Taseko Mines Limited
15th Floor, 1040 West Georgia St.
Vancouver, BC V6E 4H1
tasekomines.com

TASEKO REPORTS 2018 FOURTH QUARTER AND ANNUAL FINANCIAL RESULTS

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

February 12, 2019, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE American: TGB) ("Taseko" or the "Company") reports financial results for the fourth quarter and full year ending December 31, 2018.

Russell Hallbauer, President and CEO of Taseko, commented, "In 2018, Gibraltar generated $149 million of earnings from mining operations before depletion and amortization* on a 100% basis. The copper price volatility over the year, ranging from a high of US$3.25 to a low of US$2.60 per pound, made it a challenging environment for many aspects of our business, from mine planning to pricing, as we tried to maximize operating margin and returns. We expect, as do many industry analysts, increased copper prices in 2019 and a rebound in gross revenue and margins. With global copper inventories at multi-year lows and less scrap copper being used in the manufacture of final products combined with limited new production capacity, the growing copper deficit will only result in higher prices."

Mr. Hallbauer continued, "We are pleased with the performance of Gibraltar, but the focus of shareholders should be on our Florence Copper Project, with it now transitioning from a development project to an operating asset and continuing to advance as planned. Since we began operating the commercial scale wellfield, we have been extremely pleased with the results. The main focus of this phase is to demonstrate to the regulators and key stakeholders that we are able to maintain hydraulic control of the leach solutions underground. All of the data gathered since we began injecting solutions indicate that copper mineralization is dissolving into copper solution as predicted. With operations underway, we have commenced detailed engineering and the process to finalize the commercial scale permits, with the goal of commencing construction of the commercial plant as soon as possible."

"The fourth quarter of 2018 was generally in line with our expectations for sales which came in at 43 million pounds of copper and 738,000 pounds of molybdenum (100% basis). Copper production was slightly lower than anticipated due to a series of minor operational issues, particularly in December, which were compounded by higher work index ore and lower grade stockpile feed. We were able to ship most of the excess concentrate from the third quarter with copper inventory declining from 19 million pounds to two million pounds by year end," Mr. Hallbauer continued.

"Gibraltar is expected to produce approximately 130 million pounds (+/-5%) on a 100% basis in 2019, comparable to the level achieved in 2018. While there will be quarterly fluctuations in both copper and molybdenum production, we do not anticipate those fluctuations to be as significant as last year. Even though we expect higher copper pricing in 2019, we have made a number of mine plan adjustments and spending curtailments to address the current weaker pricing environment," added Mr. Hallbauer.

Mr, Hallbauer continued, "Our acquisition of Yellowhead Mining is expected to close in the coming days as the transaction was approved by Yellowhead shareholders at a special meeting held on February 8, 2019. I cannot emphasize how enthused we are to have acquired this quality, near-shovel-ready asset. The intrinsic value of the Yellowhead project to Taseko has not been recognized by the investment community. During the first seven years of operation, the mill will process head grades of 0.32% CuEQ. Simplistically put, the in-situ ore value is approximately US$22 per tonne at the long-term copper price. With a cost per tonne milled expected to be below C$10 per tonne, the mine site operating margin is approximately C$16 per tonne. At present design capacity of 70,000 tonnes per day of throughput the Yellowhead Mine will generate roughly $400 million in operating margin a year, and place it as one of the largest, long life copper mines in Canada."

"As with all of our acquisitions of undervalued assets, we believe our operating and engineering expertise can create substantial long-term value. Based on Yellowhead's 2014 technical report, the project has a pre-tax net present value in excess of C$1 billion, or approximately $4.00 per Taseko share. We expect to unlock further value for our shareholders in the months ahead," concluded Mr. Hallbauer.

2018 Annual Review

- Earnings from mining operations before depletion and amortization* was $112.0 million and Adjusted EBITDA* was $98.2 million;
- Cash flows from operations were $94.1 million;
- The cash balance at the end of 2018 was $46 million, which is lower than the end of 2017 as the Company incurred expenditures of $36.5 million at the Florence Copper Project in the year;
- Net loss for the year was $35.8 million ($0.16 per share) includes an unrealized foreign exchange loss of $28.7 million. Adjusted net loss* was $8.5 million ($0.04 per share);
- The Gibraltar Mine (100% basis) produced 125.2 million pounds of copper and 2.4 million pounds of molybdenum. Copper head grades for the year were 3% lower than the life of mine average reserve grade;
- Site operating costs, net of by-product credits* were US$1.60 per pound produced, and Total operating costs (C1)* were US$1.93 per pound produced; and
- Construction of the Production Test Facility ("PTF") for the Florence Copper Project in Arizona was completed on time and on budget and commenced operation in the fourth quarter. Results to date have been in line with management's expectations.

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

Fourth Quarter Review

- Fourth quarter earnings from mining operations before depletion and amortization* were $28.5 million, and Adjusted EBITDA was $26.5 million;
- Net loss was $19.7 million ($0.09 per share) includes an unrealized foreign exchange loss of $17.9 million. Adjusted net loss* was $1.3 million ($0.01 per share);
- Net loss and adjusted net loss for the fourth quarter include a $1.7 million write-down to reduce the net realizable value of ore stockpile inventories, as a result of the decline in copper prices;
- Cash flow from operations was $44.1 million;
- Total copper sales for the quarter were 42.7 million pounds (100% basis) as the excess inventory on hand at the end of the third quarter was sold in the fourth quarter;
- Copper production in the fourth quarter was 25.8 million pounds (100% basis) as a result of reduced head grades and mill throughput; and
- Site operating costs, net of by-product credits* were US$1.62 per pound produced and Total operating costs (C1)* were US$2.11 per pound produced.

HIGHLIGHTS

Financial Data (includes 75% share of Gibraltar)	**Year ended December 31,**			**Three Months Ended December 31,**		
(Cdn$ in thousands, except for per share amounts)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Revenues	343,870	378,299	(34,429)	111,121	95,408	15,713
Earnings from mining operations before depletion and amortization*	112,003	177,716	(65,713)	28,450	32,696	(4,246)
Earnings from mining operations	41,222	129,994	(88,772)	10,578	18,135	(7,557)
Net income (loss)	(35,774)	34,262	(70,036)	(19,720)	(7,600)	(12,120)
Per share - basic (“EPS”)	(0.16)	0.15	(0.31)	(0.09)	(0.03)	(0.06)
Adjusted net income (loss)*	(8,508)	41,420	(49,928)	(1,310)	(1,544)	234
Per share - basic (“adjusted EPS”)*	(0.04)	0.18	(0.22)	(0.01)	(0.01)	-
EBITDA*	71,483	163,757	(92,274)	7,886	22,350	(14,464)
Adjusted EBITDA*	98,217	161,749	(63,532)	26,489	28,639	(2,150)
Cash flows provided by operations	94,078	211,079	(117,001)	44,120	31,899	12,221

Operating Data (Gibraltar - 100% basis)	**Year ended December 31,**			**Three Months Ended December 31,**		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
Tons mined (millions)	111.6	93.1	18.5	28.4	26.9	1.5
Tons milled (millions)	30.1	29.8	0.3	7.1	7.9	(0.8)
Production (million pounds Cu)	125.2	141.2	(16.0)	25.8	25.5	0.3
Sales (million pounds Cu)	126.5	143.7	(17.2)	42.7	32.0	10.7

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

REVIEW OF OPERATIONS

Gibraltar Mine (75% Owned)

Operating data (100% basis)	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	YE 2018	YE 2017
Tons mined (millions)	28.4	29.0	27.4	26.7	26.9	111.6	93.1
Tons milled (millions)	7.1	8.0	7.5	7.5	7.9	30.1	29.8
Strip ratio	5.1	1.7	1.9	4.1	4.9	2.7	3.4
Site operating cost per ton milled (CAD$)*	$9.16	$10.60	$10.31	$8.68	$7.68	$9.71	$7.48
Copper concentrate							
Head Grade (%)	0.222	0.314	0.263	0.201	0.209	0.251	0.281
Copper Recovery (%)	81.3	85.9	85.3	75.7	77.5	82.7	84.1
Production (million pounds Cu)	25.8	43.0	33.5	22.9	25.5	125.2	141.2
Sales (million pounds Cu)	42.7	28.8	32.2	22.8	32.0	126.5	143.7
Inventory (million pounds Cu)	1.6	18.5	4.2	2.9	2.7	1.6	2.7
Molybdenum concentrate							
Production (thousand pounds Mo)	727	690	506	443	537	2,366	2,637
Sales (thousand pounds Mo)	738	709	424	433	589	2,304	2,645
Per unit data (US$ per pound produced)*							
Site operating costs*	$1.92	$1.50	$1.78	$2.25	$1.86	$1.80	$1.22
By-product credits*	(0.30)	(0.16)	(0.12)	(0.23)	(0.17)	(0.20)	(0.13)
Site operating costs, net of by-product credits*	$1.62	$1.34	$1.66	$2.02	$1.69	$1.60	$1.09
Off-property costs	0.49	0.24	0.32	0.31	0.42	$0.33	0.34
Total operating costs (C1)*	$2.11	$1.58	$1.98	$2.33	$2.11	$1.93	$1.43

OPERATIONS ANALYSIS

Full-year results

In 2018, Gibraltar produced 125.2 million pounds of copper. Copper grade for the year averaged 0.251% copper, approximately 3% below the life of mine average grade. Throughput and recoveries were both slightly below targeted levels for the year. Copper recovery was 82.7% for the year due to lower head grades in the current year.

A total of 111.6 million tons were mined in 2018, a 20% increase over the prior year as waste stripping was increased to meet mine plan sequencing requirements. Waste stripping costs of $48.8 million (75% basis) were capitalized in 2018, as a new pushback in the Granite pit was initiated. The ore stockpile tons remained relatively unchanged year over year.

Site operating costs* for the year were US$1.80 per pound of copper produced, an increase from 2017, due to the lower copper production, higher mining costs and decreased capitalization of stripping costs in the current year.

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

OPERATIONS ANALYSIS - CONTINUED

Site operating costs* does not include the benefit of an insurance recovery of $7.9 million (75% basis) that was recorded in the current year related to the 2017 Cariboo wildfires.

Molybdenum production for 2018 was 2.4 million pounds, resulting in by-product credits per pound of copper produced* of US$0.20, an increase from US$0.13 in the prior year. The higher by-product credit was due to higher molybdenum prices, partially offset by lower sales volumes in the current year.

Off property costs* were US$0.33 per pound of copper produced, consistent with US$0.34 per pound produced in 2017.

Total operating costs (C1)* were US$1.93 per pound of copper produced for the year.

Fourth quarter results

Copper production in the fourth quarter was 25.8 million pounds. Production was affected by lower head grades and recovery in the quarter as a result of the metallurgical makeup of the ore and severe winter weather which impacted mining operations and ore access.

A total of 28.4 million tons were mined during the period. The strip ratio for the fourth quarter of 5.1 to 1 was higher than recent quarters and above the life of mine average strip ratio of 1.9 to 1. Mill feed was supplemented with 2.2 million tons of ore drawn from stockpile.

Site operating cost per ton milled* was $9.16 in the fourth quarter of 2018.

Total site spending (including site operating costs and capitalized stripping costs) in the fourth quarter was 5% lower than the previous quarter. However, site operating costs per pound produced* increased to US$1.92 from US$1.50 in the previous quarter, because of lower copper production.

Molybdenum production was 0.7 million pounds in the fourth quarter, a result of continued strong molybdenum plant operating performance. By-product credits per pound of copper produced* increased to US$0.30 in the fourth quarter from US$0.16 in the previous quarter, as molybdenum revenues increased in the quarter while copper production volumes dropped.

Off-property costs per pound produced* were US$0.49 for the fourth quarter of 2018, which is higher than normal as a result of significantly higher copper sales volume during the current period. The unusually high copper concentrate inventory at the end of the third quarter was sold in the fourth quarter. Off-property costs per pound produced, including transportation, smelting and refining costs, are higher in periods where sales volumes are higher than production volumes.

Total operating costs (C1) per pound* were US$2.11 in the period, and were impacted by lower copper production and higher than normal off-property costs.

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

OPERATIONS ANALYSIS - CONTINUED

Health, Safety, and Environment

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

Taseko places a high priority on the continuous improvement of performance in the areas of employee health and safety at the workplace and protection of the environment. The Gibraltar Mine's 2018 results of zero loss time accidents, and zero accidents that affected the environment, are both a reflection of that priority and a reflection of the general standard of work at that site. We do not have access to comparable data for environmental performance but Gibraltar's zero loss time accidents is once again an industry leading performance in an industry that prides itself on their ability to have their employees come to work and then return home safely. Gibraltar received the Province of British Columbia Ministry of Energy and Mines John Ash Award for the years 2015, 2016, and 2017 and is in line to receive it again for 2018. This award goes to the mine in British Columbia that has worked more than one million hours with the lowest injury frequency rate.

The same priority on health, safety, and environmental performance was exemplified during the construction of the Florence Copper PTF and the methods and culture at Gibraltar are being imported and implemented as the PTF enters the operations phase.

GIBRALTAR OUTLOOK

Gibraltar is expected to produce approximately 130 million pounds (+/-5%) on a 100% basis in 2019, comparable to the production level achieved in 2018. While there will be quarterly fluctuations in both copper and molybdenum production, the Company does not anticipate those fluctuations to be as significant as in 2018. The fundamentals for copper remain strong and most analysts are projecting a growing deficit and higher copper prices in the coming years.

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 long-term returns for shareholders. Our development projects are located in British Columbia and Arizona and represent a diverse range of metals, including gold, copper, molybdenum and niobium. Our current focus is on the development of the Florence Copper Project.

Florence Copper Project

Construction of the Production Test Facility ("PTF") for the Florence Copper Project progressed smoothly in 2018 and was completed on time and on budget. Wellfield operations commenced in the fourth quarter. Total expenditures at the Florence Project in 2018 were $36.5 million which includes PTF construction and operation, and other project development costs.

REVIEW OF PROJECTS - CONTINUED

The main focus of the PTF phase is to demonstrate to regulators and key stakeholders that hydraulic control of underground leach solutions can be maintained. Results to date are in line with management's expectations. Successful operation of the in situ leaching process will allow permits to be amended for the full scale operation, which is expected to produce 85 million pounds of copper cathode per year. The permit amendment process has started and it is anticipated that construction of the commercial scale operation could be commenced in the first half of 2020.

