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TASEKO REPORTS 2017 FOURTH QUARTER AND ANNUAL FINANCIAL 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 volumes stated in this release are on a 100% basis unless otherwise indicated.

February 21, 2018, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE American: TGB) ("Taseko" or the "Company") reports financial results for the fourth quarter and full year ending December 31, 2017.

Russell Hallbauer, President and CEO of Taseko, commented, "2017 was an excellent year for Taseko, demonstrated by the $211 million of cash flow from operations and $164 million of EBITDA for the year, with $32 million and $22 million, respectively, coming in the fourth quarter. Over the past three months, copper prices have averaged approximately US$3.15 per pound, which is 30% higher than where it was at the beginning of 2017. Additionally, molybdenum prices are 50% higher today over the same period and are now over US$12 per pound. Given this higher metal pricing environment, our financial performance is expected to continue into 2018, allowing us to invest in and advance our projects. I cannot stress enough how important it is to have a long life cash flowing asset, such as Gibraltar, as the foundation upon which to build a successful company."

Mr. Hallbauer continued, "In addition to our financial successes in 2017, we achieved a number of important milestones during the year, on both corporate and operational levels. Our balance sheet was greatly strengthened after completing a new, long-term debt financing, Gibraltar had one of its strongest production years ever and we made significant strides forward on our Florence Copper project."

"Our Florence Copper project has been advancing on-time and on budget. We now have nearly 80% of the test wellfield completed and construction crews broke ground on the SX/EW plant in January. Pre-leaching of the deposit and commissioning of the SX/EW plant are expected to begin in the third quarter, with first cathode production before the end of 2018. We will be evaluating the operating data from the wellfield while we complete permit amendments for the full scale production facility," added Mr. Hallbauer.

"2017 was not without its challenges, the most significant being the major wildfires in the BC Cariboo region this past summer. During these wildfires, we maintained production with reduced operations personnel for a lengthy period and also had a complete shutdown of the mine for several days in July – this had an immediate impact on mine production but, more importantly, impacted our mine plan sequencing which has continued to affect production into the first quarter of 2018. Taking this into account, the first quarter will be similar to the fourth quarter in terms of grade and copper production. Looking beyond the first quarter, with higher stripping rates and transition into the new ore zone completed, copper grade will increase and we expect the average copper grade for 2018 to be in line with Gibraltar's life of mine average grade." concluded Mr. Hallbauer.

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

2017 Annual Highlights

- Earnings from mining operations before depletion and amortization* was $177.7 million, a significant increase over the $54.7 million in 2016 due to higher copper and molybdenum production, lower costs and stronger metal prices;
- The Company generated cash flows from operations of $211.1 million, up from $33.9 million in 2016;
- Higher throughput and grades in 2017 resulted in strong copper and molybdenum production of 141.2 million pounds and 2.6 million pounds (100% basis), an increase of 6% and 178%, respectively, over 2016;
- Net income for the year was $34.3 million, or $0.15 per share, and Adjusted net income* was $41.4 million, or $0.18 per share;
- The cash balance at the end of 2017 was $80.2 million, slightly lower than the end of 2016 as the Company used $72 million of cash to complete a refinancing and reduce long-term debt in June 2017;
- Site operating costs* were US$1.09 per pound produced, and Total operating costs (C1)* were US$1.43 per pound produced, reductions of 28% and 23%, respectively, over 2016 unit costs;
- In March the Company completed a US$33 million streaming agreement with Osisko Gold Royalties Ltd. for Taseko's 75% share of payable silver production from the Gibraltar Mine;
- In April 2017, the Company announced that a new long-term agreement was ratified by its unionized employees at Gibraltar. The new agreement will be effective through May 31, 2021;
- In June 2017, the Company completed an offering of US$250 million aggregate principal amount of 8.75% senior secured notes due 2022. The Company used the net proceeds of the offering and $72 million of its existing cash balance to fund the redemption of its US$200 million senior notes due 2019 and to repay its senior secured credit facility (due March 2019) and the related copper call option;
- In July 2017, Gibraltar's mining and milling operations were impacted by wildfires in the Cariboo region which limited our employees' ability to travel to the mine site, due to restrictions on road access and evacuation orders in the region; and
- In September 2017, the Company announced that it had received all necessary state and federal permits to build and operate the Florence Copper Production Test Facility ("PTF") in Arizona, and the Company's board of directors had approved the construction of the PTF at an estimated cost of US$25 million.

Fourth Quarter 2017 Highlights

- Earnings from mining operations before depletion and amortization* was $32.7 million, compared to $46.6 million in the fourth quarter of 2016;
- Cash flow from operations was $31.9 million, a decrease from the same period in 2016 due to lower production and sales volumes;

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

Fourth Quarter 2017 Highlights - Continued

- Copper and molybdenum production in the fourth quarter was 25.5 million pounds and 0.5 million pounds, respectively, a decrease from previous quarters as a result of the anticipated lower grade mine feed combined with the increased use of lower grade ore stockpiles, a consequence of the summer wildfires;
- The increased use of stockpiled ore resulted in a non-cash inventory expense and additional depletion and amortization which reduced earnings from mining operations by $10.6 million in the fourth quarter of 2017;
- Site operating costs, net of by-product credits* were US$1.69 per pound produced and Total operating costs (C1)* were US$2.11 per pound produced. Spending in the quarter remained at a similar level as previous quarter but unit costs were impacted by the lower grades and production; and
- Total sales (100% basis) for the quarter were 32.0 million pounds of copper and 0.6 million pounds of molybdenum.

HIGHLIGHTS

Financial Data	**Year ended December 31,**			**Three Months Ended December 31,**		
(Cdn$ in thousands, except for per share amounts)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenues	378,299	263,865	114,434	95,408	94,628	780
Earnings from mining operations before depletion and amortization*	177,716	54,715	123,001	32,696	46,617	(13,921)
Earnings (loss) from mining operations	129,994	1,776	128,218	18,135	37,393	(19,258)
Net income (loss)	34,262	(31,396)	65,658	(7,600)	5,113	(12,713)
Per share - basic ("EPS")	0.15	(0.14)	0.29	(0.03)	0.02	(0.05)
Adjusted net income (loss)*	41,420	(31,860)	73,280	(1,544)	16,404	(17,948)
Per share - basic ("adjusted EPS")*	0.18	(0.14)	0.32	(0.01)	0.07	(0.08)
EBITDA*	163,757	39,520	124,237	22,350	32,312	(9,962)
Adjusted EBITDA*	161,749	41,628	120,121	28,639	44,477	(15,838)
Cash flows provided by operations	211,079	33,853	177,226	31,899	49,663	(17,764)

Operating Data (Gibraltar - 100% basis)	**Year ended December 31,**			**Three Months Ended December 31,**		
	2017	**2016**	**Change**	**2017**	**2016**	**Change**
Tons mined (millions)	93.1	87.6	5.5	26.9	18.5	8.4
Tons milled (millions)	29.8	29.5	0.3	7.9	7.3	0.6
Production (million pounds Cu)	141.2	133.3	7.9	25.5	40.7	(15.2)
Sales (million pounds Cu)	143.7	131.1	12.6	32.0	40.4	(8.4)

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

REVIEW OF OPERATIONS

Gibraltar mine (75% Owned)

Operating Data (100% basis)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	YE 2017	YE 2016
Tons mined (millions)	26.9	23.3	21.1	21.8	18.5	93.1	87.6
Tons milled (millions)	7.9	7.2	7.5	7.3	7.3	29.8	29.5
Strip ratio	4.9	4.1	2.8	2.4	1.1	3.4	1.5
Site operating cost per ton milled (CAD$) **	$7.68	$5.93	$7.67	$8.59	$9.13	$7.48	$9.47
Copper concentrate							
Grade (%)	0.209	0.284	0.309	0.328	0.319	0.281	0.264
Recovery (%)	77.5	86.1	85.2	85.9	87.0	84.1	85.5
Production (million pounds Cu)	25.5	35.1	39.4	41.3	40.7	141.2	133.2
Sales (million pounds Cu)	32.0	30.2	40.7	40.8	40.4	143.7	131.1
Inventory (million pounds Cu)	2.7	9.3	4.6	5.9	5.6	2.7	5.6
Molybdenum concentrate							
Production (thousand pounds Mo)	537	445	789	866	764	2,637	949
Sales (thousand pounds Mo)	589	403	794	859	798	2,645	903
Per unit data (US$ per pound)*							
Site operating costs*	$1.86	$0.97	$1.08	$1.15	$1.23	$1.22	$1.58
By-product credits*	(0.17)	(0.09)	(0.11)	(0.15)	(0.11)	(0.13)	(0.06)
Site operating, net of by-product credits*	$1.69	$0.88	$0.97	$1.00	$1.12	$1.09	$1.52
Off-property costs	0.42	0.30	0.34	0.33	0.36	0.34	0.33
Total operating costs (C1)*	$2.11	$1.18	$1.31	$1.33	$1.48	$1.43	$1.85

OPERATIONS ANALYSIS

Full-year results

Gibraltar's copper production in 2017 was 141.2 million pounds, a 6% increase over 2016 due to higher average head grades and increased mill throughput. Mining and milling operations in July and August were impacted by wildfires in the Cariboo region which limited our employees' ability to travel to the mine site, resulting in reduced mine and mill production for periods of time as well as a complete mine shutdown for several days.

A total of 93.1 million tons were mined in the year at a strip ratio of 3.4 to 1. Waste stripping costs of $69.0 million (75% basis) were capitalized in 2017, an increase over the $9.2 million capitalized in 2016, as a new pushback in the Granite pit was initiated in the current year. Approximately 8.5 million tons of ore were drawn from ore stockpiles during the year.

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

OPERATIONS ANALYSIS – CONTINUED

Site operating costs per pound* for the year were US$1.22 per pound of copper produced, a 23% reduction from 2016, primarily due to the higher copper production and increased capitalization of stripping costs in 2017.

Molybdenum production for 2017 was approximately 2.6 million pounds, resulting in by-product credits per pound produced* of US $0.13, an increase from US$0.06 in the prior year.

Off property costs per pound produced* were US$0.34 per pound of copper produced, consistent with US$0.33 per pound produced in 2016. Long-term contracts for treatment and refining costs and ocean freight were completed in 2016.

Total operating costs (C1)* decreased to US$1.43 per pound for the year, compared to US$1.85 per pound in 2016.

Fourth quarter results

Fourth quarter copper production at Gibraltar was 25.5 million pounds, lower than the previous quarters in 2017 as a result of reduced head grades. Although a reduction in head grade was expected in the mine plan, head grade was further affected by reduced waste stripping in the third quarter as a result of the summer wildfires in the Cariboo region whereby more mill feed came from the stockpile than planned. Copper head grade at Gibraltar was 0.209% in the fourth quarter. The low head grades and some oxidation from stockpile also impacted copper recoveries which averaged 78% for the period.

A total of 26.9 million tons were mined during the quarter at a strip ratio of 4.9 to 1. Waste stripping costs of $17.5 million (75% basis) were capitalized in the quarter related to the new pushback in the Granite pit. Approximately 4.3 million tons of ore were drawn from the ore stockpile in the fourth quarter.

Site operating cost per ton milled* was $7.68 in the fourth quarter of 2017, which is higher than the third quarter primarily due to the decreased capitalization of stripping costs.

Site operating costs per pound produced* increased to US$1.86 in the fourth quarter of 2017 from US$0.97 in the third quarter of 2017. The increase is due to the lower copper production and lower capitalized stripping costs during the fourth quarter. A total of 0.6 million pounds of molybdenum were sold resulting in by-product credits per pound produced* of US$0.17 in the fourth quarter.

Off-property costs per pound produced* were US$0.42 for the fourth quarter of 2017 compared to the prior quarter off-property costs of US$0.30. The increase is due to the higher sales volumes, as treatment and refining and ocean freight costs are recognized at the time of sale.

Total operating costs (C1) per pound* increased to US$2.11, a 79% increase from the third quarter of 2017.

Health and Safety Milestones

Health and safety have always been a high-level commitment for Taseko, Gibraltar, and Florence management. Taseko is committed to operational practices that result in improved efficiencies, safety performance and occupational health. Nothing is more important to the Company than the safety, health and well-being of our workers and their families.

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

OPERATIONS ANALYSIS – CONTINUED

Gibraltar's 2017 loss time frequency was 0.59 per one million man hours worked, below the British Columbia mining industry average of 1.06.

In February 2017, the Province of British Columbia Ministry of Energy and Mines awarded Gibraltar with the 2016 John Ash award at the 55th Annual Mine Safety Awards held in Victoria, BC, for the third year in a row. This prestigious award goes to the mining operation in British Columbia that has worked at least one million hours during the year with the lowest injury-frequency rate.

As site activities ramp up at the Florence PTF we are pleased to report that there were no lost time accidents in 2017.

GIBRALTAR OUTLOOK

During the summer wildfires, the Gibraltar Mine maintained production with reduced operations personnel for a lengthy period and also had a complete shutdown for several days in July. This had an immediate impact on mine production but, more importantly, impacted mine plan sequencing which has continued to affect copper production into the first quarter of 2018. Taking this into account, head grades and copper production in the first quarter of 2018 will be similar to the fourth quarter of 2017. Looking beyond the first quarter, with the higher stripping rates and the transition into the new ore zone completed, copper grade will increase and we expect the average copper grade for 2018 to be in line with Gibraltar's life of mine average grade.

Copper markets have shown continued strength in early 2018 with prices rising to US$3.19 per pound as of February 20, 2018. Molybdenum prices have also continued to strengthen in the first quarter of 2018, increasing to US$12.33 per pound as of February 20, 2018, which is 40% higher than the average molybdenum price in the fourth quarter of 2017. The Company continues to review engineering plans for a potential mill expansion at Gibraltar.

The Company is pursuing an insurance claim related to the Cariboo region wildfires in July 2017. The amount of the claim cannot be determined at this time, but could be in the range of $3 to $10 million.

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 project focus is currently on the development of the Florence Copper Project where we incurred expenditures of $15.2 million in 2017 (2016 - $5.0 million). We also spent $1.7 million on the Aley Niobium project in 2017 (2016 - $0.8 million) and $1.7 million on the New Prosperity project (2016 - $1.7 million). Taseko will continue to take a prudent approach to spending on development projects.

REVIEW OF PROJECTS – CONTINUED

Florence Copper Project

In January 2017, the Company announced that completed technical work on the Florence property has resulted in a significant improvement in project economics. The NI 43-101 technical report documenting these results was filed on www.sedar.com on February 28, 2017.

Florence Copper Technical Report Highlights:

- Pre-tax net present value of US$920 million at a 7.5% discount rate;
- Post-tax net present value of US$680 million* at a 7.5% discount rate;
- Pre-tax internal rate of return of 44% with a 2.3 year payback;
- Operating costs of US$1.10 per pound LME grade cathode copper;
- Total life of mine production in excess of 1.7 billion pounds of copper;
- Average annual production of 81 million pounds of copper for the life of mine;
- 21 year mine life;
- Total pre-production capital cost of US$200 million; and
- Long-term copper price of US$3.00 per pound.

*The Company expects that the reduced US corporate income tax rates, announced in December 2017, will have a significant positive impact on the project's post-tax net present value.

In September 2017, the Company announced that it has now received all necessary state and federal permits to build and operate the Production Test Facility ("PTF") and is moving forward with construction of the PTF at an estimated cost of US$25 million. PTF construction expenditures in the fourth quarter of 2017 were $5.3 million.

The PTF will include a well field comprised of thirteen commercial scale production wells, numerous monitoring, observation and point of compliance wells, and an integrated SX/EW plant. The PTF is expected to be operational in the latter half of 2018.

Aley Niobium Project

In 2014, the Company filed an NI43-101 technical report for the Aley Niobium Project. Further engineering and metallurgical testwork 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.

The Company will host a telephone conference call and live webcast on Thursday, February 22, 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 March 1, 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 1099316.

For further information on Taseko, please see the Company's website 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. Site operating costs is calculated by removing net changes in inventory and depletion and amortization 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.

