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TASEKO REPORTS $42 MILLION OF ADJ. EBITDA IN THIRD QUARTER

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, sales volumes and inventory stated in this release are on a 100% basis unless otherwise indicated.

October 26, 2017, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE American: TGB) ("Taseko" or the "Company") reports the results for the three months ended September 30, 2017.

"The third quarter was another very good quarter for Taseko and despite being impacted by the wildfires in central British Columbia we still produced 35 million pounds of copper and generated $42 million of adjusted EBITDA*. Mine personnel did an excellent job of managing through the provincial state of emergency and widespread evacuation orders," highlighted Russell Hallbauer, President and CEO of Taseko. "Manpower levels at times were one quarter of normal levels which impacted mine sequencing and mill operations. Truck and rail shipments were also halted for an extended period which resulted in reduced sales volumes and an increase in copper concentrate inventory of approximately five million pounds, which reduced earnings for the quarter. We expect a significant reduction in concentrate inventory by year end."

Third Quarter 2017 Highlights

- Earnings from mining operations before depletion and amortization* were $45.1 million;
- Cash flow from operations was $37.1 million for the third quarter;
- Adjusted net income* for the third quarter was $13.4 million (or $0.06 per share) and net income was $20.1 million (or $0.09 per share);
- Site operating costs, net of by-product credits* were US$0.88 per pound produced, down 44% from the third quarter of 2016;
- The Gibraltar Mine produced 35.1 million pounds of copper and 0.4 million pounds of molybdenum (100% basis) at a total operating cost (C1)* of US$1.18 per pound;
- Total sales for the third quarter were 30.2 million pounds of copper and 0.4 million pounds of molybdenum;

*Non-GAAP performance measure. Refer to end of news release.

- 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. A temporary shutdown of rail service also affected our ability to get product to the port, and as a result sales volumes were lower than planned;

- On September 25, 2017, the Company announced that the Environmental Appeals Board of the U.S. Environmental Protection Agency ("EPA") had issued an order denying any further review of the Underground Injection Control ("UIC") Permit granted in 2016 for Taseko's Florence Copper Project. All necessary state and federal permits are now in place to build and operate the Production Test Facility ("PTF"), and the Company's board of directors has approved the construction of the PTF at an estimated cost of US$25 million; and

- The Company's cash balance at September 30, 2017 was $96 million.

"With Gibraltar operations once again stabilized after being impacted by wildfires in the third quarter, our focus is on Florence Copper and advancing one of the lowest capital intensity projects in the world towards commercial production," commented Mr. Hallbauer. "With receipt of final permits and construction progressing, we are excited about the prospects of producing copper in 2018."

"We have seen the copper price increase by nearly 50% since the lows of 2016 and believe the market is in the early stages of a major copper deficit. Given the long timelines to develop, permit, finance and construct a mine, there is no way that copper supply can quickly be increased to meet growing demand," continued Mr. Hallbauer. "With the ability to have Florence Copper in commercial production in 2020, we are ideally positioned to capitalize on a rapidly improving market. Additionally, with recent announcements by a number of major auto manufacturers regarding electric vehicles (EVs), some experts are now forecasting copper demand for EVs will far surpass previous estimates. Using up to 175 pounds of copper per car, which is approximately four times that of a conventional vehicle, plus the associated charging infrastructure, demand from this sector could prove to be very supportive for copper and other base metals much earlier than originally anticipated."

*Non-GAAP performance measure. Refer to end of news release.

HIGHLIGHTS

Financial Data (Cdn$ in thousands, except for per share amounts)	Three months ended September 30, 2017	2016	Change	Nine months ended September 30, 2017	2016	Change
Revenues	78,508	55,964	22,544	282,891	169,237	113,654
Earnings from mining operations before depletion and amortization*	45,133	11,566	33,567	145,020	8,098	136,922
Earnings (loss) from mining operations	33,348	(4,501)	37,849	111,859	(35,617)	147,476
Net income (loss)	20,136	(15,610)	35,746	41,862	(36,509)	78,371
Per share - basic (“EPS”)	0.09	(0.07)	0.16	0.19	(0.16)	0.35
Adjusted net income (loss)*	13,405	(10,423)	23,828	42,965	(48,264)	91,229
Per share - basic (“adjusted EPS”)*	0.06	(0.05)	0.11	0.19	(0.22)	0.41
EBITDA*	48,457	4,064	44,393	141,407	7,208	134,199
Adjusted EBITDA*	42,356	9,285	33,071	133,110	(2,849)	135,959
Cash flows provided by (used for) operations	37,124	(7,493)	44,617	179,180	(15,810)	194,990

Operating Data (Gibraltar - 100% basis)	Three months ended September 30, 2017	2016	Change	Nine months ended September 30, 2017	2016	Change
Tons mined (millions)	23.3	21.5	1.8	66.2	69.2	(3.0)
Tons milled (millions)	7.2	7.4	(0.2)	22.0	22.1	(0.1)
Production (million pounds Cu)	35.1	33.1	2.0	115.7	92.6	23.1
Sales (million pounds Cu)	30.2	29.8	0.4	111.7	90.6	21.1

*Non-GAAP performance measure. Refer to end of news release.

REVIEW OF OPERATIONS

Gibraltar Mine (75% Owned)

Operating data (100% basis)	**Q3 2017**	**Q2 2017**	**Q1 2017**	**Q4 2016**	**Q3 2016**
Tons mined (millions)	23.3	21.1	21.8	18.5	21.5
Tons milled (millions)	7.2	7.5	7.3	7.3	7.4
Strip ratio	4.1	2.8	2.4	1.1	1.0
Site operating cost per ton milled (CAD$)	$5.93	$7.67	$8.59	$9.13	$9.47
Copper concentrate					
Grade (%)	0.284	0.309	0.328	0.319	0.259
Recovery (%)	86.1	85.2	85.9	87.0	85.9
Production (million pounds Cu)	35.1	39.4	41.3	40.7	33.1
Sales (million pounds Cu)	30.2	40.7	40.8	40.4	29.8
Inventory (million pounds Cu)	9.3	4.6	5.9	5.6	5.4
Molybdenum concentrate					
Production (thousand pounds Mo)	445	789	866	764	185
Sales (thousand pounds Mo)	403	794	859	798	105
Per unit data (US$ per pound produced)*					
Site operating costs*	$0.97	$1.08	$1.15	$1.23	$1.64
By-product credits*	(0.09)	(0.11)	(0.15)	(0.11)	(0.06)
Site operating costs, net of by-product credits*	0.88	$0.97	$1.00	$1.12	$1.58
Off-property costs	0.30	0.34	0.33	0.36	0.31
Total operating costs (C1)*	$1.18	$1.31	$1.33	$1.48	$1.89

OPERATIONS ANALYSIS

Third quarter results

Copper head grade at Gibraltar was 0.284% in the third quarter and copper recovery for the quarter was 86%. Mill throughput was 7.2 million tons of ore and the mine produced 35.1 million pounds of copper.

A total of 23.3 million tons were mined during the quarter at a strip ratio of 4.1 to 1. Waste stripping costs of $22.9 million (75% basis) were capitalized in the quarter primarily related to a new pushback in the Granite pit.

Mining and milling operations in July 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. This resulted in reduced production for periods of time as well as a complete mine shutdown for several days during July. Mill operations returned to normal in early August. During the quarter, approximately 2.6 million tons of ore were drawn from the ore stockpile, which was largely due to the wild fires impact on mine site access and the lack of employees available for mine operations.

*Non-GAAP performance measure. Refer to end of news release.

OPERATIONS ANALYSIS – CONTINUED

Site operating cost per ton milled* was $5.93 in the third quarter of 2017, which is lower than recent quarters due to the increased capitalization of stripping costs and the drawdown of ore stockpiles.

The molybdenum circuit was negatively impacted by a lack of personnel during the wild fires. A total of 0.4 million pounds of molybdenum were produced. By-product credits per pound produced* was US$0.09 in the third quarter of 2017. Site operating costs per pound produced, net of by-product credits* decreased to US$0.88 in the third quarter of 2017 from US$0.97 in the second quarter of 2017.

Off-property costs per pound produced* were US$0.30 for the third quarter of 2017 compared to the prior quarter off-property costs of US$0.34. The decrease is due to lower than planned sales volumes, as treatment and refining and ocean freight costs are recognized at the time of sale.

Total operating costs (C1) per pound* decreased to US$1.18, a 10% reduction from the second quarter of 2017.

GIBRALTAR OUTLOOK

Overall, Gibraltar has maintained a stable level of operations and management continues to focus on further improvements to operating practices to reduce unit costs. Copper prices have continued to strengthen in the fourth quarter of 2017, increasing to US$3.16 per pound as of October 26, 2017, which is US$0.28 higher than the average LME copper price in the third quarter of 2017. Operating margins at Gibraltar are sensitive to the Canadian dollar as approximately 80% of mine operating costs are paid in Canadian dollars.