Aley Niobium Project

Environmental monitoring on the project continues and a number of product marketing initiatives are underway. A drill program was completed in the third quarter of 2018 to collect samples for further metallurgical testing. Aley project expenditures were $2.7 million in 2018.

Yellowhead Copper Project

On December 4, 2018, the Company entered into an agreement to acquire all of the outstanding common shares of Yellowhead Mining Inc. ("Yellowhead") that it did not already own, in exchange for 17.3 million Taseko common shares. The transaction was structured as a plan of arrangement pursuant to the Business Corporations Act (British Columbia) and requires the approval of the Supreme Court of British Columbia and Yellowhead shareholders. At a special meeting on February 8, 2019, Yellowhead shareholders voted to approve the acquisition and the transaction is expected to close in February.

Yellowhead holds a 100% interest in a copper-gold-silver development project located in south-central British Columbia. The project feasibility study dated July 31, 2014, proposed a 70,000 tonne per day concentrator with total pre-production capital costs of approximately $1 billion and an average operating cost of US$1.46 per pound of copper. Using US$3.00 per pound of copper, a Canadian/US dollar exchange rate of 0.80, and an 8% discount rate results in a pre-tax net present value of $1.1 billion.

The Company will host a telephone conference call and live webcast on Wednesday, February 13, 2019 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific) to discuss these results. After opening remarks by management, there will be a question and answer session open to analysts and investors. The conference call may be accessed by dialing (888) 390-0546 within North America, or (416) 764-8688 for international callers.

The conference call will be archived for later playback until February 20, 2019 and can be accessed by dialing (888) 390-0541 within North America or, (416) 764-8677 internationally and using the passcode 572084 #.

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

	Three months ended December 31,		**Year ended December 31,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2018**	**2017**	**2018**	**2017**
Cost of sales	**100,543**	**77,273**	**302,648**	**248,305**
Less:				
Depletion and amortization	(17,872)	(14,561)	(70,781)	(47,722)
Insurance recovered	38	-	7,913	-
Net change in inventories of finished goods	(20,028)	(5,392)	(2,435)	302
Net change in inventories of ore stockpiles	(8,905)	(8,006)	(1,078)	(14,266)
Transportation costs	(4,656)	(4,074)	(17,163)	(19,281)
Site operating costs	**49,120**	**45,240**	**219,104**	**167,338**
Less by-product credits:				
Molybdenum, net of treatment costs	(7,643)	(4,016)	(23,419)	(16,883)
Silver, excluding amortization of deferred revenue	(118)	(173)	(327)	(810)
Site operating costs, net of by-product credits	**41,359**	**41,051**	**195,358**	**149,645**
Total copper produced (thousand pounds)	19,372	19,094	93,888	105,874
Total costs per pound produced	2.13	2.15	2.08	1.41
Average exchange rate for the period (CAD/USD)	1.32	1.27	1.30	1.30
Site operating costs, net of by-product credits (US$ per pound)	**1.62**	**1.69**	**1.60**	**1.09**
Site operating costs, net of by-product credits	41,359	41,051	195,358	149,645
Add off-property costs:				
Treatment and refining costs	7,764	6,172	22,381	28,072
Transportation costs	4,656	4,074	17,163	19,281
Total operating costs	53,779	51,297	234,902	196,998
Total operating costs (C1) (US$ per pound)	**2.11**	**2.11**	**1.93**	**1.43**

NON-GAAP PERFORMANCE MEASURES – CONTINUED

Adjusted net income (loss)

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

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

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

	Three months ended December 31,		**Year ended December 31,**	
($ in thousands, except per share amounts)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	**(19,720)**	**(7,600)**	**(35,774)**	**34,262**
Unrealized foreign exchange (gain) loss	17,887	1,541	28,704	(17,684)
Unrealized (gain) loss on copper put options	716	898	(1,970)	1,970
Loss on copper call option	-	-	-	6,305
Loss on settlement of long-term debt	-	-	-	13,102
Write-down of mine equipment	-	-	-	3,551
Write-down of investment	-	3,850	-	3,850
Estimated tax effect of adjustments	(193)	(233)	532	(3,936)
Adjusted net income (loss)	**(1,310)**	**(1,544)**	**(8,508)**	**41,420**
Adjusted EPS	**(0.01)**	**(0.01)**	**(0.04)**	**0.18**

EBITDA and Adjusted EBITDA

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

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

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

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

NON-GAAP PERFORMANCE MEASURES – CONTINUED

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

	Three months ended December 31,		**Year ended December 31,**	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	**(19,720)**	**(7,600)**	**(35,774)**	**34,262**
Add:				
Depletion and amortization	17,872	14,561	70,781	47,722
Amortization of share-based compensation expense (recovery)	(288)	1,321	(1,282)	7,100
Finance expense	9,691	8,692	38,564	46,430
Finance income	(314)	269	(1,254)	(935)
Income tax expense	645	5,107	448	29,178
EBITDA	**7,886**	**22,350**	**71,483**	**163,757**
Adjustments:				
Unrealized foreign exchange (gain) loss	17,887	1,541	28,704	(17,684)
Unrealized (gain) loss on copper put options	716	898	(1,970)	1,970
Write-down of investment	-	3,850	-	3,850
Write-down of mine equipment	-	-	-	3,551
Loss on copper call option	-	-	-	6,305
Adjusted EBITDA	**26,489**	**28,639**	**98,217**	**161,749**

NON-GAAP PERFORMANCE MEASURES – CONTINUED

Earnings from mining operations before depletion and amortization

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

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands)	**2018**	**2017**	**2018**	**2017**
Earnings from mining operations	**10,578**	**18,135**	**41,222**	**129,994**
Add:				
Depletion and amortization	17,872	14,561	70,781	47,722
Earnings from mining operations before depletion and amortization	**28,450**	**32,696**	**112,003**	**177,716**

Site operating costs per ton milled

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, except per ton milled amounts)	**2018**	**2017**	**2018**	**2017**
Site operating costs (included in cost of sales)	**49,120**	**45,240**	**219,104**	**167,338**
Tons milled (thousands) (75% basis)	5,361	5,887	22,569	22,367
Site operating costs per ton milled	**$9.16**	**$7.68**	**$9.71**	**$7.48**

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

Cautionary Statement on Forward-Looking Information

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

TASEKO MINES LIMITED

Management's Discussion and Analysis

This management discussion and analysis ("MD&A") is intended to help the reader understand Taseko Mines Limited ("Taseko", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board for the year ended December 31, 2018 (the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this MD&A and the Company's other public filings, which are available on the Canadian Securities Administrators' website at www.sedar.com and on the EDGAR section of the United States Securities and Exchange Commission's ("SEC") website at www.sec.gov.

This MD&A is prepared as of February 11, 2019. 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.

CONTENTS

OVERVIEW

Taseko Mines Limited ("Taseko" or "Company") is a mining company that seeks to create long-term 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, which is located in central British Columbia and is one of the largest copper mines in North America. Taseko also owns the Florence Copper Project, which is advancing towards production, as well as the Aley niobium, Harmony gold and New Prosperity gold-copper projects.

HIGHLIGHTS

Financial Data (includes 75% share of Gibraltar)	Year ended December 31,			Three Months Ended December 31,		
(Cdn$ in thousands, except for per share amounts)	2018	2017	Change	2018	2017	Change
Revenues	343,870	378,299	(34,429)	111,121	95,408	15,713
Earnings from mining operations before depletion and amortization*	112,003	177,716	(65,713)	28,450	32,696	(4,246)
Earnings from mining operations	41,222	129,994	(88,772)	10,578	18,135	(7,557)
Net income (loss)	(35,774)	34,262	(70,036)	(19,720)	(7,600)	(12,120)
Per share - basic ("EPS")	(0.16)	0.15	(0.31)	(0.09)	(0.03)	(0.06)
Adjusted net income (loss)*	(8,508)	41,420	(49,928)	(1,310)	(1,544)	234
Per share - basic ("adjusted EPS")*	(0.04)	0.18	(0.22)	(0.01)	(0.01)	-
EBITDA*	71,483	163,757	(92,274)	7,886	22,350	(14,464)
Adjusted EBITDA*	98,217	161,749	(63,532)	26,489	28,639	(2,150)
Cash flows provided by operations	94,078	211,079	(117,001)	44,120	31,899	12,221

Operating Data (Gibraltar - 100% basis)	Year ended December 31,			Three Months Ended December 31,		
	2018	2017	Change	2018	2017	Change
Tons mined (millions)	111.6	93.1	18.5	28.4	26.9	1.5
Tons milled (millions)	30.1	29.8	0.3	7.1	7.9	(0.8)
Production (million pounds Cu)	125.2	141.2	(16.0)	25.8	25.5	0.3
Sales (million pounds Cu)	126.5	143.7	(17.2)	42.7	32.0	10.7

*Non-GAAP performance measure. See page 29 of this MD&A.

HIGHLIGHTS - CONTINUED

2018 Annual Review

- Earnings from mining operations before depletion and amortization* was $112.0 million and Adjusted EBITDA* was $98.2 million;
- Cash flows from operations were $94.1 million;
- The cash balance at the end of 2018 was $46 million, which is lower than the end of 2017 as the Company incurred expenditures of $36.5 million at the Florence Copper Project in the year;
- Net loss for the year was $35.8 million ($0.16 per share) includes an unrealized foreign exchange loss of $28.7 million. Adjusted net loss* was $8.5 million ($0.04 per share);
- The Gibraltar Mine (100% basis) produced 125.2 million pounds of copper and 2.4 million pounds of molybdenum. Copper head grades for the year were 3% lower than the life of mine average reserve grade;
- Site operating costs, net of by-product credits* were US$1.60 per pound produced, and Total operating costs (C1)* were US$1.93 per pound produced; and
- Construction of the Production Test Facility ("PTF") for the Florence Copper Project in Arizona was completed on time and on budget and commenced operation in the fourth quarter. Results to date have been in line with management's expectations.

Fourth Quarter Review

- Fourth quarter earnings from mining operations before depletion and amortization* were $28.5 million, and Adjusted EBITDA was $26.5 million;
- Net loss was $19.7 million ($0.09 per share) includes an unrealized foreign exchange loss of $17.9 million. Adjusted net loss* was $1.3 million ($0.01 per share);
- Net loss and adjusted net loss for the fourth quarter include a $1.7 million write-down to reduce the net realizable value of ore stockpile inventories, as a result of the decline in copper prices;
- Cash flow from operations was $44.1 million;
- Total copper sales for the quarter were 42.7 million pounds (100% basis) as the excess inventory on hand at the end of the third quarter was sold in the fourth quarter;
- Copper production in the fourth quarter was 25.8 million pounds (100% basis) as a result of reduced head grades and mill throughput; and
- Site operating costs, net of by-product credits* were US$1.62 per pound produced and Total operating costs (C1)* were US$2.11 per pound produced.

*Non-GAAP performance measure. See page 29 of this MD&A.

REVIEW OF OPERATIONS

Gibraltar Mine (75% Owned)

Operating data (100% basis)	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**	**YE 2018**	**YE 2017**
Tons mined (millions)	28.4	29.0	27.4	26.7	26.9	111.6	93.1
Tons milled (millions)	7.1	8.0	7.5	7.5	7.9	30.1	29.8
Strip ratio	5.1	1.7	1.9	4.1	4.9	2.7	3.4
Site operating cost per ton milled (CAD$)*	$9.16	$10.60	$10.31	$8.68	$7.68	$9.71	$7.48
Copper concentrate							
Head grade (%)	0.222	0.314	0.263	0.201	0.209	0.251	0.281
Copper recovery (%)	81.3	85.9	85.3	75.7	77.5	82.7	84.1
Production (million pounds Cu)	25.8	43.0	33.5	22.9	25.5	125.2	141.2
Sales (million pounds Cu)	42.7	28.8	32.2	22.8	32.0	126.5	143.7
Inventory (million pounds Cu)	1.6	18.5	4.2	2.9	2.7	1.6	2.7
Molybdenum concentrate							
Production (thousand pounds Mo)	727	690	506	443	537	2,366	2,637
Sales (thousand pounds Mo)	738	709	424	433	589	2,304	2,645
Per unit data (US$ per pound produced)*							
Site operating costs*	$1.92	$1.50	$1.78	$2.25	$1.86	$1.80	$1.22
By-product credits*	(0.30)	(0.16)	(0.12)	(0.23)	(0.17)	(0.20)	(0.13)
Site operating costs, net of by-product credits*	$1.62	$1.34	$1.66	$2.02	$1.69	$1.60	$1.09
Off-property costs	0.49	0.24	0.32	0.31	0.42	$0.33	0.34
Total operating costs (C1)*	$2.11	$1.58	$1.98	$2.33	$2.11	$1.93	$1.43

*Non-GAAP performance measure. See page 29 of this MD&A.

OPERATIONS ANALYSIS

Full-year results

In 2018, Gibraltar produced 125.2 million pounds of copper. Copper grade for the year averaged 0.251% copper, approximately 3% below the life of mine average grade. Throughput and recoveries were both slightly below targeted levels for the year. Copper recovery was 82.7% for the year due to lower head grades in the current year.

A total of 111.6 million tons were mined in 2018, a 20% increase over the prior year as waste stripping was increased to meet mine plan sequencing requirements. Waste stripping costs of $48.8 million (75% basis) were capitalized in 2018, as a new pushback in the Granite pit was initiated. The ore stockpile tons remained relatively unchanged year over year.

Site operating costs* for the year were US$1.80 per pound of copper produced, an increase from 2017, due to the lower copper production, higher mining costs and decreased capitalization of stripping costs in the current year.

Site operating costs* does not include the benefit of an insurance recovery of $7.9 million (75% basis) that was recorded in the current year related to the 2017 Cariboo wildfires.

Molybdenum production for 2018 was 2.4 million pounds, resulting in by-product credits per pound of copper produced* of US$0.20, an increase from US$0.13 in the prior year. The higher by-product credit was due to higher molybdenum prices, partially offset by lower sales volumes in the current year.

Off property costs* were US$0.33 per pound of copper produced, consistent with US$0.34 per pound produced in 2017.

