104,389	94,628	55,964
Net earnings (loss)	(4,671)	(18,481)	(7,600)	20,136	5,247	16,479	5,113	(15,610)
Basic EPS	(0.02)	(0.08)	(0.03)	0.09	0.02	0.07	0.02	(0.07)
Adjusted net earnings (loss) *	2,337	(10,999)	(1,544)	13,405	14,305	15,254	16,404	(10,423)
Adjusted basic EPS *	0.01	(0.05)	(0.01)	0.06	0.06	0.07	0.07	(0.05)
EBITDA *	25,509	370	22,350	48,457	43,805	49,145	32,312	4,064
Adjusted EBITDA *	32,251	7,537	28,639	42,356	42,820	47,934	44,477	9,285

(US$ per pound, except where indicated)								
Realized copper price *	3.13	2.98	3.30	3.00	2.61	2.72	2.54	2.15
Total operating costs *	1.98	2.33	2.11	1.18	1.31	1.33	1.48	1.89
Copper sales (million pounds)	24.2	17.1	24.0	22.6	30.5	30.6	30.3	22.4

*Non-GAAP performance measure. See page 19 of this MD&A.

Financial results for the last eight quarters reflect: volatile copper and molybdenum prices and foreign exchange rates that impact realized sale prices; and variability in the quarterly sales volumes due to copper grades and timing of shipments which impacts revenue recognition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are presented in Note 2.4 of the 2017 annual consolidated financial statements and Notes 2 and 3 of the June 30, 2018 unaudited condensed consolidated interim financial statements. The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Company's accounting policies, significant areas where judgment is required include the determination of a joint arrangement, recovery of other deferred tax assets, insurance recoverable, and deferred revenue and finance expense determination.

Other significant areas of estimation include reserve and resource estimation and asset valuations; ore stock piles and finished inventory quantities; plant and equipment lives; tax provisions; provisions for environmental rehabilitation; valuation of financial instruments and derivatives; deferred stripping costs and share-based compensation. Key estimates and assumptions made by management with respect to these areas have been disclosed in the notes to these consolidated financial statements as appropriate.

The accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions made and judgment used in the engineering and geological interpretation, and may be subject to revision based on various factors. Changes in reserve and resource estimates may impact the carrying value of property, plant and equipment; the calculation of depreciation expense; the capitalization of stripping costs incurred during production; and the timing of cash flows related to the provision for environmental rehabilitation.

Changes in forecast prices of commodities, exchange rates, production costs and recovery rates may change the economic status of reserves and resources. Forecast prices of commodities, exchange rates, production costs and recovery rates, and discount rates assumptions, either individually or collectively, may impact the carrying value of derivative financial instruments, inventories, property, plant and equipment, and intangibles, as well as the measurement of impairment charges or reversals.

INTERNAL AND DISCLOSURE CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures.

The Company's internal control system over financial reporting is designed to provide reasonable assurance to management and the Board of Directors regarding the preparation and fair presentation of published financial statements. Internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company's internal control system over disclosure controls and procedures is designed to provide reasonable assurance that material information relating to the Company is made known to management and disclosed to others and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined effective can provide only reasonable assurance with respect to financial reporting and disclosure.

There have been no changes in our internal controls over financial reporting and disclosure controls and procedures during the period ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include the members of the Board of Directors and executive officers of the Company.

The Company contributes to a post-employment defined contribution pension plan on the behalf of certain key management personnel. This retirement compensation arrangement ("RCA Trust") was established to provide benefits to certain executive officers on or after retirement in recognition of their long service. Upon retirement, the participant is entitled to the distribution of the accumulated value of the contributions under the RCA Trust. Obligations for contributions to the defined contribution pension plan are recognized as compensation expense in the periods during which services are rendered by the executive officers.

Certain executive officers are entitled to termination and change in control benefits. In the event of termination without cause, other than a change in control, these executive officers are entitled to an amount ranging from 9-months' to 18-months' salary. In the event of a change in control, if a termination without cause or a resignation occurs within 12 months following the change of control, these executive officers are entitled to receive, among other things, an amount ranging from 24-months' to 32-months' salary and accrued bonus, and all stock options held by these individuals will fully vest.

Executive officers and directors also participate in the Company's share-based option program (refer to Note 15 of the unaudited condensed consolidated interim financial statements).

Compensation for key management personnel (including all members of the Board of Directors and executive officers) is as follows:

(Cdn$ in thousands)	**Three months ended June 30, 2018**	**2017**	**Six months ended June 30, 2018**	**2017**
Salaries and benefits	890	808	3,877	3,472
Post-employment benefits	373	373	746	746
Share-based compensation	171	130	(986)	3,350
	1,434	1,311	3,637	7,568

Other related parties

Three directors of the Company are also principals of Hunter Dickinson Services Inc. ("HDSI"), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the three month period ended June 30, 2018, the Company incurred total costs of $0.4 million (Q2 2017: $0.4 million) in transactions with HDSI. Of these, $0.2 million (Q2 2017: $0.2 million) related to administrative, legal, exploration and tax services, $0.2 million related to reimbursements of office rent costs (Q2 2017: $0.2 million), and $0.1 million (Q2 2017: $0.1 million) related to director fees for two Taseko directors who are also principals of HDSI.

For the six month period ended June 30, 2018, the Company incurred total costs of $0.7 million (2017: $0.8 million) in transactions with HDSI. Of these, $0.3 million (2017: $0.3 million) related to administrative, legal, exploration and tax services, $0.3 million related to reimbursements of office rent costs (2017: $0.3 million), and $0.1 million (2017: $0.1 million) related to director fees for two Taseko directors who are also principals of HDSI.