NON-GAAP PERFORMANCE MEASURES

(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**Three months ended December 31,**		**Year ended December 31,**	
	2017	**2016**	**2017**	**2016**
Cost of sales	77,273	57,235	248,305	262,089
Less:				
Depletion and amortization	(14,561)	(9,224)	(47,722)	(52,939)
Net change in inventories of finished goods	(5,392)	(3,679)	302	272
Net change in inventories of ore stockpiles	(8,006)	11,261	(14,266)	16,466
Transportation costs	(4,074)	(5,358)	(19,281)	(16,507)
Site operating costs	45,240	50,235	167,338	209,381
Less by-product credits:				
Molybdenum, net of treatment costs	(4,016)	(3,689)	(16,883)	(4,400)
Silver, excluding amortization of deferred revenue	(173)	(1,018)	(810)	(3,988)
Site operating costs, net of by-product credits	41,051	45,528	149,645	200,993
Total copper produced (thousand pounds)	19,094	30,512	105,874	99,938
Total costs per pound produced	2.15	1.49	1.41	2.01
Average exchange rate for the period (CAD/USD)	1.27	1.33	1.30	1.32
Site operating costs, net of by-product credits (US$ per pound)	**1.69**	**1.12**	**1.09**	**1.52**
Site operating costs, net of by-product credits	41,051	45,528	149,645	200,993
Add off-property costs:				
Treatment and refining costs of copper concentrate	6,172	9,454	28,072	27,924
Transportation costs	4,074	5,358	19,281	16,507
Total operating costs	51,297	60,340	196,998	245,424
Total operating costs (C1) (US$ per pound)	**2.11**	**1.48**	**1.43**	**1.85**

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;
- Write-down of mine equipment;
- Write-down of investment;
- Unrealized gain/loss on copper put options;
- Loss on settlement of long-term debt;
- Gain/loss on copper call option; and
- Non-recurring transactions, including related tax adjustments.

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 December 31,		**Year ended December 31,**	
($ in thousands, except per share amounts)	**2017**	**2016**	**2017**	**2016**
Net income (loss)	**(7,600)**	**5,113**	**34,262**	**(31,396)**
Unrealized foreign exchange (gain) loss	1,541	8,802	(17,684)	(7,785)
Write-down of mine equipment	-	-	3,551	-
Write-down of investment	3,850	-	3,850	-
Unrealized loss on copper put options	898	477	1,970	1,044
Loss on settlement of long-term debt	-	-	13,102	-
Loss on copper call option	-	2,886	6,305	3,360
Other non-recurring expenses*	-	-	-	5,489
Estimated tax effect of adjustments	(233)	(874)	(3,936)	(2,572)
Adjusted net income (loss)	**(1,544)**	**16,404**	**41,420**	**(31,860)**
Adjusted EPS	**(0.01)**	**0.07**	**0.18**	**(0.14)**

* Other non-recurring expenses includes legal and other advisory costs associated with the special shareholder meeting, the proxy contest and related litigation, and other non-recurring financing costs.

EBITDA and adjusted EBITDA

EBITDA represents net earnings 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.

NON-GAAP PERFORMANCE MEASURES – CONTINUED

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;
- Write-down of mine equipment;
- Write-down of investment;
- Unrealized gain/loss on copper put options;
- Gain/loss on copper call option; and
- Non-recurring transactions.

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.

($ in thousands)	Three months ended December 31,		Year ended December 31,	
	2017	**2016**	**2017**	**2016**
Net income (loss)	**(7,600)**	**5,113**	**34,262**	**(31,396)**
Add:				
Depletion and amortization	14,561	9,225	47,722	53,024
Share-based compensation expense	1,321	1,382	7,100	3,682
Finance expense	8,692	8,028	46,430	30,007
Finance (income) loss	269	(297)	(935)	(1,084)
Income tax (recovery) expense	5,107	8,861	29,178	(14,713)
EBITDA	**22,350**	**32,312**	**163,757**	**39,520**
Adjustments:				
Unrealized foreign exchange (gain) loss	1,541	8,802	(17,684)	(7,785)
Write-down of mine equipment	-	-	3,551	-
Write-down of investment	3,850	-	3,850	-
Unrealized loss on copper put option	898	477	1,970	1,044
Loss on copper call option	-	2,886	6,305	3,360
Other non-recurring expenses*	-	-	-	5,489
Adjusted EBITDA	**28,639**	**44,477**	**161,749**	**41,628**

* Other non-recurring expenses includes legal and other advisory costs associated with the special shareholder meeting, the proxy contest and related litigation, and other non-recurring financing costs.

NON-GAAP PERFORMANCE MEASURES – CONTINUED

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 December 31,		Year ended December 31,	
(Cdn$ in thousands)	**2017**	**2016**	**2017**	**2016**
Earnings from mining operations	**18,135**	**37,393**	**129,994**	**1,776**
Add:				
Depletion and amortization	14,561	9,224	47,722	52,939
Earnings from mining operations before depletion and amortization	**32,696**	**46,617**	**177,716**	**54,715**

Site operating costs per ton milled

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, except per ton milled amounts)	**2017**	**2016**	**2017**	**2016**
Site operating costs (included in cost of sales)	**45,240**	**50,235**	**167,338**	**209,381**
Tons milled (thousands) (75% basis)	5,887	5,504	22,367	22,115
Site operating costs per ton milled	**$7.68**	**$9.13**	**$7.48**	**$9.47**

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 International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board for the year ended December 31, 2017 (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 February 20, 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, Aley niobium, Harmony gold and New Prosperity gold-copper projects.

HIGHLIGHTS

Financial Data	**Year ended December 31,**			**Three Months Ended December 31,**		
(Cdn$ in thousands, except for per share amounts)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenues	378,299	263,865	114,434	95,408	94,628	780
Earnings from mining operations before depletion and amortization*	177,716	54,715	123,001	32,696	46,617	(13,921)
Earnings (loss) from mining operations	129,994	1,776	128,218	18,135	37,393	(19,258)
Net income (loss)	34,262	(31,396)	65,658	(7,600)	5,113	(12,713)
Per share - basic ("EPS")	0.15	(0.14)	0.29	(0.03)	0.02	(0.05)
Adjusted net income (loss)*	41,420	(31,860)	73,280	(1,544)	16,404	(17,948)
Per share - basic ("adjusted EPS")*	0.18	(0.14)	0.32	(0.01)	0.07	(0.08)
EBITDA*	163,757	39,520	124,237	22,350	32,312	(9,962)
Adjusted EBITDA*	161,749	41,628	120,121	28,639	44,477	(15,838)
Cash flows provided by operations	211,079	33,853	177,226	31,899	49,663	(17,764)

Operating Data (Gibraltar - 100% basis)	**Year ended December 31,**			**Three Months Ended December 31,**		
	2017	**2016**	**Change**	**2017**	**2016**	**Change**
Tons mined (millions)	93.1	87.6	5.5	26.9	18.5	8.4
Tons milled (millions)	29.8	29.5	0.3	7.9	7.3	0.6
Production (million pounds Cu)	141.2	133.3	7.9	25.5	40.7	(15.2)
Sales (million pounds Cu)	143.7	131.1	12.6	32.0	40.4	(8.4)

*Non-GAAP performance measure. See page 31 of this MD&A.

HIGHLIGHTS - CONTINUED

2017 Annual Highlights

- Earnings from mining operations before depletion and amortization* was $177.7 million, a significant increase over the $54.7 million in 2016 due to higher copper and molybdenum production, lower costs and stronger metal prices;
- The Company generated cash flows from operations of $211.1 million, up from $33.9 million in 2016;
- Higher throughput and grades in 2017 resulted in strong copper and molybdenum production of 141.2 million pounds and 2.6 million pounds (100% basis), an increase of 6% and 178%, respectively, over 2016;
- Net income for the year was $34.3 million, or $0.15 per share, and Adjusted net income* was $41.4 million, or $0.18 per share;
- The cash balance at the end of 2017 was $80.2 million, slightly lower than the end of 2016 as the Company used $72 million of cash to complete a refinancing and reduce long-term debt in June 2017;
- Site operating costs* were US$1.09 per pound produced, and Total operating costs (C1)* were US$1.43 per pound produced, reductions of 28% and 23%, respectively, over 2016 unit costs;
- In March the Company completed a US$33 million streaming agreement with Osisko Gold Royalties Ltd. ("Osisko") for Taseko's 75% share of payable silver production from the Gibraltar Mine;
- In April 2017, the Company announced that a new long-term agreement was ratified by its unionized employees at Gibraltar. The new agreement will be effective through May 31, 2021;
- In June 2017, the Company completed an offering of US$250 million aggregate principal amount of 8.75% senior secured notes due 2022. The Company used the net proceeds of the offering and $72 million of its existing cash balance to fund the redemption of its US$200 million senior notes due 2019 and to repay its senior secured credit facility (due March 2019) and the related copper call option;
- In July 2017, Gibraltar's mining and milling operations were impacted by wildfires in the Cariboo region which limited our employees' ability to travel to the mine site, due to restrictions on road access and evacuation orders in the region; and
- In September 2017, the Company announced that it had received all necessary state and federal permits to build and operate the Florence Copper Production Test Facility ("PTF") in Arizona, and the Company's board of directors had approved the construction of the PTF at an estimated cost of US$25 million.

Fourth Quarter Highlights

- Earnings from mining operations before depletion and amortization* was $32.7 million, compared to $46.6 million in the fourth quarter of 2016;
- Cash flow from operations was $31.9 million, a decrease from the same period in 2016 due to lower production and sales volumes;

*Non-GAAP performance measure. See page 31 of this MD&A

- Copper and molybdenum production in the fourth quarter was 25.5 million pounds and 0.5 million pounds, respectively, a decrease from previous quarters as a result of the anticipated lower grade mine feed combined with the increased use of lower grade ore stockpiles, a consequence of the summer wildfires;
- The increased use of stockpiled ore resulted in a non-cash inventory expense and additional depletion and amortization which reduced earnings from mining operations by $10.6 million in the fourth quarter of 2017;
- Site operating costs, net of by-product credits* were US$1.69 per pound produced and Total operating costs (C1)* were US$2.11 per pound produced. Spending in the quarter remained at a similar level as previous quarter but unit costs were impacted by the lower grades and production; and
- Total sales (100% basis) for the quarter were 32.0 million pounds of copper and 0.6 million pounds of molybdenum.

REVIEW OF OPERATIONS

Gibraltar mine (75% Owned)

Operating Data (100% basis)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	YE 2017	YE 2016
Tons mined (millions)	26.9	23.3	21.1	21.8	18.5	93.1	87.6
Tons milled (millions)	7.9	7.2	7.5	7.3	7.3	29.8	29.5
Strip ratio	4.9	4.1	2.8	2.4	1.1	3.4	1.5
Site operating cost per ton milled (CAD$) **	$7.68	$5.93	$7.67	$8.59	$9.13	$7.48	$9.47
Copper concentrate							
Grade (%)	0.209	0.284	0.309	0.328	0.319	0.281	0.264
Recovery (%)	77.5	86.1	85.2	85.9	87.0	84.1	85.5
Production (million pounds Cu)	25.5	35.1	39.4	41.3	40.7	141.2	133.2
Sales (million pounds Cu)	32.0	30.2	40.7	40.8	40.4	143.7	131.1
Inventory (million pounds Cu)	2.7	9.3	4.6	5.9	5.6	2.7	5.6
Molybdenum concentrate							
Production (thousand pounds Mo)	537	445	789	866	764	2,637	949
Sales (thousand pounds Mo)	589	403	794	859	798	2,645	903
Per unit data (US$ per pound)*							
Site operating costs*	$1.86	$0.97	$1.08	$1.15	$1.23	$1.22	$1.58
By-product credits*	(0.17)	(0.09)	(0.11)	(0.15)	(0.11)	(0.13)	(0.06)
Site operating, net of by-product credits*	$1.69	$0.88	$0.97	$1.00	$1.12	$1.09	$1.52
Off-property costs	0.42	0.30	0.34	0.33	0.36	0.34	0.33
Total operating costs (C1)*	$2.11	$1.18	$1.31	$1.33	$1.48	$1.43	$1.85

*Non-GAAP performance measure. See page 31 of this MD&A

**Site operating cost per ton milled excludes capitalized stripping costs

OPERATIONS ANALYSIS

Full-year results

Gibraltar's copper production in 2017 was 141.2 million pounds, a 6% increase over 2016 due to higher average head grades and increased mill throughput. Mining and milling operations in July and August were impacted by wildfires in the Cariboo region which limited our employees' ability to travel to the mine site, resulting in reduced mine and mill production for periods of time as well as a complete mine shutdown for several days.

A total of 93.1 million tons were mined in the year at a strip ratio of 3.4 to 1. Waste stripping costs of $69.0 million (75% basis) were capitalized in 2017, an increase over the $9.2 million capitalized in 2016, as a new pushback in the Granite pit was initiated in the current year. Approximately 8.5 million tons of ore were drawn from ore stockpiles during the year.

Site operating costs per pound* for the year were US$1.22 per pound of copper produced, a 23% reduction from 2016, primarily due to the higher copper production and increased capitalization of stripping costs in 2017.

Molybdenum production for 2017 was approximately 2.6 million pounds, resulting in by-product credits per pound produced* of US $0.13, an increase from US$0.06 in the prior year.

Off property costs per pound produced* were US$0.34 per pound of copper produced, consistent with US$0.33 per pound produced in 2016. Long-term contracts for treatment and refining costs and ocean freight were completed in 2016.

Total operating costs (C1)* decreased to US$1.43 per pound for the year, compared to US$1.85 per pound in 2016.

Fourth quarter results

Fourth quarter copper production at Gibraltar was 25.5 million pounds, lower than the previous quarters in 2017 as a result of reduced head grades. Although a reduction in head grade was expected in the mine plan, head grade was further affected by reduced waste stripping in the third quarter as a result of the summer wildfires in the Cariboo region whereby more mill feed came from the stockpile than planned. Copper head grade at Gibraltar was 0.209% in the fourth quarter. The low head grades and some oxidation from stockpile also impacted copper recoveries which averaged 78% for the period.

A total of 26.9 million tons were mined during the quarter at a strip ratio of 4.9 to 1. Waste stripping costs of $17.5 million (75% basis) were capitalized in the quarter related to the new pushback in the Granite pit. Approximately 4.3 million tons of ore were drawn from the ore stockpile in the fourth quarter.

Site operating cost per ton milled* was $7.68 in the fourth quarter of 2017, which is higher than the third quarter primarily due to the decreased capitalization of stripping costs.

Site operating costs per pound produced* increased to US$1.86 in the fourth quarter of 2017 from US$0.97 in the third quarter of 2017. The increase is due to the lower copper production and lower capitalized stripping costs during the fourth quarter. A total of 0.6 million pounds of molybdenum were sold resulting in by-product credits per pound produced* of US$0.17 in the fourth quarter.

Off-property costs per pound produced* were US$0.42 for the fourth quarter of 2017 compared to the prior quarter off-property costs of US$0.30. The increase is due to the higher sales volumes, as treatment and refining and ocean freight costs are recognized at the time of sale.

*Non-GAAP performance measure. See page 31 of this MD&A

Total operating costs (C1) per pound* increased to US$2.11, a 79% increase from the third quarter of 2017.

*Non-GAAP performance measure. See page 31 of this MD&A

Health and Safety Milestones

Health and safety have always been a high-level commitment for Taseko, Gibraltar, and Florence management. Taseko is committed to operational practices that result in improved efficiencies, safety performance and occupational health. Nothing is more important to the Company than the safety, health and well-being of our workers and their families.

Gibraltar's 2017 loss time frequency was 0.59 per one million man hours worked, below the British Columbia mining industry average of 1.06.

In February 2017, the Province of British Columbia Ministry of Energy and Mines awarded Gibraltar with the 2016 John Ash award at the 55th Annual Mine Safety Awards held in Victoria, BC, for the third year in a row. This prestigious award goes to the mining operation in British Columbia that has worked at least one million hours during the year with the lowest injury-frequency rate.

As site activities ramp up at the Florence PTF we are pleased to report that there were no lost time accidents in 2017.

GIBRALTAR OUTLOOK

During the summer wildfires, the Gibraltar Mine maintained production with reduced operations personnel for a lengthy period and also had a complete shutdown for several days in July. This had an immediate impact on mine production but, more importantly, impacted mine plan sequencing which has continued to affect copper production into the first quarter of 2018. Taking this into account, head grades and copper production in the first quarter of 2018 will be similar to the fourth quarter of 2017. Looking beyond the first quarter, with the higher stripping rates and the transition into the new ore zone completed, copper grade will increase and we expect the average copper grade for 2018 to be in line with Gibraltar's life of mine average grade.

Copper markets have shown continued strength in early 2018 with prices rising to US$3.19 per pound as of February 20, 2018. Molybdenum prices have also continued to strengthen in the first quarter of 2018, increasing to US$12.33 per pound as of February 20, 2018, which is 40% higher than the average molybdenum price in the fourth quarter of 2017. The Company continues to review engineering plans for a potential mill expansion at Gibraltar.