Total operating costs (C1)* were US$1.93 per pound of copper produced for the year.

Fourth quarter results

Copper production in the fourth quarter was 25.8 million pounds. Production was affected by lower head grades and recovery in the quarter as a result of the metallurgical makeup of the ore and severe winter weather which impacted mining operations and ore access.

A total of 28.4 million tons were mined during the period. The strip ratio for the fourth quarter of 5.1 to 1 was higher than recent quarters and above the life of mine average strip ratio of 1.9 to 1. Mill feed was supplemented with 2.2 million tons of ore drawn from stockpile.

Site operating cost per ton milled* was $9.16 in the fourth quarter of 2018.

Total site spending (including site operating costs and capitalized stripping costs) in the fourth quarter was 5% lower than the previous quarter. However, site operating costs per pound produced* increased to US$1.92 from US$1.50 in the previous quarter, because of lower copper production.

Molybdenum production was 0.7 million pounds in the fourth quarter, a result of continued strong molybdenum plant operating performance. By-product credits per pound of copper produced* increased to US$0.30 in the fourth quarter from US$0.16 in the previous quarter, as molybdenum revenues increased in the quarter while copper production volumes dropped.

*Non-GAAP performance measure. See page 29 of this MD&A.

Off-property costs per pound produced* were US$0.49 for the fourth quarter of 2018, which is higher than normal as a result of significantly higher copper sales volume during the current period. The unusually high copper concentrate inventory at the end of the third quarter was sold in the fourth quarter. Off-property costs per pound produced, including transportation, smelting and refining costs, are higher in periods where sales volumes are higher than production volumes.

Total operating costs (C1) per pound* were US$2.11 in the period, and were impacted by lower copper production and higher than normal off-property costs.

Health, Safety, and Environment

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

Taseko places a high priority on the continuous improvement of performance in the areas of employee health and safety at the workplace and protection of the environment. The Gibraltar Mine's 2018 results of zero loss time accidents, and zero accidents that affected the environment, are both a reflection of that priority and a reflection of the general standard of work at that site. We do not have access to comparable data for environmental performance but Gibraltar's zero loss time accidents is once again an industry leading performance in an industry that prides itself on their ability to have their employees come to work and then return home safely. Gibraltar received the Province of British Columbia Ministry of Energy and Mines John Ash Award for the years 2015, 2016, and 2017 and is in line to receive it again for 2018. This award goes to the mine in British Columbia that has worked more than one million hours with the lowest injury frequency rate.

The same priority on health, safety, and environmental performance was exemplified during the construction of the Florence Copper PTF and the methods and culture at Gibraltar are being imported and implemented as the PTF enters the operations phase.

GIBRALTAR OUTLOOK

Gibraltar is expected to produce approximately 130 million pounds (+/-5%) on a 100% basis in 2019, comparable to the production level achieved in 2018. While there will be quarterly fluctuations in both copper and molybdenum production, the Company does not anticipate those fluctuations to be as significant as in 2018. The fundamentals for copper remain strong and most analysts are projecting a growing deficit and higher copper prices in the coming years.

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 long-term returns for shareholders. Our development projects are located in British Columbia and Arizona and represent a diverse range of metals, including gold, copper, molybdenum and niobium. Our current focus is on the development of the Florence Copper Project.

*Non-GAAP performance measure. See page 29 of this MD&A

Florence Copper Project

Construction of the Production Test Facility ("PTF") for the Florence Copper Project progressed smoothly in 2018 and was completed on time and on budget. Wellfield operations commenced in the fourth quarter. Total expenditures at the Florence Project in 2018 were $36.5 million which includes PTF construction and operation, and other project development costs.

The main focus of the PTF phase is to demonstrate to regulators and key stakeholders that hydraulic control of underground leach solutions can be maintained. Results to date are in line with management's expectations. Successful operation of the in situ leaching process will allow permits to be amended for the full scale operation, which is expected to produce 85 million pounds of copper cathode per year. The permit amendment process has started and it is anticipated that construction of the commercial scale operation could be commenced in the first half of 2020.

Aley Niobium Project

Environmental monitoring on the project continues and a number of product marketing initiatives are underway. A drill program was completed in the third quarter of 2018 to collect samples for further metallurgical testing. Aley project expenditures were $2.7 million in 2018.

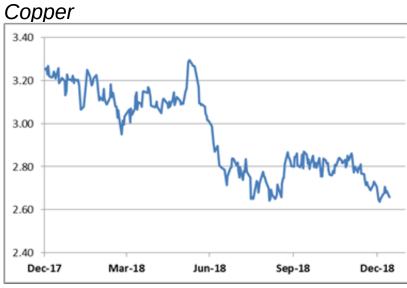
Yellowhead Copper Project

On December 4, 2018, the Company entered into an agreement to acquire all of the outstanding common shares of Yellowhead Mining Inc. ("Yellowhead") that it did not already own, in exchange for 17.3 million Taseko common shares. The transaction was structured as a plan of arrangement pursuant to the Business Corporations Act (British Columbia) and requires the approval of the Supreme Court of British Columbia and Yellowhead shareholders. At a special meeting on February 8, 2019, Yellowhead shareholders voted to approve the acquisition and the transaction is expected to close in February.

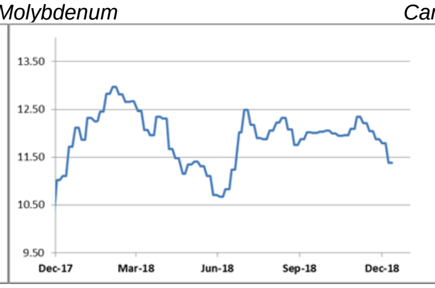
Yellowhead holds a 100% interest in a copper-gold-silver development project located in south-central British Columbia. The project feasibility study dated July 31, 2014, proposed a 70,000 tonne per day concentrator with total pre-production capital costs of approximately $1 billion and an average operating cost of US$1.46 per pound of copper. Using US$3.00 per pound of copper, a Canadian/US dollar exchange rate of 0.80, and an 8% discount rate results in a pre-tax net present value of $1.1 billion.

MARKET REVIEW

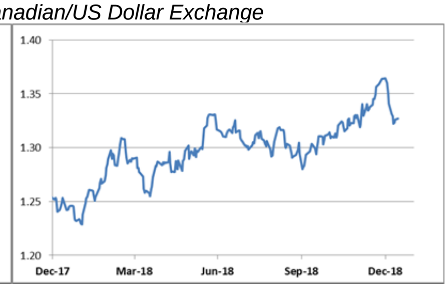
Copper



Molybdenum



Canadian/US Dollar Exchange



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

Copper prices have been on a downward trend over the last year, with prices decreasing by approximately 17% during 2018. The average price of London Metals Exchange ("LME") copper was US$2.80 per pound in the fourth quarter of 2018, which was slightly higher than the third quarter of 2018 and is approximately 9% lower than the fourth quarter of 2017. Changes in Chinese economic demand, copper supply disruptions, global trade policies, interest rate expectations and speculative investment activity have all contributed to the recent price volatility. Despite the short-term volatility, management continues to believe that the copper market will benefit from tight mine supply going forward.

The average molybdenum price was US$12.04 per pound in the fourth quarter of 2018, which was 2% higher than the third quarter of 2018. The Company's sales agreements specify molybdenum pricing based on the published Platts Metals reports.

Approximately 80% of the Gibraltar Mine's costs are Canadian dollar denominated and therefore, fluctuations in the Canadian/US dollar exchange rate can have a significant effect on the Company's operating results and unit production costs, which are reported in US dollars. The Canadian dollar weakened by approximately 9% during 2018.

FINANCIAL PERFORMANCE

Earnings

The Company's net loss was $35.8 million ($0.16 per share) for the year ended December 31, 2018, compared to a net income of $34.3 million ($0.15 per share) for 2017. The decrease in net income was primarily due to the lower copper prices, higher depletion and amortization expense, increased operating costs, and unrealized foreign exchange losses in the current year.

Earnings from mining operations before depletion and amortization* was $112.0 million for 2018, compared to $177.7 million for 2017. The decrease is a result of lower copper prices, lower copper production and higher unit operating costs this year.

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 year:

(Cdn$ in thousands)	Year ended December 31, 2018	2017	Change
Net income (loss)	(35,774)	34,262	(70,036)
Unrealized foreign exchange (gain) loss	28,704	(17,684)	46,388
Unrealized (gain) loss on copper put options	(1,970)	1,970	(3,940)
Write-down of mine equipment	-	3,551	(3,551)
Write-down of investment	-	3,850	(3,850)
Loss on settlement of long-term debt	-	13,102	(13,102)
Loss on copper call option	-	6,305	(6,305)
Estimated tax effect of adjustments	532	(3,936)	4,468
Adjusted net income (loss) *	(8,508)	41,420	(49,928)

*Non-GAAP performance measure. See page 29 of this MD&A

For the year ended December 31, 2018, the Canadian dollar weakened in comparison to the US dollar by 9%, resulting in an unrealized foreign exchange loss of $28.7 million. The unrealized foreign exchange loss was primarily related to the Company's US dollar denominated long-term debt.

The unrealized gain of $2.0 million in 2018 relates to the fair value adjustment of copper put options.

In the third quarter of 2017, a write-down of mine equipment of $3.6 million was recorded 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 in 2017.

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

The loss on settlement of long-term debt in 2017 relates to the write-off of deferred financing costs and additional interest costs paid as part of the refinancing completed in June 2017. At that time, the Company also settled a copper call option obligation with a lender, resulting in a loss of $6.3 million.

Revenues

	Year ended December 31,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**
Copper contained in concentrate	350,522	375,295	(24,773)
Molybdenum concentrate	26,589	20,782	5,807
Silver	3,713	1,728	1,985
Price adjustments on settlement receivables	(10,679)	13,490	(24,169)
Total gross revenue	370,145	411,295	(41,150)
Less: treatment and refining costs	(26,275)	(32,996)	6,721
Revenue	343,870	378,299	(34,429)

(thousands of pounds, unless otherwise noted)			
Sales of copper in concentrate*	91,426	103,871	(12,445)
Average realized copper price (US$ per pound)	2.84	2.88	(0.04)
Average LME copper price (US$ per pound)	2.96	2.80	0.16
Average exchange rate (US$/CAD)	1.30	1.30	-

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

Copper revenues in 2018 were $24.8 million lower than 2017 due to a decrease in copper sales volumes and lower realized copper prices in the current year.

Price adjustments of negative $11.3 million were recorded in 2018 for provisionally priced copper concentrate resulting in a US$0.09 per pound decrease to the average realized copper price in the current year. In 2017, positive price adjustments of $7.3 million were recorded, which resulted in a US$0.05 per pound increase in the average realized copper price for 2017.

Molybdenum revenues in 2018 were $5.8 million higher than 2017, due to higher molybdenum prices, partially offset by lower sales volumes in the current year. The realized average molybdenum price for 2018 was

US$12.20 per pound compared to US$8.46 per pound for 2017. In 2018, price adjustments of positive $0.6 million (2017 - $6.2 million) were recorded for provisionally priced molybdenum concentrate.

Cost of sales

(Cdn$ in thousands)	Year ended December 31, 2018	2017	Change
Site operating costs	219,104	167,338	51,766
Transportation costs	17,163	19,281	(2,118)
Insurance recovered	(7,913)	-	(7,913)
Changes in inventories of finished goods	2,435	(302)	2,737
Changes in inventories of ore stockpiles	1,078	14,266	(13,188)
Production costs	231,867	200,583	31,284
Depletion and amortization	70,781	47,722	23,059
Cost of sales	302,648	248,305	54,343
Site operating costs per ton milled*	$9.71	$7.48	$2.23

*Non-GAAP performance measure. See page 29 of this MD&A

Site operating costs in 2018 increased by $51.8 million, primarily as a result of increased mining rates in 2018 and reduced allocations to capitalized stripping costs.

Haul truck hours were increased in 2018 to meet mine plan sequencing requirements resulting in increased mining costs. A total of 112 million tons were mined in the year, a 20% increase over 2017.

Site operating costs are also impacted by the portion of mining costs that are allocated to capitalized stripping. The portion of mining costs capitalized to the balance sheet was $20.3 million lower in 2018, and this contributed to higher cost of sales in the current year. For 2018, $48.8 million was allocated to capitalized stripping, compared to $69.0 million in 2017.

In 2018, the Company has recognized an insurance recovery of $7.9 million (75% basis) related to the Cariboo region wildfires in 2017.

The quantity of inventory in ore stockpiles remained relatively unchanged year over year, however valuation adjustments resulted in a decrease in inventories (increase in cost of sales) of $1.1 million in 2018. In 2017, the quantity of ore in stockpile inventory decreased by approximately 8.5 million tons resulting in a $14.3 million increase in cost of sales in 2017.

Depletion and amortization in 2018 increased by $23.1 million, over the same period in 2017. This difference is primarily due to increased amortization of capitalized stripping costs in 2018 as ore tons are now being mined from the newly developed section of the Granite pit.

Other operating (income) expenses

(Cdn$ in thousands)	Year ended December 31, 2018	2017	Change
General and administrative	13,957	12,775	1,182
Share-based compensation expense (recovery)	(1,544)	6,983	(8,527)
Exploration and evaluation	1,752	1,730	22
Realized loss on copper put options	2,264	1,807	457
Unrealized (gain) loss on copper put options	(1,970)	1,970	(3,940)
Loss on copper call option	-	6,305	(6,305)
Write-down of mine equipment	-	3,551	(3,551)
Write-down of investment	-	3,850	(3,850)
Other income	(1,472)	(1,060)	(412)
	12,987	37,911	(24,924)

General and administrative costs have increased in 2018, compared to the same period in 2017 primarily due to executive pension contributions during the year.

Share-based compensation recovery in 2018, was primarily due to the revaluation of the liability for deferred share units resulting from a decrease in the Company's share price.

Exploration and evaluation costs in 2018, represent costs associated with the New Prosperity and Aley projects. During 2018 the exploration and evaluation cost was offset by a $0.6 million tax credit related to the Aley project.

In 2018, the Company incurred a realized loss of $2.3 million from copper put options that settled during the year. The unrealized gain of $2.0 million relates to the fair value adjustment of copper put options.

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 2017 was $6.3 million.