Under the terms of the joint venture operating agreement, the Gibraltar Joint Venture pays the Company a management fee for services rendered by the Company as operator of the Gibraltar Mine. In addition, the Company pays certain expenses on behalf of the Gibraltar Joint Venture and invoices the Joint Venture for these expenses.

NON-GAAP PERFORMANCE MEASURES

This document includes certain non-GAAP performance measures that do not have a standardized meaning prescribed by IFRS. These measures may differ from those used by, and may not be comparable to such measures as reported by, other issuers. The Company believes that these measures are commonly used by certain investors, in conjunction with conventional IFRS measures, to enhance their understanding of the Company's performance. These measures have been derived from the Company's financial statements and applied on a consistent basis. The following tables below provide a reconciliation of these non-GAAP measures to the most directly comparable IFRS measure.

Total operating costs and site operating costs, net of by-product credits

Total costs of sales include all costs absorbed into inventory, as well as transportation costs and insurance recoverable. Site operating costs is calculated by removing net changes in inventory, depletion and amortization, insurance recoverable, and transportation costs from cost of sales. Site operating costs, net of by-product credits is calculated by removing by-product credits from the site operating costs. Site operating costs, net of by-product credits per pound are calculated by dividing the aggregate of the applicable costs by copper pounds produced. Total operating costs per pound is the sum of site operating costs, net of by-product credits and off-property costs divided by the copper pounds produced. By-product credits are calculated based on actual sales of molybdenum (net of treatment costs) and silver during the period divided by the total pounds of copper produced during the period. These measures are calculated on a consistent basis for the periods presented.

	Three months ended June 30,		**Six months ended June 30,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2018**	**2017**	**2018**	**2017**
Cost of sales	75,961	65,333	141,376	125,872
Less:				
Depletion and amortization	(17,955)	(11,799)	(32,735)	(21,376)
Insurance recoverable	-	-	4,000	-
Net change in inventories of finished goods	(813)	23	154	256
Net change in inventories of ore stockpiles	5,007	(5,021)	1,111	(3,849)
Transportation costs	(4,529)	(5,492)	(7,358)	(10,709)
Site operating costs	57,671	43,044	106,548	90,194
Less by-product credits:				
Molybdenum, net of treatment costs	(3,830)	(4,335)	(8,839)	(10,142)
Silver, excluding amortization of deferred revenue	(159)	(82)	(251)	(530)
Site operating costs, net of by-product credits	53,682	38,627	97,458	79,522
Total copper produced (thousand pounds)	25,120	29,531	42,265	60,474
Total costs per pound produced	2.14	1.31	2.31	1.31
Average exchange rate for the period (CAD/USD)	1.29	1.34	1.28	1.33
Site operating costs, net of by-product credits (US$ per pound)	**1.66**	**0.97**	**1.80**	**0.99**
Site operating costs, net of by-product credits	53,682	38,627	97,458	79,522
Add off-property costs:				
Treatment and refining costs of copper concentrate	5,938	8,066	9,892	16,522

Transportation costs	4,529	5,492	7,358	10,709
Total operating costs	64,149	52,185	114,708	106,753
Total operating costs (C1) (US$ per pound)	**1.98**	**1.31**	**2.12**	**1.32**

Adjusted net income (loss)

Adjusted net income (loss) remove the effect of the following transactions from net income as reported under IFRS:

- Unrealized foreign currency gains/losses;
- Unrealized gain/loss on copper put options; and
- Losses on settlement of long-term debt and copper call option.

Management believes these transactions do not reflect the underlying operating performance of our core mining business and are not necessarily indicative of future operating results. Furthermore, unrealized gains/losses on derivative instruments, changes in the fair value of financial instruments, and unrealized foreign currency gains/losses are not necessarily reflective of the underlying operating results for the reporting periods presented.

	Three months ended June 30,		**Six months ended June 30,**	
($ in thousands, except per share amounts)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	**(4,671)**	**5,247**	**(23,152)**	**21,726**
Unrealized foreign exchange (gain) loss	7,729	(6,249)	16,061	(8,926)
Unrealized (gain) loss on copper put options	(987)	373	(2,152)	425
Loss on copper call option	-	4,891	-	6,305
Loss on settlement of long-term debt	-	13,102	-	13,102
Estimated tax effect of adjustments	266	(3,059)	581	(3,072)
Adjusted net income (loss)	**2,337**	**14,305**	**(8,662)**	**29,560**
Adjusted EPS	**0.01**	**0.06**	**(0.04)**	**0.13**

EBITDA and Adjusted EBITDA

EBITDA represents net income before interest, income taxes, and depreciation. EBITDA is presented because it is an important supplemental measure of our performance and is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry, many of which present EBITDA when reporting their results. Issuers of "high yield" securities also present EBITDA because investors, analysts and rating agencies consider it useful in measuring the ability of those issuers to meet debt service obligations. The Company believes EBITDA is an appropriate supplemental measure of debt service capacity, because cash expenditures on interest are, by definition, available to pay interest, and tax expense is inversely correlated to interest expense because tax expense goes down as deductible interest expense goes up; depreciation is a non-cash charge.

Adjusted EBITDA is presented as a further supplemental measure of the Company's performance and ability to service debt. Adjusted EBITDA is prepared by adjusting EBITDA to eliminate the impact of a number of items that are not considered indicative of ongoing operating performance.