The Company is pursuing an insurance claim related to the Cariboo region wildfires in July 2017. The amount of the claim cannot be determined at this time, but could be in the range of $3 to $10 million.

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 project focus is currently on the development of the Florence Copper Project where we incurred expenditures of $15.2 million in 2017 (2016 - $5.0

million). We also spent $1.7 million on the Aley Niobium project in 2017 (2016 - $0.8 million) and $1.7 million on the New Prosperity project (2016 - $1.7 million). Taseko will continue to take a prudent approach to spending on development projects.

Florence Copper Project

In January 2017, the Company announced that completed technical work on the Florence property has resulted in a significant improvement in project economics. The NI 43-101 technical report documenting these results was filed on www.sedar.com on February 28, 2017.

Florence Copper Technical Report Highlights:

- Pre-tax net present value of US$920 million at a 7.5% discount rate;
- Post-tax net present value of US$680 million** at a 7.5% discount rate;
- Pre-tax internal rate of return of 44% with a 2.3 year payback;
- Operating costs of US$1.10 per pound LME grade cathode copper;
- Total life of mine production in excess of 1.7 billion pounds of copper;
- Average annual production of 81 million pounds of copper for the life of mine;
- 21 year mine life;
- Total pre-production capital cost of US$200 million; and
- Long-term copper price of US$3.00 per pound.

**The Company expects that the reduced US corporate income tax rates, announced in December 2017, will have a significant positive impact on the project's post-tax net present value.

In September 2017, the Company announced that it has now received all necessary state and federal permits to build and operate the Production Test Facility ("PTF") and is moving forward with construction of the PTF at an estimated cost of US$25 million. PTF construction expenditures in the fourth quarter of 2017 were $5.3 million.

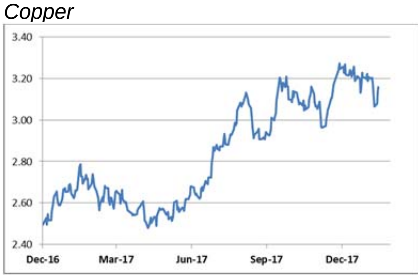
The PTF will include a well field comprised of thirteen commercial scale production wells, numerous monitoring, observation and point of compliance wells, and an integrated SX/EW plant. The PTF is expected to be operational in the latter half of 2018.

Aley Niobium Project

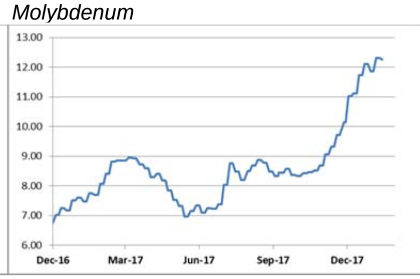
In 2014, the Company filed an NI43-101 technical report for the Aley Niobium Project. Further engineering and metallurgical testwork has been completed since then which is expected to result in improved project economics. Environmental monitoring on the project continues and a number of product marketing initiatives are underway.

MARKET REVIEW

Copper



Molybdenum



Canadian/US Dollar Exchange

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

Global economic uncertainty has led to significant copper price volatility over short periods of time. The U.S. trade policies, Chinese economic demand, copper supply disruptions, and interest rate expectations have all contributed to the recent price volatility.

Copper prices have been on an upward trend over the last year, with prices increasing by approximately 30% during 2017. The average price of London Metals Exchange ("LME") copper was US$3.09 per pound in the fourth quarter of 2017, which was 7% higher than the third quarter of 2017 and about 29% higher than the fourth quarter of 2016. Management believes that the market will continue to benefit from improving global copper demand and tight mine supply going forward.

The Company's sales agreement specifies molybdenum pricing based on the published Platts Metals reports. The average published molybdenum price was US$8.80 per pound in the fourth quarter of 2017, which was 8% higher than the third quarter of 2017. Molybdenum prices have continued to strengthen in the first quarter of 2018, increasing to US$12.33 per pound as of February 20, 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 strengthened by approximately 7% during 2017.

FINANCIAL PERFORMANCE

Earnings

The Company's net income was $34.3 million ($0.15 earnings per share) for the year ended December 31, 2017, compared to a net loss of $31.4 million ($0.14 loss per share) for 2016. The increase in net income was primarily due to higher copper prices, higher production and sales volumes, and lower production costs at the Gibraltar Mine.

Earnings from mining operations before depletion and amortization* was $177.7 million for the year ended December 31, 2017, compared to earnings of $54.7 million for 2016. The increase in earnings from mining operations before depletion and amortization was a result of higher copper and molybdenum revenues and lower production costs.

Included in net earnings (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:

	Year ended December 31,		
(Cdn$ in thousands)	**2017**	**2016**	**Change**
Net income (loss)	34,262	(31,396)	65,658
Unrealized foreign exchange gain	(17,684)	(7,785)	(9,899)
Write-down of mine equipment	3,551	-	3,551
Write-down of investment	3,850	-	3,850
Unrealized loss on copper put options	1,970	1,044	926
Loss on settlement of long-term debt	13,102	-	13,102
Loss on copper call option	6,305	3,360	2,945
Other non-recurring expenses	-	5,489	(5,489)
Estimated tax effect of adjustments	(3,936)	(2,572)	(1,364)
Adjusted net income (loss) *	41,420	(31,860)	73,280

*Non-GAAP performance measure. See page 31 of this MD&A

For the year ended December 31, 2017, the Canadian dollar strengthened in comparison to the same period in 2016 resulting in an unrealized foreign exchange gain of $17.7 million. The unrealized foreign exchange gains were primarily driven by the translation of the Company's US dollar denominated debt.

A write-down of mine equipment of $3.6 million was recorded in the third quarter of 2017 to adjust the carrying value of certain Gibraltar mine equipment to its estimated recoverable value. This mine equipment was replaced by equipment acquired under capital leases during the third quarter.

In the fourth quarter of 2017, the Company assessed the value of its investment in subscription receipts of a private mineral exploration and development company and recorded a write-down of the investment to its estimated fair value. A loss of $3.9 million was recorded in the statement of income during the fourth quarter of 2017.

The 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 costs paid in lieu of notice upon the settlement of the senior notes and the senior secured credit facility in June 2017. Also the Company settled the copper call option obligation with a payment of $15.7 million to the senior secured credit facility lender. The loss on the copper call option for the year ended December 31, 2017 was $6.3 million.

The other non-recurring expenses in 2016 relates to special shareholder meeting costs and other non-recurring financing costs. For the year ended December 31, 2016, the Company incurred total costs of $4.9 million on legal and other advisory costs associated with a special shareholder meeting, a proxy contest and related litigation, and $0.6 million on other non-recurring financing costs.

Revenues

(Cdn$ in thousands)	Year ended December 31, 2017	2016	Change
Copper contained in concentrate	387,356	283,401	103,955
Molybdenum concentrate	21,807	5,900	15,907
Silver	2,132	3,988	(1,856)
Total gross revenue	411,295	293,289	118,006
Less: treatment and refining costs	(32,996)	(29,424)	(3,572)
Revenue	378,299	263,865	114,434

(thousands of pounds, unless otherwise noted)			
Sales of copper in concentrate*	103,871	94,734	9,137
Average realized copper price (US$ per pound)	2.88	2.26	0.62
Average LME copper price (US$ per pound)	2.80	2.21	0.59
Average exchange rate (US$/CAD)	1.30	1.32	(0.02)

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

Copper revenues for the year ended December 31, 2017 increased by $104.0 million, compared to the same period in 2016, primarily due to an increase in copper sales volumes and higher realized copper prices.

During the year ended December 31, 2017, copper revenues include $7.3 million of favorable adjustments to provisionally priced copper concentrate. The provisional pricing adjustments contribute US$0.05 per pound, respectively, to the average realized copper price for the year ended December 31, 2017.

Molybdenum revenues for the year ended December 31, 2017 increased by $15.9 million, compared to the same period in 2016, as the molybdenum circuit did not operate in the prior year until its restart in September 2016.

Cost of sales

(Cdn$ in thousands)	Year ended December 31, 2017	2016	Change
Site operating costs	167,338	209,381	(42,043)
Transportation costs	19,281	16,507	2,774
Changes in inventories of finished goods and ore stockpile	13,964	(16,738)	30,702
Production costs	200,583	209,150	(8,567)
Depletion and amortization	47,722	52,939	(5,217)
Cost of sales	248,305	262,089	(13,784)
Site operating costs per ton milled*	$7.48	$9.47	$(1.99)

*Non-GAAP performance measure. See page 31 of this MD&A

Site operating costs for the year ended December 31, 2017 decreased by 20%, from the same period in 2016. The reduction in site operating costs was primarily due to the increased allocation of costs 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 year ended December 31, 2017, $69.0 million was allocated to capitalized stripping, compared to $9.2 million in 2016.

The change in inventories primarily relates to changes in ore stockpile tonnage. Approximately 8.5 million tons of ore were drawn from ore stockpiles during 2017.

Depletion and amortization for year ended December 31, 2017 decreased by 10% compared to the same period in 2016, primarily due to the decreased amortization of capitalized stripping costs in the period.

Other operating (income) expenses

	Year ended December 31,		
(Cdn$ in thousands)	**2017**	**2016**	**Change**
General and administrative	12,775	11,299	1,476
Share-based compensation	6,983	3,619	3,364
Exploration and evaluation	1,730	2,087	(357)
Realized loss on copper put options	1,807	1,956	(149)
Unrealized loss on copper put options	1,970	1,044	926
Loss on copper call option	6,305	3,360	2,945
Other (income) expenses:			
Write-down of mine equipment	3,551	-	3,551
Write-down of investment	3,850	-	3,850
Special shareholder meeting costs	-	4,894	(4,894)
Other financing costs	-	616	(616)
Other income, net	(1,060)	(1,438)	378
	37,911	27,437	10,474

General and administrative costs have increased for the year ended December 31, 2017 compared to the same period in 2016 due to a $0.5 million donation to a local hospital, additional legal costs related to the silver stream transaction and base shelf prospectus, and because a portion of executive compensation in 2016 was issued in the form of PSU's and classified as share-based compensation expense.

Share-based compensation expense increased in 2017, primarily due to valuation adjustments for deferred share units in the current year resulting from an increase in the Company's share price. More information is set out in Note 22 of the December 31, 2017 consolidated financial statements.

Exploration and evaluation costs for the year ended December, 2017, represent costs associated with the New Prosperity project.

During the year ended December 31, 2017, the Company incurred a realized loss of $1.8 million from copper put options, which relates to copper put options that settled out-of-the-money.

In June 2017, the Company settled the copper call option obligation with a payment of $15.7 million to the senior secured credit facility lender. The loss on the copper call option for the year ended December 31, 2017 was $6.3 million.

A write-down of mine equipment of $3.6 million was recorded in 2017 to adjust the carrying value of certain Gibraltar Mine equipment to its estimated recoverable value. This mine equipment was replaced by equipment acquired under capital leases during the third quarter of 2017.

In the fourth quarter of 2017, the Company assessed the value of its investment in subscription receipts of a private mineral exploration and development company and recorded a $3.9 million write-down to record the investment at its estimated fair value.

During the year ended December 31, 2016, the Company incurred total costs of $4.9 million on legal and other advisory costs associated with a special shareholder meeting, a proxy contest and related litigation, and $0.6 million on other non-recurring financing costs.

Finance expenses

(Cdn$ in thousands)	Year ended December 31, 2017	2016	Change
Interest expense	30,965	27,649	3,316
Accretion of PER	2,363	2,358	5
Loss on settlement of long-term debt	13,102	-	13,102
	46,430	30,007	16,423

Interest expense for the year ended December 31, 2017 increased by $3.3 million, compared to the same period in 2016. The Company's total interest costs are lower in the year ended December 31, 2017 due to reduced long-term debt as a result of the June 2017 refinancing. However, interest expense on the statement of income is higher in 2017 as the Company stopped capitalizing interest after the debt refinancing in June 2017.

As part of the June 2017 refinancing, the Company redeemed its US$200 million senior notes and repaid its senior secured credit facility. The settlement of long-term debt resulted in a loss of $13.1 million, which includes a write-off of $9.2 million of deferred financing costs relating to the settled debt and additional interest costs of $3.9 million which were paid in lieu of notice to the note holders and the senior secured lender.

Income tax

(Cdn$ in thousands)	Year ended December 31, 2017	2016	Change
Current income tax expense	1,801	836	965
Deferred income tax (recovery)	27,377	(15,549)	42,926
	29,178	(14,713)	43,891
Effective tax rate	46.0%	31.9%	14.1%
Canadian statutory rate	26.0%	26.0%	-
B.C. Mineral tax rate	9.6%	9.6%	-

The current tax expense recorded is the estimated B.C. Mineral taxes based on production at the Gibraltar Mine for the year.

The effective tax rate for the year 2017 was 46.0%, which is higher than the statutory rate of 35.6%. The difference is a result of permanent differences related to non-deductible share-based compensation and expenditures incurred that are not deductible for B.C. Mineral tax.

FINANCIAL CONDITION REVIEW

Balance sheet review

	As at December 31,		
(Cdn$ in thousands)	**2017**	**2016**	**Change**
Cash and equivalents	80,231	89,030	(8,799)
Other current assets	65,505	76,297	(10,792)
Property, plant and equipment	797,265	730,208	67,057
Other assets	45,709	53,904	(8,195)
Total assets	**988,710**	**949,439**	**39,271**
Current liabilities	50,139	38,641	11,498
Debt:			
Senior secured notes	302,085	-	302,085
Senior notes	-	266,435	(266,435)
Senior secured credit facility	-	91,483	(91,483)
Capital leases and secured equipment loans	27,133	31,372	(4,239)
Deferred revenue	39,640	-	39,640
Other liabilities	202,633	182,569	20,064
Total liabilities	**621,630**	**610,500**	**11,130**
Equity	**367,080**	**338,939**	**28,141**
Net debt (debt minus cash and equivalents)	248,987	300,260	(51,273)
Total common shares outstanding (millions)	227.0	221.9	5.1

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 (supplies and production inventories), along with prepaid expenses and deposits. Production inventories, accounts receivable and cash balances fluctuate in relation to shipping and cash settlement schedules.

Total long-term debt decreased by $60.1 million for the year ended December 31, 2017, due primarily to the refinancing transaction completed in the second quarter of 2017 and foreign exchange gains on the Company's US dollar denominated debt. In June 2017, the Company used the proceeds of a US$250 million senior secured note offering along with a portion of its cash on hand, to repay the US$200 million senior notes (due March 2019) and the senior secured credit facility. The Company's net debt has decreased by $51.3 million for the year ended December 31, 2017 primarily due to cash flow generated from mining operations during 2017, including cash proceeds from the sale of a silver stream to Osisko Gold Royalties Ltd. ("Osisko").

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

Other liabilities increased by $20.1 million mainly due to the increase in deferred tax liabilities and the provision for environmental rehabilitation ("PER"). Other financial liabilities decreased due to the settlement of the copper call option obligation and the reclassification of the amount payable to BC Hydro to current liabilities.

The increase in the PER is driven by an increase in estimated costs and a reduction in the discount rates. At December 31, 2017, the Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates was 2.26% compared to 2.31% at December 31, 2016. 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 February 20, 2018, there were 227,069,734 common shares outstanding. In addition, there were 10,905,900 stock options and 3,000,000 warrants outstanding at February 20, 2018. More information on these instruments and the terms of their exercise is set out in Notes 18 and 22 of the December 31, 2017 consolidated financial statements.

Liquidity, cash flow and capital resources

During the year ended December 31, 2017 the Company generated $109 million of positive cash flow from operating and investing activities, which is a result of strong operating results at the Gibraltar Mine and includes $44 million of cash proceeds from the sale of a silver stream to Osisko. A portion of this cash flow was used to reduce long-term debt and other financial liabilities, as part of a refinancing completed on June 14, 2017. The Company used $72 million of cash on hand along with the net proceeds from an offering of US$250 million senior secured notes due 2022 to redeem its US$200 million senior notes due 2019, to repay its senior secured credit facility (due March 2019) and to settle the related copper call option.

Long-term debt and other financial liabilities have decreased by $76 million during the year ended December 31, 2017 and the Company has extended the maturity date of the long-term debt from 2019 to 2022.

At December 31, 2017, the Company had cash and equivalents of $80 million (December 31, 2016 - $89 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.

Cash flow provided by operations during the year ended December 31, 2017 was $211.1 million compared to a $33.9 million for the same period in 2016. Cash used for investing activities during the year ended December 31, 2017 was $101.8 million compared to cash outflow of $19.1 million for the same period in 2016. Investing activities in 2017 included $69 million for capitalized stripping costs, $10.7 million incurred on other capital expenditures for Gibraltar, $16.9 million in development costs for the Florence and Aley projects, and $4 million for the purchase of copper put options.