The Company is pursuing a potential insurance claim related to the Cariboo region wildfires in July, however, the outcome of the claim cannot be determined at this time.

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. During the third quarter of 2017, expenditures of $1.8 million were incurred on the Florence Copper project, and total expenditures of $1.0 million were incurred on the Aley and New Prosperity projects. Taseko will continue to take a prudent approach to spending on development projects.

Florence Copper

On September 25, 2017, the Company announced that the Environmental Appeals Board ("EAB") of the Environmental Protection Agency had issued an order denying any further review of the Underground Injection Control Permit granted in 2016 for Taseko's Florence Copper Project. In the September 22, 2017 decision, the EAB found that the petitioners failed to demonstrate that any errors were made in issuing the federal permit. The Company now has all necessary state and federal permits in place to build and operate the Production Test Facility ("PTF").

The Company is moving forward with the construction of the PTF at an estimated cost of US$25 million. The PTF will include a well field comprised of thirteen (four injection and nine recovery) commercial scale production wells and numerous monitoring, observation and point of compliance wells, and also an integrated SX/EW plant. With major components already on site, the PTF is expected to be operational in the latter half of 2018.

REVIEW OF PROJECTS – CONTINUED

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

New Prosperity

On July 18, 2017, Taseko received approval from the Province of British Columbia to undertake a site investigation program to conduct exploratory work at the New Prosperity project site. The Province issued a Notice of Work, which is a multi-year permit from the Ministry of Energy & Mines that allows the Company to gather information for the purpose of advancing mine permitting under the British Columbia Mines Act.

Taseko is proceeding with its request to amend the British Columbia environmental assessment certificate for the New Prosperity Project.

The two Judicial Reviews initiated by Taseko were heard in federal court over a five day period in the week of January 30, 2017. Both Judicial Reviews focus on the principles of administrative and procedural fairness. Taseko's allegation is that the Government of Canada, through the conduct of the environmental assessment and the decisions which resulted from it, failed in their obligation to uphold those fundamental principles.

The Company will host a telephone conference call and live webcast on Friday, October 27 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific) to discuss these results. 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 November 2, 2017 and can be accessed by dialing (855) 859-2056 in Canada and the United States, or (404) 537-3406 internationally and using the passcode 86634056.

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.

	Three months ended September 30,		Nine months ended September 30,	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2017**	**2016**	**2017**	**2016**
Cost of sales	**45,160**	**60,465**	**171,032**	**204,854**
Less:				
Depletion and amortization	(11,785)	(16,067)	(33,161)	(43,715)
Net change in inventory	3,027	12,076	(566)	9,156
Transportation costs	(4,498)	(3,544)	(15,207)	(11,149)
Site operating costs	**31,904**	**52,930**	**122,098**	**159,146**
Less by-product credits:				
Molybdenum, net of treatment costs	(2,725)	(508)	(12,867)	(508)
Silver, excluding amortization of deferred revenue	(107)	(1,128)	(637)	(2,970)
Site operating costs, net of by-product credits	**29,072**	**51,294**	**108,594**	**155,668**
Total copper produced (thousand pounds)	26,306	24,838	86,780	69,426
Total costs per pound produced	1.11	2.06	1.25	2.24
Average exchange rate for the period (CAD/USD)	1.25	1.30	1.31	1.32
Site operating costs, net of by-product credits (US$ per pound)	**0.88**	**1.58**	**0.96**	**1.69**
Site operating costs, net of by-product credits	29,072	51,294	108,594	155,668
Add off-property costs:				
Treatment and refining costs of copper concentrate	5,378	6,187	21,900	18,266
Transportation costs	4,498	3,544	15,207	11,149
Total operating costs	38,948	61,025	145,701	185,083
Total operating costs (C1) (US$ per pound)	**1.18**	**1.89**	**1.28**	**2.02**

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;
- 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 September 30,		**Nine months ended September 30,**	
($ in thousands, except per share amounts)	**2017**	**2016**	**2017**	**2016**
Net income (loss)	**20,136**	**(15,610)**	**41,862**	**(36,509)**
Unrealized foreign exchange (gain) loss	(10,299)	5,090	(19,225)	(16,587)
Write-down of mine equipment	3,551	-	3,551	-
Unrealized loss on copper put options	647	567	1,072	567
Loss on settlement of long-term debt	-	-	13,102	-
(Gain) loss on copper call option	-	(517)	6,305	474
Other non-recurring expenses*	-	81	-	5,489
Estimated tax effect of adjustments	(630)	(34)	(3,702)	(1,698)
Adjusted net income (loss)	**13,405**	**(10,423)**	**42,965**	**(48,264)**
Adjusted EPS	**0.06**	**(0.05)**	**0.19**	**(0.22)**

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

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

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;
- 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 September 30,		Nine months ended September 30,	
($ in thousands)	**2017**	**2016**	**2017**	**2016**
Net income (loss)	**20,136**	**(15,610)**	**41,862**	**(36,509)**
Add:				
Depletion and amortization	11,785	16,066	33,161	43,799
Amortization of share-based compensation expense	2,250	253	5,779	2,300
Finance expense	8,385	7,964	37,738	21,979
Finance income	(403)	(279)	(1,204)	(787)
Income tax expense (recovery)	6,304	(4,330)	24,071	(23,574)
EBITDA	**48,457**	**4,064**	**141,407**	**7,208**
Adjustments:				
Unrealized foreign exchange (gain) loss	(10,299)	5,090	(19,225)	(16,587)
Write-down of mine equipment	3,551	-	3,551	-
Unrealized loss on copper put options	647	567	1,072	567
(Gain) loss on copper call option	-	(517)	6,305	474
Other non-recurring expenses*	-	81	-	5,489
Adjusted EBITDA	**42,356**	**9,285**	**133,110**	**(2,849)**

* 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 (loss) from mining operations before depletion and amortization

Earnings (loss) 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 September 30,		Nine months ended September 30,	
(Cdn$ in thousands)	**2017**	**2016**	**2017**	**2016**
Earnings (loss) from mining operations	**33,348**	**(4,501)**	**111,859**	**(35,617)**
Add:				
Depletion and amortization	11,785	16,067	33,161	43,715
Earnings from mining operations before depletion and amortization	**45,133**	**11,566**	**145,020**	**8,098**

Site operating costs per ton milled

	Three months ended September 30,		Nine months ended September 30,	
(Cdn$ in thousands, except per ton milled amounts)	**2017**	**2016**	**2017**	**2016**
Site operating costs (included in cost of sales)	**31,904**	**52,930**	**122,098**	**159,146**
Tons milled (thousands) (75% basis)	5,380	5,587	16,480	16,611
Site operating costs per ton milled	**$5.93**	**$9.47**	**$7.41**	**$9.58**

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This document contains "forward-looking statements" within the meaning of applicable Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward looking statements") that were based on Taseko's expectations, estimates and projections as of the dates as of which those statements were made. Any statements that express, or involve discussions as to, expectations, believes, plans, objectives, assumptions or future events or performance that are not historical facts, are forward-looking statements. 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 the ability to obtain necessary title, licenses and permits for development projects and project delays due to third party opposition;
- our ability to comply with the extensive governmental regulation to which our business is subject;

- 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;
- 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, equipment failure or other events or occurrences, including third party interference that interrupt the production of minerals in our mines;
- the availability of, and uncertainties relating to the development of, infrastructure necessary for the development of our projects;
- our reliance upon key personnel; and
- uncertainties relating to increased competition and conditions in the mining capital markets.

For further information on Taseko, investors should review the Company’s annual Form 40-F filing with the United States Securities and Exchange Commission at www.sec.gov and home jurisdiction filings that are available at www.sedar.com, including the “Risk Factors” included in our Annual Information Form.

Cautionary Statement on Forward-Looking Information

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities, and events or developments that the Company expects are forward-looking statements. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements. We disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable law. Further information concerning risks and uncertainties associated with these forward-looking statements and our business may be found in our most recent Form 40-F/Annual Information Form on file with the SEC and Canadian provincial securities regulatory authorities.