Adjusted EBITDA is calculated by adding to EBITDA certain items of expense and deducting from EBITDA certain items of income that are not likely to recur or are not indicative of the Company's future operating performance consisting of:

- Unrealized foreign exchange gains/losses;
- Unrealized gain/loss on copper put options; and
- Losses on settlement of long-term debt and copper call option.

While some of the adjustments are recurring, other non-recurring expenses do not reflect the underlying performance of the Company's core mining business and are not necessarily indicative of future results. Furthermore, unrealized gains/losses on derivative instruments, and unrealized foreign currency translation gains/losses are not necessarily reflective of the underlying operating results for the reporting periods presented.

	Three months ended June 30,		**Six months ended June 30,**	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	**(4,671)**	**5,247**	**(23,152)**	**21,726**
Add:				
Depletion and amortization	17,955	11,799	32,735	21,376
Amortization of share-based compensation expense (recovery)	231	170	(608)	3,529
Finance expense	9,733	21,319	19,044	29,353
Finance income	(321)	(470)	(644)	(801)
Income tax expense (recovery)	2,582	5,740	(1,496)	17,767
EBITDA	**25,509**	**43,805**	**25,879**	**92,950**
Adjustments:				
Unrealized foreign exchange (gain) loss	7,729	(6,249)	16,061	(8,926)
Unrealized (gain) loss on copper put options	(987)	373	(2,152)	425
Loss on copper call option	-	4,891	-	6,305
Adjusted EBITDA	**32,251**	**42,820**	**39,788**	**90,754**

Earnings from mining operations before depletion and amortization

Earnings from mining operations before depletion and amortization is earnings from mining operations with depletion and amortization added back. The Company discloses this measure, which has been derived from our financial statements and applied on a consistent basis, to provide assistance in understanding the results of the Company's operations and financial position and it is meant to provide further information about the financial results to investors.

	Three months ended June 30,		Six months ended June 30,	
(Cdn$ in thousands)	**2018**	**2017**	**2018**	**2017**
Earnings from mining operations	**18,312**	**34,661**	**17,076**	**78,511**
Add:				
Depletion and amortization	17,955	11,799	32,735	21,376
Earnings from mining operations before depletion and amortization	**36,267**	**46,460**	**49,811**	**99,887**

Site operating costs per ton milled

	Three months ended June 30,		Six months ended June 30,	
(Cdn$ in thousands, except per ton milled amounts)	**2018**	**2017**	**2018**	**2017**
Site operating costs (included in cost of sales)	**57,671**	**43,044**	**106,548**	**90,194**
Tons milled (thousands) (75% basis)	5,592	5,611	11,225	11,100
Site operating costs per ton milled	**$10.31**	**$7.67**	**$9.49**	**$8.13**

Condensed Consolidated Interim Financial Statements
June 30, 2018
(Unaudited)

TASEKO MINES LIMITED

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Cdn$ in thousands, except share and per share amounts)

(Unaudited)

	Note	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenues	4	94,273	99,994	158,452	204,383
Cost of sales					
Production costs	5	(58,006)	(53,534)	(108,641)	(104,496)
Depletion and amortization	5	(17,955)	(11,799)	(32,735)	(21,376)
Earnings from mining operations		18,312	34,661	17,076	78,511
General and administrative		(2,751)	(2,590)	(7,502)	(7,760)
Share-based compensation recovery (expense)	15b	(200)	(152)	795	(3,442)
Exploration and evaluation		(690)	(484)	(1,535)	(959)
Loss on derivatives	6	(6)	(5,694)	(149)	(7,315)
Other income		328	322	659	546
Income before financing costs and income taxes		14,993	26,063	9,344	59,581
Finance expenses	7	(9,733)	(21,319)	(19,044)	(29,353)
Finance income		321	470	644	801
Foreign exchange gain (loss)		(7,670)	5,773	(15,592)	8,464
Income (loss) before income taxes		(2,089)	10,987	(24,648)	39,493
Income tax (expense) recovery	8	(2,582)	(5,740)	1,496	(17,767)
Net income (loss)		**(4,671)**	**5,247**	**(23,152)**	**21,726**
Other comprehensive income (loss):					
Unrealized loss on financial assets	3b, 9	(703)	(1,164)	(1,405)	(434)
Foreign currency translation reserve		3,082	(2,865)	6,517	(3,912)
Total other comprehensive income (loss)		**2,379**	**(4,029)**	**5,112**	**(4,346)**
Total comprehensive income (loss)		**(2,292)**	**1,218**	**(18,040)**	**17,380**
Earnings (loss) per share					
Basic		(0.02)	0.02	(0.10)	0.10
Diluted		(0.02)	0.02	(0.10)	0.10
Weighted average shares outstanding (thousands)					
Basic		227,585	226,182	227,333	224,756
Diluted		227,585	228,931	227,333	227,542

The accompanying notes are an integral part of these consolidated interim financial statements.