Cash used for financing activities during the year ended December 31, 2017 includes $356.6 million for repayment of the senior notes and the senior secured credit facility, $15.7 million to settle the copper call option, $17.1 million of payments for capital leases and equipment loans, and $44 million of interest payments, partially offset by the $317.6 million net proceeds from issuance of senior secured notes and proceeds of $2.9 million from the exercise of stock options.

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 these 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 (issued in June 2017) 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 notes, metal prices, our 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").

Purchase and sale agreement with Osisko

On March 3, 2017, the Company entered into a silver stream purchase and sale agreement with Osisko, whereby the Company received an upfront cash deposit payment of US$33 million from the sale of silver equivalent for 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 amount equivalent to 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 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.

In connection with the silver stream transaction, the Company issued share purchase warrants to Osisko to acquire 3 million common shares of the Company at any time until April 1, 2020 at an exercise price of $2.74 per share.

Senior secured notes

In June 2017, the Company completed an offering of US$250 million aggregate principal amount of senior secured notes ("the Notes"). The Notes mature on June 15, 2022 and bear interest at an annual rate of 8.75%, payable semi-annually on June 15 and December 15, commencing on December 15, 2017. The Notes were issued at 99% of par value and the Company incurred other transaction costs of $9.2 million resulting in net proceeds from the offering of $317.6 million (US$240.5 million). The net proceeds were used, along with cash on hand, to redeem the senior notes and to repay the senior secured credit facility and to settle the related copper call option.

The Notes are secured by liens on the shares of Taseko's wholly-owned subsidiary, Gibraltar Mines Ltd., and the subsidiary's rights under the joint venture agreement relating to the Gibraltar Mine. The Notes are guaranteed by each of Taseko's existing and future restricted subsidiaries, other than certain immaterial subsidiaries. The Company is able to incur limited amounts of additional secured and unsecured debt under certain conditions as defined in the Note indenture. The Company is also subject to certain restrictions on asset sales, issuance of preferred stock, dividends and other restricted payments. However, there are no maintenance covenants with respect to the Company's financial performance.

The Company may redeem some or all of the Notes at any time on or after June 15, 2019, at redemption prices ranging from 104.375% to 100%, plus accrued and unpaid interest to the date of redemption. Prior to June 15, 2019, all or part of the notes may be redeemed at 100%, plus a make-whole premium, plus accrued and unpaid interest to the date of redemption. In addition, until June 15, 2019, the Company may redeem up to 35% of the aggregate principal amount of the Notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 108.750%, plus accrued and unpaid interest to the date of redemption. On a change of control, the Notes are redeemable at the option of the holder at a price of 101%.

Senior notes

In April 2011, the Company completed a public offering of US$200 million in senior unsecured notes. On June 14, 2017, the senior unsecured notes were redeemed at 100% of par value plus accrued interest to the redemption date for a total cost of $269.2 million (US$203.8 million).

The unsecured notes were scheduled to mature on April 15, 2019 and were bearing interest at a fixed annual rate of 7.75%, payable semi-annually. The notes were unsecured obligations guaranteed by the Company's subsidiaries and the subsidiary guarantees were, in turn, guaranteed by the Company. The notes were redeemable by the Company at par value after April 2017.

Senior secured credit facility

On January 29, 2016, the Company entered into a US$70 million senior secured credit facility (the "Facility") with EXP T1 Ltd., an affiliate of Red Kite. Amounts drawn under the Facility accrued interest on a monthly basis at a rate of three-month LIBOR plus 7.5% per annum, subject to a minimum LIBOR of 1% per annum. The loan principal and all accrued interest was payable upon maturity of the Facility on March 29, 2019. The Facility was repayable at any time without penalty and did not impose any off-take obligations on the Company.

The Facility was secured by a first priority charge over substantially all assets of the Company, including the Company's 75% joint venture interest in the Gibraltar Mine, shares in all material subsidiaries and the Florence Copper project assets. The availability of the Facility was subject to conditions and covenants, including maintenance of a minimum working capital balance (as defined in the Facility) of US$20 million.

On June 14, 2017, the Facility plus all accrued interest was fully repaid for $104.9 million (US$79.4 million).

Upon entering into the Facility in January 2016, the Company issued a call option to the lender for 7,500 tonnes of copper with a strike price of US$2.04 per pound. The call option was to mature in March 2019 with an amount then payable to the lender based on the average copper price during the month of March 2019, subject to a maximum amount of US$15 million. On June 14, 2017 the Company settled the copper call option obligation with a payment to the lender of $15.7 million (US$11.9 million), based on the cancellation pay-out amount defined in the Facility agreement.

Upon entering into the Facility, the Company also issued share purchase warrants to acquire 4 million common shares of the Company at any time until May 9, 2019 at an exercise price of $0.51 per share. These warrants were exercised by the lender in February and March 2017 for proceeds of $2.0 million to the Company.

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 year ended December 31, 2017, the Company spent $4 million to purchase copper put options. 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 February 20, 2018				
Copper put options	10 million lbs	US$2.70/lb	Q1 2018	$0.9 million
Copper put options	15 million lbs	US$2.80/lb	Q2 2018	$1.0 million

Commitments and contingencies

	Payments due						
($ in thousands)	**2018**	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
Debt [1]:							
Repayment of principal	11,270	7,729	3,866	2,526	315,367	-	340,758
Interest	28,472	27,984	27,687	27,570	4,982	-	116,695
PER [2]	-	-	-	-	-	107,874	107,874
Operating leases	2,348	1,253	857	96		-	4,554
Capital expenditures [3]	3,283	-	-	-	-	-	3,283
Other expenditures [4]	7,567	1,110	594	312	234	-	9,817

[1] As at December 31, 2017, debt is comprised of senior secured notes, capital leases and secured equipment loans.

[2] Provision for environmental rehabilitation amounts presented in the table represents the expected cost of environmental rehabilitation for Gibraltar Mine without considering the effect of discount or inflation rates.

[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 $9.0 million as at December 31, 2017.

SELECTED ANNUAL INFORMATION

	For years ended December 31,		
(Cdn$ in thousands, except per share amounts)	**2017**	**2016**	**2015**
Revenues	378,299	263,865	289,298
Net income (loss)	34,262	(31,396)	(62,352)
Per share – basic	0.15	(0.14)	(0.28)
Per share – diluted	0.15	(0.14)	(0.28)
	As at December 31,		
	2017	**2016**	**2015**
Total assets	988,710	949,439	974,209
Total long-term financial liabilities	323,662	395,046	305,845

FOURTH QUARTER RESULTS

Consolidated Statements of Comprehensive Income (Loss) (Cdn$ in thousands, except per share amounts)	**Three months ended December 31,** **2017**	 **2016**
Revenues	95,408	94,628
Cost of sales		
Production costs	(62,712)	(48,011)
Depletion and amortization	(14,561)	(9,224)
Earnings from mining operations	18,135	37,393
General and administrative	(2,834)	(2,101)
Share-based compensation	(1,310)	(1,377)
Exploration and evaluation	(321)	(359)
Loss on derivatives	(1,616)	(4,333)
Other income (expenses)	(3,541)	404
	8,513	29,627
Finance expenses	(8,692)	(8,028)
Finance income (loss)	(269)	297
Foreign exchange loss	(2,045)	(7,922)
Income (loss) before income taxes	(2,493)	13,974
Income tax expense	(5,107)	(8,861)
Net income (loss) for the period	**(7,600)**	**5,113**
Other comprehensive income (loss):		
Unrealized loss on available-for-sale financial assets	(3,517)	(395)
Foreign currency translation reserve	547	2,526
Total other comprehensive income (loss) for the period	**(2,970)**	**2,131**
Total comprehensive income (loss) for the period	**(10,570)**	**7,244**
Earnings (loss) per share		
Basic	(0.03)	0.02
Diluted	(0.03)	0.02
Weighted-average shares outstanding (thousands)		
Basic	226,827	221,846
Diluted	226,827	227,032

Consolidated Statements of Cash Flows (Cdn$ in thousands)	**Three months ended December 31, 2017**	**2016**
Operating activities		
Net income (loss) for the period	(7,600)	5,113
Adjustments for:		
Depletion and amortization	14,561	9,225
Income tax expense	5,107	8,861
Share-based compensation expense	1,321	1,382
Loss on derivatives	1,616	4,333
Finance expenses, net	8,961	7,731
Unrealized foreign exchange loss	1,541	8,802
Amortization of deferred revenue	(296)	-
Deferred electricity payments (repayments)	(3,463)	2,433
Other operating activities	2,943	(361)
Net change in non-cash working capital	7,208	2,144
Cash provided by operating activities	31,899	49,663
Investing activities		
Purchase of property, plant and equipment	(28,340)	(8,416)
Purchase of copper put options	(992)	(1,025)
Proceeds from the sale/settlement of copper put options	-	425
Other investing activities	249	(330)
Cash used for investing activities	(29,083)	(9,346)
Financing activities		
Repayment of capital leases and equipment loans	(4,379)	(4,510)
Interest paid	(14,563)	(10,804)
Common shares issued on exercise of stock options	411	12
Cash used for financing activities	(18,531)	(15,302)
Effect of exchange rate changes on cash and equivalents	277	(102)
Increase (decrease) in cash and equivalents	(15,438)	24,913
Cash and equivalents, beginning of period	95,669	64,117
Cash and equivalents, end of period	**80,231**	**89,030**

Earnings

The Company's net loss was $7.6 million ($0.03 loss per share) for the three months ended December 31, 2017, compared to a net income of $5.1 million ($0.02 earnings per share) for the same period in 2016. The decrease in net income was primarily due to lower earnings from mining operations and a write-down of an investment.

Earnings from mining operations before depletion and amortization* was $32.7 million for the three months ended December 31, 2017, compared to earnings of $46.6 million for the same period in 2016. The decrease in earnings from mining operations before depletion and amortization was a result of the lower operating margins in the fourth quarter of 2017. The lower operating margin in the fourth quarter of 2017 was a result of lower copper sales volumes and higher unit operating costs, however this was partially offset by higher realized copper prices.

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 December 31,		
(Cdn$ in thousands)	**2017**	**2016**	**Change**
Net income (loss)	(7,600)	5,113	(12,713)
Unrealized foreign exchange loss	1,541	8,802	(7,261)
Unrealized loss on copper put options	898	477	421
Loss on copper call option	-	2,886	(2,886)
Write-down of investment	3,850	-	3,850
Estimated tax effect of adjustments	(233)	(874)	641
Adjusted net income (loss)*	(1,544)	16,404	(17,948)

*Non-GAAP performance measure. See page 31 on this MD&A

In the three months ended December 31, 2017, the Canadian dollar weakened resulting in unrealized foreign exchange loss of $1.5 million. The unrealized foreign exchange loss was primarily driven by the translation of the Company's US dollar denominated debt.

In the fourth quarter of 2017, the Company assessed the value of its investment in subscription receipts of a private mineral exploration and development company and recorded a $3.9 million write-down to record the investment at its estimated fair value.

Revenues

(Cdn$ in thousands)	Three months ended December 31, 2017	2016	Change
Copper in concentrate	97,094	99,375	(2,281)
Molybdenum concentrate	5,041	5,189	(148)
Silver contained in copper concentrate	470	1,018	(548)
Total gross revenue	102,605	105,582	(2,977)
Less: treatment and refining costs	(7,197)	(10,954)	3,757
Revenue	95,408	94,628	780

(thousands of pounds, unless otherwise noted)			
Copper in concentrate*	23,134	29,225	(6,091)
Average realized copper price (US$ per pound)	3.30	2.54	0.76
Average LME copper price (US$ per pound)	3.09	2.39	0.70
Average exchange rate (US$ per pound)	1.27	1.33	(0.06)

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

Copper revenues for the three months ended December 31, 2017 decreased by $2.3 million, compared to the same period in 2016, primarily due to a decrease in copper sales volumes, partially offset by higher realized copper prices.

During the three months ended December 31, 2017, revenues include $6.7 million of favorable adjustments to provisionally priced copper concentrate. The provisional pricing adjustments contribute US$0.23 per pound, respectively, to the average realized copper price for the three months ended December 31, 2017.

Molybdenum revenues for the three months ended December 31, 2017 was $5.0 million and comparable to the same period in 2016. The molybdenum circuit restarted in September 2016.

Cost of sales

(Cdn$ in thousands)	Three months ended December 31, 2017	2016	Change
Site operating costs	45,240	50,235	(4,995)
Transportation costs	4,074	5,358	(1,284)
Changes in inventories of finished goods	5,392	3,679	1,713
Changes in inventories of ore stockpiles	8,006	(11,261)	19,267
Production costs	62,712	48,011	14,701
Depletion and amortization	14,561	9,224	5,337
Cost of sales	77,273	57,235	20,038
Site operating costs per ton milled*	$7.68	$9.13	$(1.45)

*Non-GAAP performance measure. See page 31 on this MD&A

Site operating costs for the three months ended December 31, 2017 decreased by 10%, from the same period in 2016. The reduction in site operating costs was primarily due to the increased allocation of costs 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 months ended December 31, 2017, $17.5 million was allocated to capitalized stripping, compared to $6.3 million for the same period in 2016.

Cost of sales was also impacted by changes in ore stockpile inventories. In the three months ended December 31, 2017, the ore stockpiles were drawn down by 4.1 million tons resulting in a reduction in inventories (increase in cost of sales) of $8.0 million. In the fourth quarter of 2016, the ore stockpile inventory increased by $11.3 million (reduction in cost of sales) due to an increase in the stockpiled tonnage and the reversal of a write-down of $4.3 million.

Depletion and amortization for three months ended December 31, 2017 increased by $5.3 million over the same period in 2016, and the difference is primarily due to changes in ore stockpile inventory. In the fourth quarter of 2017 the reduction in stockpile inventory resulted in additional depletion and amortization expense of $2.6 million.

Other operating (income) expenses

	Three months ended December 31,		
(Cdn$ in thousands)	**2017**	**2016**	**Change**
General and administrative	2,834	2,101	733
Share-based compensation	1,310	1,377	(67)
Exploration and evaluation	321	359	(38)
Realized loss on copper put options	718	970	(252)
Unrealized loss on derivative instruments	898	3,363	(2,465)
Other income (expense):			
Write-down of investment	3,850	-	3,850
Other income, net	(309)	(404)	95
	9,622	7,766	1,856

General and administrative costs have increased for the three months ended December 31, 2017 compared to the same period in 2016 due to an increase in costs related to legal, travel, and salaries.

Share-based compensation expense for the three months ended December 31, 2017 was comparable to the same period in 2016. More information is set out in Note 22 of the December 31, 2017 consolidated financial statements.

Exploration and evaluation costs for the three months ended December, 2017, represent costs associated with the New Prosperity project.

During the fourth quarter of 2017, the Company incurred a realized loss of $0.7 million from copper put options, which relates to copper put options that settled out-of-the-money.

In the fourth quarter of 2017, the Company assessed the value of its investment in subscription receipts of a private mineral exploration and development company and recorded a $3.9 million write-down to record the investment at its estimated fair value.

Finance expenses

	Three months ended December 31,		
(Cdn$ in thousands)	**2017**	**2016**	**Change**
Interest expense	8,033	7,483	550
Accretion of PER	659	545	114
	8,692	8,028	664

Interest expense for the three months ended December 31, 2017 increased by $0.6 million, compared to the same periods in 2016. The Company's total interest costs are lower in the three months ended December 31, 2017 due to reduced long-term debt as a result of the June 2017 refinancing. However, interest expense is higher in the fourth quarter of 2017 because no interest was capitalized this quarter, whereas $1.3 million of interest was capitalized in the fourth quarter of 2016.

Income tax

	Three months ended December 31,		
(Cdn$ in thousands)	**2017**	**2016**	**Change**
Current income tax expense	405	836	(431)
Deferred income tax expense	4,702	8,025	(3,323)
	5,107	8,861	(3,754)
Effective tax rate	204.9%	63.4%	141.5%
Canadian statutory rate	26%	26%	-
B.C. Mineral tax rate	9.6%	9.6%	-

The income tax expense for the fourth quarter of 2017 decreased from the same quarter in 2016 due to lower earnings, amongst other factors. The current tax expense was due to the BC mineral taxes payable estimate. For deferred income tax, the expense was driven by a reversal of temporary differences as tax pools were applied against taxable income in the quarter, including deductions taken for tax purposes on property, plant and equipment in excess of those taken for accounting purposes.