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

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

Finance expenses

(Cdn$ in thousands)	Year ended December 31, 2018	2017	Change
Interest expense	32,077	30,965	1,112
Finance expense – deferred revenue	4,182	-	4,182
Accretion of PER	2,305	2,363	(58)
Loss on settlement of long-term debt	-	13,102	(13,102)
	38,564	46,430	(7,866)

Interest expense for 2018 increased by $1.1 million compared to the same period in 2017. The Company's total interest costs are lower in the year ended December 31, 2018 due to reduced long-term debt as a result of the June 2017 refinancing. However, interest expense recorded on the income statement is higher in 2018 primarily because no interest was capitalized in the current year, whereas $2.6 million of interest was capitalized in 2017.

Finance expense - deferred revenue represents the financing component of the upfront deposit from the silver streaming arrangement.

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

Income tax

(Cdn$ in thousands)	Year ended December 31, 2018	2017	Change
Current income tax expense	1,015	1,801	(786)
Deferred income tax (recovery)	(567)	27,377	(27,944)
	448	29,178	(28,730)
Effective tax rate	1.3%	46.0%	(44.7%)
Canadian statutory rate	27.0%	26.0%	1.0%
B.C. Mineral tax rate	9.6%	9.6%	-

The current income tax expense for 2018 decreased from the same period in 2017 due to lower earnings resulting in lower estimated B.C. mineral taxes for the year. Deferred income taxes were in a recovery position in 2018 compared to an expense in 2017 driven primarily from tax benefits that were not recognized, such as the unrealized foreign exchange loss on US denominated debt and other items that are not recognized for tax purposes.

FINANCIAL CONDITION REVIEW

Balance sheet review

	As at December 31,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**
Cash and cash equivalents	45,665	80,231	34,566
Other current assets	58,766	65,505	(6,739)
Property, plant and equipment	821,287	797,265	24,022
Other assets	47,005	45,709	1,296
Total assets	**972,723**	**988,710**	**(15,987)**
Current liabilities	47,578	50,139	(2,561)
Debt:			
Senior secured notes	331,683	302,085	29,598
Capital leases and secured equipment loans	23,798	27,133	(3,335)
Deferred revenue	39,367	39,640	(273)
Other liabilities	183,220	202,633	(19,413)
Total liabilities	**625,646**	**621,630**	**4,016**
Equity	**347,077**	**367,080**	**(20,003)**
Net debt (debt minus cash and equivalents)	309,816	248,987	60,829
Total common shares outstanding (millions)	228.4	227.0	1.4

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

Total long-term debt increased by $26.3 million for the year ended December 31, 2018, due to unrealized foreign exchange losses on the Company's US dollar denominated debt and a new equipment loan for $9 million, partially offset by payments on the Company's capital leases and equipment loans. Net debt has increased by $60.8 million in 2018 due to the unrealized foreign exchange losses and capital expenditures at Florence and Gibraltar.

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

Other liabilities decreased by $19.4 million mainly due to the decrease in the provision for environmental rehabilitation ("PER") and deferred tax liabilities. The decrease in the PER during 2018 is primarily due to a reduction in the assumed long-term inflation rate to 1.7% at December 31, 2018 (2017 – 2.0%). At December 31, 2018, the Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates was 2.18% compared to 2.26% at December 31, 2017. Given the long time frame over which environmental rehabilitation expenditures are expected to be incurred (over 100 years), the carrying value of the provision is very sensitive to changes in inflation and discount rate assumptions.

As at February 11, 2019, there were 228,588,834 common shares outstanding. In addition, there were 10,154,900 stock options and 3,000,000 warrants outstanding at February 11, 2019. More information on these instruments and the terms of their exercise is set out in Notes 18 and 21 of the December 31, 2018 consolidated financial statements.

Liquidity, cash flow and capital resources

During the year ended December 31, 2018, the Company generated operating cash flow of $94.1 million and used $94.4 million for investing activities. Investing activities in the period included $34.3 million of cash payments for development of the Florence Project, $48.8 million for capitalized stripping costs, $11.0 million on other capital expenditures for Gibraltar, and $2.7 million on other project costs.

Cash used for financing activities during 2018 includes $30.6 million of interest payments, primarily related to the senior secured notes. In addition, the Company made principal payments for capital leases and equipment loans of $12.3 million, and received $8.9 million of net proceeds from a new equipment loan completed in June 2018.

In 2017, the Company generated $109 million of positive cash flow from operating and investing activities, as a result of strong operating results at the Gibraltar Mine and including $44 million of cash proceeds from the sale of a silver stream to Osisko. This cash was used for interest payments and to reduce debt in 2017.

At December 31, 2018, the Company had cash and equivalents of $46 million (December 31, 2017 - $80 million) and continues to maintain a strategy of retaining a significant cash balance to reflect the volatile and capital intensive nature of the copper mining business. The Company continues to make monthly principal repayments for capital leases and equipment loans, however, there are no principal payments required on the senior secured notes until the maturity date in June 2022.

Liquidity outlook

The Company has a pipeline of development stage projects, including the Florence Copper Project, and additional funding will be required to advance these projects to production. The Florence Copper Project has an estimated capital cost of approximately US$200 million (plus reclamation bonding) and the Company expects to fund a portion of these costs with debt financing. The senior secured notes (due in June 2022) allow for up to US$100 million of first lien secured debt to be issued as well as up to US$50 million of debt for equipment financing, all subject to the terms of the note indenture. To address project funding requirements for Florence or other projects, the Company may also raise capital through equity financings or asset sales, including royalties, sales of project interests, or joint ventures. The Company may also redeem or repurchase senior secured notes on the market. The Company evaluates these alternatives based on a number of factors including, the prevailing market prices of its common shares and senior secured notes, metal prices, liquidity requirements, covenant restrictions and other factors, in order to determine the optimal mix of capital resources to address capital requirements, minimize the Company's cost of capital, and maximize shareholder value.

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

Hedging strategy

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

Considerations on the cost of the hedging program include an assessment of Gibraltar's estimated production costs, anticipated copper prices and the Company's capital requirements during the relevant period. In 2018, the Company spent $1.1 million to purchase copper put options that matured evenly over the third and fourth quarters of 2018. These put option contracts generated cash proceeds of $0.9 million in 2018. Subsequent to the year end, the Company purchased copper put options that mature evenly between February and April 2019. The following table shows the commodity contracts outstanding as at the date of this MD&A.

	Notional amount	Strike price	Term to maturity	Original cost
At February 11, 2019				
Copper put options	15 million lbs	US$2.80 per lb	February to April 2019	$0.8 million

Commitments and contingencies

Commitments

	Payments due						
($ in thousands)	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**	**Total**
Debt [1]:							
Repayment of principal	9,856	6,112	4,897	344,027	-	-	364,892
Interest	30,767	30,350	30,108	14,968		-	106,193
PER [2]	-	-	-	-	-	97,914	97,914
Operating leases	2,859	1,773	181	-	-	-	4,813
Capital expenditures [3]	298	-	-	-	-	-	298
Other expenditures [4]	8,220	6,171	5,864	1,175	-	-	21,430

[1] As at December 31, 2018, debt is comprised of senior secured notes, capital leases and secured equipment loans.

[2] The provision for environmental rehabilitation amounts presented in the table represents the present value of estimated costs of legal and constructive obligations required to retire an asset, including decommissioning and other site restoration activities, primarily for the Gibraltar Mine. The Company has provided total reclamation security of $36.3 million for its 75% share of the Gibraltar Mine, in the form of reclamation deposits and restricted cash.

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

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

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 $7.9 million as at December 31, 2018.

SELECTED ANNUAL INFORMATION

	For years ended December 31,		
(Cdn$ in thousands, except per share amounts)	**2018**	**2017**	**2016**
Revenues	343,870	378,299	263,865
Net income (loss)	(35,774)	34,262	(31,396)
Per share – basic	(0.16)	0.15	(0.14)
Per share – diluted	(0.16)	0.15	(0.14)
	As at December 31,		
	2018	**2017**	**2016**
Total assets	972,723	988,710	949,439
Total long-term financial liabilities	347,138	323,662	395,046

FOURTH QUARTER RESULTS

Consolidated Statements of Comprehensive Loss (Cdn$ in thousands, except per share amounts, unaudited)	**Three months ended December 31,** **2018**	**2017**
Revenues	111,121	95,408
Cost of sales		
Production costs	(82,671)	(62,712)
Depletion and amortization	(17,872)	(14,561)
Earnings from mining operations	10,578	18,135
General and administrative	(3,127)	(2,834)
Share-based compensation recovery (expense)	321	(1,310)
Exploration and evaluation	(371)	(321)
Loss on derivatives	(873)	(1,616)
Other income (expense)	266	(3,541)
Income before financing costs and income taxes	6,794	8,513
Finance expenses	(9,691)	(8,692)
Finance income (loss)	314	(269)
Foreign exchange loss	(16,492)	(2,045)
Loss before income taxes	(19,075)	(2,493)
Income tax expense	(645)	(5,107)
Net loss for the period	**(19,720)**	**(7,600)**
Other comprehensive income (loss):		
Unrealized income (loss) on financial assets	2,297	(3,517)
Foreign currency translation reserve	8,759	547
Total other comprehensive income (loss) for the period	**11,056**	**(2,970)**
Total comprehensive loss for the period	**(8,664)**	**(10,570)**
Loss per share		
Basic	(0.09)	(0.03)
Diluted	(0.09)	(0.03)
Weighted-average shares outstanding (thousands)		
Basic	228,406	226,827
Diluted	228,406	226,827

Consolidated Statements of Cash Flows (Cdn$ in thousands, unaudited)	**Three months ended December 31,**	
	2018	**2017**
Operating activities		
Net loss for the period	(19,720)	(7,600)
Adjustments for:		
Depletion and amortization	17,872	14,561
Income tax expense	645	5,107
Share-based compensation expense (recovery)	(288)	1,321
Loss on derivatives	873	1,616
Finance expenses, net	9,377	8,961
Unrealized foreign exchange loss	17,887	1,541
Amortization of deferred revenue	(486)	(296)
Deferred electricity repayments	-	(3,463)
Other operating activities	45	2,943
Net change in non-cash working capital	17,915	7,208
Cash provided by operating activities	44,120	31,899
Investing activities		
Purchase of property, plant and equipment	(26,032)	(28,340)
Purchase of copper put options	-	(992)
Proceeds from copper put options	454	-
Other investing activities	438	249
Cash used for investing activities	(25,140)	(29,083)
Financing activities		
Repayment of capital leases and equipment loans	(3,309)	(4,379)
Interest paid	(15,134)	(14,563)
Proceeds on exercise of options	11	411
Cash used for financing activities	(18,432)	(18,531)
Effect of exchange rate changes on cash and equivalents	(175)	277
Increase (decrease) in cash and equivalents	373	(15,438)
Cash and equivalents, beginning of period	45,292	95,669
Cash and equivalents, end of period	**45,665**	**80,231**

Earnings

The Company's net loss was $19.7 million ($0.09 per share) for the three months ended December 31, 2018, compared to a net loss of $7.6 million ($0.03 per share) for the same period in 2017. The higher loss was primarily due to lower copper prices, higher depletion and amortization expense, and a $17.9 million unrealized foreign exchange loss in the current period.

Earnings from mining operations before depletion and amortization* was $28.5 million for the three months ended December 31, 2018, compared to earnings of $32.7 million for the same period in 2017. The decrease was a result of lower realized copper prices, partially offset by an increase in copper sales volumes in the current period.

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

	Three months ended December 31,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**
Net loss	(19,720)	(7,600)	(12,120)
Unrealized foreign exchange loss	17,887	1,541	16,346
Unrealized loss on copper put options	716	898	(182)
Write-down of investment	-	3,850	(3,850)
Estimated tax effect of adjustments	(193)	(233)	40
Adjusted net loss*	(1,310)	(1,544)	234

*Non-GAAP performance measure. See page 29 on this MD&A.

In the three months ended December 31, 2018, the Canadian dollar weakened resulting in unrealized foreign exchange loss of $17.9 million. The unrealized foreign exchange loss was primarily driven by the translation of the Company's US dollar denominated debt.

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

Revenues

(Cdn$ in thousands)	Three months ended December 31, 2018	2017	Change
Copper in concentrate	113,790	90,405	23,385
Molybdenum concentrate	8,697	4,794	3,903
Silver	544	377	167
Price adjustment on settlement receivables	(2,954)	7,029	(9,983)
Total gross revenue	120,077	102,605	17,472
Less: treatment and refining costs	(8,956)	(7,197)	(1,759)
Revenue	111,121	95,408	15,713

(thousands of pounds, unless otherwise noted)			
Copper in concentrate*	30,839	23,134	7,705
Average realized copper price (US$ per pound)	2.72	3.30	(0.58)
Average LME copper price (US$ per pound)	2.80	3.09	(0.29)
Average exchange rate (US$ per pound)	1.32	1.27	0.05

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

Copper revenues for the three months ended December 31, 2018 increased by $23.4 million, compared to the same period in 2017, primarily due to an increase in copper sales volumes, partially offset by lower realized copper prices.

During the three months ended December 31, 2018, price adjustments of negative $3.2 million were recorded for provisionally priced copper concentrate. These adjustments resulted in US$0.08 per pound decrease to the average realized copper price for the three months period.

Molybdenum revenues for the three months ended December 31, 2018 increased by $3.9 million, compared to the same period in 2017. The increase was due to higher molybdenum prices and sales volumes in the current period. During the three months ended December 31, 2018, price adjustments of positive $0.2 million was recorded for provisionally priced molybdenum concentrate.

Cost of sales

(Cdn$ in thousands)	Three months ended December 31, 2018	2017	Change
Site operating costs	49,120	45,240	3,880
Transportation costs	4,656	4,074	582
Insurance recovered	(38)	-	(38)
Changes in inventories of finished goods	20,028	5,392	14,636
Changes in inventories of ore stockpiles	8,905	8,006	899
Production costs	82,671	62,712	19,959
Depletion and amortization	17,872	14,561	3,311

Cost of sales	100,543	77,273	23,270
Site operating costs per ton milled*	$9.16	$7.68	$1.48

*Non-GAAP performance measure. See page 29 on this MD&A.