TASEKO MINES LIMITED
Management's Discussion and Analysis

This management discussion and analysis ("MD&A") is intended to help the reader understand Taseko Mines Limited ("Taseko", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto, prepared in accordance with IAS 34 of International Financial Reporting Standards ("IFRS") for the three and nine months ended September 30, 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 October 26, 2017. 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	Three months ended September 30,			Nine months ended September 30,		
(Cdn$ in thousands, except for per share amounts)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Revenues	78,508	55,964	22,544	282,891	169,237	113,654
Earnings from mining operations before depletion and amortization*	45,133	11,566	33,567	145,020	8,098	136,922
Earnings (loss) from mining operations	33,348	(4,501)	37,849	111,859	(35,617)	147,476
Net income (loss)	20,136	(15,610)	35,746	41,862	(36,509)	78,371
Per share - basic ("EPS")	0.09	(0.07)	0.16	0.19	(0.16)	0.35
Adjusted net income (loss)*	13,405	(10,423)	23,828	42,965	(48,264)	91,229
Per share - basic ("adjusted EPS")*	0.06	(0.05)	0.11	0.19	(0.22)	0.41
EBITDA*	48,457	4,064	44,393	141,407	7,208	134,199
Adjusted EBITDA*	42,356	9,285	33,071	133,110	(2,849)	135,959
Cash flows provided by (used for) operations	37,124	(7,493)	44,617	179,180	(15,810)	194,990

Operating Data (Gibraltar - 100% basis)	Three months ended September 30,			Nine months ended September 30,		
	2017	**2016**	**Change**	**2017**	**2016**	**Change**
Tons mined (millions)	23.3	21.5	1.8	66.2	69.2	(3.0)
Tons milled (millions)	7.2	7.4	(0.2)	22.0	22.1	(0.1)
Production (million pounds Cu)	35.1	33.1	2.0	115.7	92.6	23.1
Sales (million pounds Cu)	30.2	29.8	0.4	111.7	90.6	21.1

*Non-GAAP performance measure. See page 21 of this MD&A.

HIGHLIGHTS - CONTINUED

Third Quarter Highlights

- Earnings from mining operations before depletion and amortization* were $45.1 million;
- Cash flow from operations was $37.1 million for the third quarter;
- Adjusted net income* for the third quarter was $13.4 million (or $0.06 per share) and net income was $20.1 million (or $0.09 per share);
- Site operating costs, net of by-product credits* were US$0.88 per pound produced, down 44% from the third quarter of 2016;
- The Gibraltar Mine produced 35.1 million pounds of copper and 0.4 million pounds of molybdenum (100% basis) at a total operating cost (C1)* of US$1.18 per pound;
- Total sales for the third quarter were 30.2 million pounds of copper and 0.4 million pounds of molybdenum;
- 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. A temporary shutdown of rail service also affected our ability to get product to the port, and as a result sales volumes were lower than planned;
- On September 25, 2017, the Company announced that the Environmental Appeals Board of the U.S. Environmental Protection Agency ("EPA") had issued an order denying any further review of the Underground Injection Control ("UIC") Permit granted in 2016 for Taseko's Florence Copper Project. All necessary state and federal permits are now in place to build and operate the Production Test Facility ("PTF"), and the Company's board of directors has approved the construction of the PTF at an estimated cost of US$25 million; and
- The Company's cash balance at September 30, 2017 was $96 million.

*Non-GAAP performance measure. See page 21 of this MD&A.

REVIEW OF OPERATIONS

Gibraltar Mine (75% Owned)

Operating data (100% basis)	**Q3 2017**	**Q2 2017**	**Q1 2017**	**Q4 2016**	**Q3 2016**
Tons mined (millions)	23.3	21.1	21.8	18.5	21.5
Tons milled (millions)	7.2	7.5	7.3	7.3	7.4
Strip ratio	4.1	2.8	2.4	1.1	1.0
Site operating cost per ton milled (CAD$)*	$5.93	$7.67	$8.59	$9.13	$9.47
Copper concentrate					
Grade (%)	0.284	0.309	0.328	0.319	0.259
Recovery (%)	86.1	85.2	85.9	87.0	85.9
Production (million pounds Cu)	35.1	39.4	41.3	40.7	33.1
Sales (million pounds Cu)	30.2	40.7	40.8	40.4	29.8
Inventory (million pounds Cu)	9.3	4.6	5.9	5.6	5.4
Molybdenum concentrate					
Production (thousand pounds Mo)	445	789	866	764	185
Sales (thousand pounds Mo)	403	794	859	798	105
Per unit data (US$ per pound produced)*					
Site operating costs*	$0.97	$1.08	$1.15	$1.23	$1.64
By-product credits*	(0.09)	(0.11)	(0.15)	(0.11)	(0.06)
Site operating costs, net of by-product credits*	0.88	$0.97	$1.00	$1.12	$1.58
Off-property costs	0.30	0.34	0.33	0.36	0.31
Total operating costs (C1)*	$1.18	$1.31	$1.33	$1.48	$1.89

*Non-GAAP performance measure. See page 21 of this MD&A.

OPERATIONS ANALYSIS

Third quarter results

Copper head grade at Gibraltar was 0.284% in the third quarter and copper recovery for the quarter was 86%. Mill throughput was 7.2 million tons of ore and the mine produced 35.1 million pounds of copper.

A total of 23.3 million tons were mined during the quarter at a strip ratio of 4.1 to 1. Waste stripping costs of $22.9 million (75% basis) were capitalized in the quarter primarily related to a new pushback in the Granite pit.

Mining and milling operations in July 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. This resulted in reduced production for periods of time as well as a complete mine shutdown for several days during July. Mill operations returned to normal in early August. During the quarter, approximately 2.6 million tons of ore were drawn from the ore stockpile, which was largely due to the wild fires impact on mine site access and the lack of employees available for mine operations.

Site operating cost per ton milled* was $5.93 in the third quarter of 2017, which is lower than recent quarters due to the increased capitalization of stripping costs and the drawdown of ore stockpiles.

The molybdenum circuit was negatively impacted by a lack of personnel during the wild fires. A total of 0.4 million pounds of molybdenum were produced. By-product credits per pound produced* was US$0.09 in the third quarter of 2017. Site operating costs per pound produced, net of by-product credits* decreased to US$0.88 in the third quarter of 2017 from US$0.97 in the second quarter of 2017.

Off-property costs per pound produced* were US$0.30 for the third quarter of 2017 compared to the prior quarter off-property costs of US$0.34. The decrease is due to lower than planned sales volumes, as treatment and refining and ocean freight costs are recognized at the time of sale.

Total operating costs (C1) per pound* decreased to US$1.18, a 10% reduction from the second quarter of 2017.

GIBRALTAR OUTLOOK

Overall, Gibraltar has maintained a stable level of operations and management continues to focus on further improvements to operating practices to reduce unit costs. Copper prices have continued to strengthen in the fourth quarter of 2017, increasing to US$3.16 per pound as of October 26, 2017, which is US$0.28 higher than the average LME copper price in the third quarter of 2017. Operating margins at Gibraltar are sensitive to the Canadian dollar as approximately 80% of mine operating costs are paid in Canadian dollars.

The Company is pursuing a potential insurance claim related to the Cariboo region wildfires in July, however, the outcome of the claim cannot be determined at this time

*Non-GAAP performance measure. See page 21 of this MD&A.

REVIEW OF PROJECTS

Taseko's strategy has been to grow the Company by leveraging cash flow from the Gibraltar Mine to assemble and develop a pipeline of projects. We continue to believe this will generate the best, long-term returns for shareholders. Our development projects are located in British Columbia and Arizona and represent a diverse range of metals, including gold, copper, molybdenum and niobium. During the third quarter of 2017, expenditures of $1.8 million were incurred on the Florence Copper project, and total expenditures of $1.0 million were incurred on the Aley and New Prosperity projects. Taseko will continue to take a prudent approach to spending on development projects.

Florence Copper

On September 25, 2017, the Company announced that the Environmental Appeals Board ("EAB") of the Environmental Protection Agency had issued an order denying any further review of the Underground Injection Control Permit granted in 2016 for Taseko's Florence Copper Project. In the September 22, 2017 decision, the EAB found that the petitioners failed to demonstrate that any errors were made in issuing the federal permit. The Company now has all necessary state and federal permits in place to build and operate the Production Test Facility ("PTF").

The Company is moving forward with the construction of the PTF at an estimated cost of US$25 million. The PTF will include a well field comprised of thirteen (four injection and nine recovery) commercial scale production wells and numerous monitoring, observation and point of compliance wells, and also an integrated SX/EW plant. With major components already on site, the PTF is expected to be operational in the latter half of 2018.

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

New Prosperity

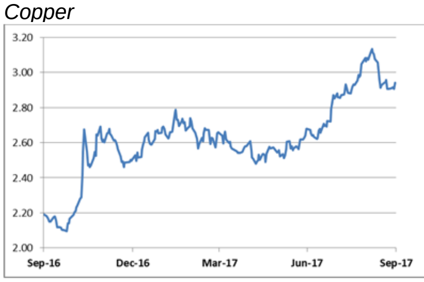
On July 18, 2017, Taseko received approval from the Province of British Columbia to undertake a site investigation program to conduct exploratory work at the New Prosperity project site. The Province issued a Notice of Work, which is a multi-year permit from the Ministry of Energy & Mines that allows the Company to gather information for the purpose of advancing mine permitting under the British Columbia Mines Act.

Taseko is proceeding with its request to amend the British Columbia environmental assessment certificate for the New Prosperity Project.