Liquidity, cash flow and capital resources

Cash flow provided by operations during the three months ended December 31, 2017 was $31.9 million compared to $49.7 million for the same period in 2016. Cash used for investing activities during the three months ended December 31, 2017 was $29.1 million compared to cash outflow of $9.3 million for the same period in 2016. Investing activities in the fourth quarter of 2017 included $17.5 million for capitalized stripping costs, $3.5 million incurred on other capital expenditures for Gibraltar, $5.3 million on construction of the PTF at Florence, $1.8 million on other project costs for the Florence and Aley projects, and $1.0 million for the purchase of copper put options.

Cash used for financing activities during the three months ended December 31, 2017 includes an interest payment on the senior notes of $14.6 million and $4.4 million of payments for capital leases and equipment loans, offset by proceeds of $0.4 million from the exercise of stock options.

SUMMARY OF QUARTERLY RESULTS

	2017				2016			
(Cdn$ in thousands, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	95,408	78,508	99,994	104,389	94,628	55,964	55,090	58,183
Net earnings (loss)	(7,600)	20,136	5,247	16,479	5,113	(15,610)	(19,384)	(1,515)
Basic EPS	(0.03)	0.09	0.02	0.07	0.02	(0.07)	(0.09)	(0.01)
Adjusted net earnings (loss) *	(1,544)	13,405	14,305	15,254	16,404	(10,423)	(19,758)	(18,083)
Adjusted basic EPS *	(0.01)	0.06	0.06	0.07	0.07	(0.05)	(0.09)	(0.08)
EBITDA *	22,350	48,457	43,805	49,145	32,312	4,064	(7,858)	11,002
Adjusted EBITDA *	28,639	42,356	42,820	47,934	44,477	9,285	(7,642)	(4,492)

(US$ per pound, except where indicated)								
Realized copper price *	3.30	3.00	2.61	2.72	2.54	2.15	2.13	2.12
Total operating costs *	2.11	1.18	1.31	1.33	1.48	1.89	2.07	2.11
Copper sales (million pounds)	24.0	22.6	30.5	30.6	30.3	22.4	22.8	22.9

*Non-GAAP performance measure. See page 31 of this MD&A

Financial results for the last eight quarters include the impact of volatile copper prices and foreign exchange rates that impact realized sale prices, and variability in the quarterly sales volumes due to 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. 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 and recovery of deferred tax assets.

Other significant areas of estimation include reserve and resource estimation; valuations of mineral properties and investments; 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.

CHANGE IN ACCOUNTING POLICIES

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective at December 31, 2017:

- In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* to replace *IAS 39, Financial Instruments: Recognition and Measurement.* IFRS 9 includes requirements for recognition and measurement of financial instruments, a forward-looking "expected credit loss" impairment model and significant changes to general hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has completed its preliminary assessment and believes that the adoption of IFRS 9 will result in changes to the classification of certain financial assets but will not change the classification of any financial liabilities. The Company plans to adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2018 and continues to evaluate its measurement and disclosure requirements related to the new standard.

- In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers.* The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The standard contains a single five-step model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time, when control of the goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company is currently evaluating the potential impact of applying IFRS 15, primarily analyzing its concentrate sales agreements with customers and its silver stream purchase and sale agreement. The Company plans to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018 and continues to evaluate its measurement and disclosure requirements related to the new standard.

- 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 contract, i.e. the customer ('lessee') and the supplier ('lessor'). 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.

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 2017 financial year that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2017, the Company's internal control over financial reporting is effective based on those criteria.

FINANCIAL INSTRUMENTS

The Company uses a mixture of cash, long-term debt and shareholders' equity to maintain an efficient capital allocation and ensure adequate liquidity exists to meet the ongoing cash requirements of the business. In the normal course of business, the Company is inherently exposed to financial risks, including market risk, commodity price risk, interest rate risk, currency risk, liquidity risk and credit risk. The Company manages these risks in accordance with its risk management policies. To mitigate some of these inherent business risks, the Company uses commodity derivative instruments that do not qualify for hedge accounting treatment. These non-hedge derivatives are summarized in Note 7 to the consolidated financial statements. The financial risks and the Company's exposure to these risks, is provided in various tables in Note 25 of the consolidated financial statements. For a discussion on the methods used to value financial instruments, as well as significant assumptions, refer also to Notes 2 and 25 of the consolidated financial statements.

Summary of Financial Instruments	**Carrying Amount**	**Associated Risks**
Financial assets		
Loans and receivables		
Cash and equivalents	80,231	Interest rate Credit
Accounts receivable	21,618	Credit Market

Available-for-sale		
Marketable securities	2,444	Market
Investment in subscription receipts	2,400	Market
Reclamation deposits	30,637	Market
Fair value through profit and loss (FVTPL)		
Copper put option contracts	330	Credit Market
Financial liabilities		
Accounts payable and accrued liabilities	47,382	Currency Interest rate
Senior secured notes	302,085	Currency
Capital leases	23,761	Interest rate
Secured equipment loans	3,372	Currency Interest rate

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 option program (refer to Note 22 of the consolidated financial statements).

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

	Year ended December 31,	
(Cdn$ in thousands)	**2017**	**2016**
Salaries and benefits	5,015	5,050
Post-employment benefits	1,491	1,309
Share-based compensation	6,849	3,602
	13,355	9,961

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 year ended December 31, 2017, the Company incurred total costs of $1,399 (2016: $1,440) in transactions with HDSI. Of these, $593 (2016: $643) related to administrative, legal, exploration and tax services, $526 related to reimbursements of office rent costs (2016: $517), and $280 (2016: $280) 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. Site operating costs is calculated by removing net changes in inventory and depletion and amortization 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 December 31,		**Year ended December 31,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2017**	**2016**	**2017**	**2016**
Cost of sales	77,273	57,235	248,305	262,089
Less:				
Depletion and amortization	(14,561)	(9,224)	(47,722)	(52,939)
Net change in inventories of finished goods	(5,392)	(3,679)	302	272
Net change in inventories of ore stockpiles	(8,006)	11,261	(14,266)	16,466
Transportation costs	(4,074)	(5,358)	(19,281)	(16,507)
Site operating costs	45,240	50,235	167,338	209,381
Less by-product credits:				
Molybdenum, net of treatment costs	(4,016)	(3,689)	(16,883)	(4,400)
Silver, excluding amortization of deferred revenue	(173)	(1,018)	(810)	(3,988)
Site operating costs, net of by-product credits	41,051	45,528	149,645	200,993
Total copper produced (thousand pounds)	19,094	30,512	105,874	99,938
Total costs per pound produced	2.15	1.49	1.41	2.01
Average exchange rate for the period (CAD/USD)	1.27	1.33	1.30	1.32
Site operating costs, net of by-product credits (US$ per pound)	**1.69**	**1.12**	**1.09**	**1.52**
Site operating costs, net of by-product credits	41,051	45,528	149,645	200,993
Add off-property costs:				
Treatment and refining costs of copper concentrate	6,172	9,454	28,072	27,924
Transportation costs	4,074	5,358	19,281	16,507
Total operating costs	51,297	60,340	196,998	245,424
Total operating costs (C1) (US$ per pound)	**2.11**	**1.48**	**1.43**	**1.85**

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;
- Write-down of mine equipment;
- Write-down of investment;
- Unrealized gain/loss on copper put options;
- Loss on settlement of long-term debt;
- Gain/loss on copper call option; and
- Non-recurring transactions, including related tax adjustments.

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 December 31,		**Year ended December 31,**	
($ in thousands, except per share amounts)	**2017**	**2016**	**2017**	**2016**
Net income (loss)	**(7,600)**	**5,113**	**34,262**	**(31,396)**
Unrealized foreign exchange (gain) loss	1,541	8,802	(17,684)	(7,785)
Write-down of mine equipment	-	-	3,551	-
Write-down of investment	3,850	-	3,850	-
Unrealized loss on copper put options	898	477	1,970	1,044
Loss on settlement of long-term debt	-	-	13,102	-
Loss on copper call option	-	2,886	6,305	3,360
Other non-recurring expenses*	-	-	-	5,489
Estimated tax effect of adjustments	(233)	(874)	(3,936)	(2,572)
Adjusted net income (loss)	**(1,544)**	**16,404**	**41,420**	**(31,860)**
Adjusted EPS	**(0.01)**	**0.07**	**0.18**	**(0.14)**

* Other non-recurring expenses includes legal and other advisory costs associated with the special shareholder meeting, the proxy contest and related litigation, and other non-recurring financing costs.

EBITDA and adjusted EBITDA

EBITDA represents net earnings 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;
- Write-down of mine equipment;
- Write-down of investment;
- Unrealized gain/loss on copper put options;
- Gain/loss on copper call option; and
- Non-recurring transactions.

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 December 31,		**Year ended December 31,**	
($ in thousands)	**2017**	**2016**	**2017**	**2016**
Net income (loss)	**(7,600)**	**5,113**	**34,262**	**(31,396)**
Add:				
Depletion and amortization	14,561	9,225	47,722	53,024
Share-based compensation expense	1,321	1,382	7,100	3,682
Finance expense	8,692	8,028	46,430	30,007
Finance (income) loss	269	(297)	(935)	(1,084)
Income tax (recovery) expense	5,107	8,861	29,178	(14,713)
EBITDA	**22,350**	**32,312**	**163,757**	**39,520**
Adjustments:				
Unrealized foreign exchange (gain) loss	1,541	8,802	(17,684)	(7,785)
Write-down of mine equipment	-	-	3,551	-
Write-down of investment	3,850	-	3,850	-
Unrealized loss on copper put option	898	477	1,970	1,044
Loss on copper call option	-	2,886	6,305	3,360
Other non-recurring expenses*	-	-	-	5,489
Adjusted EBITDA	**28,639**	**44,477**	**161,749**	**41,628**

* Other non-recurring expenses includes legal and other advisory costs associated with the special shareholder meeting, the proxy contest and related litigation, and other non-recurring financing costs.

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 December 31,		Year ended December 31,	
(Cdn$ in thousands)	**2017**	**2016**	**2017**	**2016**
Earnings from mining operations	**18,135**	**37,393**	**129,994**	**1,776**
Add:				
Depletion and amortization	14,561	9,224	47,722	52,939
Earnings from mining operations before depletion and amortization	**32,696**	**46,617**	**177,716**	**54,715**

Site operating costs per ton milled

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, except per ton milled amounts)	**2017**	**2016**	**2017**	**2016**
Site operating costs (included in cost of sales)	**45,240**	**50,235**	**167,338**	**209,381**
Tons milled (thousands) (75% basis)	5,887	5,504	22,367	22,115
Site operating costs per ton milled	**$7.68**	**$9.13**	**$7.48**	**$9.47**

Taseko

Consolidated Financial Statements
December 31, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements, the notes thereto and other financial information contained in the Management's Discussion and Analysis have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of Taseko Mines Limited. The financial information presented elsewhere in the Management's Discussion and Analysis is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgment of management.

In order to discharge management's responsibility for the integrity of the financial statements, the Company maintains a system of internal control over financial reporting. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, establishing policies and procedures, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility.

The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control over financial reporting. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal control over financial reporting and review financial reporting issues.

The consolidated financial statements have been audited by KPMG LLP, the Company's independent registered public accounting firm, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States).

/s/ Russell Hallbauer

Russell Hallbauer
Chief Executive Officer

/s/ Stuart McDonald

Stuart McDonald
Chief Financial Officer

Vancouver, British Columbia
February 20, 2018

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- 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 management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act as of December 31, 2017. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2017, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by KPMG LLP, the Company's independent registered public accounting firm, as stated in their report immediately preceding the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016.

/s/ Russell Hallbauer

Russell Hallbauer
Chief Executive Officer

/s/ Stuart McDonald

Stuart McDonald
Chief Financial Officer

Vancouver, British Columbia
February 20, 2018

KPMG LLP
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Taseko Mines Limited

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Taseko Mines Limited (the "Company"), which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 20, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

A - Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

B - Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

KPMG LLP (signed)

We have served as the Company's auditor since 1999.

Vancouver, Canada
February 20, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Taseko Mines Limited

Opinion on Internal Control Over Financial Reporting

We have audited Taseko Mines Limited (the "Company") internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Report on the Consolidated Financial Statements

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements"), and our report dated February 20, 2018 expressed an unmodified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB and in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's 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 generally accepted accounting principles, 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

KPMG LLP (signed)

Chartered Professional Accountants

Vancouver, Canada
February 20, 2018

TASEKO MINES LIMITED

Consolidated Statements of Comprehensive Income (Loss)

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

	Note	For the years ended December 31, 2017	2016
Revenues	4	378,299	263,865
Cost of sales	5		
Production costs		(200,583)	(209,150)
Depletion and amortization		(47,722)	(52,939)
Earnings from mining operations		129,994	1,776
General and administrative		(12,775)	(11,299)
Share-based compensation	22	(6,983)	(3,619)
Exploration and evaluation		(1,730)	(2,087)
Loss on derivatives	7	(10,082)	(6,360)
Other income (expenses)	8	(6,341)	(4,072)
Income (loss) before financing costs and income taxes		92,083	(25,661)
Finance expenses	9	(46,430)	(30,007)
Finance income		935	1,084
Foreign exchange gains		16,852	8,475
Income (loss) before income taxes		63,440	(46,109)
Income tax (expense) recovery	10	(29,178)	14,713
Net income (loss)		**34,262**	**(31,396)**
Other comprehensive income (loss):			
Unrealized loss on available-for-sale financial assets, before tax		(4,248)	(32)
Tax recovery		-	516
Foreign currency translation reserve		(7,720)	(3,709)
Total other comprehensive loss		**(11,968)**	**(3,225)**
Total comprehensive income (loss)		**22,294**	**(34,621)**
Earnings (loss) per share			
Basic		0.15	(0.14)
Diluted		0.15	(0.14)
Weighted average shares outstanding (thousands)			
Basic		225,682	221,828
Diluted		232,039	221,828

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

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(Cdn$ in thousands)

	Note	For the years ended December 31, 2017	2016
Operating activities			
Net income (loss) for the year		34,262	(31,396)
Adjustments for:			
Depletion and amortization		47,722	53,024
Income tax expense (recovery)	10	29,178	(14,713)
Share-based compensation expense	22	7,100	3,682
Loss on derivatives	7	10,082	6,360
Finance expenses, net		45,495	28,923
Unrealized foreign exchange gains		(17,684)	(7,785)
Write-down of mine equipment		3,551	-
Deferred revenue deposit		44,151	-
Amortization of deferred revenue	18	(1,322)	-
Deferred electricity payments (repayments)	16, 19	(6,174)	10,938
Other operating activities		1,097	(469)
Net change in non-cash working capital	24	13,621	(14,711)
Cash provided by operating activities		211,079	33,853
Investing activities			
Purchase of property, plant and equipment	14	(97,223)	(18,843)
Purchase of copper put options	7	(3,952)	(3,777)
Proceeds from copper put options	7	-	3,371
Investment in other financial assets		(1,395)	-
Other investing activities		758	158
Cash used for investing activities		(101,812)	(19,091)
Financing activities			
Net proceeds from issuance of senior secured notes	17a	317,596	-
Repayment of senior notes	17b	(264,180)	-
Repayment of senior secured credit facility	17c	(92,463)	-
Settlement of copper call option	17c	(15,745)	-
Interest paid		(43,995)	(22,668)
Repayment of capital leases and equipment loans		(17,074)	(16,586)
Proceeds on exercise of options and warrants		2,928	22
Proceeds from senior secured credit facility	17b	-	93,605
Financing costs for senior secured credit facility	17c	-	(4,346)
Repayment of Curis secured loan	17c	-	(43,767)
Cash provided by (used for) financing activities		(112,933)	6,260
Effect of exchange rate changes on cash and equivalents		(5,133)	(513)
Increase (decrease) in cash and equivalents		(8,799)	20,509
Cash and equivalents, beginning of year		89,030	68,521
Cash and equivalents, end of year		80,231	89,030

Supplementary cash flow disclosures 24

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

TASEKO MINES LIMITED

Consolidated Balance Sheets

(Cdn$ in thousands)

	Note	December 31, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and equivalents		80,231	89,030
Accounts receivable	11	21,618	12,905
Other financial assets	12	2,774	1,574
Inventories	13	39,639	60,550
Prepaids		1,474	1,268
		145,736	165,327
Property, plant and equipment	14	797,265	730,208
Other financial assets	12	40,537	48,368
Goodwill	15	5,172	5,536
		988,710	**949,439**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	16	47,382	33,416
Current income tax payable	10	302	889
Current portion of long-term debt	17	11,270	16,157
Current portion of deferred revenue	18	1,312	–
Interest payable on senior notes		1,143	4,336
		61,409	54,798
Long-term debt	17	317,948	373,133
Provision for environmental rehabilitation ("PER")	20	107,874	98,454
Deferred and other tax liabilities	10	89,045	62,202
Deferred revenue	18	39,640	-
Other financial liabilities	19	5,714	21,913
		621,630	610,500
EQUITY			
Share capital	21(a)	422,091	417,975
Contributed surplus	21(c), 22	47,478	45,747
Accumulated other comprehensive income ("AOCI")	21d	389	12,357
Deficit		(102,878)	(137,140)
		367,080	338,939
		988,710	**949,439**

Commitments and contingencies 20, 23

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

TASEKO MINES LIMITED

Consolidated Statements of Changes in Equity

(Cdn$ in thousands)

	Share capital	Contributed surplus	AOCI	Deficit	Total
Balance at January 1, 2016	417,944	42,558	15,582	(105,744)	370,340
Issuance of warrants	-	830	-	-	830
Share-based compensation	-	2,368	-	-	2,368
Exercise of options	31	(9)			22
Total comprehensive loss for the year	-	-	(3,225)	(31,396)	(34,621)
Balance at December 31, 2016	**417,975**	**45,747**	**12,357**	**(137,140)**	**338,939**
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	-	2,919	-	-	2,919
Exercise of options and warrants	4,116	(1,188)	-	-	2,928
Settlement of performance share units	-	(1,876)	-	-	(1,876)
Total comprehensive income (loss) for the year	-	-	(11,968)	34,262	22,294
Balance at December 31, 2017	**422,091**	**47,478**	**389**	**(102,878)**	**367,080**

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

1. REPORTING ENTITY

Taseko Mines Limited (the "Company" or "Taseko") is a corporation governed by the *British Columbia Business Corporations Act.* The consolidated financial statements of the Company as at and for the year ended December 31, 2017 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. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue by the Board of Directors on February 20, 2018.