TASEKO MINES LIMITED

Condensed Consolidated Statements of Cash Flows

(Cdn$ in thousands)

(Unaudited)

	Note	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Operating activities					
Net income (loss) for the period		(4,671)	5,247	(23,152)	21,726
Adjustments for:					
Depletion and amortization		17,955	11,799	32,735	21,376
Income tax expense (recovery)	8	2,582	5,740	(1,496)	17,767
Share-based compensation expense (recovery)	15b	231	170	(608)	3,529
Loss on derivatives	6	6	5,694	149	7,315
Finance expenses, net		9,412	20,849	18,400	28,552
Unrealized foreign exchange (gain) loss		7,729	(6,249)	16,061	(8,926)
Deferred revenue deposit	13	-	-	-	44,151
Amortization of deferred revenue	13	(1,024)	(411)	(1,872)	(730)
Deferred electricity repayments		(1,013)	(505)	(4,841)	(1,049)
Other operating activities		-	(580)	-	(552)
Net change in non-cash working capital	17	(10,858)	20,537	(3,471)	8,897
Cash provided by operating activities		20,349	62,291	31,905	142,056
Investing activities					
Purchase of property, plant and equipment	11	(23,230)	(24,469)	(47,907)	(39,908)
Purchase of copper put options	6	(1,063)	(504)	(1,063)	(934)
Other investing activities		128	160	342	287
Cash used for investing activities		(24,165)	(24,813)	(48,628)	(40,555)
Financing activities					
Interest paid		(14,548)	(28,295)	(14,942)	(28,906)
Proceeds from equipment loan, net	12	8,943	-	8,943	-
Repayment of capital leases and equipment loans		(2,723)	(4,475)	(5,950)	(9,037)
Proceeds on exercise of options and warrants		142	68	272	2,294
Net proceeds from issuance of senior secured notes		-	317,714	-	317,714
Repayment of senior notes		-	(264,180)	-	(264,180)
Repayment of senior secured credit facility		-	(92,463)	-	(92,463)
Settlement of copper call option		-	(15,745)	-	(15,745)
Cash used for financing activities		(8,186)	(87,376)	(11,677)	(90,323)
Effect of exchange rate changes on cash and equivalents		(548)	(2,351)	(149)	(3,163)
Increase (decrease) in cash and equivalents		(12,550)	(52,249)	(28,549)	8,015
Cash and equivalents, beginning of period		64,232	149,294	80,231	89,030
Cash and equivalents, end of period		51,682	97,045	51,682	97,045

Supplementary cash flow disclosures 17

The accompanying notes are an integral part of these consolidated interim financial statements.

TASEKO MINES LIMITED

Condensed Consolidated Balance Sheets

(Cdn$ in thousands)

(Unaudited)

	Note	June 30, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and equivalents		51,682	80,231
Accounts receivable		19,099	21,618
Other financial assets	9	2,431	2,774
Inventories	10	44,739	39,639
Prepaids		2,477	1,474
		120,428	145,736
Property, plant and equipment	11	826,297	797,265
Other financial assets	9	40,790	40,537
Goodwill		5,429	5,172
		992,944	**988,710**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities		48,310	47,382
Current income tax payable		1,625	302
Current portion of long-term debt	12	11,594	11,270
Current portion of deferred revenue	13	3,649	1,312
Interest payable on senior secured notes		1,200	1,143
		66,378	61,409
Long-term debt	12	337,260	317,948
Provision for environmental rehabilitation ("PER")		112,066	107,874
Deferred and other tax liabilities		84,861	89,045
Deferred revenue	13	39,008	39,640
Other financial liabilities	14	3,260	5,714
		642,833	621,630
EQUITY			
Share capital	15	423,351	422,091
Contributed surplus		48,336	47,478
Accumulated other comprehensive income ("AOCI")		5,501	389
Deficit		(127,077)	(102,878)
		350,111	367,080
		992,944	**988,710**

Commitments and contingencies 13, 16

The accompanying notes are an integral part of these consolidated interim financial statements.

TASEKO MINES LIMITED

Condensed Consolidated Statements of Changes in Equity

(Cdn$ in thousands)

(Unaudited)

	Note	Share capital	Contributed surplus	AOCI	Deficit	Total
Balance at January 1, 2017		417,975	45,747	12,357	(137,140)	338,939
Issuance of warrants		-	1,876	-	-	1,876
Share-based compensation		-	1,877	-	-	1,877
Exercise of options and warrants		3,226	(932)	-	-	2,294
Settlement of performance share units		-	(423)	-	-	(423)
Total comprehensive income (loss) for the period		-	-	(4,346)	21,726	17,380
Balance at June 30, 2017		**421,201**	**48,145**	**8,011**	**(115,414)**	**361,943**
Balance at January 1, 2018		422,091	47,478	389	(102,878)	367,080
Adjustment on initial application of IFRS 15	3	-	-	-	(1,047)	(1,047)
Adjusted balance at January 1, 2018		**422,091**	**47,478**	**389**	**(103,925)**	**366,033**
Share-based compensation		-	1,846	-	-	1,846
Exercise of options and warrants		360	(88)	-	-	272
Settlement of performance share units		900	(900)	-	-	-
Total comprehensive income (loss) for the period		-	-	5,112	(23,152)	(18,040)
Balance at June 30, 2018		**423,351**	**48,336**	**5,501**	**(127,077)**	**350,111**

The accompanying notes are an integral part of these consolidated interim financial statements.

1. REPORTING ENTITY

Taseko Mines Limited (the "Company" or "Taseko") is a corporation governed by the *British Columbia Business Corporations Act.* The unaudited condensed consolidated interim financial statements of the Company as at and for the three and six month periods ended June 30, 2018 comprise the Company, its subsidiaries and its 75% interest in the Gibraltar joint venture since its formation on March 31, 2010. The Company is principally engaged in the production and sale of metals, as well as related activities including exploration and mine development, within the province of British Columbia, Canada and the State of Arizona, USA. Seasonality does not have a significant impact on the Company's operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company's most recent annual financial statements, except as disclosed in Note 3. These condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These condensed consolidated interim financial statements were authorized for issue by the Company's Audit Committee August 7, 2018.

