Taseko Mines Limited
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TASEKO REPORTS FIRST QUARTER 2018 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.

May 2, 2018, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE American: TGB) ("Taseko" or the "Company") reports the results for the three months ended March 31, 2018.

Russell Hallbauer, President and CEO of Taseko, commented, "As disclosed in our year-end report, production in early 2018 continued to be impacted by waste stripping shortfalls from 2017, where we effectively lost two months of waste stripping. With our stripping schedule compromised, our new pushback was delayed and only lower grade ore was available to process."

The lower grades and resultant reduced copper and molybdenum production had a significant impact on our financial performance in the first quarter. But even with the low grades, we still managed to generate $12 million of Cash flow from operations and $14 million of earnings from mining operations before depreciation and amortization* in the quarter. Our adjusted net loss* of $11 million (or $0.05 per share) was negatively impacted by increased use of stockpiled ore as well as provisional pricing adjustments," stated Mr. Hallbauer.

Mr. Hallbauer continued, "Gibraltar head grades can fluctuate quite dramatically quarter-over-quarter as a result of the mining sequence, consistent with any other large mining operation. However, over longer periods of time average mined grades will revert to the life of mine average grade. Gibraltar has 21 years of mine life remaining, so this quarter's metal production shortfall is a short-term issue. The Canadian dollar price of copper remains roughly $4.00 per pound, the strongest it has been since 2011, and with copper grades increasing we see both metal production and financial performance returning to more representative levels."

"I am very pleased to report that our Florence Copper Project continues to advance on-time and on budget. We will begin testing the injection and recovery well systems in the coming weeks and the SX/EW plant construction is well underway and expected to be operational in the next six months. Importantly, the recent changes to US tax legislation have had a significant impact on the project's after tax net present value, raising it from US$680 million** to approximately US$760 million, based on current estimates. Florence Copper, with its very low capital and operating costs, is one of the best near-term copper projects on the horizon and will have a material impact on our Company," added Mr. Hallbauer.

Note: For up-to-date Florence Copper site photos and construction updates, please visit Taseko's website at tasekomines.com.

*Non-GAAP performance measure. See end of news release.
**Based on the Florence Copper Project NI 43-101 technical report dated February 28, 2017 (amended and restated December 4, 2017) filed on SEDAR.

“In addition to Florence Copper, we have an exciting near-term catalyst with our Aley Niobium Project. After three years of additional engineering work, we are in the final stages of completing an updated technical report. This report will demonstrate both lower capital costs and improved mine economics at a lower long-term niobium price. We look forward to publicly releasing that report in the near future. Both of these projects point to a bright future for the Company,” concluded Mr. Hallbauer.

First Quarter Highlights

- Earnings from mining operations before depletion and amortization* was $13.5 million;
- The increased use of stockpiled ore resulted in a non-cash inventory expense and additional depletion and amortization which reduced earnings from mining operations by $5.2 million in the first quarter of 2018;
- Cash flow from operations was $11.6 million, a decrease from the same period in 2017 due to lower copper production and sales volumes;
- In September 2017, the Company announced that it was moving forward with the construction of the Production Test Facility (“PTF”) for the Florence Copper Project. The SX/EW plant and the associated wellfield, comprised of 24 production, monitoring, observation and point of compliance wells, will be built for approximately US$25 million. Wellfield drilling was completed in early April and construction of the process plant progressed smoothly through the first quarter, with steel for the plant being erected at the end of the quarter. The project is on-time and on budget with expenditures in the first quarter being approximately $14.3 million or US$10.8 million. The facility is expected to be operational by the end of the third quarter of 2018, with first copper cathode being produced in December;
- Copper and molybdenum production in the first quarter was 22.9 million pounds and 0.4 million pounds, respectively, a decrease from previous quarters as a result of the anticipated lower grade mine feed combined with the increased use of lower grade ore stockpiles, a consequence of the summer wildfires;
- Net loss was $18.5 million (or $0.08 per share) and Adjusted net loss* was $11.0 million (or $0.05 per share);
- Site operating costs, net of by-product credits* were US$2.02 per pound produced and Total operating costs (C1)* were US$2.33 per pound produced. Spending in the quarter remained at a similar level as previous quarter but unit costs were impacted by the lower grades and production;
- Total sales (100% basis) for the quarter were 22.8 million pounds of copper and 0.4 million pounds of molybdenum; and
- The Company’s cash balance at March 31, 2018 was $64 million, reduced from $80 million at the end of 2017 due in part to cash used for construction of the Florence Copper PTF.