2.2 Basis of measurement, judgment and estimation

These consolidated financial statements have been prepared on a historical cost basis except for fair-value-through-profit-or-loss, available-for-sale and derivative financial instruments, which are measured at fair value.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Foreign currency monetary assets and liabilities are translated into Canadian dollars at the closing exchange rate as at the balance sheet date. Foreign currency non-monetary assets and liabilities, revenues and expenses are translated into Canadian dollars at the prevailing rate of exchange on the dates of the transactions. Any gains and losses are included in profit and loss. The Company's US subsidiary measures the items in its financial statements using the US dollar as its functional currency. The assets and liabilities of the US subsidiary are translated into Canadian dollars using the period end exchange rate. The income and expenses are translated into Canadian dollars at the weighted average exchange rates to the period end reporting date. Any gains and losses on translation are included in accumulated other comprehensive income ("AOCI"). All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise noted.

The preparation of these consolidated 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 and recovery of other deferred tax assets.

Significant areas of estimation include reserve and resource estimation; asset valuations and the measurement of impairment charges or reversals; finished and in-process 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.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and controlled entities as at December 31, 2017. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income (loss) from the date the Company gains control until the date the Company ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

The Company applies the acquisition method in accounting for business combinations. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount would be recognized in profit or loss immediately.

2.4 Significant Accounting Policies

(a) Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred and the amount of revenue is reasonably determinable. These conditions are generally satisfied when title passes to the customer. Cash received in advance of meeting these conditions is recorded as deferred revenue.

Under the terms of the Company's concentrate and cathode 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 at the time of shipment, which is also when the risks and rewards of ownership transfer to the customer, based on an estimate of metal contained using initial assay results and forward market prices on 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 provisional pricing mechanism represents an embedded derivative. The embedded derivative 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.

(b) Cash and equivalents

Cash and equivalents consist of cash and highly-liquid investments having terms of three months or less from the date of acquisition and that are readily convertible to known amounts of cash. Cash and equivalents exclude cash subject to restrictions.

(c) Financial instruments

Financial assets and liabilities are recognized on the balance sheet when the Company becomes party to the contractual provisions of the instrument. The classification of financial instruments dictates how these assets and liabilities are measured subsequently in the Company's consolidated financial statements.

Financial instruments at fair value through profit or loss (FVTPL)

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of selling in the near term. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVTPL. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for the period. Financial assets in this category include derivative financial instruments that the Company acquires to manage exposure to commodity price fluctuations. These instruments are non-hedge derivative instruments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Accounts receivable are assessed for evidence of impairment at each reporting date, with any impairment recognized in earnings for the period. Financial assets in this category include cash and equivalents and accounts receivable.

Available-for-sale financial assets

Marketable securities, subscription receipts and reclamation deposits are designated as available-for-sale and recorded at fair value. Unrealized gains and losses are recognized in other comprehensive income until the securities are disposed of or when there is evidence of impairment in value. Impairment is evident when there has been a significant or sustained decline in the fair value of the marketable securities. If an impairment in value has been determined, it is recognized in earnings for the period.

Financial liabilities

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company has accounted for accounts payable and accrued liabilities and long-term debt under this method.

Fair value measurement

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

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

(d) Exploration and evaluation

Exploration and evaluation expenditures relate to the initial search for a mineral deposit and the subsequent evaluation to determine the economic potential of the mineral deposit. The exploration and evaluation stage commences when the Company obtains the legal right or license to begin exploration. Exploration and evaluation expenditures are recognized in earnings in the period in which they are incurred.

Capitalization of development costs as mineral property, plant and equipment commences once the technical feasibility and commercial viability of the extraction of mineral reserve and resources associated with the Company's evaluation properties are established and management has made a decision to proceed with development.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes direct labour and materials; non-capitalized stripping costs; depreciation and amortization; freight; and overhead costs. Net realizable value is determined with reference to relevant market prices, less applicable variable selling costs and estimated remaining costs of completion to bring the inventories into saleable form.

Ore stockpiles represent stockpiled ore and metals in the processing circuits that have not yet completed the production process, and are not yet in a saleable form. Finished goods inventories represent metals in saleable form that have not yet been sold. Materials and supplies inventories represent consumables used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

The quantity of recoverable metal in stockpiled ore and in the processing circuits is an estimate which is based on the tons of ore added and removed, expected grade and recovery. The quantity of recoverable metal in concentrate is an estimate using initial assay results.

(f) Property, plant and equipment

Land, buildings, plant and equipment

Land, buildings, plant and equipment are recorded at cost, including all expenditures incurred to prepare an asset for its intended use.

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

Depreciation is based on the cost of the asset less residual value. Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items and depreciated separately. Depreciation commences when an asset is available for use. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The depreciation rates of the major asset categories are as follows:

Land	Not depreciated
Buildings	Straight-line basis over 10-25 years
Plant and equipment	Units-of-production basis
Mining equipment	Straight-line basis over 5-20 years
Light vehicles and other mobile equipment	Straight-line basis over 2-5 years
Furniture, computer and office equipment	Straight-line basis over 2-3 years

Mineral properties

Mineral properties consist of the cost of acquiring and developing mineral properties. Once in production, mineral properties are amortized on a units-of-production basis over the component of the ore body to which the capitalized costs relate.

Property acquisition costs arise either as an individual asset purchase or as part of a business combination, and may represent a combination of either proven and probable reserves, resources, or future exploration potential. When management has not made a determination that technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the entire amount is considered property acquisition costs and not amortized. When such property moves into development, the property acquisition cost asset is transferred to mineral properties within property, plant and equipment.

Mineral property development costs include: stripping costs incurred in order to provide initial access to the ore body; stripping costs incurred during production that generate a future economic benefit by increasing the productive capacity, extending the productive life of the mine or allowing access to a mineable reserve; capitalized project development costs; and capitalized interest.

Construction in progress

Construction in progress includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Construction in progress includes advances on long-lead items. Construction in progress is not depreciated. Once the asset is complete and available for use, the costs of construction are transferred to the appropriate category of property, plant and equipment, and depreciation commences.

Capitalized interest

Interest is capitalized for qualifying assets. Qualifying assets are assets that require a substantial period of time to prepare for their intended use. Capitalization ceases when the asset is substantially complete or if construction is interrupted for an extended period. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

Leased assets

Leased assets in which the Company receives substantially all the risks and rewards of ownership of the asset are capitalized as finance leases at the lower of the fair value of the asset or the estimated present value of the minimum lease payments. The corresponding lease obligation is recorded within debt on the balance sheet. Assets under operating leases are not capitalized and rental payments are expensed on a straight-line basis.

Impairment

The carrying amounts of the Company's non-financial assets are reviewed for impairment whenever circumstances suggest that the carrying value may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

The recoverable amount of an asset or cash generating unit (CGU) is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or CGU's. If the recoverable amount of an asset or its related CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and the impairment loss is recognized in earnings for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not to an amount that exceeds the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in earnings.

(g) Income taxes

Income tax on the earnings for the periods presented comprises current and deferred tax. Income tax is recognized in earnings except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Income tax is calculated using tax rates enacted or substantively enacted at the reporting date applicable to the period of expected realization or settlement.

Current tax expense is the expected tax payable on the taxable income for the year, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is determined using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities acquired (not in a business combination) that affect neither accounting nor taxable profit on acquisition; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they are not probable to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

(h) Share-based compensation

The fair-value method is used for the Company's share-based payment transactions. Under this method, the cost of share options and equity-settled performance share units is recorded based on their estimated fair value at the grant date, including an estimate of the forfeiture rate. The fair value of the share options and performance share units is expensed on a graded amortization basis over the vesting period of the awards, with a corresponding increase in equity.

Share-based compensation expense relating to cash-settled awards, including deferred share units, is recognized based on the quoted market value of the Company's common shares on the date of grant. The related liability is re-measured to fair value each reporting period to reflect changes in the market value of the Company's common shares, with changes in fair value recorded in net profit (loss).

(i) Provisions

Environmental rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to retire an asset in the period in which the obligation occurs. Environmental rehabilitation activities include facility decommissioning and dismantling; removal and treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; and related costs required to perform this work and/or operate equipment designed to reduce or eliminate environmental effects. The provision for environmental rehabilitation ("PER") is adjusted each period for new disturbances, and changes in regulatory requirements, the estimated amount of future cash flows required to discharge the liability, the timing of such cash flows and the pre-tax discount rate specific to the liability. The unwinding of the discount is recognized in earnings as a finance cost.

When a PER is initially recognized, the corresponding cost is capitalized by increasing the carrying amount of the related asset, and is amortized to earnings on a unit-of-production basis. Costs are only capitalized to the extent that the amount meets the definition of an asset and represents future economic benefits to the operation.

Significant estimates and assumptions are made in determining the provision for environmental rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimation of the extent and cost of rehabilitation activities; timing of future cash flows that are impacted by changes in discount rates; inflation rate; and regulatory requirements.

Other provisions

Other provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Where the effect is material, the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The accretion expense is included in finance expense.

(j) Finance income and expenses

Finance income comprises interest income on funds invested, gains on the disposal of marketable securities, and changes in the fair value of derivatives included in cash and equivalents and marketable securities. Interest income is recognized as it accrues in earnings, using the effective interest method. Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on the disposal of marketable securities, changes in the fair value of derivatives included in cash and equivalents and marketable securities, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in earnings using the effective interest method.

(k) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise warrants and share options granted. There is no dilution impact when the Company incurs a loss.

(l) Interests in joint arrangements

IFRS defines a joint arrangement as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to its interests in joint operations, the Company recognizes its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

2.6 New accounting standards

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective at December 31, 2017:

- In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* to replace *IAS 39, Financial Instruments: Recognition and Measurement.* IFRS 9 includes requirements for recognition and measurement of financial instruments, a forward-looking “expected credit loss” impairment model and significant changes to general hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has completed its preliminary assessment and believes that the adoption of IFRS 9 will result in changes to the classification of certain financial assets but will not change the classification of any financial liabilities. The Company plans to adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2018 and continues to evaluate its measurement and disclosure requirements related to the new standard.

- In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers.* The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The standard contains a single five-step model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time, when control of the goods or services is transferred to the customer; or over time, in a manner that best reflects the entity’s performance. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company is currently evaluating the potential impact of applying IFRS 15, primarily analyzing its concentrate sales agreements with customers and its silver stream purchase and sale agreement. The Company plans to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018 and continues to evaluate its measurement and disclosure requirements related to the new standard.

- 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 contract, i.e. the customer (‘lessee’) and the supplier (‘lessor’). 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.

3. INTEREST IN GIBRALTAR JOINT VENTURE

On March 31, 2010, the Company entered into an agreement with Cariboo Copper Corp. (Cariboo) whereby the Company contributed certain assets and liabilities of the Gibraltar mine, operating in British Columbia, into an unincorporated joint venture to acquire a 75% interest in the joint venture. Cariboo contributed $186,800 to purchase the remaining 25% interest.

The assets and liabilities contributed by the Company to the joint venture were mineral property interests, plant and equipment, inventories, prepaid expenses, reclamation deposits, capital lease obligations, and site closure and reclamation obligations. Certain key strategic, operating, investing and financing policies of the joint venture require unanimous approval such that neither venturer is in a position to exercise unilateral control over the joint venture. The Company continues to be the operator of the Gibraltar Mine.

The Company has joint control over the joint arrangement and as such consolidates its 75% portion of all the joint venture’s assets, liabilities, income and expenses.

(Cdn$ in thousands)

The following is a summary of the Gibraltar joint venture financial information on a 100% basis.

	As at December 31,	
	2017	**2016**
Cash and equivalents	52,383	79,638
Other current assets	83,323	98,233
Current assets	135,706	177,871
Non-current assets	1,167,787	1,106,866
Accounts payable and accrued liabilities	53,312	38,747
Other current financial liabilities	15,865	23,743
Current liabilities	69,177	62,490
Long-term debt	21,151	20,287
Provision for environmental rehabilitation	142,164	129,487
Other financial liability	-	14,584
Non-current liabilities	163,315	164,358

	Years ended December 31,	
	2017	**2016**
Revenues	507,212	351,820
Production costs	(267,548)	(278,440)
Depletion and amortization	(75,428)	(81,715)
Other operating expense	(4,632)	(3,725)
Write-down of mine equipment	(4,735)	-
Interest expense	(5,927)	(6,459)
Interest income	343	1,158
Foreign exchange gain (loss)	(907)	22
Net earnings (loss)	148,378	(17,339)
Other comprehensive income (loss)	90	(693)
Comprehensive income (loss) for joint arrangement	148,468	(18,032)

4. REVENUE

	Years ended December 31,	
	2017	**2016**
Copper contained in concentrate	387,356	283,401
Molybdenum concentrate	21,807	5,900
Silver	2,132	3,988
Total gross revenue	411,295	293,289
Less: Treatment and refining costs	(32,996)	(29,424)
Revenue	378,299	263,865

(Cdn$ in thousands)

5. COST OF SALES

	Years ended December 31, 2017	2016
Site operating costs	167,338	209,381
Transportation costs	19,281	16,507
Changes in inventories of finished goods and ore stockpiles	13,964	(16,738)
Production costs	200,583	209,150
Depletion and amortization	47,722	52,939
Cost of sales	248,305	262,089

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.

6. COMPENSATION EXPENSE

	Years ended December 31, 2017	2016
Wages, salaries and benefits	61,998	57,987
Post-employment benefits	1,491	1,309
Share-based compensation	7,100	3,682
	70,589	62,978

Compensation expense is presented as a component of cost of sales, general and administrative expense, and exploration and evaluation expense.

7. DERIVATIVE INSTRUMENTS

During the year ended December 31, 2017, the Company purchased copper put option contracts for 75 million pounds of copper with maturity dates ranging from the second quarter of 2017 to the second quarter of 2018, at strike prices ranging between US$2.40 and US$2.80 per pound, at a total cost of $3,952. Details of the options outstanding at December 31, 2017 and 2016 are summarized in the following table:

	Notional amount	Strike price	Maturity Date	Fair value asset
At December 31, 2017				
Commodity contracts				
Copper put option contracts	15 million lbs	US$2.70/lb	Q1 2018	13
Copper put option contracts	15 million lbs	US$2.80/lb	Q2 2018	317
At December 31, 2016				
Commodity contracts				
Copper put option contracts	20 million lbs	US$2.10/lb and US$2.20/lb	Q1 2017	155

(Cdn$ in thousands)

The following table outlines the losses associated with derivative instruments:

	Years ended December 31, 2017	2016
Realized loss on copper put options	1,807	1,956
Unrealized loss on copper put options	1,970	1,044
Change in fair value of copper call option (Note 17e)	6,305	3,360
	10,082	6,360

In June 2017, the Company settled the copper call option obligation with a payment of $15,745 to the senior secured credit facility lender (see Note 17e).