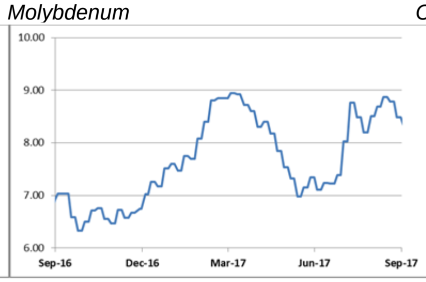
The two Judicial Reviews initiated by Taseko were heard in federal court over a five day period in the week of January 30, 2017. Both Judicial Reviews focus on the principles of administrative and procedural fairness. Taseko's allegation is that the Government of Canada, through the conduct of the environmental assessment and the decisions which resulted from it, failed in their obligation to uphold those fundamental principles.

MARKET REVIEW

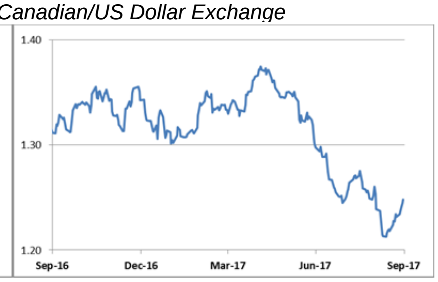
Copper



Molybdenum



Canadian/US Dollar Exchange



Prices (USD per pound for Commodities)

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.

The average price of London Metals Exchange ("LME") copper was US$2.88 per pound in the third quarter of 2017, which was 12% higher than the second quarter of 2017 and about 33% higher than the third 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 agreement for the sale of molybdenum concentrate specifies molybdenum pricing based on the published Platts metals reports. The average published molybdenum price was US$8.13 per pound in the third quarter of 2017, which was slightly higher than the second quarter of 2017.

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 the third quarter of 2017.

FINANCIAL PERFORMANCE

Earnings

The Company's net income was $20.1 million ($0.09 income per share) for the three months ended September 30, 2017, compared to a net loss of $15.6 million ($0.07 loss per share) for the same period in 2016. The increase in net income was primarily due to higher copper prices, higher production and sales volumes, lower production costs, as well as unrealized foreign exchange gains on the Company's US dollar denominated debt.

The Company realized net income of $41.9 million ($0.19 income per share) for the nine months ended September 30, 2017, compared to a net loss of $36.5 million ($0.16 loss per share) for the same period in 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 $45.1 million and $145.0 million, respectively, for the three and nine months ended September 30, 2017, compared to earnings of $11.6 million and $8.1 million, respectively, for the same prior periods in 2016. The increase in earnings from mining operations was a result of higher copper and molybdenum revenues and lower production costs.

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 September 30,			**Nine months ended September 30,**		
(Cdn$ in thousands)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Net earnings (loss)	20,136	(15,610)	35,746	41,862	(36,509)	78,371
Unrealized foreign exchange (gain) loss	(10,299)	5,090	(15,389)	(19,225)	(16,587)	(2,638)
Write-down of mine equipment	3,551	-	3,551	3,551	-	3,551
Unrealized loss on copper put options	647	567	80	1,072	567	505
Loss on settlement of long-term debt	-	-	-	13,102	-	13,102
(Gain) loss on copper call option	-	(517)	517	6,305	474	5,831
Other non-recurring expenses	-	81	(81)	-	5,489	(5,489)
Estimated tax effect of adjustments	(630)	(34)	(596)	(3,702)	(1,698)	(2,004)
Adjusted net income (loss) *	13,405	(10,423)	23,828	42,965	(48,264)	91,229

*Non-GAAP performance measure. See page 21 of this MD&A.

In the three and nine months ended September 30, 2017, the Canadian dollar strengthened in comparison to the prior period ends resulting in unrealized foreign exchange gains of $10.3 million and $19.2 million, respectively. 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 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.

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

The other non-recurring expenses in 2016 relates to special shareholder meeting costs and other non-recurring financing costs. For the nine months ended September 30, 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

	Three months ended September 30,			Nine months ended September 30,		
(Cdn$ in thousands)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Copper contained in concentrate	80,759	60,515	20,244	290,262	184,025	106,237
Molybdenum concentrate	3,511	711	2,800	16,766	711	16,055
Silver	402	1,128	(726)	1,662	2,970	(1,308)
Total gross revenue	84,672	62,354	22,318	308,690	187,706	120,984
Less: treatment and refining costs	(6,164)	(6,390)	226	(25,799)	(18,469)	(7,330)
Revenue	78,508	55,964	22,544	282,891	169,237	113,654

(thousands of pounds, unless otherwise noted)						
Sales of copper in concentrate *	21,806	21,551	255	80,738	65,508	15,230
Average realized copper price (US$ per pound)	3.00	2.15	0.85	2.76	2.13	0.63
Average LME copper price (US$ per pound)	2.88	2.16	0.72	2.70	2.14	0.56
Average exchange rate (US$/CAD)	1.25	1.30	(0.05)	1.31	1.32	(0.01)

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

Copper revenues for the three and nine months ended September 30, 2017 increased by $20.2 million and $106.2 million, respectively, compared to the same periods in 2016, primarily due to an increase in copper sales volumes and higher realized copper prices.

During the three and nine months ended September 30, 2017, revenues include $0.9 million and $4.2 million, respectively, of favorable adjustments to provisionally priced copper concentrate. The provisional pricing adjustments contribute US$0.04 and US$0.05 per pound, respectively, to the average realized copper price for the three and nine months ended September 30, 2017.

Molybdenum revenues for the three and nine months ended September 30, 2017 increased by $2.8 million and $16.1 million, respectively, compared to the same periods in 2016, as the molybdenum circuit did not operate in the prior year until its restart in September 2016.

Cost of sales

	Three months ended September 30,			Nine months ended September 30,		
(Cdn$ in thousands)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Site operating costs	31,904	52,930	(21,026)	122,098	159,146	(37,048)
Transportation costs	4,498	3,544	954	15,207	11,149	4,058
Changes in inventories of finished goods and ore stockpile	(3,027)	(12,076)	9,049	566	(9,156)	9,722
Production costs	33,375	44,398	(11,023)	137,871	161,139	(23,268)
Depletion and amortization	11,785	16,067	(4,282)	33,161	43,715	(10,554)
Cost of sales	45,160	60,465	(15,305)	171,032	204,854	(33,822)
Site operating costs per ton milled*	$5.93	$9.47	$(3.54)	$7.41	$9.58	$(2.17)

*Non-GAAP performance measure. See page 21 of this MD&A.

Site operating costs for the three and nine months ended September 30, 2017 decreased by 40% and 23%, respectively, from the same periods 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.

Depletion and amortization for three and nine months ended September 30, 2017 decreased by 27% and 24% compared to the same periods in 2016, primarily due to the decreased amortization of capitalized stripping costs in the period.

Other operating (income) expenses

	Three months ended September 30,			**Nine months ended September 30,**		
(Cdn$ in thousands)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
General and administrative	2,181	2,347	(166)	9,941	9,198	743
Share-based compensation	2,231	249	1,982	5,673	2,242	3,431
Exploration and evaluation	450	479	(29)	1,409	1,728	(319)
Realized (gain) loss on copper put options	504	(18)	522	1,089	986	103
Unrealized loss on copper put options	647	567	80	1,072	567	505
(Gain) loss on copper call option	-	(517)	517	6,305	474	5,831
Other operating expenses (income):						
Write-down of mine equipment	3,551	-	3,551	3,551	-	3,551
Special shareholder meeting costs	-	81	(81)	-	4,873	(4,873)
Other financing costs	-	-	-	-	616	(616)
Other income, net	(205)	(264)	(59)	(751)	(1,013)	262
	9,359	2,924	6,435	28,289	19,671	8,618

General and administrative costs for the three months ended September 30, 2017 are consistent with the prior year.

General and administrative costs have increased for the nine months ended September 30, 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 because a portion of executive compensation in the first quarter of 2016 was issued in the form of PSU's and reported separately as share-based compensation expense.

Share-based compensation expense increased for the nine months ended September 30, 2017, compared to the same period in 2016, primarily due to valuation adjustments for deferred share units and performance share units in the current year resulting from an increase in the Company's share price. More information is set out in Note 15 of the September 30, 2017 unaudited condensed consolidated interim financial statements.

Exploration and evaluation costs for the three and nine months ended September 30, 2017, represent costs associated with the New Prosperity project.

During the third quarter of 2017, the Company incurred a realized loss of $0.5 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 three and nine months ended September 30, 2017 was $nil and $6.3 million, respectively.

A write-down of mine equipment of $3.6 million was recorded in the third quarter 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.

During the nine months ended September 30, 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

	Three months ended September 30,			**Nine months ended September 30,**		
(Cdn$ in thousands)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Interest expense	7,818	7,385	433	22,932	20,166	2,766
Accretion of PER	567	579	(12)	1,704	1,813	(109)
Loss on settlement of long-term debt	-	-	-	13,102	-	13,102
	8,385	7,964	421	37,738	21,979	15,759

Interest expense for the three and nine months ended September 30, 2017 increased by $0.4 million and $2.8 million, respectively, compared to the same periods in 2016. The Company's total interest costs are lower in the three months ended September 30, 2017 due to reduced long-term debt as a result of the June 2017 refinancing. However, the prior period includes capitalized interest of $1.4 million which was not capitalized in the current third quarter.