(b) Use of judgments and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at the year ended December 31, 2017, except for new judgments in the determination of the financing component with respect to the silver purchase and sale agreement presented as deferred revenue (Note 3) and in the determination of the amount of insurance recoverable (Note 5).

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has applied the following revised or new IFRS that were issued and effective January 1, 2018:

(a) IFRS 15, Revenue from Contracts with Customers

The Company has adopted IFRS 15 effective January 1, 2018 using the cumulative effect method. Accordingly, the comparative information presented for 2017 has not been restated and is accounted for under under IAS 18 *Revenue*.

(Cdn$ in thousands - unaudited)

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services and the Company has satisfied its performance obligation. Determining the timing of the transfer of control, at a point in time or over time, requires judgment. Cash received in advance of meeting these conditions is recorded as deferred revenue.

Under the terms of the Company's concentrate sales contracts, the final sales amount is based on final assay results and quoted market prices which may be in a period subsequent to the date of sale. Revenues for these sales, net of treatment and refining charges are recorded when the customer obtains control of the concentrate, based on an estimate of metal contained using initial assay results and forward market prices for the expected date that final sales prices will be fixed. The period between provisional pricing and final settlement can be up to four months. This settlement receivable is recorded at fair value each reporting period by reference to forward market prices until the date of final pricing, with the changes in fair value recorded as an adjustment to revenue.

There have been no significant changes in the accounting for copper and molybdenum concentrate revenue as a result of the transition to IFRS 15.

Deferred revenue

Deferred revenue arose from an up-front payment received by the Company in consideration for future commitments as specified in its silver streaming arrangement. Revenue from the streaming arrangement is recognized when the customer obtains control of the silver metal and the Company has satisfied its performance obligations.

The Company identified a significant financing component related to its streaming arrangement resulting from a difference in the timing of the up-front consideration received and the expected future deliveries of metal. Interest expense on deferred revenue is recognized as a finance expense. The interest rate is determined based on the rate implicit in the streaming agreement at the date of inception. The deferred revenue continues to be amortized and recognized in revenue on a per unit basis using the number of silver ounces expected to be delivered over the life of the Gibraltar Mine. However on transition to IFRS 15, the revenue per silver ounce has changed due to the recognition of the financing component of the deferred revenue. The transitional adjustment for the recognition of the financing component is disclosed in Note 13.

The initial consideration received from the streaming arrangement is considered variable, subject to changes in the total silver ounces to be delivered. Changes to variable consideration will be reflected in revenue in the consolidated statement of income (loss) in the period the change is identified.

The following table summarizes the impact of transition to IFRS 15 on deficit at January 1, 2018:

Deficit, as at December 31, 2017	(102,878)
Deferred revenue adjustment, net of tax (Note 13)	(1,047)
Deficit after adoption of IFRS 15, as at January 1, 2018	(103,925)

(Cdn$ in thousands - unaudited)

The following table summarizes the impact of adopting IFRS 15 on the Company's condensed consolidated interim balance sheet as at June 30, 2018:

	As reported	Adjustments	Amounts without Adoption of IFRS 15
Current portion of deferred revenue	3,649	2,337	1,312
Deferred tax liability	84,861	(584)	85,445
Deferred revenue	39,008	(174)	39,182
Deficit	(127,077)	(1,579)	(125,498)

The following table summarizes the impact of adopting IFRS 15 on the Company's condensed consolidated interim statement of comprehensive income (loss) for the six months ended June 30, 2018**:**

	As reported	Adjustments	Amounts without Adoption of IFRS 15
Revenue	158,452	1,413	157,039
Finance expenses	(19,044)	(2,142)	(16,902)
Income tax recovery	596	197	399
Net loss	(23,152)	(532)	(22,620)
Total comprehensive loss	(18,040)	(532)	(17,508)

(b) IFRS 9, Financial Instruments

The Company adopted IFRS 9 effective January 1, 2018. There have been no changes to the carrying value of any of the Company's assets or liabilities as a result of this new accounting standard. The Company has taken an exemption not to restate comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9. Accordingly, the comparative information for 2017 is presented under IAS 39.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI); or Fair Value from Profit or Loss (FVPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Cdn$ in thousands - unaudited)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset as FVPL if doing so significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

i) Financial assets at FVPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

ii) Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method, and reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

iii) Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at January 1, 2018:

	Footnote	Original Classification under IAS 39	New Classification under IFRS 9
Financial assets			
Cash and cash equivalents		Loans and receivables	Amortized cost
Accounts receivables		Loans and receivables	Amortized cost
Settlement receivables		Fair value – non-hedge derivative instrument	FVPL
Copper put option contracts		Fair value – non-hedge derivative instrument	FVPL
Marketable securities	(1)	Available-for-sale	FVOCI
Investment in subscription receipts	(1)	Available-for-sale	FVOCI
Reclamation deposits	(1)	Available-for-sale	FVOCI
Restricted cash		Loans and receivables	Amortized cost

(1) These equity related securities represent investments that the Company intends to hold for the long-term. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI.

(c) IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 *Leases*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 *Revenue from Contracts with Customers*. Upon adoption of IFRS 16, the Company anticipates it will record a material balance of lease assets and associated lease liabilities related to leases on the Consolidated Balance Sheet at January 1, 2019. The Company plans to apply IFRS 16 at the date it becomes effective and has not yet quantified the impact of this standard on its consolidated financial statements.