8. OTHER EXPENSES (INCOME)

	Years ended December 31, 2017	2016
Write-down of mine equipment	3,551	-
Write-down of investment (Note 12)	3,850	-
Management fee income	(1,168)	(1,043)
Special shareholder meeting costs	-	4,894
Other financing costs	-	616
Other operating expense (income), net	108	(395)
	6,341	4,072

9. FINANCE EXPENSES

	Years ended December 31, 2017	2016
Interest expense	30,965	27,649
Accretion on PER (Note 20)	2,363	2,358
Loss on settlement of long-term debt	13,102	-
	46,430	30,007

As part of a refinancing completed in June 2017, the Company redeemed its US$200 million senior notes and repaid its US$70 million senior secured credit facility (see Note 17). The settlement of long-term debt resulted in a loss of $13,102, which includes a write-off of $9,203 of deferred financing costs relating to the settled debt and additional interest costs of $3,899 which were paid in lieu of notice to the noteholders and senior secured lender.

(Cdn$ in thousands)

10. INCOME TAX

(a) Income tax expense (recovery)

	Years ended December 31, 2017	2016
Current income tax:		
Current period expense	1,801	836
Deferred income tax:		
Origination and reversal of temporary differences	24,735	(15,307)
Deferred tax adjustments related to prior periods	2,642	(242)
	27,377	(15,549)
Income tax expense (recovery)	29,178	(14,713)

(b) Effective tax rate reconciliation

	Years ended December 31, 2017	2016
Income tax at Canadian statutory rate of 35.62% (2016: 35.62%)	22,597	(16,424)
Permanent differences	4,914	1,979
Tax rate differences	1,192	1,118
Foreign tax rate differential	22	(103)
Unrecognized tax benefits	(2,206)	(1,072)
Deferred tax adjustments related to prior periods	2,642	(242)
Other	17	31
Income tax expense (recovery)	29,178	(14,713)

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	As at December 31, 2017	2016
Property, plant and equipment	(175,502)	(151,230)
Other financial assets	2,884	316
Provisions	19,378	17,926
Tax loss carry forwards	64,195	71,051
Deferred tax liability	(89,045)	(61,937)

Tax loss carry forwards relate to non-capital losses in Canada of pre-tax $187,318 (2016: $194,929) which expire between 2027 and 2037 and net operating losses in the United States of pre-tax $65,555 (2016: $56,273), which expire between 2027 and 2037.

(Cdn$ in thousands)

(d) Unrecognized deferred tax assets and liabilities

	As at December 31, 2017	2016
Deductible temporary differences:		
Debt	70,529	76,031
Other investments	34,873	34,840
Other financial assets	19,705	11,620
Deferred tax asset:		
Debt	7,385	9,880
Other investments	4,708	4,529
Other financial assets	3,073	1,900

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits. There are no unrecognized tax liabilities.

11. ACCOUNTS RECEIVABLE

	As at December 31, 2017	2016
Trade receivables	19,341	9,463
Other receivables due from joint venture partner	210	162
Goods and services tax receivable	1,094	988
Other receivables	973	2,292
	21,618	12,905

12. OTHER FINANCIAL ASSETS

	As at December 31, 2017	2016
Current:		
Marketable securities	2,444	1,419
Copper put option contracts (Note 7)	330	155
	2,774	1,574
Long-term:		
Investment in subscription receipts	2,400	10,333
Reclamation deposits (Note 20)	30,637	30,535
Restricted cash (Note 20)	7,500	7,500
	40,537	48,368

The Company holds strategic investments in publicly traded and privately owned companies, which are classified as available for sale investments. As at December 31, 2017 these investments included marketable securities as well as subscription receipts. The subscription receipts relate to an investment in a privately held company with two directors in common, and are to be convertible into units comprised of shares, or shares and warrants (Note 26c).

(Cdn$ in thousands)

The fair value of the marketable securities is based upon public market information and the Company reviews the value of its investments for evidence of impairment based on both quantitative and qualitative criteria. For the years ended December 31, 2017 and 2016, unrealized gains and losses from the mark-to-market of marketable securities and reclamation deposits have been recorded in other comprehensive income (loss).

In the fourth quarter of 2017, the Company assessed the value of its investment in subscription receipts of a private mineral exploration and development company and recorded a write-down of the investment to its estimated fair value. A write-down of $3,850 was recorded in the statement of income, and an unrealized loss of $4,083 was recorded in other comprehensive income.

13. INVENTORIES

	As at December 31,	
	2017	**2016**
Ore stockpiles	9,332	28,186
Copper contained in concentrate	5,933	5,741
Molybdenum concentrate	217	106
Materials and supplies	24,157	26,517
	39,639	60,550

During the year ended December 31, 2017, the Company recorded a net reversal of previous impairments of $4,639 (2016: net impairment of $17,202), to adjust the carrying value of ore stockpiles to net realizable value. These adjustments were included in cost of sales as a change in inventory of ore stockpile.

(Cdn$ in thousands)

14. PROPERTY, PLANT & EQUIPMENT

	Property Acquisition costs	Mineral properties	Plant and equipment	Construction in Progress	Total
Cost					
At January 1, 2016	101,226	244,289	655,440	747	1,001,702
Additions	-	17,404	-	2,394	19,798
Rehabilitation cost asset	-	(27,870)	-	-	(27,870)
Capitalized interest [1]	-	5,219	-	-	5,219
Disposals	-	-	(838)	-	(838)
Foreign exchange translation	(2,822)	(214)	(150)	-	(3,186)
Transfers between categories	-	-	1,683	(1,683)	-
At December 31, 2016	98,404	238,828	656,135	1,458	994,825
Additions	-	84,641	10,696	21,030	116,367
Rehabilitation cost asset	-	8,350	-	-	8,350
Capitalized interest [1]	-	2,602	-	-	2,602
Disposals	-	-	(6,924)	-	(6,924)
Foreign exchange translation	(6,026)	(783)	(315)	-	(7,124)
Transfers between categories	-	-	19,760	(19,760)	-
At December 31, 2017	92,378	333,638	679,352	2,728	1,108,096
Accumulated depreciation					
At January 1, 2016	-	67,581	139,363	-	206,944
Depreciation[2]	-	29,076	28,743	-	57,819
Disposals	-	-	(146)	-	(146)
At December 31, 2016	-	96,657	167,960	-	264,617
Depreciation[2]	-	20,033	29,472		49,505
Impairment	-	-	3,551	-	3,551
Disposals	-	-	(6,842)	-	(6,842)
At December 31, 2017	-	116,690	194,141	-	310,831
Net book value					
At December 31, 2016	98,404	142,171	488,175	1,458	730,208
At December 31, 2017	92,378	216,948	485,211	2,728	797,265

[1] Interest related to the Florence Copper Project was capitalized until June 2017 at an annual rate of 11% (2016: 11%).

[2] Depreciation included in cost of sales for 2017 and 2016 of $47,722 and $52,939 respectively.

(a) Capital expenditures

During 2017, the Company capitalized stripping costs of $75,408 (2016: $10,065) and incurred other capital expenditures for Gibraltar of $10,728 (2016: $3,932). In addition, the Company capitalized development costs of $15,245 (2016: $4,961) for the Florence Copper and $1,713 (2016: $840) for the Aley Niobium projects. Non-cash additions to property, plant and equipment include $13,059 for the acquisition of mining equipment under capital leases and $6,371 of depreciation on mining assets related to capitalized stripping.

The rehabilitation cost asset increased by $8,350 for the year ended December 31, 2017, as a result of changes in estimates during the period including an increase in estimated costs and changes in the discount rate.

(Cdn$ in thousands)

(b) Leased assets

The Company leases mining equipment under a number of capital lease agreements. Most of these leases provide the Company with the option to purchase the equipment at a beneficial price. Certain rents are based on an annual average usage for the applicable equipment and, if at the end of the term (unless the equipment has been purchased by the Company), the actual annual average usage of such equipment has been greater than the specified usage, the Company must pay an additional amount for each excess hour of actual usage. The leased assets secure the lease obligations (Note 17). At December 31, 2017, the net carrying amount of leased assets was $51,918 (2016: $53,476).

(c) Property acquisition costs

Property acquisition costs are comprised of the Aley Niobium property $5,436, Florence Copper Project $86,940, New Prosperity gold-copper property $1 and Harmony gold property $1. The carrying amounts for the New Prosperity and Harmony properties are the original property acquisition costs less historical impairments.

15. GOODWILL

Goodwill was recorded on the Company's acquisition of Curis Resources Ltd. ("Curis") in 2014. Curis is a mineral exploration and development company whose principal asset is the Florence Copper Project, an in-situ copper recovery and solvent extraction/electrowinning project located in central Arizona, USA. As at December 31, 2017, the carrying value of the goodwill decreased to $5,172 as a result of foreign currency translation.

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31,	
	2017	**2016**
Trade payables	23,879	28,180
Accrued liabilities	18,692	4,012
Amounts payable to BC Hydro	4,764	-
Advance payments	-	1,163
Payables to related parties (Note 26c)	47	61
	47,382	33,416

The amounts payable to BC Hydro represent the remaining balance owing under BC Hydro's five-year power rate deferral program for BC mines. During the year ended December 31, 2017, the Company made net repayments of $6,174 to BC Hydro and based on recent copper prices the remaining balance is expected to be repaid in 2018. Under the program, effective March 1, 2016, the Gibraltar Mine was able to defer up to 75% of electricity costs. The amount of the deferral was based on a formula that incorporates the average copper price in Canadian dollars during the preceding month. The deferred amount, plus interest at the prime rate plus 5%, is repayable on a monthly schedule of up to 75% of the monthly electricity billing, when the average copper price during the preceding month exceeds a threshold amount of $3.40 per pound. Any remaining deferred balance would be repayable at the end of the five year term.

(Cdn$ in thousands)

17. DEBT

	As at December 31, 2017	2016
Current:		
Capital leases (b)	9,651	8,059
Secured equipment loans (c)	1,619	8,098
	11,270	16,157
Long-term:		
Senior secured notes (a)	302,085	-
Capital leases (b)	14,110	11,917
Secured equipment loans (c)	1,753	3,298
Senior notes (d)	-	266,435
Senior secured credit facility (e)	-	91,483
	317,948	373,133

(a) Senior secured notes

In June 2017, the Company completed an offering of US$250,000 aggregate principal amount of senior secured notes ("the Notes"). The Notes mature on June 15, 2022 and bear interest at an annual rate of 8.750%, payable semi-annually on June 15 and December 15, commencing December 15, 2017. The Notes were issued at 99% of par value and the Company incurred other transaction costs of $9,326 resulting in net proceeds from the offering of $317,596 (US$240,468). The net proceeds were used, along with cash on hand, to redeem the senior notes (Note 17d) and to repay the senior secured credit facility and to settle the related copper call option (Note 17e).

The Notes are secured by liens on the shares of Taseko's wholly-owned subsidiary, Gibraltar Mines Ltd., and the subsidiary's rights under the joint venture agreement relating to the Gibraltar mine. The Notes are guaranteed by each of Taseko's existing and future restricted subsidiaries, other than certain immaterial subsidiaries. The Company is able to incur limited amounts of additional secured and unsecured debt under certain conditions as defined in the Note indenture. The Company is also subject to certain restrictions on asset sales, issuance of preferred stock, dividends and other restricted payments. However, there are no maintenance covenants with respect to the Company's financial performance.

The Company may redeem some or all of the Notes at any time on or after June 15, 2019, at redemption prices ranging from 104.375% to 100%, plus accrued and unpaid interest to the date of redemption. Prior to June 15, 2019, all or part of the notes may be redeemed at 100%, plus a make-whole premium, plus accrued and unpaid interest to the date of redemption. In addition, until June 15, 2019, the Company may redeem up to 35% of the aggregate principal amount of the notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 108.750%, plus accrued and unpaid interest to the date of redemption. On a change of control, the Notes are redeemable at the option of the holder at a price of 101%.

(b) Capital leases

Capital leases are repayable in monthly installments and are secured by equipment with a carrying value $51,918 (2016: $53,476). The capital lease obligations bear fixed interest rates ranging from 3.5% to 5.8% and have maturity dates ranging from 2018 to 2022.

(c) Secured equipment loans

Equipment loans are secured by equipment with a carrying value of $20,912 (2016: $50,752). The loans are repayable in monthly installments and bear fixed interest rates at 5.6% and have maturity dates ranging from 2018 to 2020.

(d) Senior notes

In April 2011, the Company completed a public offering of US$200,000 in senior unsecured notes. On June 14, 2017, the senior unsecured notes were redeemed at 100% of par value plus accrued interest to the redemption date for a total cost of $269,185 (US$203.8 million).

The unsecured notes were scheduled to mature on April 15, 2019 and were bearing interest at a fixed annual rate of 7.75%, payable semi-annually. The notes were unsecured obligations guaranteed by the Company's subsidiaries and the subsidiary guarantees were, in turn, guaranteed by the Company. The notes were redeemable by the Company at par value after April 2017.

(e) Senior secured credit facility

On January 29, 2016, the Company entered into a US$70 million senior secured credit facility (the "Facility") with EXP T1 Ltd., an affiliate of Red Kite. Amounts drawn under the Facility accrued interest on a monthly basis at a rate of three-month LIBOR plus 7.5% per annum, subject to a minimum LIBOR of 1% per annum. The loan principal and all accrued interest was payable upon maturity of the Facility on March 29, 2019. The Facility was repayable at any time without penalty and did not impose any off-take obligations on the Company.

The Facility was secured by a first priority charge over substantially all assets of the Company, including the Company's 75% joint venture interest in the Gibraltar Mine, shares in all material subsidiaries and the Florence Copper project assets. The availability of the Facility was subject to conditions and covenants, including maintenance of a minimum working capital balance (as defined in the Facility) of US$20 million.

The first tranche of the Facility was drawn on January 29, 2016 and the proceeds of $46,444 (US$33.2 million) were used to repay an existing secured loan and to pay the arrangement fee and other transaction costs. The remainder of the Facility in the amount of $47,161 (US$36.8 million) was drawn during the second quarter of 2016. On June 14, 2017, the Facility plus all accrued interest was fully repaid for $104,901 (US$79.4 million).

Upon entering into the Facility in January 2016, the Company issued a call option to the lender for 7,500 tonnes of copper with a strike price of US$2.04/lb. The call option was to mature in March 2019 with an amount then payable to the lender based on the average copper price during the month of March 2019, subject to a maximum amount of US$15 million. On June 14, 2017 the Company settled the copper call option obligation with a payment to the lender of $15,745 (US$11.9 million), based on the cancellation pay-out amount defined in the Facility agreement.

In connection with the Facility, the Company also issued share purchase warrants to acquire 4 million common shares of the Company at any time until May 9, 2019 at an exercise price of $0.51 per share. These warrants were exercised by the lender in February and March 2017 (Note 21a,b).

The Company had incurred total deferred debt financing costs of $11,257, which included the initial fair value of the copper call option, warrants and other transaction costs. These costs were initially deferred and were being amortized over the life of the loan using the effective interest rate method. The remaining deferred costs were expensed on repayment in June 2017 (Note 9).

(Cdn$ in thousands)

18. 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 silver equivalent to 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 amount equivalent to 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.

In connection with the silver stream transaction, the Company issued share purchase warrants to Osisko to acquire 3 million common shares of the Company at any time until April 1, 2020 at an exercise price of $2.74 per share. The fair value of the warrants was estimated to be $1,876 at the date of grant and was measured based on the Black-Scholes valuation model. The fair value was determined using the expected life of 3 years, expected volatility of the Company's common share price of 61%, an expected dividend yield of 0%, and a risk-free interest rate of 0.9% (Note 21b).

The following table summarizes changes in deferred revenue:

Upfront cash deposit	44,151
Issuance of warrants	(1,876)
Amortization of deferred revenue	(1,323)
Balance at December 31, 2017	40,952

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

	December 31, 2017
Current	1,312
Non-current	39,640
	40,952

(Cdn$ in thousands)

19. OTHER FINANCIAL LIABILITIES

	As at December 31, 2017	2016
Long-term:		
Deferred share units (Note 22b)	5,714	1,535
Derivative liability - copper call option (Note 17e)	-	9,440
Amounts payable to BC Hydro (Note 16)	-	10,938
	5,714	21,913

In June 2017 the Company settled the copper call option obligation with a payment of $15,745 to the senior secured credit facility lender.