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

HIGHLIGHTS

Financial Data (Cdn$ in thousands, except for per share amounts)	Three months ended March 31, 2018	 2017	 Change
Revenues	64,179	104,389	(40,210)
Earnings from mining operations before depletion and amortization*	13,544	53,427	(39,883)
Earnings (loss) from mining operations	(1,236)	43,850	(45,086)
Net income (loss)	(18,481)	16,479	(34,960)
Per share - basic ("EPS")	(0.08)	0.07	(0.15)
Adjusted net income (loss)*	(10,999)	15,254	(26,253)
Per share - basic ("adjusted EPS")*	(0.05)	0.07	(0.12)
EBITDA*	370	49,145	(48,775)
Adjusted EBITDA*	7,537	47,934	(40,397)
Cash flows provided by operations	11,556	79,765	(68,209)

Operating Data (Gibraltar - 100% basis)	Three months ended March 31, 2018	 2017	 Change
Tons mined (millions)	26.7	21.8	4.9
Tons milled (millions)	7.5	7.3	0.2
Production (million pounds Cu)	22.9	41.3	(18.4)
Sales (million pounds Cu)	22.8	40.8	(18.0)

OPERATIONS ANALYSIS

First quarter results

First quarter copper production at Gibraltar was 22.9 million pounds, lower than recent quarters as a result of reduced head grades and recoveries. Copper head grade at Gibraltar was 0.201% in the first quarter and the Company expects the head grade for the remainder of 2018 to be in line with the average life of mine reserve grade of 0.26%. Although the lower head grade in the first quarter was expected in the mine plan, head grade was also affected by reduced waste stripping in the third quarter of 2017 due to the summer wildfires in the Cariboo region and as a result more mill feed came from the stockpile than planned in the first quarter. The low head grades and some oxidation from stockpile ore also impacted copper recoveries which averaged 76% for the period.

A total of 26.7 million tons were mined during the quarter at a strip ratio of 4.1 to 1. Waste stripping costs of $14.7 million (75% basis) were capitalized in the quarter related to the new pushback in the Granite pit. Approximately 2.5 million tons of ore were drawn from the ore stockpile in the first quarter.

Site operating cost per ton milled* was $8.68 in the first quarter of 2018, which is higher than the fourth quarter of 2017 primarily due to the decreased capitalization of stripping costs and a decrease in the tons milled during the first quarter.

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

Site operating costs, net of by-product credits per pound produced* increased to US$2.02 in the first quarter of 2018 from US$1.69 in the fourth quarter of 2017. Total site spending in the first quarter remained at a similar level to the previous quarter, but unit operating costs increased due to the lower copper production and lower capitalized stripping costs in the period. A total of 0.4 million pounds of molybdenum were sold resulting in by-product credits per pound produced* of US$0.23 in the first quarter. The increase in molybdenum by-product credit was a result of higher molybdenum prices.

Off-property costs per pound produced* were US$0.31 for the first quarter of 2018 compared to US$0.34 for the 2017 year. The lower Off-property costs per pound produced* was primarily a result of lower treatment and refining costs charged on the Company's copper concentrate sales.

Total operating costs (C1) per pound* increased to US$2.33, a 10% increase from the fourth quarter of 2017.

REVIEW OF OPERATIONS

Gibraltar Mine (75% Owned)

Operating data (100% basis)	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q1 2017**
Tons mined (millions)	26.7	26.9	23.3	21.1	21.8
Tons milled (millions)	7.5	7.9	7.2	7.5	7.3
Strip ratio	4.1	4.9	4.1	2.8	2.4
Site operating cost per ton milled (CAD$)*	$8.68	$7.68	$5.93	$7.67	$8.59
Copper concentrate					
Grade (%)	0.201	0.209	0.284	0.309	0.328
Recovery (%)	75.7	77.5	86.1	85.2	85.9
Production (million pounds Cu)	22.9	25.5	35.1	39.4	41.3
Sales (million pounds Cu)	22.8	32.0	30.2	40.7	40.8
Inventory (million pounds Cu)	2.9	2.7	9.3	4.6	5.9
Molybdenum concentrate					
Production (thousand pounds Mo)	443	537	445	789	866
Sales (thousand pounds Mo)	433	589	403	794	859
Per unit data (US$ per pound produced)*					
Site operating costs*	$2.25	$1.86	$0.97	$1.08	$1.15
By-product credits*	(0.23)	(0.17)	(0.09)	(0.11)	(0.15)
Site operating costs, net of by-product credits*	$2.02	$1.69	$0.88	$0.97	$1.00
Off-property costs	0.31	0.42	0.30	0.34	0.33
Total operating costs (C1)*	$2.33	$2.11	$1.18	$1.31	$1.33