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 in the second quarter of 2017, 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

	Three months ended September 30,			**Nine months ended September 30,**		
(Cdn$ in thousands)	**2017**	**2016**	**Change**	**2017**	**2016**	**Change**
Current expense	420	-	420	1,396	-	1,396
Deferred expense (recovery)	5,884	(4,330)	10,214	22,675	(23,574)	46,249
	6,304	(4,330)	10,634	24,071	(23,574)	47,645
Effective tax rate	23.8%	21.7%	2.1%	36.5%	39.2%	(2.7)%
Canadian statutory rate	26%	26%	-	26%	26%	-
B.C. Mineral tax rate	9.62%	9.62%	-	9.62%	9.62%	-

The current tax expense recorded is mainly the estimated B.C. Mineral taxes based on production at the Gibraltar Mine for the period. The deferred tax expense is due to the reversal of certain temporary differences related to the estimated taxable income for the three and nine months ended September 30, 2017.

The effective tax rate for the three and nine months ended September 30, 2017 was 23.8% and 36.5%, which differs from 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 corporate income tax and British Columbia Mineral Tax purposes.

FINANCIAL CONDITION REVIEW

Balance sheet review

(Cdn$ in thousands)	As at September 30, 2017	As at December 31, 2016	Change
Cash and equivalents	95,669	89,030	6,639
Other current assets	71,536	76,297	(4,761)
Property, plant and equipment	766,753	730,208	36,545
Other assets	53,432	53,904	(472)
Total assets	**987,390**	**949,439**	**37,951**
Current liabilities	55,135	38,641	16,494
Debt:			
Senior secured notes	299,949	-	299,949
Senior notes	-	266,435	(266,435)
Senior secured credit facility	-	91,483	(91,483)
Capital leases and secured equipment loans	31,484	31,372	112
Deferred revenue	39,453	-	39,453
Other liabilities	184,283	182,569	1,714
Total liabilities	**610,304**	**610,500**	**(196)**
Equity	**377,086**	**338,939**	**38,147**
Net debt (debt minus cash and equivalents)	235,764	300,260	(64,496)
Total common shares outstanding (millions)	226.6	221.9	4.7

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 $57.9 million in the nine months ended September 30, 2017, due to the refinancing transaction completed in the second quarter of 2017 and foreign exchange adjustments on the Company's US dollar denominated debt. In the second quarter of 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 2019) and the senior secured credit facility. The Company's net debt has decreased by $64.5 million in the nine months ended September 30, 2017 primarily due to cash proceeds from the sale of a silver stream to Osisko Gold Royalties Ltd. ("Osisko") and cash flow generated from mining operations.

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 $1.7 million mainly due to the increase to deferred and other tax liabilities, partially offset by reductions in the provision for environmental rehabilitation ("PER") and other financial liabilities. Other financial liabilities decreased due primarily to the settlement of the copper call option obligation and a reclassification of a portion of the amount payable to BC Hydro to current liability. The current portion of the amount payable to BC Hydro under the deferred electricity payment program has been estimated based on recent copper prices.

The change in the PER is driven by changes in inflation and discount rates and a change in estimated costs. At September 30, 2017, the Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates was 2.5% compared to 2.3% rate 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 October 26, 2017, there were 226,734,134 common shares outstanding. In addition, there were 10,744,000 stock options and 3,000,000 warrants outstanding at October 26, 2017. More information on these instruments and the terms of their exercise is set out in Notes 13 and 15 of the September 30, 2017 unaudited condensed consolidated interim financial statements.

Liquidity, cash flow and capital resources

During the nine months ended September 30, 2017 the Company generated $106 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 $74 million during the nine months ended September 30, 2017 and the Company has extended the maturity date of the long-term debt from 2019 to 2022.

At September 30, 2017, the Company had cash and equivalents of $96 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 three months ended September 30, 2017 was $37.1 million compared to a cash outflow of $7.5 million for the same period in 2016. Cash used for investing activities during the three months ended September 30, 2017 was $32.2 million compared to cash outflow of $5.6 million for the same period in 2016. Investing activities in the third quarter of 2017 included $22.9 million for capitalized stripping costs, $3.4 million incurred on other capital expenditures for Gibraltar, $2.8 million in development costs for the Florence and Aley projects, and $2.0 million for the purchase of copper put options.

Cash used for financing activities during the three months ended September 30, 2017 includes $4.2 million of payments for capital leases and equipment loans, offset by proceeds of $0.2 million from the exercise of stock options.

The Company has a pipeline of development stage projects and additional funding will be required to advance these projects to production. To address future financing requirements, the Company may seek to raise additional capital through debt or equity financings or asset sales (including joint ventures or royalties). 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 the sale of an equivalent amount of its 75% share of Gibraltar payable silver production until 5.9 million ounces of silver have been delivered to Osisko. After that threshold has been met, 35% of an equivalent amount of Taseko's share of all future payable silver production from Gibraltar will be delivered to Osisko. In addition to the initial deposit, the Company receives cash payments of US$2.75 per ounce for all silver deliveries made under the agreement.

The Company recorded the initial deposit as deferred revenue and recognizes amounts in revenue as silver is delivered to Osisko. The amortization of deferred revenue is calculated on a per unit basis using the estimated total number of silver ounces expected to be delivered to Osisko over the life of the Gibraltar Mine.

The 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, 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 purchase and sale agreement with Osisko, 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 accrue 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 third quarter of 2017, the Company spent $2.0 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 October 26, 2017				
Copper put options	30 million lbs	US$2.70 per lb	Q4 2017 and Q1 2018	$2.0 million

Commitments and contingencies

Commitments

At September 30, 2017, capital commitments totaled $2.4 million and the Company's share of contractual operating commitments totaled $11.5 million.

Contingencies

The Company has guaranteed 100% of certain capital lease and equipment loans entered into by the Gibraltar joint venture in which it holds a 75% interest. As a result, the Company has guaranteed the joint venture partner's 25% share of this debt which amounted to $10.5 million as at September 30, 2017.

SUMMARY OF QUARTERLY RESULTS

		2017			2016			2015
(Cdn$ in thousands, except per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	78,508	99,994	104,389	94,628	55,964	55,090	58,183	61,412
Net earnings (loss)	20,136	5,247	16,479	5,113	(15,610)	(19,384)	(1,515)	(23,441)
Basic EPS	0.09	0.02	0.07	0.02	(0.07)	(0.09)	(0.01)	(0.10)
Adjusted net earnings (loss)*	13,405	14,305	15,254	16,404	(10,423)	(19,758)	(18,083)	(13,112)
Adjusted basic EPS*	0.06	0.06	0.07	0.07	(0.05)	(0.09)	(0.08)	(0.06)
EBITDA*	48,457	43,805	49,145	32,312	4,064	(7,858)	11,002	(9,162)
Adjusted EBITDA*	42,356	42,820	47,934	44,477	9,285	(7,642)	(4,492)	1,415

(US$ per pound, except where indicated)								
Realized copper price*	3.00	2.61	2.72	2.54	2.15	2.13	2.12	2.01
Total operating costs*	1.18	1.31	1.33	1.48	1.89	2.07	2.11	1.85
Copper sales (million pounds)	22.6	30.5	30.6	30.3	22.4	22.8	22.9	25.0

*Non-GAAP performance measure. See page 21 of this MD&A

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are presented in Note 2.5 of the 2016 annual consolidated financial statements and Note 2 of the September 30, 2017 condensed consolidated interim financial statements. The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

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

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

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

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

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

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

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

There have been no changes in our internal controls over financial reporting and disclosure controls and procedures during the period ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

RELATED PARTY TRANSACTIONS

Key management personnel

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

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

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
(Cdn$ in thousands, except per share amounts)	**2017**	**2016**	**2017**	**2016**
Salaries and benefits	697	791	4,169	4,281
Post-employment benefits	373	373	1,119	937
Share-based compensation	2,210	241	5,560	2,233
	3,280	1,405	10,848	7,451

Other related parties

Three directors of the Company are also principals of Hunter Dickinson Services Inc. ("HDSI"), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the three month period ended September 30, 2017, the Company incurred total costs of $0.3 million (Q3 2016: $0.3 million) in transactions with HDSI. Of these, $0.1 million (Q3 2016: $0.1 million) related to administrative, legal, exploration and tax services, $0.1 million related to reimbursements of office rent costs (Q3 2016: $0.1 million), and $0.1 million (Q3 2016: $0.1 million) related to director fees for two Taseko directors who are also principals of HDSI.

For the nine month period ended September 30, 2017, the Company incurred total costs of $1.1 million (2016: $1.1 million) in transactions with HDSI. Of these, $0.5 million (2016: $0.5 million) related to administrative, legal, exploration and tax services, $0.4 million related to reimbursements of office rent costs (2016: $0.4 million), and $0.2 million (2016: $0.2 million) related to director fees for two Taseko directors who are also principals of HDSI.