Site operating costs for the three months ended December 31, 2018 increased by $3.9 million. The cost increases are primarily a result of increased mining rate in the period.

Site operating costs exclude costs that are allocated to capitalized stripping as a result of waste stripping in the Granite pit, in accordance with the mine plan. For the three months ended December 31, 2018, $18.7 million was allocated to capitalized stripping, compared to $17.5 million for the same period in 2017.

Cost of sales is also impacted by changes in ore stockpile and copper inventories. In the three months ended December 31, 2018, the Company recorded a $1.7 million write-down to reduce the net realizable value of ore stockpile inventories, as a result of the decline in copper prices. The stockpiled tonnage was also decreased by 2.2 million tons, resulting in a total decrease in inventories (increase in cost of sales) of $8.9 million.

Finished goods inventory also decreased in the fourth quarter of 2018 as excess product was sold and copper concentrate inventories returned to normal levels at year-end. Inventory of copper in concentrate was reduced by 16.8 million pounds in the period, resulting in a decrease in inventories (increase in cost of sales) of $20.0 million.

Depletion and amortization for three months ended December 31, 2018 increased by $3.3 million over the same period in 2017. These differences are primarily due to increased amortization of capitalized stripping costs which has increased in the current year as ore tons are now being mined from the new section of the Granite pit.

Other operating (income) expenses

	Three months ended December 31,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**
General and administrative	3,127	2,834	293
Share-based compensation expense (recovery)	(321)	1,310	(1,631)
Exploration and evaluation	371	321	50
Realized loss on copper put options	157	718	(561)
Unrealized loss on derivative instruments	716	898	(182)
Other income (expense):			
Write-down of investment	-	3,850	(3,850)
Other income, net	(266)	(309)	43
	3,784	9,622	(5,838)

Share-based compensation recovery for the three months ended December 31, 2018, was primarily due to the revaluation of the liability for deferred share units resulting from a decrease in the Company's share price. More information is set out in Note 21 of the December 31, 2018 consolidated financial statements.

Exploration and evaluation costs for the three months ended December 31, 2018, represent costs associated with the New Prosperity project.

During the three months ended December 31, 2018, the Company incurred a realized loss of $0.2 million from copper put options that settled during the period. The unrealized loss of $0.7 million relates to the fair value adjustment of copper put options.

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

Finance expenses

	Three months ended December 31,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**
Interest expense	8,157	8,033	124
Finance expense – deferred revenue	1,020	-	1,020
Accretion of PER	514	659	(145)
	9,691	8,692	999

Finance expense - deferred revenue represents the financing component of the upfront deposit from the silver streaming arrangement.

Income tax

	Three months ended December 31,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**
Current income tax expense	245	405	(160)
Deferred income tax expense	400	4,702	(4,302)
	645	5,107	(4,462)
Effective tax rate	3.4%	204.9%	(201.5%)
Canadian statutory rate	27%	26%	1%
B.C. Mineral tax rate	9.6%	9.6%	-

The income tax expense for the fourth quarter of 2018 decreased from the same period in 2017 due to lower earnings, amongst other factors. The current income tax expense represents an estimate of B.C. mineral taxes payable, and is lower than the same period in 2017 driven by the higher operating expense at the mine site in the fourth quarter. The deferred income tax expense was lower than in the fourth quarter of 2017 as a result of lower taxable income in the quarter.

Liquidity, cash flow and capital resources

Cash flow provided by operations during the three months ended December 31, 2018 was $44.1 million compared to $31.9 million for the same period in 2017. Cash used for investing activities during the three months ended December 31, 2018 was $25.1 million compared to $29.1 million for the same period in 2017.

Investing cash flows in the fourth quarter of 2018 included $6.4 million of cash payments for development of the Florence Project and $18.9 million for capitalized stripping costs.

Cash used for financing activities in the fourth quarter of 2018 includes interest payments on the senior notes of $14.7 million and principal payments for capital leases and equipment loans of $3.3 million.

SUMMARY OF QUARTERLY RESULTS

	2018				2017			
(Cdn$ in thousands, except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenues	111,121	74,297	94,273	64,179	95,408	78,508	99,994	104,389
Net earnings (loss)	(19,720)	7,098	(4,671)	(18,481)	(7,600)	20,136	5,247	16,479
Basic EPS	(0.09)	0.03	(0.02)	(0.08)	(0.03)	0.09	0.02	0.07
Adjusted net earnings (loss) *	(1,310)	1,464	2,337	(10,999)	(1,544)	13,405	14,305	15,254
Adjusted basic EPS *	(0.01)	0.01	0.01	(0.05)	(0.01)	0.06	0.06	0.07
EBITDA *	7,886	37,718	25,509	370	22,350	48,457	43,805	49,145
Adjusted EBITDA *	26,489	31,940	32,251	7,537	28,639	42,356	42,820	47,934

(US$ per pound, except where indicated)								
Realized copper price *	2.72	2.63	3.13	2.98	3.30	3.00	2.61	2.72
Total operating costs *	2.11	1.58	1.98	2.33	2.11	1.18	1.31	1.33
Copper sales (million pounds)	32.0	21.6	24.2	17.1	24.0	22.6	30.5	30.6

*Non-GAAP performance measure. See page 29 of this MD&A.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

Significant areas of estimation include reserve and resource estimation; asset valuations and the measurement of impairment charges or reversals; valuation of inventories; plant and equipment lives; tax provisions; provisions for environmental rehabilitation; valuation of financial instruments and derivatives; capitalized stripping costs and share-based compensation. Key estimates and assumptions made by management with respect to these areas have been disclosed in the notes to these consolidated financial statements as appropriate.

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

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

CHANGE IN ACCOUNTING POLICIES

The Company adopted the new accounting standard IFRS 9*, Financial Instruments*, effective January 1, 2018. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for 2017 is presented under IAS 39. The change in classification of financial assets is shown in Note 2.5(b) of the consolidated financial statements, however, there were no changes to the carrying value of any of the Company's assets or liabilities as a result of this new accounting standard.

The Company adopted the new accounting standard IFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018 using the cumulative effect method. Accordingly, the comparative information presented for 2017 has not been restated and is accounted for under IAS 18 *Revenue*. There have been no significant changes in the accounting for copper and molybdenum concentrate revenue as a result of the transition to IFRS 15 (Note 2.5(a) of the consolidated financial statements). The Company identified a significant financing component related to deferred revenue previously received under its streaming arrangement. Finance expense is recognized on deferred revenue under IFRS 15 and was not recognized under IAS 18. The transitional adjustment for the recognition of the financing component is disclosed in Note 18 of the consolidated financial statements.

The Company has not applied the following new IFRS that has been issued but was not yet effective at December 31, 2018:

- In January 2016, the IASB issued IFRS 16 *Leases*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 *Revenue from Contracts with Customers*. The Company will adopt IFRS 16 as of January 1, 2019. The impact of this new standard has not yet been quantified however, 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.

INTERNAL AND DISCLOSURE CONTROLS OVER FINANCIAL REPORTING

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

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

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

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

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

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

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

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

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2018, the Company's internal control over financial reporting is effective based on those criteria.

FINANCIAL INSTRUMENTS

The Company uses a mixture of cash, long-term debt and shareholders' equity to maintain an efficient capital allocation and ensure adequate liquidity exists to meet the ongoing cash requirements of the business. In the normal course of business, the Company is inherently exposed to financial risks, including market risk, commodity price risk, interest rate risk, currency risk, liquidity risk and credit risk. The Company manages these risks in accordance with its risk management policies. To mitigate some of these inherent business risks, the Company uses commodity derivative instruments that do not qualify for hedge accounting treatment. These non-hedge derivatives are summarized in Note 7 to the consolidated financial statements. The financial risks and the Company's exposure to these risks, is provided in various tables in Note 24 of the consolidated financial statements. For a discussion on the methods used to value financial instruments, as well as significant assumptions, refer also to Notes 2 and 24 of the consolidated financial statements.

Summary of Financial Instruments	**Carrying Amount**	**Associated Risks**
Financial assets		
Amortized cost		
Cash and cash equivalents	45,665	Interest rate Credit
Accounts receivable	14,735	Credit Market
Fair value through other comprehensive income (FVOCI)		
Marketable securities	3,581	Market
Investment in subscription receipts	2,400	Market
Reclamation deposits	31,480	Market
Financial liabilities		

Accounts payable and accrued liabilities	41,001	Currency Interest rate
Senior secured notes	331,683	Currency
Capital leases	14,110	Interest rate
Secured equipment loans	9,688	Currency Interest rate

RELATED PARTY TRANSACTIONS

Key management personnel

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

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

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

Executive officers and directors also participate in the Company's share-based option program (refer to Note 21 of the consolidated financial statements).

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

	Year ended December 31,	
(Cdn$ in thousands)	**2018**	**2017**
Salaries and benefits	6,467	5,015
Post-employment benefits	2,061	1,491
Share-based compensation (recovery) expense	(1,914)	6,849
	6,614	13,355

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 under a services agreement dated July 2010.

For the year ended December 31, 2018, the Company incurred total costs of $1,344 (2017: $1,399) in transactions with HDSI. Of these, $537 (2017: $593) related to administrative, legal, exploration and tax services, $527 related to reimbursements of office rent costs (2017: $526), and $280 (2017: $280) related to director fees for two Taseko directors who are also principals of HDSI.

On December 31, 2018, the Company terminated the HDSI services agreement. HDSI will no longer provide any services to the Company effective as of December 31, 2018.

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. Management fee income in 2018 was $1,167 (2017: $1,168). In addition, the Company pays certain expenses on behalf of the Gibraltar Joint Venture and invoices the Joint Venture for these expenses. In 2018, reimbursable compensation expenses and third party costs of $141 (2017: $34) were charged to the joint venture partner.

NON-GAAP PERFORMANCE MEASURES

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

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

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

	Three months ended December 31,		**Year ended December 31,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2018**	**2017**	**2018**	**2017**
Cost of sales	**100,543**	**77,273**	**302,648**	**248,305**
Less:				
Depletion and amortization	(17,872)	(14,561)	(70,781)	(47,722)
Insurance recovered	38	-	7,913	-
Net change in inventories of finished goods	(20,028)	(5,392)	(2,435)	302
Net change in inventories of ore stockpiles	(8,905)	(8,006)	(1,078)	(14,266)
Transportation costs	(4,656)	(4,074)	(17,163)	(19,281)
Site operating costs	**49,120**	**45,240**	**219,104**	**167,338**
Less by-product credits:				
Molybdenum, net of treatment costs	(7,643)	(4,016)	(23,419)	(16,883)
Silver, excluding amortization of deferred revenue	(118)	(173)	(327)	(810)
Site operating costs, net of by-product credits	**41,359**	**41,051**	**195,358**	**149,645**
Total copper produced (thousand pounds)	19,372	19,094	93,888	105,874
Total costs per pound produced	2.13	2.15	2.08	1.41
Average exchange rate for the period (CAD/USD)	1.32	1.27	1.30	1.30
Site operating costs, net of by-product credits (US$ per pound)	**1.62**	**1.69**	**1.60**	**1.09**
Site operating costs, net of by-product credits	41,359	41,051	195,358	149,645
Add off-property costs:				
Treatment and refining costs	7,764	6,172	22,381	28,072
Transportation costs	4,656	4,074	17,163	19,281

Total operating costs	53,779	51,297	234,902	196,998
Total operating costs (C1) (US$ per pound)	**2.11**	**2.11**	**1.93**	**1.43**

Adjusted net income (loss)

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

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

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

	Three months ended December 31,		**Year ended December 31,**	
($ in thousands, except per share amounts)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	**(19,720)**	**(7,600)**	**(35,774)**	**34,262**
Unrealized foreign exchange (gain) loss	17,887	1,541	28,704	(17,684)
Unrealized (gain) loss on copper put options	716	898	(1,970)	1,970
Loss on copper call option	-	-	-	6,305
Loss on settlement of long-term debt	-	-	-	13,102
Write-down of mine equipment	-	-	-	3,551
Write-down of investment	-	3,850	-	3,850
Estimated tax effect of adjustments	(193)	(233)	532	(3,936)
Adjusted net income (loss)	**(1,310)**	**(1,544)**	**(8,508)**	**41,420**
Adjusted EPS	**(0.01)**	**(0.01)**	**(0.04)**	**0.18**

EBITDA and Adjusted EBITDA

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

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

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

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

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

	Three months ended December 31,		Year ended December 31,	
($ in thousands)	2018	2017	2018	2017
Net income (loss)	**(19,720)**	**(7,600)**	**(35,774)**	**34,262**
Add:				
Depletion and amortization	17,872	14,561	70,781	47,722
Amortization of share-based compensation expense (recovery)	(288)	1,321	(1,282)	7,100
Finance expense	9,691	8,692	38,564	46,430
Finance income	(314)	269	(1,254)	(935)
Income tax expense	645	5,107	448	29,178
EBITDA	**7,886**	**22,350**	**71,483**	**163,757**
Adjustments:				
Unrealized foreign exchange (gain) loss	17,887	1,541	28,704	(17,684)
Unrealized (gain) loss on copper put options	716	898	(1,970)	1,970
Write-down of investment	-	3,850	-	3,850
Write-down of mine equipment	-	-	-	3,551
Loss on copper call option	-	-	-	6,305
Adjusted EBITDA	**26,489**	**28,639**	**98,217**	**161,749**

Earnings from mining operations before depletion and amortization

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

(Cdn$ in thousands)	Three months ended December 31, 2018	2017	Year ended December 31, 2018	2017
Earnings from mining operations	**10,578**	**18,135**	**41,222**	**129,994**
Add:				
Depletion and amortization	17,872	14,561	70,781	47,722
Earnings from mining operations before depletion and amortization	**28,450**	**32,696**	**112,003**	**177,716**

Site operating costs per ton milled

(Cdn$ in thousands, except per ton milled amounts)	Three months ended December 31, 2018	2017	Year ended December 31, 2018	2017
Site operating costs (included in cost of sales)	**49,120**	**45,240**	**219,104**	**167,338**
Tons milled (thousands) (75% basis)	5,361	5,887	22,569	22,367
Site operating costs per ton milled	**$9.16**	**$7.68**	**$9.71**	**$7.48**

Taseko

Consolidated Financial Statements
December 31, 2018 and 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

/s/ Russell Hallbauer	/s/ Stuart McDonald
Russell Hallbauer Chief Executive Officer	Stuart McDonald Chief Financial Officer

Vancouver, British Columbia
February 11, 2019

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act as of December 31, 2018. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2018, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2018 has been audited by KPMG LLP, the Company's independent registered public accounting firm, as stated in their report immediately preceding the Company's audited consolidated financial statements for the years ended December 31, 2018 and 2017.