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

GIBRALTAR OUTLOOK

Looking beyond the first quarter, with the transition into the new ore zone completed, copper grade will increase and we expect the average copper grade for the remainder of 2018 to be in line with Gibraltar's average life of mine reserve grade of 0.26%.

Copper markets have shown continued strength with prices at US$3.07 per pound as of May 1, 2018. Molybdenum prices have also stayed strong at US$12.40 per pound as of May 1, 2018.

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

REVIEW OF PROJECTS

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

Florence Copper Project

In September 2017, the Company announced that it was moving forward with the construction of the Production Test Facility ("PTF") for the Florence Copper Project. The SX/EW Plant and the associated wellfield, comprised of 24 production, monitoring, observation and point of compliance wells, will be built for approximately US$25 million. Wellfield drilling was completed in early April and construction of the process plant progressed smoothly through the first quarter, with steel for the plant being erected at the end of the quarter.

The project is on time and on budget with expenditures in the first quarter being approximately $14.3 million or US$10.8 million. The entire facility, plant and wells are expected to be fully operational by the end of the third quarter of 2018.

Aley Niobium Project

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

The Company will host a telephone conference call and live webcast on Thursday, May 3, 2018 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific) to discuss these results. After opening remarks by management, there will be a question and answer session open to analysts and investors. The conference call may be accessed by dialing (877) 303-9079 in Canada and the United States, or (970) 315-0461 internationally. The conference call will be archived for later playback until May 10, 2018 and can be accessed by dialing (855) 859-2056 in Canada and the United States, or (404) 537-3406 internationally and using the passcode 2584329.

For further information on Taseko, please see the Company's website at www.tasekomines.com or contact:

Brian Bergot, Vice President, Investor Relations – 778-373-4554, toll free 1-800-667-2114

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 March 31,	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2018**	**2017**
Cost of sales	65,415	60,539
Less:		
Depletion and amortization	(14,780)	(9,577)
Insurance recoverable	4,000	-
Net change in inventories of finished goods	967	233
Net change in inventories of ore stockpiles	(3,896)	1,172
Transportation costs	(2,829)	(5,217)
Site operating costs	48,877	47,150
Less by-product credits:		
Molybdenum, net of treatment costs	(5,009)	(5,807)
Silver, excluding amortization of deferred revenue	(92)	(449)
Site operating costs, net of by-product credits	43,776	40,894
Total copper produced (thousand pounds)	17,145	30,943
Total costs per pound produced	2.55	1.32
Average exchange rate for the period (CAD/USD)	1.26	1.32
Site operating costs, net of by-product credits (US$ per pound)	**2.02**	**1.00**
Site operating costs, net of by-product credits	43,776	40,894
Add off-property costs:		
Treatment and refining costs of copper concentrate	3,954	8,456
Transportation costs	2,829	5,217
Total operating costs	50,559	54,567
Total operating costs (C1) (US$ per pound)	**2.33**	**1.33**

NON-GAAP PERFORMANCE MEASURES - CONTINUED

Adjusted net income (loss)

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

- Unrealized foreign currency gains/losses;
- Unrealized gain/loss on copper put options; and
- Gain/loss on copper call option.

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

	Three months ended March 31,	
($ in thousands, except per share amounts)	**2018**	**2017**
Net income (loss)	**(18,481)**	**16,479**
Unrealized foreign exchange (gain) loss	8,332	(2,677)
Unrealized (gain) loss on copper put options	(1,165)	52
Loss on copper call option	-	1,414
Estimated tax effect of adjustments	315	(14)
Adjusted net income (loss)	**(10,999)**	**15,254**
Adjusted EPS	**(0.05)**	**0.07**

EBITDA and Adjusted EBITDA

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

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

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

- Unrealized foreign exchange gains/losses;
- Unrealized gain/loss on copper put options; and
- Gain/loss on copper call option.