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

NON-GAAP PERFORMANCE MEASURES

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

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

Total costs of sales include all costs absorbed into inventory, as well as transportation costs. 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.

(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**Three months ended September 30, 2017**	**Three months ended September 30, 2016**	**Nine months ended September 30, 2017**	**Nine months ended September 30, 2016**
Cost of sales	**45,160**	**60,465**	**171,032**	**204,854**
Less:				
Depletion and amortization	(11,785)	(16,067)	(33,161)	(43,715)
Net change in inventory	3,027	12,076	(566)	9,156
Transportation costs	(4,498)	(3,544)	(15,207)	(11,149)
Site operating costs	**31,904**	**52,930**	**122,098**	**159,146**
Less by-product credits:				
Molybdenum, net of treatment costs	(2,725)	(508)	(12,867)	(508)
Silver, excluding amortization of deferred revenue	(107)	(1,128)	(637)	(2,970)
Site operating costs, net of by-product credits	**29,072**	**51,294**	**108,594**	**155,668**
Total copper produced (thousand pounds)	26,306	24,838	86,780	69,426
Total costs per pound produced	1.11	2.06	1.25	2.24
Average exchange rate for the period (CAD/USD)	1.25	1.30	1.31	1.32
Site operating costs, net of by-product credits (US$ per pound)	**0.88**	**1.58**	**0.96**	**1.69**
Site operating costs, net of by-product credits	29,072	51,294	108,594	155,668
Add off-property costs:				
Treatment and refining costs of copper concentrate	5,378	6,187	21,900	18,266
Transportation costs	4,498	3,544	15,207	11,149
Total operating costs	38,948	61,025	145,701	185,083
Total operating costs (C1) (US$ per pound)	**1.18**	**1.89**	**1.28**	**2.02**

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;
- 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 September 30,		**Nine months ended September 30,**	
($ in thousands, except per share amounts)	**2017**	**2016**	**2017**	**2016**
Net income (loss)	**20,136**	**(15,610)**	**41,862**	**(36,509)**
Unrealized foreign exchange (gain) loss	(10,299)	5,090	(19,225)	(16,587)
Write-down of mine equipment	3,551	-	3,551	-
Unrealized loss on copper put options	647	567	1,072	567
Loss on settlement of long-term debt	-	-	13,102	-
(Gain) loss on copper call option	-	(517)	6,305	474
Other non-recurring expenses*	-	81	-	5,489
Estimated tax effect of adjustments	(630)	(34)	(3,702)	(1,698)
Adjusted net income (loss)	**13,405**	**(10,423)**	**42,965**	**(48,264)**
Adjusted EPS	**0.06**	**(0.05)**	**0.19**	**(0.22)**

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

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

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

- Unrealized foreign exchange gains/losses;
- Write-down of mine equipment;
- 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 September 30,		Nine months ended September 30,	
($ in thousands)	**2017**	**2016**	**2017**	**2016**
Net income (loss)	**20,136**	**(15,610)**	**41,862**	**(36,509)**
Add:				
Depletion and amortization	11,785	16,066	33,161	43,799
Amortization of share-based compensation expense	2,250	253	5,779	2,300
Finance expense	8,385	7,964	37,738	21,979
Finance income	(403)	(279)	(1,204)	(787)
Income tax expense (recovery)	6,304	(4,330)	24,071	(23,574)
EBITDA	**48,457**	**4,064**	**141,407**	**7,208**
Adjustments:				
Unrealized foreign exchange (gain) loss	(10,299)	5,090	(19,225)	(16,587)
Write-down of mine equipment	3,551	-	3,551	-
Unrealized loss on copper put options	647	567	1,072	567
(Gain) loss on copper call option	-	(517)	6,305	474
Other non-recurring expenses*	-	81	-	5,489
Adjusted EBITDA	**42,356**	**9,285**	**133,110**	**(2,849)**

* 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 (loss) from mining operations before depletion and amortization

Earnings (loss) 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.

(Cdn$ in thousands)	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Earnings (loss) from mining operations	**33,348**	**(4,501)**	**111,859**	**(35,617)**
Add:				
Depletion and amortization	11,785	16,067	33,161	43,715
Earnings from mining operations before depletion and amortization	**45,133**	**11,566**	**145,020**	**8,098**

Site operating costs per ton milled

(Cdn$ in thousands, except per ton milled amounts)	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Site operating costs (included in cost of sales)	**31,904**	**52,930**	**122,098**	**159,146**
Tons milled (thousands) (75% basis)	5,380	5,587	16,480	16,611
Site operating costs per ton milled	**$5.93**	**$9.47**	**$7.41**	**$9.58**

Condensed Consolidated Interim Financial Statements
September 30, 2017
(Unaudited)

TASEKO MINES LIMITED

Condensed Consolidated Statements of Comprehensive Income (Loss)

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

(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2017	2016	2017	2016
Revenues	3	78,508	55,964	282,891	169,237
Cost of sales					
Production costs	4	(33,375)	(44,398)	(137,871)	(161,139)
Depletion and amortization	4	(11,785)	(16,067)	(33,161)	(43,715)
Earnings (loss) from mining operations		33,348	(4,501)	111,859	(35,617)
General and administrative		(2,181)	(2,347)	(9,941)	(9,198)
Share-based compensation	15b	(2,231)	(249)	(5,673)	(2,242)
Exploration and evaluation		(450)	(479)	(1,409)	(1,728)
Loss on derivatives	5	(1,151)	(32)	(8,466)	(2,027)
Other income (expenses)	7	(3,346)	183	(2,800)	(4,476)
Income (loss) before financing costs and income taxes		23,989	(7,425)	83,570	(55,288)
Finance expenses	6,12	(8,385)	(7,964)	(37,738)	(21,979)
Finance income		403	279	1,204	787
Foreign exchange gains (loss)		10,433	(4,830)	18,897	16,397
Income (loss) before income taxes		26,440	(19,940)	65,933	(60,083)
Income tax (expense) recovery	8	(6,304)	4,330	(24,071)	23,574
Net income (loss)		**20,136**	**(15,610)**	**41,862**	**(36,509)**
Other comprehensive income (loss), net of tax:					
Unrealized gain (loss) on available-for-sale financial assets	9	(297)	(519)	(731)	879
Foreign currency translation reserve		(4,355)	1,626	(8,267)	(6,235)
Total other comprehensive income (loss)		**(4,652)**	**1,107**	**(8,998)**	**(5,356)**
Total comprehensive income (loss)		**15,484**	**(14,503)**	**32,864**	**(41,865)**
Earnings (loss) per share					
Basic		0.09	(0.07)	0.19	(0.16)
Diluted		0.09	(0.07)	0.18	(0.16)
Weighted average shares outstanding (thousands)					
Basic		226,358	221,835	225,296	221,822
Diluted		229,859	221,835	228,305	221,822

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

TASEKO MINES LIMITED

Condensed Consolidated Statements of Cash Flows

(Cdn$ in thousands)

(Unaudited)

	Note	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Operating activities					
Net income (loss) for the period		20,136	(15,610)	41,862	(36,509)
Adjustments for:					
Depletion and amortization		11,785	16,066	33,161	43,799
Income tax expense (recovery)	8	6,304	(4,330)	24,071	(23,574)
Share-based compensation expense	15b	2,250	253	5,779	2,300
Loss on derivatives	5	1,151	32	8,466	2,027
Finance expenses, net	6,12	7,982	7,685	36,534	21,192
Unrealized foreign exchange (gains) loss		(10,299)	5,090	(19,225)	(16,587)
Write-down of mine equipment	7	3,551	-	3,551	-
Deferred revenue deposit	13	-	-	44,151	-
Amortization of deferred revenue	13	(296)	-	(1,026)	-
Deferred electricity payments (repayments)	14	(1,662)	3,706	(2,711)	8,505
Other operating activities		(1,294)	(76)	(1,846)	(108)
Net change in non-cash working capital	17	(2,484)	(20,309)	6,413	(16,855)
Cash provided by (used for) operating activities		37,124	(7,493)	179,180	(15,810)
Investing activities					
Purchase of property, plant and equipment	11	(28,975)	(4,423)	(68,883)	(10,427)
Purchase of copper put options	5	(2,026)	(1,824)	(2,960)	(2,752)
Proceeds from copper put options		-	594	-	2,946
Investment in other financial assets		(1,395)	-	(1,395)	-
Other investing activities		222	76	509	488
Cash used for investing activities		(32,174)	(5,577)	(72,729)	(9,745)
Financing activities					
Net proceeds from issuance of senior secured notes	12a	(118)	-	317,596	-
Repayment of senior notes	12b	-	-	(264,180)	-
Repayment of senior secured credit facility	12c	-	-	(92,463)	-
Settlement of copper call option	12c,14	-	-	(15,745)	-
Interest paid	6,12	(526)	(649)	(29,432)	(11,864)
Repayment of capital leases and equipment loans		(3,658)	(4,453)	(12,695)	(12,076)
Proceeds on exercise of options and warrants	15a	223	3	2,517	10
Proceeds from senior secured credit facility	12c	-	-	-	93,605
Financing costs for senior secured credit facility	12c	-	-	-	(4,346)
Repayment of Curis secured loan	12c	-	-	-	(43,767)
Cash provided by (used for) financing activities		(4,079)	(5,099)	(94,402)	21,562
Effect of exchange rate changes on cash and equivalents		(2,247)	539	(5,410)	(411)
Increase (decrease) in cash and equivalents		(1,376)	(17,630)	6,639	(4,404)
Cash and equivalents, beginning of period		97,045	81,747	89,030	68,521
Cash and equivalents, end of period		95,669	64,117	95,669	64,117