(Cdn$ in thousands - unaudited)

4. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Copper contained in concentrate	95,685	101,603	161,828	205,105
Molybdenum concentrate	4,834	6,468	9,848	12,935
Silver (Notes 3 and 13)	1,229	417	2,169	1,026
Price adjustments on settlement receivables	(803)	1,087	(4,108)	4,952
Total gross revenue	100,945	109,575	169,737	224,018
Less: Treatment and refining costs	(6,672)	(9,581)	(11,285)	(19,635)
Revenue	94,273	99,994	158,452	204,383

5. COST OF SALES

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Site operating costs	57,671	43,044	106,548	90,194
Transportation costs	4,529	5,492	7,358	10,709
Insurance recoverable	-	-	(4,000)	-
Changes in inventories of finished goods	813	(23)	(154)	(256)
Changes in inventories of ore stockpiles	(5,007)	5,021	(1,111)	3,849
Production costs	58,006	53,534	108,641	104,496
Depletion and amortization	17,955	11,799	32,735	21,376
Cost of sales	75,961	65,333	141,376	125,872

Cost of sales consists of site operating costs (which include personnel costs, mine site supervisory costs, non-capitalized stripping costs, repair and maintenance costs, consumables, operating supplies and external services), transportation costs, and depletion and amortization.

The Company is pursuing an insurance claim related to the Cariboo region wildfires in July 2017. The amount of the insurance claim has not been finalized and is currently estimated to be in the range of $4,000 to $10,000 (75% basis). In the six month period ended June 30, 2018, the Company has recorded an insurance recoverable of $4,000.

6. DERIVATIVE INSTRUMENTS

In the second quarter of 2018, the Company purchased copper put option contracts for 30 million pounds of copper for a total cost of $1,063. Details of the copper put options outstanding at June 30, 2018 are summarized in the following table:

(Cdn$ in thousands - unaudited)

	Notional amount	Strike price	Maturity date	Fair value asset
Copper put option contracts	15 million lbs	US$2.80 per lb	Q3 2018	251
Copper put option contracts	15 million lbs	US$2.80 per lb	Q4 2018	993
				1,244

The following table outlines the gains and losses associated with derivative instruments:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Realized loss on copper put options	993	430	2,301	585
Unrealized (gain) loss on copper put options	(987)	373	(2,152)	425
Change in fair value of copper call option	-	4,891	-	6,305
	6	5,694	149	7,315

The copper call option was repurchased in June 2017 and is no longer outstanding.

7. FINANCE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Interest expense	7,889	7,628	15,699	15,114
Finance expense – deferred revenue (Notes 3 and 13)	1,241	-	2,142	-
Accretion on PER	603	589	1,203	1,137
Loss on settlement of long-term debt	-	13,102	-	13,102
	9,733	21,319	19,044	29,353

8. INCOME TAX

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Current expense	490	328	490	976
Deferred expense (recovery)	2,092	5,412	(1,986)	16,791
	2,582	5,740	(1,496)	17,767

(Cdn$ in thousands - unaudited)

9. OTHER FINANCIAL ASSETS

	June 30, 2018	December 31, 2017
Current:		
Marketable securities	1,187	2,444
Copper put option contracts (Note 6)	1,244	330
	2,431	2,774
Long-term:		
Investment in subscription receipts	2,400	2,400
Reclamation deposits	30,890	30,637
Restricted cash	7,500	7,500
	40,790	40,537

10. INVENTORIES

	June 30, 2018	December 31, 2017
Ore stockpiles	12,201	9,332
Copper contained in concentrate	5,728	5,933
Molybdenum concentrate	576	217
Materials and supplies	26,234	24,157
	44,739	39,639

11. PROPERTY, PLANT & EQUIPMENT

During the three month period ended June 30, 2018, the Company capitalized stripping costs of $7,662 and incurred other capital expenditures for Gibraltar of $3,921. In addition, the Company capitalized development costs of $11,309 for the Florence Copper project and $190 for the Aley Niobium project. Additions to property, plant and equipment also include $610 of non-cash depreciation on mining assets related to capitalized stripping.

During the six month period ended June 30, 2018, the Company capitalized stripping costs of $22,337 and incurred other capital expenditures for Gibraltar of $5,225. In addition, the Company capitalized development costs of $26,746 for the Florence Copper project and $500 for the Aley Niobium project. Additions to property, plant and equipment also include $1,826 of non-cash depreciation on mining assets related to capitalized stripping.

(Cdn$ in thousands - unaudited)

12. DEBT

	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Current:				
Capital leases	8,238	8,105	9,651	9,697
Secured equipment loans	3,356	3,306	1,619	1,602
	11,594	11,411	11,270	11,299
Long-term:				
Senior secured notes	318,721	342,641	302,085	322,306
Capital leases	10,516	10,345	14,110	14,178
Secured equipment loans	8,023	7,978	1,753	1,727
	337,260	360,964	317,948	338,211

In June 2018, the Company entered into a new equipment loan for $9,000. The equipment loan is repayable in monthly installments and bears a fixed interest rate of 5.46% and has a maturity date of 2022. The equipment loan is secured by equipment with a carrying value of $15,757.

13. DEFERRED REVENUE

On March 3, 2017, the Company entered into a silver stream purchase and sale agreement with Osisko Gold Royalties Ltd. ("Osisko"), whereby the Company received an upfront cash deposit payment of US$33 million for the sale of an equivalent amount of its 75% share of Gibraltar payable silver production until 5.9 million ounces of silver have been delivered to Osisko. After that threshold has been met, 35% of an equivalent amount of Taseko's share of all future payable silver production from Gibraltar will be delivered to Osisko. In addition to the initial deposit, the Company receives cash payments of US$2.75 per ounce for all silver deliveries made under the agreement.