NON-GAAP PERFORMANCE MEASURES - CONTINUED

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

	Three months ended March 31,	
($ in thousands)	**2018**	**2017**
Net income (loss)	**(18,481)**	**16,479**
Add:		
Depletion and amortization	14,780	9,577
Amortization of share-based compensation expense (recovery)	(839)	3,359
Finance expense	9,311	8,034
Finance income	(323)	(331)
Income tax expense (recovery)	(4,078)	12,027
EBITDA	**370**	**49,145**
Adjustments:		
Unrealized foreign exchange (gain) loss	8,332	(2,677)
Unrealized (gain) loss on copper put options	(1,165)	52
Loss on copper call option	-	1,414
Adjusted EBITDA	**7,537**	**47,934**

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 March 31,	
(Cdn$ in thousands)	**2018**	**2017**
Earnings (loss) from mining operations	**(1,236)**	**43,850**
Add:		
Depletion and amortization	14,780	9,577
Earnings from mining operations before depletion and amortization	**13,544**	**53,427**

NON-GAAP PERFORMANCE MEASURES - CONTINUED

Site operating costs per ton milled

	Three months ended March 31,	
(Cdn$ in thousands, except per ton milled amounts)	**2018**	**2017**
Site operating costs (included in cost of sales)	**48,877**	**47,150**
Tons milled (thousands) (75% basis)	5,633	5,489
Site operating costs per ton milled	**$8.68**	**$8.59**

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

Cautionary Statement on Forward-Looking Information

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

TASEKO MINES LIMITED
Management's Discussion and Analysis

This management discussion and analysis ("MD&A") is intended to help the reader understand Taseko Mines Limited ("Taseko", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto, prepared in accordance with IAS 34 of International Financial Reporting Standards ("IFRS") for the three months ended March 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 May 1, 2018. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

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CONTENTS

OVERVIEW

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

HIGHLIGHTS

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*Non-GAAP performance measure. See page 18 of this MD&A.

HIGHLIGHTS - CONTINUED

First Quarter Highlights

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- The increased use of stockpiled ore resulted in a non-cash inventory expense and additional depletion and amortization which reduced earnings from mining operations by $5.2 million in the first quarter of 2018;
- Cash flow from operations was $11.6 million, a decrease from the same period in 2017 due to lower copper production and sales volumes;
- In September 2017, the Company announced that it was moving forward with the construction of the Production Test Facility ("PTF") for the Florence Copper Project. The SX/EW plant and the associated wellfield, comprised of 24 production, monitoring, observation and point of compliance wells, will be built for approximately US$25 million. Wellfield drilling was completed in early April and construction of the process plant progressed smoothly through the first quarter, with steel for the plant being erected at the end of the quarter. The project is on-time and on budget with expenditures in the first quarter being approximately $14.3 million or US$10.8 million. The facility is expected to be operational by the end of the third quarter of 2018, with first copper cathode being produced in December;
- Copper and molybdenum production in the first quarter was 22.9 million pounds and 0.4 million pounds, respectively, a decrease from previous quarters as a result of the anticipated lower grade mine feed combined with the increased use of lower grade ore stockpiles, a consequence of the summer wildfires;
- Net loss was $18.5 million ($0.08 per share) and Adjusted net loss* was $11.0 million ($0.05 loss per share);
- Site operating costs, net of by-product credits* were US$2.02 per pound produced and Total operating costs (C1)* were US$2.33 per pound produced. Spending in the quarter remained at a similar level as the previous quarter but unit costs were impacted by the lower grades and production;
- Total sales (100% basis) for the quarter were 22.8 million pounds of copper and 0.4 million pounds of molybdenum; and
- The Company's cash balance at March 31, 2018 was $64 million, reduced from $80 million at the end of 2017 due in part to cash used for construction of the Florence Copper PTF.