Supplementary cash flow disclosures (Note 17)

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

TASEKO MINES LIMITED

Condensed Consolidated Balance Sheets

(Cdn$ in thousands)

(Unaudited)

	Note	September 30, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and equivalents		95,669	89,030
Accounts receivable		8,284	12,905
Other financial assets	9	3,523	1,574
Inventories	10	57,901	60,550
Prepaids		1,828	1,268
		167,205	165,327
Property, plant and equipment	11	766,753	730,208
Other financial assets	9	48,286	48,368
Goodwill		5,146	5,536
		987,390	**949,439**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities		44,279	33,416
Current income tax payable		1,097	889
Current portion of long-term debt	12	13,089	16,157
Current portion of deferred revenue	13	1,796	–
Interest payable on senior notes		7,963	4,336
		68,224	54,798
Long-term debt	12	318,344	373,133
Provision for environmental rehabilitation ("PER")	11	94,585	98,454
Deferred and other tax liabilities		84,323	62,202
Deferred revenue	13	39,453	-
Other financial liabilities	14	5,375	21,913
		610,304	610,500
EQUITY			
Share capital	15	421,510	417,975
Contributed surplus		47,495	45,747
Accumulated other comprehensive income ("AOCI")		3,359	12,357
Deficit		(95,278)	(137,140)
		377,086	338,939
		987,390	**949,439**
Commitments and contingencies	13,16		

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

TASEKO MINES LIMITED

Condensed Consolidated Statements of Changes in Equity

(Cdn$ in thousands)

(Unaudited)

		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		-	1,718	-	-	1,718
Exercise of options		14	(4)	-	-	10
Total comprehensive loss for the period		-	-	(5,356)	(36,509)	(41,865)
Balance at September 30, 2016		**417,958**	**45,102**	**10,226**	**(142,253)**	**331,033**
Balance at January 1, 2017		417,975	45,747	12,357	(137,140)	338,939
Issuance of warrants	15c	-	1,876	-	-	1,876
Share-based compensation		-	2,765	-	-	2,765
Exercise of options and warrants	15b,c	3,535	(1,017)	-	-	2,518
Settlement of performance share units		-	(1,876)	-	-	(1,876)
Total comprehensive income (loss) for the period		-	-	(8,998)	41,862	32,864
Balance at September 30, 2017		**421,510**	**47,495**	**3,359**	**(95,278)**	**377,086**

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

1. REPORTING ENTITY

Taseko Mines Limited (the Company) is a corporation governed by the *British Columbia Business Corporations Act.* The unaudited condensed consolidated interim financial statements of the Company as at and for the three and nine month periods ended September 30, 2017 comprise the Company, its subsidiaries and its 75% interest in the Gibraltar joint arrangement since its formation on March 31, 2010. The Company is principally engaged in the production and sale of metals, as well as related activities including exploration and mine development, within the province of British Columbia, Canada and the state of Arizona, USA. Seasonality does not have a significant impact on the Company's operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company's most recent annual financial statements, except as to the accounting policy for deferred revenue as disclosed in Note 13. These condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2016, prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on October 26, 2017.

(b) Use of judgments and estimates

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at the year ended December 31, 2016, except for new judgments in the determination of the accounting treatment of the silver purchase and sale agreement presented as deferred revenue (Note 13).

(c) New accounting standards

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective at September 30, 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 plans to adopt IFRS 9 at the date it becomes effective. The Company will evaluate the impact of the change to the financial statements based on the characteristics of financial instruments outstanding at the time of adoption.

(Cdn$ in thousands - unaudited)

- 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. The Company plans to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018 and is conducting preliminary assessments on the impact of this change on its consolidated financial statements. The Company does not anticipate any significant changes in the gross amounts of revenue recognized from its customers.

- 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. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Copper contained in concentrate	80,759	60,515	290,262	184,025
Molybdenum concentrate	3,511	711	16,766	711
Silver	402	1,128	1,662	2,970
Total gross revenue	84,672	62,354	308,690	187,706
Less: Treatment and refining costs	(6,164)	(6,390)	(25,799)	(18,469)
Revenue	78,508	55,964	282,891	169,237

4. COST OF SALES

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
Site operating costs	31,904	52,930	122,098	159,146
Transportation costs	4,498	3,544	15,207	11,149
Changes in inventories of finished goods and ore stockpiles	(3,027)	(12,076)	566	(9,156)
Production costs	33,375	44,398	137,871	161,139
Depletion and amortization	11,785	16,067	33,161	43,715
Cost of sales	45,160	60,465	171,032	204,854

(Cdn$ in thousands - unaudited)

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.

5. DERIVATIVE INSTRUMENTS

During the three month period ended September 30, 2017, the Company purchased put option contracts for 30 million pounds of copper, at a cost of $2,026. These put options mature in equal monthly amounts over the fourth quarter of 2017 and first quarter of 2018. The outstanding options at September 30, 2017 are summarized in the following table:

	Notional amount	Strike price	Term to maturity	Fair value asset
Copper put option contracts	30 million lbs	US$2.70 per lb	Q4 2017 and Q1 2018	954

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Realized loss (gain) on copper put options	504	(18)	1,089	986
Unrealized loss on copper put options	647	567	1,072	567
Change in fair value of copper call option (Note 12c)	-	(517)	6,305	474
	1,151	32	8,466	2,027

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 12c).

6. FINANCE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Interest expense	7,818	7,385	22,932	20,166
Accretion on PER	567	579	1,704	1,813
Loss on settlement of long-term debt	-	-	13,102	-
	8,385	7,964	37,738	21,979

As part of a refinancing completed in June 2017, the Company redeemed its $US200 million senior notes and repaid its US$70 million senior secured credit facility (see Note 12). 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 - unaudited)

7. OTHER EXPENSES (INCOME)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Write-down of mine equipment	3,551	-	3,551	-
Management fee income	(292)	(224)	(876)	(678)
Special shareholder meeting costs	-	81	-	4,873
Other financing costs	-	-	-	616
Other operating expense (income), net	87	(40)	125	(335)
	3,346	(183)	2,800	4,476

8. INCOME TAX

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Current expense	420	-	1,396	-
Deferred expense (recovery)	5,884	(4,330)	22,675	(23,574)
	6,304	(4,330)	24,071	(23,574)

9. OTHER FINANCIAL ASSETS

	September 30, 2017	December 31, 2016
Current:		
Marketable securities	2,569	1,419
Copper put option contracts (Note 5)	954	155
	3,523	1,574
Long-term:		
Subscription receipts	10,333	10,333
Reclamation deposits	30,453	30,535
Restricted cash	7,500	7,500
	48,286	48,368

(Cdn$ in thousands - unaudited)

10. INVENTORIES

	September 30, 2017	December 31, 2016
Ore stockpiles	19,971	28,186
Copper concentrate	11,217	5,741
Molybdenum concentrate	326	106
Materials and supplies	26,387	26,517
	57,901	60,550

11. PROPERTY, PLANT & EQUIPMENT

During the three month period ended September 30, 2017, the Company capitalized stripping costs of $22,853 and incurred other capital expenditures for Gibraltar of $3,480. In addition, the Company capitalized development costs of $1,820 for the Florence Copper and $564 for the Aley Niobium projects. Non-cash additions to property, plant and equipment include $12,019 for the acquisition of mining equipment under capital leases and $2,188 of depreciation on mining assets related to capitalized stripping.

During the nine month period ended September 30, 2017, the Company capitalized stripping costs of $51,551 and incurred other capital expenditures for Gibraltar of $7,209. In addition, the Company capitalized development costs of $8,516 for the Florence Copper and $1,278 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 $4,803 of depreciation on mining assets related to capitalized stripping. The Company also capitalized interest of $2,602 during the nine month period ended September 30, 2017, related to the Florence Copper Project.

The rehabilitation cost asset decreased by $5,182 for the nine month period ended September 30, 2017, as a result of changes in estimates during the period including an increase in estimated costs and market driven discount rate changes.