/s/ Russell Hallbauer

Russell Hallbauer
Chief Executive Officer

/s/ Stuart McDonald

Stuart McDonald
Chief Financial Officer

Vancouver, British Columbia
February 11, 2019

KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Taseko Mines Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Taseko Mines Limited (the Company) as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income (loss), changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 11, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2.5 to the consolidated financial statements, the Company has changed its accounting policies for revenue and financial instruments as of January 1, 2018 due to the adoption of IFRS 15 - *Revenue from Contracts with Customers* and IFRS 9 - *Financial Instruments*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 1999

KPMG LLP

Vancouver, Canada
February 11, 2019

KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Taseko Mines Limited:

Opinion on Internal Control Over Financial Reporting

We have audited Taseko Mines Limited's (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income (loss), changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated February 11, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

KPMG LLP

Vancouver, Canada
February 11, 2019

TASEKO MINES LIMITED

Consolidated Statements of Comprehensive Income (Loss)

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

	Note	For the years ended December 31, 2018	2017
Revenues	4	343,870	378,299
Cost of sales			
Production costs	5	(231,867)	(200,583)
Depletion and amortization	5	(70,781)	(47,722)
Earnings from mining operations		41,222	129,994
General and administrative		(13,957)	(12,775)
Share-based compensation recovery (expense)	21c	1,544	(6,983)
Exploration and evaluation		(1,752)	(1,730)
Loss on derivatives	7	(294)	(10,082)
Other income (expense)	8	1,472	(6,341)
Income before financing costs and income taxes		28,235	92,083
Finance expenses	9	(38,564)	(46,430)
Finance income		1,254	935
Foreign exchange gain (loss)		(26,251)	16,852
Income (loss) before income taxes		(35,326)	63,440
Income tax expense	10	(448)	(29,178)
Net income (loss)		**(35,774)**	**34,262**
Other comprehensive income (loss):			
Unrealized gain (loss) on financial assets	2.5(b), 13	962	(4,248)
Foreign currency translation reserve		12,713	(7,720)
Total other comprehensive income (loss)		**13,675**	**(11,968)**
Total comprehensive income (loss)		**(22,099)**	**22,294**
Earnings (loss) per share			
Basic		(0.16)	0.15
Diluted		(0.16)	0.15
Weighted average shares outstanding (thousands)			
Basic		227,866	225,682
Diluted		227,866	232,039

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

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(Cdn$ in thousands)

	Note	For the years ended December 31, 2018	2017
Operating activities			
Net income (loss) for the year		(35,774)	34,262
Adjustments for:			
Depletion and amortization		70,781	47,722
Income tax expense	10	448	29,178
Share-based compensation expense (recovery)	21c	(1,282)	7,100
Loss on derivatives	7	294	10,082
Finance expenses, net		37,310	45,495
Unrealized foreign exchange (gain) loss		28,704	(17,684)
Write-down of mine equipment		-	3,551
Deferred revenue deposit	18	-	44,151
Amortization of deferred revenue	18	(3,295)	(1,322)
Deferred electricity repayments		(4,841)	(6,174)
Other operating activities		(160)	1,097
Net change in non-cash working capital	23	1,893	13,621
Cash provided by operating activities		94,078	211,079
Investing activities			
Purchase of property, plant and equipment	14	(94,866)	(97,223)
Purchase of copper put options	7	(1,063)	(3,952)
Proceeds from copper put options	7	855	-
Investment in other financial assets		(253)	(1,395)
Other investing activities		933	758
Cash used for investing activities		(94,394)	(101,812)
Financing activities			
Interest paid		(30,578)	(43,995)
Proceeds from equipment loan, net	17c	8,943	-
Repayment of capital leases and equipment loans		(12,293)	(17,074)
Proceeds on exercise of options and warrants		333	2,928
Net proceeds from issuance of senior secured notes		-	317,596
Repayment of senior notes		-	(264,180)
Repayment of senior secured credit facility		-	(92,463)
Settlement of copper call option		-	(15,745)
Cash used for financing activities		(33,595)	(112,933)
Effect of exchange rate changes on cash and equivalents		(655)	(5,133)
Decrease in cash and equivalents		(34,566)	(8,799)
Cash and equivalents, beginning of year		80,231	89,030
Cash and equivalents, end of year		45,665	80,231

Supplementary cash flow disclosures 23

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

TASEKO MINES LIMITED

Consolidated Balance Sheets

(Cdn$ in thousands)

	Note	December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and equivalents		45,665	80,231
Accounts receivable	11	14,735	21,618
Inventories	12	38,986	39,639
Other financial assets	13	3,581	2,774
Prepaids		1,464	1,474
		104,431	145,736
Property, plant and equipment	14	821,287	797,265
Other financial assets	13	41,380	40,537
Goodwill	15	5,625	5,172
		972,723	**988,710**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	16	41,001	47,382
Current portion of long-term debt	17	9,856	11,270
Current portion of deferred revenue	18	3,907	1,312
Interest payable on senior secured notes		1,243	1,143
Current income tax payable		1,427	302
		57,434	61,409
Long-term debt	17	345,625	317,948
Provision for environmental rehabilitation ("PER")	19	97,914	107,874
Deferred and other tax liabilities		83,793	89,045
Deferred revenue	18	39,367	39,640
Other financial liabilities	21b	1,513	5,714
		625,646	621,630
EQUITY			
Share capital	20a	423,438	422,091
Contributed surplus		49,274	47,478
Accumulated other comprehensive income ("AOCI")		14,064	389
Deficit		(139,699)	(102,878)
		347,077	367,080
		972,723	**988,710**
Commitments and contingencies	18, 22		

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

TASEKO MINES LIMITED

Consolidated Statements of Changes in Equity

(Cdn$ in thousands)

	Note	Share capital	Contributed surplus	AOCI	Deficit	Total
Balance at January 1, 2017		417,975	45,747	12,357	(137,140)	338,939
Issuance of warrants	18	-	1,876	-	-	1,876
Share-based compensation		-	2,919	-	-	2,919
Exercise of options and warrants		4,116	(1,188)	-	-	2,928
Settlement of performance share units		-	(1,876)	-	-	(1,876)
Total comprehensive income (loss) for the year		-	-	(11,968)	34,262	22,294
Balance at December 31, 2017		**422,091**	**47,478**	**389**	**(102,878)**	**367,080**
Balance at January 1, 2018		422,091	47,478	389	(102,878)	367,080
Adjustment on initial application of IFRS 15	2.5	-	-	-	(1,047)	(1,047)
Adjusted balance at January 1, 2018		**422,091**	**47,478**	**389**	**(103,925)**	**366,033**
Share-based compensation		-	2,809	-	-	2,809
Exercise of options and warrants		447	(113)	-	-	334
Settlement of performance share units		900	(900)	-	-	-
Total comprehensive income (loss) for the year		-	-	13,675	(35,774)	(22,099)
Balance at December 31, 2018		**423,438**	**49,274**	**14,064**	**(139,699)**	**347,077**

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

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 11, 2019.

2.2 Basis of measurement, judgment and estimation

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

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

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Company's accounting policies, significant areas where judgment is required include the determination of a joint arrangement, determining the timing of transfer of control of inventory for revenue recognition, functional currency, determination of the accounting treatment of the advance payment under the silver purchase and sale agreement reported as deferred revenue (Note 18) and recovery of other deferred tax assets.

Significant areas of estimation include reserve and resource estimation; asset valuations and the measurement of impairment charges or reversals; valuation of inventories; plant and equipment lives; tax provisions; provisions for environmental rehabilitation; valuation of financial instruments and derivatives; capitalized stripping costs and share-based compensation. Key estimates and assumptions made by management with respect to these areas have been disclosed in the notes to these consolidated financial statements as appropriate.

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

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

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and controlled entities as at December 31, 2018. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

2.4 Significant Accounting Policies

(a) Revenue recognition

The Company has adopted *IFRS 15, Revenue Contracts with Customers* effective January 1, 2018 using the cumulative effect method. Accordingly, the comparative information presented for 2017 has not been restated and is accounted for under IAS 18 *Revenue*. However, there have been no significant changes in the accounting for copper and molybdenum concentrate revenue as a result of the transition to IFRS 15.

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

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

Prior to January 1, 2018, the Company's revenue recognition accounting policy under IAS 18 *Revenue,* was as follows: Revenue is recognized when the significant risks and rewards of ownership have been transferred and the amount of revenue is reasonably determinable. These conditions are generally satisfied when title passes to the customer. Cash received in advance of meeting these conditions is recorded as deferred revenue. Under the terms of the Company's concentrate and cathode sales contracts, the final sales amount is based on final assay results and quoted market prices which may be in a period subsequent to the date of sale. Revenues for these sales, net of treatment and refining charges are recorded at the time of shipment, which is also when the risks and rewards of ownership transfer to the customer, based on an estimate of metal contained using initial assay results and forward market prices on the expected date that final sales prices will be fixed. The period between provisional pricing and final settlement can be up to four months. This provisional pricing mechanism represents an embedded derivative, which is recorded at fair value each reporting period by reference to forward market prices until the date of final pricing, with the changes in fair value recorded as an adjustment to revenue.

(b) Cash and equivalents

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

(c) Financial instruments

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

The Company adopted the new accounting standard *IFRS 9, Financial Instruments* effective January 1, 2018. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for 2017 is presented under IAS 39. The change in classification of financial assets is shown in Note 2.5(b), however, there were no changes to the carrying value of any of the Company's assets or liabilities as a result of this new accounting standard.

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

A financial asset is measured at amortized cost if: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and (iii) it is not designated as FVPL. This category of financial assets is subsequently measured at amortized cost using the effective interest method, and reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. Equity investments measured at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset as FVPL if doing so significantly reduces an accounting mismatch that would otherwise arise. Financial assets classified as FVPL are subsequently measured at fair value, with net gains and losses, including any interest or dividend income, recognized in profit or loss.

Financial assets at amortized cost

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

Financial assets at fair value through other comprehensive income (FVOCI)

Marketable securities, investment in subscription receipts and reclamation deposits are designated as FVOCI and recorded at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVPL. Financial instruments classified as FVPL are stated at fair value with any changes in fair value recognized in earnings for the period. Financial assets in this category include derivative financial instruments that the Company acquires to manage exposure to commodity price fluctuations. These instruments are non-hedge derivative instruments.

Financial liabilities

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

Fair value measurement

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

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

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

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

The classification and measurement of financial instruments prior to the adoption of IFRS 9, *Financial Instruments* on January 1, 2018 is described below:

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

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

Available-for-sale financial assets

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

Loans and receivables

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

Financial liabilities

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

(d) Exploration and evaluation

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

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

(e) Inventories

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

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

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

(f) Property, plant and equipment

Land, buildings, plant and equipment

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

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

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

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

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

Mineral properties

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

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

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

Construction in progress

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

Capitalized interest

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

Leased assets

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

Impairment

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

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

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

The carrying amount of the CGU to which goodwill has been allocated is tested annually for impairment or when there is an indication that the goodwill may be impaired. Any goodwill impairment is recognized as an expense in the profit or loss. Should there be a recovery in the value of a CGU, any impairment of goodwill previously recorded is not subsequently reversed.

(g) Income taxes

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

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

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

(h) Share-based compensation

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

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

(i) Provisions

Environmental rehabilitation

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

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

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

Other provisions

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

(j) Finance income and expenses

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

(k) Earnings (loss) per share

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

(Cdn$ in thousands)

(l) *Interests in joint arrangements*

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

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

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

2.5 *Impact of adoption of new accounting standards*

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

(a) IFRS 15, Revenue from Contracts with Customers

The Company has adopted IFRS 15 effective January 1, 2018 using the cumulative effect method. Accordingly, the comparative information presented for 2017 has not been restated and is accounted for under IAS 18 *Revenue*. There have been no significant changes in the accounting for copper and molybdenum concentrate revenue as a result of the transition to IFRS 15.

Deferred revenue arose from an up-front payment received by the Company in consideration for future commitments as specified in its silver streaming arrangement (Note 18). Revenue from the streaming arrangement is recognized when the customer obtains control of the silver metal and the Company has satisfied its performance obligations.

The Company identified a significant financing component related to its streaming arrangement resulting from a difference in the timing of the up-front consideration received and the expected future deliveries of metal. Interest expense on deferred revenue is recognized as a finance expense. The interest rate is determined based on the rate implicit in the streaming agreement at the date of inception. The deferred revenue continues to be amortized and recognized in revenue on a per unit basis using the number of silver ounces expected to be delivered over the life of the Gibraltar Mine. However on transition to IFRS 15, the revenue per silver ounce has changed due to the recognition of the financing component of the streaming arrangement. The transitional adjustment for the recognition of the financing component is disclosed in Note 18.

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

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

Deficit, as at December 31, 2017	(102,878)
Deferred revenue adjustment, net of tax (Note 18)	(1,047)
Deficit after adoption of IFRS 15, as at January 1, 2018	(103,925)

(Cdn$ in thousands)

The following table summarizes the impact of adopting IFRS 15 on the Company's consolidated balance sheet as at December 31, 2018:

	As reported	Adjustments	Amounts without Adoption of IFRS 15
Current portion of deferred revenue	3,907	2,741	1,166
Deferred revenue	39,367	703	38,664
Deferred tax liability	83,793	(930)	84,723
Deficit	(139,699)	(2,514)	(137,185)

The following table summarizes the impact of adopting IFRS 15 on the Company's consolidated statement of comprehensive income (loss) for the year ended December 31, 2018**:**

	As reported	Adjustments	Amounts without Adoption of IFRS 15
Revenue	343,870	2,173	341,697
Finance expenses	(38,564)	(4,182)	(34,382)
Income tax recovery (expense)	(448)	542	(990)
Net loss	(35,774)	(1,467)	(34,307)
Total comprehensive loss	(22,099)	(1,467)	(20,632)

(b) IFRS 9, Financial Instruments

As described in Note 2.4(c), the Company adopted IFRS 9 effective January 1, 2018 without restating comparative information for prior periods. Accordingly, the comparative information for 2017 is presented under IAS 39. There were no changes to the carrying value of any of the Company's assets or liabilities as a result of this new accounting standard.