*Non-GAAP performance measure. See page 18 of this MD&A

REVIEW OF OPERATIONS

Gibraltar Mine (75% Owned)

Operating data (100% basis)	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q1 2017**
Tons mined (millions)	26.7	26.9	23.3	21.1	21.8
Tons milled (millions)	7.5	7.9	7.2	7.5	7.3
Strip ratio	4.1	4.9	4.1	2.8	2.4
Site operating cost per ton milled (CAD$)*	$8.68	$7.68	$5.93	$7.67	$8.59
Copper concentrate					
Grade (%)	0.201	0.209	0.284	0.309	0.328
Recovery (%)	75.7	77.5	86.1	85.2	85.9
Production (million pounds Cu)	22.9	25.5	35.1	39.4	41.3
Sales (million pounds Cu)	22.8	32.0	30.2	40.7	40.8
Inventory (million pounds Cu)	2.9	2.7	9.3	4.6	5.9
Molybdenum concentrate					
Production (thousand pounds Mo)	443	537	445	789	866
Sales (thousand pounds Mo)	433	589	403	794	859
Per unit data (US$ per pound produced)*					
Site operating costs*	$2.25	$1.86	$0.97	$1.08	$1.15
By-product credits*	(0.23)	(0.17)	(0.09)	(0.11)	(0.15)
Site operating costs, net of by-product credits*	$2.02	$1.69	$0.88	$0.97	$1.00
Off-property costs	0.31	0.42	0.30	0.34	0.33
Total operating costs (C1)*	$2.33	$2.11	$1.18	$1.31	$1.33

*Non-GAAP performance measure. See page 18 of this MD&A.

OPERATIONS ANALYSIS

First quarter results

First quarter copper production at Gibraltar was 22.9 million pounds, lower than recent quarters as a result of reduced head grades and recoveries. Copper head grade at Gibraltar was 0.201% in the first quarter and the Company expects the head grade for the remainder of 2018 to be in line with the average life of mine reserve grade of 0.26%. Although the lower head grade in the first quarter was expected in the mine plan, head grade was also affected by reduced waste stripping in the third quarter of 2017 due to the summer wildfires in the Cariboo region and as a result more mill feed came from the stockpile than planned in the first quarter. The low head grades and some oxidation from stockpile ore also impacted copper recoveries which averaged 76% for the period.

A total of 26.7 million tons were mined during the quarter at a strip ratio of 4.1 to 1. Waste stripping costs of $14.7 million (75% basis) were capitalized in the quarter related to the new pushback in the Granite pit. Approximately 2.5 million tons of ore were drawn from the ore stockpile in the first quarter.

Site operating cost per ton milled* was $8.68 in the first quarter of 2018, which is higher than the fourth quarter of 2017 primarily due to the decreased capitalization of stripping costs and a decrease in the tons milled during the first quarter.

Site operating costs, net of by-product credits per pound produced* increased to US$2.02 in the first quarter of 2018 from US$1.69 in the fourth quarter of 2017. Total site spending in the first quarter remained at a similar level to the previous quarter, but unit operating costs increased due to the lower copper production and lower capitalized stripping costs in the period. A total of 0.4 million pounds of molybdenum were sold resulting in by-product credits per pound produced* of US$0.23 in the first quarter. The increase in molybdenum by-product credit was a result of higher molybdenum prices.

Off-property costs per pound produced* were US$0.31 for the first quarter of 2018 compared to US$0.34 for the 2017 year. The lower Off-property costs per pound produced* was primarily a result of lower treatment and refining costs charged on the Company's copper concentrate sales.

Total operating costs (C1) per pound* increased to US$2.33, a 10% increase from the fourth quarter of 2017.

GIBRALTAR OUTLOOK

Looking beyond the first quarter, with the transition into the new ore zone completed, copper grade will increase and we expect the average copper grade for the remainder of 2018 to be in line with Gibraltar's average life of mine reserve grade of 0.26%.

Copper markets have shown continued strength with prices at US$3.07 per pound as of May 1, 2018. Molybdenum prices have also stayed strong at US$12.40 per pound as of May 1, 2018.

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

*Non-GAAP performance measure. See page 18 of this MD&A

REVIEW OF PROJECTS

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

Florence Copper Project

In September 2017, the Company announced that it was moving forward with the construction of the Production Test Facility ("PTF") for the Florence Copper Project. The SX/EW Plant and the associated wellfield, comprised of 24 production, monitoring, observation and point of compliance wells, will be built for approximately US$25 million. Wellfield drilling was completed in early April and construction of the process plant progressed smoothly through the first quarter, with steel for the plant being erected at the end of the quarter.

The project is on time and on budget with expenditures in the first quarter being approximately $14.3 million or US$10.8 million. The entire facility, plant and wells are expected to be fully operational by the end of the third quarter of 2018.