The Company recorded the initial deposit as deferred revenue and recognizes amounts in revenue as silver is delivered to Osisko. The amortization of deferred revenue is calculated on a per unit basis using the estimated total number of silver ounces expected to be delivered to Osisko over the life of the Gibraltar Mine. The current portion of deferred revenue is an estimate based on deliveries anticipated over the next twelve months.

The silver sale agreement has a minimum term of 50 years and automatically renews for successive 10-year periods as long as Gibraltar mining operations are active. If the initial deposit is not fully reduced through silver deliveries at current market prices at time of the deliveries, a cash payment for the remaining amount will be due to Osisko at the expiry date of the agreement. The Company's obligations under the agreement are secured by a pledge of Taseko's 75% interest in the Gibraltar Joint Venture.

(Cdn$ in thousands - unaudited)

The following table summarizes changes in deferred revenue including the change on adoption of IFRS 15:

Upfront cash deposit	44,151
Issuance of warrants	(1,876)
Amortization of deferred revenue	(1,323)
Balance at December 31, 2017	40,952
Transitional adjustment for IFRS 15 (Note 3)	1,435
Finance expense (Note 3,7)	2,142
Amortization of deferred revenue	(1,872)
Balance at June 30, 2018	42,657

Deferred revenue is reflected in the condensed consolidated interim balance sheets as follows:

	June 30, 2018	**December 31, 2017**
Current	3,649	1,312
Non-current	39,008	39,640
	42,657	40,952

14. OTHER FINANCIAL LIABILITIES

	June 30, 2018	**December 31, 2017**
Long-term:		
Deferred share units (Note 15b)	3,260	5,714

15. EQUITY

(a) Share capital

	Common shares (thousands)
Common shares outstanding at January 1, 2018	227,000
Settlement of performance share units	1,024
Exercise of share options	292
Common shares outstanding at June 30, 2018	228,316

The Company’s authorized share capital consists of an unlimited number of common shares with no par value.

(Cdn$ in thousands - unaudited)

(b) Share-Based Compensation

	Options (thousands)	Average price
Outstanding at January 1, 2018	9,281	1.40
Granted	1,695	2.86
Exercised	(292)	0.93
Cancelled/forfeited	(74)	2.32
Outstanding at June 30, 2018	10,610	1.64
Exercisable at June 30, 2018	9,000	1.52

During the six month period ended June 30, 2018, the Company granted 1,694,500 (2017 – 1,910,500) share options to directors, executives and employees, exercisable at an average exercise price of $2.86 per common share over a three to five year period. The total fair value of options granted was $2,474 (2017 – $1,165) based on a weighted average grant-date fair value of $1.46 (2017 – $0.61) per option.

The fair value at grant date of the share option plan was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

	Six months ended June 30, 2018
Expected term (years)	4.4
Forfeiture rate	0%
Volatility	63%
Dividend yield	0%
Risk-free interest rate	1.8%
Weighted-average fair value per option	$1.46

The Company has other share-based compensation plans in the form of Deferred Share Units ("DSUs") and Performance Share Units ("PSUs").

The continuity of DSUs and PSUs issued and outstanding is as follows:

	DSUs (thousands)	PSUs (thousands)
Outstanding at January 1, 2018	1,943	1,219
Granted	385	400
Settled	-	(409)
Outstanding at June 30, 2018	2,328	1,210

During the six month periods ended June 30, 2018, 385,000 DSUs were issued to directors (2017 - 620,000) and 400,000 PSUs to senior executives (2017 – 400,000). The fair value of DSUs and PSUs granted was $2,982 (2017 - $1,301), with a weighted average fair value at the grant date of $2.86 per unit for the DSUs (2017 - $1.27 per unit) and $4.70 per unit for the PSUs (2017 - $2.33 per unit).

For the three and six month period ended June 30, 2018, the Company recognized total share-based compensation expense of $231 and a recovery of $608 respectively (2017: $170 and $3,529 expense).

(Cdn$ in thousands - unaudited)

(c) Share Purchase Warrants

At June 30, 2018, the Company had 3,000,000 share purchase warrants outstanding at an exercise price of $2.74 per share and with an expiry date of April 1, 2020. These warrants were issued in connection with the silver stream purchase and sale agreement (Note 13).

16. COMMITMENTS AND CONTINGENCIES

(a) Commitments

As at June 30, 2018, the Company had commitments to incur capital expenditures of $2,271 (2017: $nil) for the Florence Copper project and $1,222 (2017: $12,000) for the Gibraltar joint venture, of which the Company's share is $916. The Company is a party to certain contracts relating to operating leases and service and supply agreements. Future minimum payments under these agreements as at June 30, 2018 are presented in the following table:

Remainder of 2018	3,802
2019	3,399
2020	1,816
2021	423
2022	246
2023 and thereafter	-
Total operating commitments	9,686

(b) Contingencies

The Company has guaranteed 100% of certain capital lease and equipment loans entered into by the Gibraltar joint venture in which it holds a 75% interest. As a result, the Company has guaranteed the joint venture partner's 25% share of this debt which amounted to $10,045 as at June 30, 2018.

17. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended June 30,		**Six months ended June 30,**	
	2018	**2017**	**2018**	**2017**
Change in non-cash working capital items				
Accounts receivable	(3,840)	14,392	2,519	483
Inventories	(4,848)	4,428	(3,342)	3,823
Prepaids	(1,586)	(1,431)	(1,005)	(983)
Accounts payable and accrued liabilities	375	4,228	(500)	6,668
Interest payable	(142)	(5)	24	(19)
Income tax payable	(817)	(1,075)	(1,167)	(1,075)
	(10,858)	20,537	(3,471)	8,897
Non-cash financing activities				
Share purchase warrants issued (Note 13)	-	-	-	1,876
Assets acquired under capital lease	-	880	-	1,042
Share purchase warrants exercised	-	-	-	(830)
	-	880	-	2,088

(Cdn$ in thousands - unaudited)

18. RELATED PARTIES

Related Party Transactions

	Transaction value for the three months ended June 30,		Transaction value for the six months ended June 30	
	2018	**2017**	**2018**	**2017**
Hunter Dickinson Services Inc.:				
General and administrative expenses	367	369	706	723
Exploration and evaluation expenses	11	35	24	73
	378	404	730	796
Gibraltar joint venture:				
Management fee income	290	291	582	584
Reimbursable compensation expenses and third party costs	12	12	46	39
	302	303	628	623

	Balance due (to) from as at June 30,	
	2018	**2017**
Hunter Dickinson Services Inc.	(81)	(87)
Gibraltar Joint Venture	207	207

Three directors of the Company are also principals of Hunter Dickinson Services Inc. ("HDSI"), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the three month period ended June 30, 2018, the Company incurred total costs of $378 (Q2 2017: $404) in transactions with HDSI. Of these, $153 (Q2 2017: $178) related to administrative, legal, exploration and tax services, $155 related to reimbursements of office rent costs (Q2 2017: $156), and $70 (Q2 2017: $70) related to director fees for two Taseko directors who are also principals of HDSI.

For the six month period ended June 30, 2018, the Company incurred total costs of $730 (2017: $796) in transactions with HDSI. Of these, $280 (2017: $344) related to administrative, legal, exploration and tax services, $310 related to reimbursements of office rent costs (2017: $312), and $140 (2017: $140) related to director fees for two Taseko directors who are also principals of HDSI.

Under the terms of the joint venture operating agreement, the Gibraltar Joint Venture pays the Company a management fee for services rendered by the Company as operator of the Gibraltar Mine. In addition, the Company pays certain expenses on behalf of the Gibraltar Joint Venture and invoices the Joint Venture for these expenses.

19. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(Cdn$ in thousands - unaudited)

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has certain financial assets and liabilities that are measured at fair value on a recurring basis and uses the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority.

	Level 1	Level 2	Level 3	Total
June 30, 2018				
Financial assets designated as FVPL				
Copper put option contracts	-	1,244	-	1,244
Financial assets irrevocably designated as FVOCI				
Marketable securities	1,187	-	-	1,187
Investment in subscription receipts	-	-	2,400	2,400
Reclamation deposits	30,890	-	-	30,890
	32,077	1,244	2,400	35,721
December 31, 2017				
Financial assets designated as FVPL				
Copper put option contracts	-	331	-	331
Financial assets irrevocably designated as FVOCI				
Marketable securities	2,444	-	-	2,444
Investment in subscription receipts	-	-	2,400	2,400
Reclamation deposits	30,638	-	-	30,638
	33,082	331	2,400	35,813

There have been no transfers between fair value levels during the reporting period. The carrying value of cash and equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value as at June 30, 2018.

The fair value of the senior secured notes, a Level 1 instrument, is determined based upon publicly available information. The fair value of the capital leases and secured equipment loans, Level 2 instruments, are determined through discounting future cash flows at an interest rate of 5.46% based on the relevant loans effective interest rate.

The fair values of the Level 2 instruments are based on broker quotes. Similar contracts are traded in an active market and the broker quotes reflect the actual transactions in similar instruments.

The Company’s metal concentrate sales contracts are subject to provisional pricing with the selling price adjusted at the end of the quotational period. At each reporting date, the Company’s settlement receivable on these contracts are marked-to-market based on a quoted forward price for which there exists an active commodity market.

The subscription receipts, a Level 3 instrument, are valued based on a management estimate. As the subscription receipts are an investment in a private exploration and development company, there are no observable market data inputs. At June 30, 2018 the estimated fair value of the investment has been based on the market capitalization of comparable public companies.

(Cdn$ in thousands - unaudited)

Commodity Price Risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the metals it produces. To manage the Company's operating margins effectively in volatile metals markets, the Company enters into copper option contracts. The amount and duration of the hedge position is based on an assessment of business-specific risk elements combined with the copper pricing outlook. Copper put option contracts are typically extended adding incremental quarters at established strike prices to provide the necessary price protection.

Provisional pricing mechanisms embedded within the Company's sales arrangements have the character of a commodity derivative and are carried at fair value as part of accounts receivable. The table below summarizes the impact on revenue and receivables for changes in commodity prices on the provisionally invoiced sales volumes.

	As at June 30, 2018
Copper increase/decrease by US$0.31/lb.[1]	4,624

[1]The analysis is based on the assumption that the period end copper price increases 10% with all other variables held constant. At June 30, 2018, 11 million pounds of copper in concentrate were exposed to copper price movements. The closing exchange rate at June 30, 2018 of CAD/USD 1.3168 was used in the analysis.

The sensitivities in the above table have been determined with foreign currency exchange rates held constant. The relationship between commodity prices and foreign currencies is complex and movements in foreign exchange can impact commodity prices. The sensitivities should therefore be used with care.