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

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

(1) The Company has designated these equity related investments at the date of initial application as measured at FVOCI.

(Cdn$ in thousands)

(c) IFRS 16, Leases

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

3. INTEREST IN GIBRALTAR JOINT VENTURE

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

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

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

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

	As at December 31,	
	2018	**2017**
Cash and equivalents	47,707	52,383
Other current assets	72,423	83,323
Current assets	120,130	135,706
Non-current assets	1,122,289	1,167,787
Accounts payable and accrued liabilities	45,301	53,312
Other current financial liabilities	14,172	15,865
Current liabilities	59,473	69,177
Long-term debt	18,589	21,151
Provision for environmental rehabilitation	128,738	142,164
Non-current liabilities	147,327	163,315

(Cdn$ in thousands)

	Years ended December 31, 2018	2017
Revenues	457,600	507,212
Production costs	(311,759)	(267,548)
Depletion and amortization	(109,018)	(75,428)
Other operating expense	(4,181)	(4,632)
Write-down of mine equipment	-	(4,735)
Interest expense	(5,116)	(5,927)
Interest income	1,119	343
Foreign exchange gain (loss)	1,333	(907)
Net earnings	29,978	148,378
Other comprehensive income	104	90
Comprehensive income for joint arrangement	30,082	148,468

4. REVENUE

	Years ended December 31, 2018	2017
Copper contained in concentrate	350,522	375,295
Molybdenum concentrate	26,589	20,782
Silver (Notes 2.5a and 18)	3,713	1,728
Price adjustments on settlement receivables	(10,679)	13,490
Total gross revenue	370,145	411,295
Less: Treatment and refining costs	(26,275)	(32,996)
Revenue	343,870	378,299

5. COST OF SALES

	Years ended December 31, 2018	2017
Site operating costs	219,104	167,338
Transportation costs	17,163	19,281
Insurance recovered	(7,913)	-
Changes in inventories of finished goods	2,435	(302)
Changes in inventories of ore stockpiles	1,078	14,266
Production costs	231,867	200,583
Depletion and amortization	70,781	47,722
Cost of sales	302,648	248,305

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.

During the year ended December 31, 2018, the Company has recognized insurance recovered of $7,913 (75% basis) related to the Cariboo region wildfires in 2017.

(Cdn$ in thousands)

6. COMPENSATION EXPENSE

	Years ended December 31,	
	2018	**2017**
Wages, salaries and benefits	69,633	61,998
Post-employment benefits	2,115	1,491
Share-based compensation (recovery) expense (Note 21c)	(1,282)	7,100
	70,466	70,589

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

7. DERIVATIVE INSTRUMENTS

During the year ended December 31, 2018, the Company purchased copper put option contracts for 30 million pounds of copper with maturity dates ranging from the third quarter of 2018 to the fourth quarter of 2018, at strike price of US$2.80 per pound, at a total cost of $1,063. The Company received cash proceeds of $855 upon expiry of these put options.

During the year ended December 31, 2017, the Company purchased copper put options for 75 million pounds of copper with maturity dates ranging from the second quarter of 2017 to the second quarter of 2018, at a total cost of $3,952. The remainder of these options expired in 2018 with no cash proceeds.

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

	Years ended December 31,	
	2018	**2017**
Realized loss on copper put options	2,264	1,807
Unrealized (gain) loss on copper put options	(1,970)	1,970
Change in fair value of copper call option	-	6,305
	294	10,082

The copper call option was repurchased as part of a debt refinancing completed in June 2017 (see Note 17a), and is no longer outstanding.

8. OTHER EXPENSES (INCOME)

	Years ended December 31,	
	2018	**2017**
Management fee income	(1,167)	(1,168)
Other operating expense (income), net	(305)	108
Write-down of mine equipment	-	3,551
Write-down of investment	-	3,850
	(1,472)	6,341

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

(Cdn$ in thousands)

9. FINANCE EXPENSES

	Years ended December 31,	
	2018	**2017**
Interest expense	32,077	30,965
Finance expense – deferred revenue (Notes 2.5a and 18)	4,182	-
Accretion on PER (Note 19)	2,305	2,363
Loss on settlement of long-term debt	-	13,102
	38,564	46,430

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

10. INCOME TAX

(a) Income tax expense (recovery)

	Years ended December 31,	
	2018	**2017**
Current income tax:		
Current period expense	1,015	1,801
Deferred income tax:		
Origination and reversal of temporary differences	(363)	24,735
Deferred tax adjustments related to prior periods	(204)	2,642
Deferred income tax expense (recovery)	(567)	27,377
Income tax expense	448	29,178

(b) Effective tax rate reconciliation

	Years ended December 31,	
	2018	**2017**
Income tax at Canadian statutory rate of 36.5% (2017: 35.6%)	(12,891)	22,597
Permanent differences	10,271	4,914
Tax rate differences	-	1,192
Foreign tax rate differential	131	22
Unrecognized tax benefits	3,151	(2,206)
Deferred tax adjustments related to prior periods	(204)	2,642
Other	(10)	17
Income tax expense	448	29,178

(Cdn$ in thousands)

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	As at December 31,	
	2018	**2017**
Property, plant and equipment	(177,664)	(175,502)
Other financial assets	3,204	2,884
Provisions	18,279	19,378
Tax loss carry forwards	72,388	64,195
Deferred tax liability	(83,793)	(89,045)

Tax loss carry forwards relate to non-capital losses in Canada of pre-tax $206,027 (2017: $187,318) which expire between 2031 and 2038 and net operating losses in the United States of pre-tax $72,148 (2017: $65,555), which expire between 2030 and 2037. In addition, net operating losses in the United States of pre-tax $2,000 (2017: $nil) which carryforward indefinitely with some restrictions on deductibility for tax purposes.

(d) Unrecognized deferred tax assets and liabilities

	As at December 31,	
	2018	**2017**
Deductible temporary differences:		
Debt	78,035	70,529
Other investments	34,873	34,873
Other financial assets	21,722	19,705
Deferred tax asset:		
Debt	10,535	7,385
Other investments	4,708	4,708
Other financial assets	3,139	3,073

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

11. ACCOUNTS RECEIVABLE

	As at December 31,	
	2018	**2017**
Trade receivables	10,582	19,341
Other receivables from joint venture partner	258	210
Goods and services tax receivable	916	1,094
Other receivables	2,979	973
	14,735	21,618

(Cdn$ in thousands)

12. INVENTORIES

	As at December 31,	
	2018	**2017**
Ore stockpiles	8,532	9,332
Copper contained in concentrate	3,166	5,933
Molybdenum concentrate	549	217
Materials and supplies	26,739	24,157
	38,986	39,639

At December 31, 2018, the Company recorded an impairment of $1,703 to adjust the carrying value of ore stockpiles to net realizable value. The adjustment was included in cost of sales as a change in inventory of ore stockpiles.

13. OTHER FINANCIAL ASSETS

	As at December 31,	
	2018	**2017**
Current:		
Marketable securities	3,581	2,444
Copper put option contracts (Note 7)	-	330
	3,581	2,774
Long-term:		
Investment in subscription receipts	2,400	2,400
Reclamation deposits (Note 19)	31,480	30,637
Restricted cash (Note 19)	7,500	7,500
	41,380	40,537

The Company holds strategic investments in publicly traded and privately owned companies, including marketable securities and subscription receipts. Marketable securities at December 31, 2018 include a 21.0% (December 31, 2017: 18.5%) ownership interest in Yellowhead Mining Inc.(“Yellowhead”), which is carried at a fair value of $2,810 (December 31, 2017 - $1,221). On December 4, 2018, the Company entered into an agreement to acquire all of the outstanding common shares of Yellowhead that it did not already own, in exchange for 17.3 million Taseko common shares. The transaction was structured as a plan of arrangement pursuant to the Business Corporations Act (British Columbia) and requires the approval of the Supreme Court of British Columbia and the approval of: (i) at least two-thirds of the votes cast by Yellowhead shareholders; and (ii) a majority of the votes cast by Yellowhead shareholders excluding Taseko. At a special meeting of Yellowhead shareholders on February 8, 2019, Yellowhead shareholders voted to approve the acquisition and the transaction is expected to close in February 2019.

The subscription receipts relate to an investment in a privately held company with two directors in common with Taseko and are to be convertible into units comprised of shares, or shares and warrants.

Effective January 1, 2018, marketable securities and the investment in subscription receipts are accounted for at fair value through other comprehensive income (FVOCI) (see Note 2.5b). The fair value of these investments is based on public market information of comparable companies.

(Cdn$ in thousands)

14. PROPERTY, PLANT & EQUIPMENT

	Property Acquisition costs	Mineral properties	Plant and equipment	Construction in Progress	Total
Cost					
At January 1, 2017	98,404	238,828	656,135	1,458	994,825
Additions	-	84,641	10,696	21,030	116,367
Rehabilitation cost asset	-	8,350	-	-	8,350
Capitalized interest [1]	-	2,602	-	-	2,602
Disposals	-	-	(6,924)	-	(6,924)
Foreign exchange translation	(6,026)	(783)	(315)	-	(7,124)
Transfers between categories	-	-	19,760	(19,760)	-
At December 31, 2017	92,378	333,638	679,352	2,728	1,108,096
Additions	-	62,849	27,783	10,507	101,139
Rehabilitation cost asset	-	(12,374)	-	-	(12,374)
Disposals	-	-	(2,279)	-	(2,279)
Foreign exchange translation	7,494	1,391	1,308	-	10,193
Transfers between categories	-	-	13,047	(13,047)	-
At December 31, 2018	99,872	385,504	719,211	188	1,204,775
Accumulated depreciation					
At January 1, 2017	-	96,657	167,960	-	264,617
Depletion and amortization	-	20,033	29,472	-	49,505
Impairment	-	-	3,551	-	3,551
Disposals	-	-	(6,842)	-	(6,842)
At December 31, 2017	-	116,690	194,141	-	310,831
Depletion and amortization	-	44,159	30,671	-	74,830
Disposals	-	-	(2,173)	-	(2,173)
At December 31, 2018	-	160,849	222,639	-	383,488
Net book value					
At December 31, 2017	92,378	216,948	485,211	2,728	797,265
At December 31, 2018	99,872	224,655	496,572	188	821,287

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

(a) Capital expenditures

During 2018, the Company capitalized stripping costs of $52,598 (2017: $75,408) and incurred other capital expenditures for Gibraltar of $10,975 (2017: $10,728). In addition, the Company capitalized development costs of $36,520 (2017: $15,245) for the Florence Copper and $2,701 (2017: $1,713) for the Aley Niobium projects. Non-cash additions to property, plant and equipment include $3,771 (2017: $6,371) of depreciation on mining assets related to capitalized stripping.

(Cdn$ in thousands)

The rehabilitation cost asset decreased by $12,374 for the year ended December 31, 2018, as a result of changes in the provision for environmental rehabilitation (Note 19).

(b) Leased assets

The Company leases mining equipment under a number of capital lease agreements. Most of these leases provide the Company with the option to purchase the equipment at a beneficial price. Certain rents are based on an annual average usage for the applicable equipment and, if at the end of the term (unless the equipment has been purchased by the Company), the actual annual average usage of such equipment has been greater than the specified usage, the Company must pay an additional amount for each excess hour of actual usage. The leased assets secure the lease obligations (Note 17). At December 31, 2018, the net carrying amount of leased assets was $46,641 (2017: $51,918).

(c) Property acquisition costs

Property acquisition costs are comprised of the Aley Niobium property $5,436, Florence Copper Project $94,434, New Prosperity gold-copper property $1 and Harmony gold property $1. The carrying amounts for the New Prosperity and Harmony properties are the original property acquisition costs less historical impairments.

15. GOODWILL

Goodwill was recorded on the Company's acquisition of Curis Resources Ltd. ("Curis") in 2014. Curis is a mineral exploration and development company whose principal asset is the Florence Copper Project, an in-situ copper recovery and solvent extraction/electrowinning project located in central Arizona, USA. During the year ended December 31, 2018, the carrying value of the goodwill increased to $5,625 as a result of foreign currency translation.

The Company performed an annual goodwill impairment test and the recoverable amount of the Curis CGU was estimated utilizing a discounted cash flow with the following key assumptions: an after-tax discount rate of 10% (2017 – 12%); and copper prices of US$3.10 to US$3.18 per pound in the projected periods. The recoverable amount of the Curis CGU was calculated to be higher than its carrying amount and no impairment loss was recognized.

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31,	
	2018	**2017**
Trade payables	21,861	23,926
Accrued liabilities	19,140	18,692
Amounts payable to BC Hydro	-	4,764
	41,001	47,382

During the year ended December 31, 2018, the Company repaid the remaining balance payable under BC Hydro's five-year power rate deferral program for BC mines. Under the program, effective March 1, 2016, the Gibraltar Mine was able to defer up to 75% of electricity costs. The amount of the deferral was based on a formula that incorporated the average copper price in Canadian dollars during the preceding month. The deferred amount, plus interest at the prime rate plus 5%, was repayable on a monthly schedule of up to 75% of the monthly electricity billing, when the average copper price during the preceding month exceeded a threshold amount of $3.40 per pound. Any remaining deferred balance would have been repayable at the end of the five year term.

(Cdn$ in thousands)

17. DEBT

	As at December 31, 2018	2017
Current:		
Capital leases (b)	6,506	9,651
Secured equipment loans (c)	3,350	1,619
	9,856	11,270
Long-term:		
Senior secured notes (a)	331,683	302,085
Capital leases (b)	7,604	14,110
Secured equipment loans (c)	6,338	1,753
	345,625	317,948

(a) Senior secured notes

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

(b) Capital leases

Capital leases are repayable in monthly installments and are secured by equipment with a carrying value $46,641 (2017: $51,918). The capital lease obligations bear fixed interest rates ranging from 3.5% to 5.8% and have maturity dates ranging from 2019 to 2022.