20. PROVISION FOR ENVIRONMENTAL REHABILITATION

	2017	2016
Beginning balance at January 1	98,454	124,445
Change in estimates	8,350	(27,870)
Accretion	2,363	2,358
Settlements	(1,205)	(438)
Foreign exchange differences	(88)	(41)
Ending balance at December 31	107,874	98,454

The provision for environmental rehabilitation ("PER") represents the present value of estimated costs of legal and constructive obligations required to retire an asset, including decommissioning and other site restoration activities. The majority of these expenditures occur after the end of the life of the related operation. For the Gibraltar Mine, it is anticipated that these costs will be incurred over a period of 100 years beyond the end of the mine life. As at December 31, 2017, the PER was calculated using a pre-tax discount rate of 2.26% (2016 – 2.31%), which is based on the long-term Canadian government bond rate and an inflation rate of 2.0% (2016 – 2.0%) in its cash flow estimates. The increase in the PER during 2017 is primarily due to an increase in estimated costs and a reduction in the discount rates.

During 2017, the Company submitted an updated decommissioning cost report for the Gibraltar Mine to the BC Ministry of Energy, Mines and Petroleum Resources as a requirement to maintain its permits in good standing. The underlying cost assumptions supporting the 2017 decommissioning report reflect management's best estimate for closure costs and were incorporated into the PER. Estimates are reviewed regularly and there have been adjustments to the amount and timing of cash flows as a result of updated information. Assumptions are based on the current economic environment, but actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation will depend on when the mine ceases production which, in turn, will depend on future metal prices, operating conditions and many other factors which are inherently uncertain.

The Company has provided deposits and other financial security for its reclamation obligations which is held in trust by the regulatory authorities. Reclamation deposits (Note 12) are returned once the site is reclaimed to a satisfactory level and there are no ongoing monitoring or maintenance requirements. The restricted cash of $7,500 (Note 12) represents the Company's share of cash security for a letter of credit issued by the Gibraltar Joint Venture as security for reclamation obligations at the Gibraltar Mine. For the Florence Copper project, the Company has issued security for reclamation bonds totaling $6,515, which is supported by surety bonds of an insurance company. The Company has provided cash collateral of $2,002 to the surety provider and these amounts are classified as reclamation deposits (Note 12).

(Cdn$ in thousands)

21. EQUITY

(a) Share capital

	Common shares (thousands)
Common shares outstanding at January 1, 2016	221,809
Exercise of share options	58
Common shares outstanding at December 31, 2016	221,867
Exercise of warrants (Note 17e)	4,000
Exercise of share options	1,133
Common shares outstanding at December 31, 2017	227,000

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

(b) Share Purchase Warrants

	Warrants (thousands)	Exercise price
Outstanding at January 1, 2017	4,000	0.51
Issued (Note 18)	3,000	2.74
Exercised	(4,000)	0.51
Outstanding at December 31, 2017	3,000	2.74

(c) Contributed surplus

Contributed surplus represents employee entitlements to equity settled share-based awards that have been charged to the statement of comprehensive income and loss in the periods during which the entitlements were accrued and have not yet been exercised.

(d) Accumulated other comprehensive income ("AOCI")

AOCI is comprised of the cumulative net change in the fair value of available-for-sale financial assets, net of taxes, until the investments are sold or impaired and cumulative translation adjustments arising from the translation of foreign subsidiaries.

22. SHARE-BASED COMPENSATION

(a) Share Options

The Company has an equity settled share option plan approved by the shareholders that allows it to grant options to directors, officers, employees and other service providers. Under the plan, a maximum of 9.5% of the Company's outstanding common shares may be granted. The maximum allowable number of outstanding options to independent directors as a group at any time is 1% of the Company's outstanding common shares. The exercise price of an option is set at the time of grant using the five-day volume weighted average price of the common shares. Options are exercisable for a maximum of five years from the effective date of grant under the plan. Vesting conditions of options are at the discretion of the Board of Directors at the time the options are granted.

(Cdn$ in thousands)

	Options (thousands)	**Average price**
Outstanding at January 1, 2016	11,557	2.55
Granted	2,601	0.38
Exercised	(58)	0.38
Forfeited	(313)	1.40
Expired	(1,846)	5.04
Outstanding at January 1, 2017	11,941	1.74
Granted	1,911	1.25
Exercised	(1,133)	0.78
Forfeited	(39)	0.96
Expired	(3,399)	2.71
Outstanding at December 31, 2017	9,281	1.40
Exercisable at December 31, 2017	7,322	1.52

During the year ended December 31, 2017, the Company granted 1,910,500 (2016 – 2,601,000) share options to directors, executives and employees. The total fair value of options granted was $1,165 (2016 – $442) based on a weighted average grant-date fair value of $0.61 (2016 – $0.17) per option. During the year ended December 31, 2017, 1,132,600 options were exercised. The weighted-average share price at the date of exercise was $0.78 per share.

Range of exercise price	**Options (thousands)**	**Average life (years)**
$0.38 to $0.68	1,939	2.5
$0.69 to $1.02	1,958	2.0
$1.03 to $1.64	1,849	3.3
$1.65 to $2.40	3,535	1.0
	9,281	1.8

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:

	2017	**2016**
Expected term (years)	4.45	4.49
Forfeiture rate	0%	0%
Volatility	60.6%	52.5%
Dividend yield	0%	0%
Risk-free interest rate	1.04%	0.57%
Weighted-average fair value per option	$0.61	$0.17

(Cdn$ in thousands)

(b) Deferred Share Units and Performance Share Units

The Company has adopted a Deferred Share Unit ("DSU") Plan (the "DSU Plan") that provides for an annual grant of DSUs to each non-employee director of the Company, or an equivalent cash payment in lieu thereof, which participants have agreed would in the first instance be used to assist in complying with the Company's share ownership guidelines. DSUs vest immediately upon grant and are paid out in cash when a participant ceases to be a director of the Company.

The Company has established a Performance Share Unit ("PSU") Plan (the "PSU Plan") whereby PSUs are issued to executives as long-term incentive compensation. PSUs issued under the Plan entitle the holder to a cash or equity payment (as determined by the Board of Directors), at the end of a three-year performance period equal to the number of PSU's granted, adjusted for a performance factor and multiplied by the quoted market value of a Taseko common share on the completion of the performance period. The performance factor can range from 0% to 250% and is determined by comparing the Company's total shareholder return to those achieved by a peer group of companies.

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

	DSUs (thousands)	PSUs (thousands)
Outstanding at January 1, 2016	915	462
Granted	714	1,349
Settled	(306)	(59)
Forfeited	-	(45)
Outstanding at January 1, 2017	1,323	1,707
Granted	620	400
Settled	-	(888)
Outstanding at December 31, 2017	1,943	1,219

During the year ended December 31, 2017, 887,792 of the PSUs issued to executives during 2016, in lieu of annual incentive plan payments for 2015, were settled on a cash basis. The PSUs were settled at prices ranging between $1.75 and $2.25 per unit. The settlement amounts were based on the 5-day volume weighted average share price prior to the vesting date.

During the year ended December 31, 2017, 620,000 DSUs were issued to directors (2016 - 714,000) and 400,000 PSUs to senior executives (2016 - 1,349,292). The fair value of DSUs and PSUs granted was $791 (2016 - $1,080), with a weighted average fair value at the grant date of $1.28 per unit for the DSUs (2016 - $0.38) per unit) and $2.33 per unit for the PSUs (2016 – $0.66 per unit).

For the year ended December 31, 2017, the Company recognized total share-based compensation expense of $7,100 (2016: $3,682).

(Cdn$ in thousands)

23. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Company is a party to certain contracts relating to capital expenditures, operating leases and service and supply agreements. Future miniumum payments under these agreements as at December 31, 2017 are presented in the following table:

2018	13,198
2019	2,363
2020	1,451
2021	408
2022	234
2023 and thereafter	-
Total commitments	17,654

The Gibraltar joint venture (Note 3) is committed to incur capital expenditures of $933 (2016: $251), of which the Company's share is $700 (2016: $189).

(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 $9,044 as at December 31, 2017.

24. SUPPLEMENTARY CASH FLOW INFORMATION

	For the year ended December 31,	
	2017	**2016**
Change in non-cash working capital items		
Accounts receivable	(9,199)	(1,783)
Inventories	16,324	(16,023)
Prepaids	(203)	349
Accounts payable and accrued liabilities	8,995	4,010
Interest payable	(21)	(543)
Income tax paid	(2,275)	(750)
Income tax received	-	29
	13,621	(14,711)
Non-cash investing and financing activities		
Share purchase warrants issued (Note 18)	1,876	-
Assets acquired under capital lease	13,059	-
Derivative liabilities (Note 17e)	-	7,334
Share purchase warrants exercised (Note 17e)	(830)	830

(Cdn$ in thousands)

25. FINANCIAL RISK MANAGEMENT

(a) Overview

In the normal course of business, the Company is inherently exposed to market, liquidity and credit risk through its use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Board approves and monitors risk management processes, including treasury policies, counterparty limits, controlling and reporting structures.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk; interest rate risk; and currency risk. Financial instruments affected by market risk include: cash and equivalents; accounts receivable; marketable securities; subscription receipts; reclamation deposits; accounts payable and accrued liabilities; debt and derivatives.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company buys and sells copper put options in order to reduce commodity price risk. The derivative instruments employed by the Company are considered to be economic hedges but are not designated as hedges for accounting purposes.

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 option contracts are typically extended adding incremental quarters at established put 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 pre-tax earnings and equity for changes in commodity prices on the fair value of derivatives and the provisionally invoiced sales volumes.

	As at December 31,	
	2017	**2016**
Copper increase/decrease by US$0.33/lb (2016: US$0.25/lb)[1, 2]	6,645	4,778

[1]The analysis is based on the assumption that the year-end copper price increases 10 percent with all other variables held constant. The relationship between the year-end copper price and the strike price of copper options has significant influence over the fair value of the derivatives. As such, a 10% decrease in the year-end copper price will not result in an equal but opposite impact on earnings after tax and equity. The closing exchange rate for the year ended December 31, 2017 of CAD/USD 1.25 (2016: 1.34) was used in the analysis.

[2]At December 31, 2017, 16 million (2016: 14 million) pounds of copper in concentrate were exposed to copper price movements.

The sensitivities in the above tables 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.

(Cdn$ in thousands)

Interest rate risk

The Company is exposed to interest rate risk on its outstanding debt and investments, including cash and cash equivalents, from the possibility that changes in market interest rates will affect future cash flows or the fair value of fixed-rate interest-bearing financial instruments.

The table below summarizes the impact on earnings after tax and equity for a change of 100 basis points in interest rates at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This assumes that the change in interest rates is effective from the beginning of the financial year and balances are constant over the year. However, interest rates and balances of the Company may not remain constant in the coming financial year and therefore such sensitivity analysis should be used with care.

	Years ended December 31,	
	2017	**2016**
Fair value sensitivity for fixed-rate instruments		
Senior secured notes	(1,340)	-
Capital leases	(176)	(200)
Secured equipment loans	(96)	(160)
Senior notes	-	(1,960)
Senior secured credit facility	-	(246)
	(1,612)	(2,566)
Cash flow sensitivity for variable-rate instruments		
Cash and equivalents	645	171
Reclamation deposits	209	192
	854	363

Currency risk

The Canadian dollar is the functional currency of the Company and, as a result, currency exposure arises from transactions and balances in currencies other than the Canadian dollar, primarily the US dollar. The Company's potential currency exposures comprise translational exposure in respect of non-functional currency monetary items, and transactional exposure in respect of non-functional currency revenues and expenditures.

The following table demonstrates the sensitivity to a 10% strengthening in the CAD against the USD. With all other variables held constant, the Company's shareholders equity and earnings after tax would both increase/(decrease) due to changes in the carrying value of monetary assets and liabilities. A weakening in the CAD against the USD would have had the equal but opposite effect to the amounts shown below.

(Cdn$ in thousands)

	Year ended December 31,	
	2017	**2016**
Cash and equivalents	(4,966)	(5,429)
Accounts receivable	(1,435)	(699)
Copper put option contracts	(24)	(12)
Accounts payable and accrued liabilities	344	283
Senior secured notes	23,293	-
Senior notes	-	20,193
Senior secured credit facility	-	7,435
Equipment loans	27	547

The Company's financial asset and liability profile may not remain constant and, therefore, these sensitivities should be used with care.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by holding sufficient cash and equivalents and scheduling long-term obligations based on estimated cash inflows. There were no defaults on loans payable during the year.

(d) Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its receivables, marketable securities and investments, and derivatives. In general, the Company manages its credit exposure by transacting only with reputable counterparties. The Company monitors the financial condition of its customers and counterparties to contracts. The Company deals with a limited number of counterparties for its metal sales. The Company had two significant customers in 2017 that represented 81% of gross copper concentrate revenues (2016: two customers accounted for 95% of gross copper concentrate revenues). The trade receivable balance at December 31, 2017 and 2016, is comprised of three customers. There are no impairments recognized on the trade receivables.

(e) Fair values of financial instruments

The fair values of the senior secured notes is $322,306 and the carrying value is $302,085 at December 31, 2017. The fair value of all other financial assets and liabilities approximates their carrying value.

(Cdn$ in thousands)

The Company uses the fair value hierarchy described in Note 2.4(c) for determining the fair value of instruments that are measured at fair value.

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Financial assets designated at FVTPL				
Copper put option contracts	-	331	-	331
Available-for-sale financial assets				
Marketable Securities	2,444	-	-	2,444
Investment in subscription receipts (Note 12)	-	-	2,400	2,400
Reclamation deposits	30,638	-	-	30,638
	33,082	331	2,400	35,813
December 31, 2016				
Financial assets designated at FVTPL				
Copper put option contracts	-	155	-	155
Available-for-sale financial assets				
Marketable Securities	1,419	-	-	1,419
Investment in subscription receipts (Note 12)	-	-	10,333	10,333
Reclamation deposits	30,535	-	-	30,535
	31,954	155	10,333	42,442

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 December 31, 2017.

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 4.1% 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 accounts 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 December 31, 2017 the estimated fair value of the investment has been based on the market capitalization of comparable public companies.

(f) Capital management

The Company's primary objective when managing capital is to ensure that the Company is able to continue its operations and that it has sufficient ability to satisfy its capital obligations and ongoing operational expenses, as well as to have sufficient liquidity available to fund suitable business opportunities as they arise.

(Cdn$ in thousands)

The Company considers the components of shareholders' equity, as well as its cash and equivalents, credit facilities and debt as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue or buy back equity, issue, buy back or repay debt, sell assets, or return capital to shareholders.

	December 31, 2017	**December 31, 2016**
Cash	(80,231)	(89,030)
Current portion of long-term debt	11,270	16,157
Long-term debt	317,948	373,133
Net debt	**248,987**	**300,260**
Shareholders' equity	**367,080**	**338,939**

In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the Board of Directors. Management also actively monitors its financial covenants to ensure compliance. The Company's investment policy is to invest its cash in highly liquid interest-bearing investments that are readily convertible to known amounts of cash. There were no changes to the Company's approach to capital management during the year ended December 31, 2017.

26. RELATED PARTIES

(a) Subsidiaries

	Ownership interest as at	
	December 31, 2017	**December 31, 2016**
Gibraltar Mines Ltd.	100%	100%
Curis Resources Ltd.	100%	100%
Curis Holdings (Canada) Ltd.	100%	100%
Florence Copper Inc.	100%	100%
Aley Corporation	100%	100%
672520 BC Ltd.	100%	100%

(b) Key management personnel compensation

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 profit or loss 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-month to 12-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-month to 32-months' salary and accrued bonus, and all stock options held by these individuals will fully vest.

(Cdn$ in thousands)

Executive officers and directors also participate in the Company's share option program (Note 22).

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

	Year ended December 31,	
	2017	**2016**
Salaries and benefits	5,015	5,050
Post-employment benefits	1,491	1,309
Share-based compensation	6,849	3,602
	13,355	9,961

(c) Related party transactions

	Transaction value for the year end December 31,		**Due (to) from related parties as at December 31,**	
	2017	**2016**	**2017**	**2016**
Hunter Dickinson Services Inc.:				
General and administrative expenses	1,301	1,400		
Exploration and evaluation expenses	98	40		
	1,399	1,440	(47)	(61)
Gibraltar Joint Venture:				
Management fee income	1,168	1,043		
Reimbursable compensation expenses and third party costs	34	105		
	1,202	1,148	210	162

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 year ended December 31, 2017, the Company incurred total costs of $1,399 (2016: $1,440) in transactions with HDSI. Of these, $593 (2016: $643) related to administrative, legal, exploration and tax services, $526 related to reimbursements of office rent costs (2016: $517), and $280 (2016: $280) 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.