12. DEBT

	September 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Current:				
Capital leases	10,252	10,293	8,059	8,150
Secured equipment loans	2,837	2,863	8,098	8,073
	13,089	13,156	16,157	16,223
Long-term:				
Senior secured notes (Note 12a)	299,949	317,460	-	-
Capital leases	16,347	16,412	11,917	12,051
Secured equipment loans	2,048	2,087	3,298	3,303
Senior notes (Note 12b)	-	-	266,435	223,026
Senior secured credit facility (Note 12c)	-	-	91,483	91,933
	318,344	335,959	373,133	330,313

(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 on 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 12b) and to repay the senior secured credit facility and to settle the related copper call option (Note 12c),

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) 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.

(c) 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.

Upon entering in 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 15a,c).

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 6).

13. DEFERRED REVENUE

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

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

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

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 15c).

(Cdn$ in thousands - unaudited)

The following table summarizes changes in deferred revenue:

Upfront cash deposit	44,151
Issuance of warrants	(1,876)
Amortization of deferred revenue	(1,026)
Balance, September 30, 2017	41,249

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

	September 30, 2017
Current	1,796
Non-current	39,453
	41,249

14. OTHER FINANCIAL LIABILITIES

	September 30, 2017	**December 31, 2016**
Long-term:		
Amounts payable to BC Hydro	8,227	10,938
Less: Current portion payable	(7,400)	-
Deferred share units (Note 15b)	4,548	1,535
Derivative liability – copper call option (Note 12c)	-	9,440
	5,375	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 (see Note 12c)

As at September 30, 2017, the Company has deferred electricity payments of $8,227 under BC Hydro's five-year power rate deferral program for BC mines. Under the program, effective March 1, 2016, the Gibraltar Mine is able to defer up to 75% of electricity costs. The amount of deferral is 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%, will be repayable on a monthly schedule of up to 75% of the monthly electricity billing, if the average copper price during the preceding month exceeds a threshold amount of $3.40 per pound. Any remaining deferred balance will be repayable at the end of the five year term. During the three and nine month period ended September 30, 2017, the Company made net repayments of $1,662 and $2,711 respectively to BC Hydro. The current portion of the amount payable to BC Hydro has been estimated based on recent copper prices, and is recorded as a current liability at September 30, 2017.

(Cdn$ in thousands - unaudited)

15. EQUITY

(a) Share capital

(thousands of shares)	Common shares
Common shares outstanding at January 1, 2017	221,867
Exercise of warrants (Note 12c)	4,000
Exercise of share options	699
Common shares outstanding at September 30, 2017	226,566

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

(b) Share-Based Compensation

(thousands of options)	Options	Average Exercise price
Outstanding at January 1, 2017	11,941	1.74
Granted	1,911	1.25
Exercised	(699)	0.68
Expired	(2,229)	2.59
Forfeited	(12)	0.96
Outstanding at September 30, 2017	10,912	1.54

During the nine month period ended September 30, 2017, the Company granted 1,910,500 (2016 – 2,601,000) share options to directors, executives and employees, exercisable at an average exercise price of $1.25 per common share over a three to five year period. The total fair value of options granted was $1,165 (2016 – $442) and had a weighted average grant-date fair value of $0.61 (2016 – $0.17) per option.

The fair value at grant date of share options granted is 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:

	Nine months ended September 30, 2017
Expected term (years)	4.5
Forfeiture rate	0%
Volatility	61%
Dividend yield	0%
Risk-free interest rate	1%
Weighted-average fair value per option	$0.61

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

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

(Cdn$ in thousands - unaudited)

	DSUs	PSUs
Outstanding at January 1, 2017	1,323,371	1,706,792
Granted	620,000	400,000
Settled	-	(887,792)
Outstanding at September 30, 2017	1,943,371	1,219,000

During the three and nine month period ended September 30, 2017, 645,559 and 887,792 respectively, of the PSUs issued to executives during the first six months of 2016, in lieu of annual incentive plan payments for 2015, were settled on a cash basis. The 242,233 PSUs that settled during the second quarter were cash-settled at $1.75 per unit, with 645,559 PSUs settled at $2.25 per unit during the third quarter. The settlement amounts were based on the 5-day volume weighted average share price prior to the vesting date.

During the nine month period ended September 30, 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 $1,301 (2016 - $1,080), with a weighted average fair value at the grant date of $1.27 per unit for the DSUs (2016 - $0.38 per unit) and $1.27 per unit for the PSUs (2016 - $0.60 per unit).

A total share based compensation expense of $2,250 and $5,779 has been recognized for the three and nine month periods ended September 30, 2017 (2016: $253 and $2,300).

(c) Share Purchase Warrants

	Warrants	Exercise Price
Outstanding at January 1, 2017	4,000,000	0.51
Issued	3,000,000	2.74
Exercised	(4,000,000)	0.51
Outstanding at September 30, 2017	3,000,000	2.74

16. COMMITMENTS AND CONTINGENCIES

(a) Commitments

At September 30, 2017, capital commitments totaled $2,371 and the Company's share of contractual operating commitments totaled $11,460.

(b) Contingencies

The Company has guaranteed 100% of certain capital lease and equipment loans entered into by the Gibraltar joint venture in which it holds a 75% interest. As a result, the Company has guaranteed the joint venture partner's 25% share of this debt which amounted to $10,495 as at September 30, 2017.

(Cdn$ in thousands - unaudited)

17. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Change in non-cash working capital items				
Accounts receivable	3,653	(7,190)	4,136	(4,533)
Inventories	(3,127)	(11,364)	696	(10,636)
Prepaids	423	318	(557)	(312)
Accounts payable and accrued liabilities	(3,363)	(2,165)	3,303	(59)
Interest payable	(70)	92	(90)	(565)
Income tax paid	-	-	(1,075)	(750)
	(2,484)	(20,309)	6,413	(16,855)
Non-cash investing and financing activities				
Share purchase warrants issued (Note 13)	-	-	1,876	-
Assets acquired under capital lease	12,019	-	13,059	-
Derivative liabilities (Note 12c)	-	-	-	7,334
Share purchase warrants exercised (Note 12c)	-	-	(830)	830
	12,019	-	14,105	8,164

18. RELATED PARTIES

Related party transactions

	Transaction value for the three months ended September 30,		Transaction value for the nine months ended September 30,	
	2017	2016	2017	2016
Hunter Dickinson Services Inc.:				
General and administrative expenses	285	309	1,008	1,084
Exploration and evaluation expenses	11	11	84	31
	296	320	1,092	1,115
Gibraltar joint venture:				
Management fee income	291	223	875	677
Reimbursable compensation expenses and third party costs	(6)	(4)	33	101
	285	219	908	778

	Balance due (to) from as at September 30,	
	2017	2016
Hunter Dickinson Services Inc.	(61)	(56)
Gibraltar Joint Venture	285	(19)

Three directors of the Company are also principals of Hunter Dickinson Services Inc. (HDSI), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the three month period ended September 30, 2017, the Company incurred total costs of $296 (Q3 2016: $320) in transactions with HDSI. Of these, $119 (Q3 2016: $143) related to administrative, legal, exploration and tax services, $107 related to reimbursements of office rent costs (Q3 2016: $107), and $70 (Q3 2016: $70) related to director fees for two Taseko directors who are also principals of HDSI.

For the nine month period ended September 30, 2017, the Company incurred total costs of $1,092 (2016: $1,115) in transactions with HDSI. Of these, $463 (2016: $495) related to administrative, legal, exploration and tax services, $419 related to reimbursements of office rent costs (2016: $410), and $210 (2016: $210) related to director fees for two Taseko directors who are also principals of HDSI.

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

19. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(Cdn$ in thousands - unaudited)

	Level 1	Level 2	Level 3	Total
September 30, 2017				
Financial assets designated as FVTPL				
Copper put option contracts	-	954	-	954
Available-for-sale financial assets				
Marketable securities	2,569	-	-	2,569
Subscription receipts	-	-	10,333	10,333
Reclamation deposits	30,453	-	-	30,453
	33,022	954	10,333	44,309
December 31, 2016				
Financial assets designated as FVTPL				
Copper put option contracts	-	155	-	155
Available-for-sale financial assets				
Marketable securities	1,419	-	-	1,419
Subscription receipts	-	-	10,333	10,333
Reclamation deposits	30,535	-	-	30,535
	31,954	155	10,333	42,442
Financial liabilities				
Copper call option (Note 12b)	-	9,440	-	9,440

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 September 30, 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 third party transaction.

(Cdn$ in thousands - unaudited)

Commodity Price Risk

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

	As at September 30, 2017
Copper increase/decrease by US$0.30/lb.[1, 2]	3,839

[1]The analysis is based on the assumption that the period-end copper price increases 10% with all other variables held constant. The closing exchange rate for the quarter ended September 30, 2017 of CAD/USD 1.2480 was used in the analysis.

[2]At September 30, 2017, 10 million pounds of copper in concentrate were exposed to copper price movements.