(c) Secured equipment loans

Equipment loans are secured by equipment with a carrying value of $28,786 (2017: $20,912). The loans are repayable in monthly installments and bear fixed interest rates at 5.5% and have maturity dates ranging from 2020 to 2022.

(Cdn$ in thousands)

In June 2018, the Company entered into a new equipment loan for $9,000. This equipment loan is repayable over a four year term and bears interest at an annual rate of 5.5%.

18. DEFERRED REVENUE

On March 3, 2017, the Company entered into a silver stream purchase and sale agreement with Osisko Gold Royalties Ltd. (“Osisko”), whereby the Company received an upfront cash deposit payment of US$33 million for the sale of 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 20b).

The following table summarizes changes in deferred revenue:

Upfront cash deposit	44,151
Issuance of warrants	(1,876)
Amortization of deferred revenue	(1,323)
Balance at December 31, 2017	40,952
Transitional adjustment for IFRS 15 (Note 2.5a)	1,435
Finance expense (Note 2.5a, 9)	4,182
Amortization of deferred revenue	(3,295)
Balance at December 31, 2018	43,274

(Cdn$ in thousands)

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

	December 31, 2018	December 31, 2017
Current	3,907	1,312
Non-current	39,367	39,640
	43,274	40,952

19. PROVISION FOR ENVIRONMENTAL REHABILITATION

	2018	2017
Beginning balance at January 1	107,874	98,454
Change in estimates	(12,374)	8,350
Accretion	2,305	2,363
Settlements	-	(1,205)
Foreign exchange differences	109	(88)
Ending balance at December 31	97,914	107,874

The provision for environmental rehabilitation ("PER") represents the present value of estimated costs of legal and constructive obligations required to retire an asset, including decommissioning and other site restoration activities. The majority of these expenditures occur after the end of the life of the related operation. For the Gibraltar Mine, it is anticipated that these costs will be incurred over a period of 100 years beyond the end of the mine life. As at December 31, 2018, the PER was calculated using a pre-tax discount rate of 2.18% (2017 – 2.26%), which is based on the long-term Canadian government bond rate and an inflation rate of 1.70% (2017 – 2.0%) in its cash flow estimates. The decrease in the PER during 2018 is primarily due to a reduction in the inflation rate.

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

The Company has provided deposits and other financial security for its reclamation obligations which is held in trust by the regulatory authorities. Security for reclamation obligations is returned once the site is reclaimed to a satisfactory level and there are no ongoing monitoring or maintenance requirements. The Company has provided total reclamation security of $36,284 for its 75% share of the Gibraltar Mine, in the form of reclamation deposits and restricted cash (Note 13). The Gibraltar reclamation deposits of $28,784 are held in a trust account and include investments in Canadian government bonds, guaranteed investment certificates and cash. The restricted cash of $7,500 (Note 13) represents the Company's share of cash security for a letter of credit issued by the Gibraltar Joint Venture as security for reclamation obligations at the Gibraltar Mine. For the Florence Copper project, the Company has issued security for reclamation bonds totaling $8,676, which is supported by surety bonds of an insurance company. The Company has provided cash collateral of $2,208 to the surety provider and these amounts are classified as reclamation deposits (Note 13).

(Cdn$ in thousands)

20. EQUITY

(a) Share capital

	Common shares (thousands)
Common shares outstanding at January 1, 2017	221,867
Exercise of warrants	4,000
Exercise of share options	1,133
Common shares outstanding at December 31, 2017	227,000
Settlement of performance share units	1,024
Exercise of share options	407
Common shares outstanding at December 31, 2018	228,431

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

(b) Share purchase warrants

At December 31, 2018, the Company had 3,000,000 share purchase warrants outstanding at an exercise price of $2.74 per share and with an expiry date of April 1, 2020. These warrants were issued in March, 2017 in connection with the silver stream purchase and sale agreement (Note 18).

(c) Contributed surplus

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

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

AOCI is comprised of the cumulative net change in the fair value of FVOCI financial assets and cumulative translation adjustments arising from the translation of foreign subsidiaries.

21. SHARE-BASED COMPENSATION

(a) Share Options

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

(Cdn$ in thousands)

	Options (thousands)	Average price
Outstanding at January 1, 2017	11,941	1.74
Granted	1,911	1.25
Exercised	(1,133)	0.78
Forfeited	(39)	0.96
Expired	(3,399)	2.71
Outstanding at January 1, 2018	9,281	1.40
Granted	1,724	2.84
Exercised	(407)	0.82
Cancelled/forfeited	(161)	2.25
Expired	(100)	2.02
Outstanding at December 31, 2018	10,337	1.64
Exercisable at December 31, 2018	8,740	1.52

During the year ended December 31, 2018, the Company granted 1,724,500 (2017 – 1,910,500) share options to directors, executives and employees, exercisable at an average exercise price of $2.84 per common share (2017 - $1.25 per common share) over a three to five year period. The total fair value of options granted was $2,483 (2017 – $1,165) based on a weighted average grant-date fair value of $1.44 (2017 – $0.61) per option.

Range of exercise price	Options (thousands)	Average life (years)
$0.38 to $0.68	1,798	1.71
$0.69 to $1.02	1,788	1.34
$1.03 to $1.64	1,721	2.64
$1.65 to $2.40	3,435	0.05
$2.41 to $2.86	1,595	3.50
	10,337	1.53

The fair value of options was measured at the grant date using the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the Black-Scholes formula are as follows:

	2018	2017
Expected term (years)	4.4	4.5
Forfeiture rate	0%	0%
Volatility	64%	61%
Dividend yield	0%	0%
Risk-free interest rate	1.8%	1.0%
Weighted-average fair value per option	$1.44	$0.61

(Cdn$ in thousands)

(b) *Deferred Share Units and Performance Share Units*

The Company has adopted a Deferred Share Unit (“DSU”) Plan (the “DSU Plan”) that provides for an annual grant of DSUs to each non-employee director of the Company, or an equivalent cash payment in lieu thereof, which participants have agreed would in the first instance be used to assist in complying with the Company’s share ownership guidelines. DSUs vest immediately upon grant and are paid out in cash when a participant ceases to be a director of the Company. A long-term financial liability of $1,513 has been recorded at December 31, 2018 (2017 - $5,714), representing the fair value of the liability, which is based on the Company's stock price at the reporting period date.

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

	DSUs (thousands)	**PSUs (thousands)**
Outstanding at January 1, 2017	1,323	1,707
Granted	620	400
Settled	-	(888)
Outstanding at January 1, 2018	1,943	1,219
Granted	385	400
Settled	-	(409)
Outstanding at December 31, 2018	2,328	1,210

During the year ended December 31, 2018, 385,000 DSUs were issued to directors (2017 - 620,000) and 400,000 PSUs to senior executives (2017 – 400,000). The fair value of DSUs and PSUs granted was $2,982 (2017 - $1,301), with a weighted average fair value at the grant date of $2.86 per unit for the DSUs (2017 - $1.27) per unit) and $4.70 per unit for the PSUs (2017 – $2.33 per unit).

(c) *Share-based compensation expenses*

Share based compensation expense (recovery) is comprised as follows:

	Years ended December 31,	
	2018	**2017**
Share options – amortization	2,182	1,072
Performance share units – amortization	736	1,849
Change in fair value of deferred share units	(4,200)	4,179
	(1,282)	7,100

(Cdn$ in thousands)

22. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Company is a party to certain contracts relating to operating leases and service and supply agreements. Future minimum payments under these agreements as at December 31, 2018 are presented in the following table:

2019	11,079
2020	7,944
2021	6,045
2022	1,175
2023	-
2024 and thereafter	-
Total commitments	26,243

As at December 31, 2018, the Company had outstanding capital commitments of $298, of which the Gibraltar joint venture (Note 3) is committed to incur expenditures of $108 (2017: $933), with the Company's share being $81 (2017: $700).

(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 $7,933 as at December 31, 2018.

23. SUPPLEMENTARY CASH FLOW INFORMATION

	For the year ended December 31,	
	2018	**2017**
Change in non-cash working capital items		
Accounts receivable	7,018	(9,199)
Inventories	653	16,324
Prepaids	7	(203)
Accounts payable and accrued liabilities	(1,778)	8,995
Interest payable	40	(21)
Income tax payable	(4,139)	(2,275)
Income tax received	92	-
	1,893	13,621
Non-cash investing and financing activities		
Share purchase warrants issued (Note 18)	-	1,876
Assets acquired under capital lease	-	13,059
Share purchase warrants exercised	-	(830)

(Cdn$ in thousands)

24. FINANCIAL RISK MANAGEMENT

(a) Overview

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

(b) Market risk

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

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

Commodity price risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the metals it produces. The Company enters into copper put option contracts to reduce the risk of short-term copper price volatility. The amount and duration of the hedge position is based on an assessment of business-specific risk elements combined with the copper pricing outlook. Copper put option contracts are typically extended adding incremental quarters at established put strike prices to provide the necessary price protection.

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

	As at December 31,	
	2018	**2017**
Copper increase/decrease by US$0.27/lb. (2017: US$0.33/lb.)[1]	7,485	6,645

[1]The analysis is based on the assumption that the year-end copper price increases 10 percent with all other variables held constant. At December 31, 2018, 20 million (2017: 16 million) pounds of copper in concentrate were exposed to copper price movements. The closing exchange rate for the year ended December 31, 2018 of CAD/USD 1.36 (2017: 1.25) was used in the analysis.

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

Interest rate risk

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

(Cdn$ in thousands)

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

	Years ended December 31,	
	2018	**2017**
Fair value sensitivity for fixed-rate instruments		
Senior secured notes	(2,365)	(1,340)
Capital leases	(175)	(176)
Secured equipment loans	(56)	(96)
	(2,596)	(1,612)
Cash flow sensitivity for variable-rate instruments		
Cash and equivalents	382	645
Reclamation deposits	211	209
	593	854

Currency risk

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

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

	Year ended December 31,	
	2018	**2017**
Cash and equivalents	(1,928)	(4,966)
Accounts receivable	(812)	(1,435)
Copper put option contracts	-	(24)
Accounts payable and accrued liabilities	562	344
Senior secured notes	24,987	23,293
Equipment loans	-	27

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

(c) Liquidity risk

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

(Cdn$ in thousands)

(d) Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its receivables, marketable securities and investments, and derivatives. In general, the Company manages its credit exposure by transacting only with reputable counterparties. The Company monitors the financial condition of its customers and counterparties to contracts. The Company deals with a limited number of counterparties for its metal sales. The Company had two significant customers in 2018 that represented 86% of gross copper concentrate revenues (2017: two customers accounted for 81% of gross copper concentrate revenues). The trade receivable balance at December 31, 2018 is comprised of two customers (2017: three customers). There are no impairments recognized on the trade receivables.

(e) Fair values of financial instruments

The fair values of the senior secured notes is $314,547 and the carrying value is $331,683 at December 31, 2018. The fair value of all other financial assets and liabilities approximates their carrying value.

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

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial assets designated as FVOCI				
Marketable securities	3,581	-	-	3,581
Investment in subscription receipts (Note 13)	-	-	2,400	2,400
Reclamation deposits	31,480	-	-	31,480
	35,061	-	2,400	37,461
December 31, 2017				
Financial assets designated as FVTPL				
Copper put option contracts	-	330	-	330
Available-for-sale financial assets				
Marketable securities	2,444	-	-	2,444
Investment in subscription receipts (Note 13)	-	-	2,400	2,400
Reclamation deposits	30,637	-	-	30,637
	33,081	330	2,400	35,811

There have been no transfers between fair value levels during the reporting period. The carrying value of cash and equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value as at December 31, 2018.

The fair value of the senior secured notes, a Level 1 instrument, is determined based upon publicly available information. The fair value of the capital leases and secured equipment loans, Level 2 instruments, are determined through discounting future cash flows at an interest rate of 5.5% based on the relevant loans effective interest rate.

(Cdn$ in thousands)

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

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

The subscription receipts, a Level 3 instrument, are valued based on a management estimate. As the subscription receipts are an investment in a private exploration and development company, there are no observable market data inputs. At December 31, 2018 the determination of the estimated fair value of the investment includes comparison to the market capitalization of comparable public companies.

(f) Capital management

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

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

	December 31, 2018	**December 31, 2017**
Cash	(45,665)	(80,231)
Current portion of long-term debt	9,856	11,270
Long-term debt	345,625	317,948
Net debt	**309,816**	**248,987**
Shareholders' equity	**347,077**	**367,080**

In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the Board of Directors. Management also actively monitors the covenants on its long-term debt to ensure compliance. The Company's investment policy is to invest cash in highly liquid interest-bearing investments that are readily convertible to known amounts of cash. There were no changes to the Company's approach to capital management during the year ended December 31, 2018.

(Cdn$ in thousands)

25. RELATED PARTIES

(a) Subsidiaries

	Ownership interest as at December 31, 2018	December 31, 2017
Gibraltar Mines Ltd.	100%	100%
Curis Resources Ltd.	100%	100%
Curis Holdings (Canada) Ltd.	100%	100%
Florence Copper Inc.	100%	100%
Aley Corporation	100%	100%
672520 BC Ltd.	100%	100%

(b) Key management personnel compensation

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

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

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

Executive officers and directors also participate in the Company's share option program (Note 21).

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

	Year ended December 31, 2018	2017
Salaries and benefits	6,467	5,015
Post-employment benefits	2,061	1,491
Share-based compensation (recovery) expense	(1,914)	6,849
	6,614	13,355

(d) Related party transactions

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 under a services agreement dated July 2010.

For the year ended December 31, 2018, the Company incurred total costs of $1,344 (2017: $1,399) in transactions with HDSI. Of these, $537 (2017: $593) related to administrative, legal, exploration and tax services, $527 related to reimbursements of office rent costs (2017: $526), and $280 (2017: $280) related to director fees for two Taseko directors who are also principals of HDSI.

On December 31, 2018, the Company terminated the HDSI services agreement. HDSI will no longer provide any services to the Company effective as of December 31, 2018.

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. Management Fee income in 2018 was $1,167 (2017: $1,168). In addition, the Company pays certain expenses on behalf of the Gibraltar Joint Venture and invoices the Joint Venture for these expenses. In 2018, reimbursable compensation expenses and third party costs of $141 (2017: $34) were charged to the joint venture partner.