Aley Niobium Project

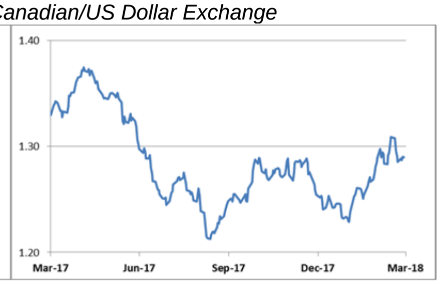
In 2014, the Company filed an NI43-101 technical report for the Aley Niobium Project. Further engineering and metallurgical test work has been completed since then which is expected to result in improved project economics. Environmental monitoring on the project continues and a number of product marketing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

MARKET REVIEW

Copper

Molybdenum

Canadian/US Dollar Exchange



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

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

Copper prices have been on an upward trend over the last twelve months, with copper prices increasing by approximately 14% during the period. The average price of London Metals Exchange ("LME") copper was US$3.16 per pound in the first quarter of 2018, which was comparable to the fourth quarter of 2017 and is approximately 19% higher than the first quarter of 2017. Management believes that the market will continue to benefit from improving global copper demand and tight mine supply going forward.

The Company's sales agreement specifies molybdenum pricing based on the published Platts Metals reports. The average published molybdenum price was US$12.23 per pound in the first quarter of 2018, which was 40% higher than the fourth quarter of 2017. Molybdenum prices have continued to stay strong at US$12.40 per pound as of May 1, 2018.

Approximately 80% of the Gibraltar Mine's costs are Canadian dollar denominated and therefore, fluctuations in the Canadian/US dollar exchange rate can have a significant effect on the Company's operating results and unit production costs, which are reported in US dollars. The Canadian dollar weakened by approximately 3% during the first quarter of 2018.

FINANCIAL PERFORMANCE

Earnings

The Company's net loss was $18.5 million ($0.08 loss per share) for the three months ended March 31, 2018, compared to a net income of $16.5 million ($0.07 earnings per share) for the same period in 2017. The decrease in net income was primarily due to the loss from mining operations and also unrealized foreign exchange losses on the Company's US dollar denominated debt.

Earnings from mining operations before depletion and amortization* was $13.5 million for the three months ended March 31, 2018, compared to earnings of $53.4 million for the same period in 2017. The decrease in earnings from mining operations before depletion and amortization was a result of lower copper sales volumes and higher unit operating costs, however this was partially offset by higher realized copper and molybdenum prices.

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

	Three months ended March 31,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**
Net income (loss)	(18,481)	16,479	(34,960)
Unrealized foreign exchange (gain) loss	8,332	(2,677)	11,009
Unrealized (gain) loss on copper put options	(1,165)	52	(1,217)
Loss on copper call option	-	1,414	(1,414)
Estimated tax effect of adjustments	315	(14)	329
Adjusted net income (loss) *	(10,999)	15,254	(26,253)

*Non-GAAP performance measure. See page 18 of this MD&A

In the three months ended March 31, 2018, the Canadian dollar weakened in comparison to the US dollar by 3% resulting in an unrealized foreign exchange loss of $8.3 million. The unrealized foreign exchange losses were primarily driven by the translation of the Company's US dollar denominated debt.

Revenues

(Cdn$ in thousands)	Three months ended March 31, 2018	2017	Change
Copper in concentrate	66,143	103,502	(37,359)
Molybdenum concentrate	5,014	6,468	(1,454)
Silver	940	767	173
Price adjustments on settlement receivables	(3,305)	3,706	(7,011)
Total gross revenue	68,792	114,443	(45,651)
Less: treatment and refining costs	(4,613)	(10,054)	5,441
Revenue	64,179	104,389	(40,210)

(thousands of pounds, unless otherwise noted)			
Copper in concentrate*	16,484	29,504	(13,020)
Average realized copper price (US$ per pound)	2.98	2.72	0.26
Average LME copper price (US$ per pound)	3.16	2.65	0.51
Average exchange rate (US$/CAD)	1.26	1.32	(0.06)

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

Copper revenues for the three months ended March 31, 2018 decreased by $44.1 million, compared to the same period in 2017, primarily due to a decrease in copper sales volumes, partially offset by higher realized copper prices.

During the three months ended March 31, 2018, copper revenues include $4.0 million of unfavorable adjustments to provisionally priced copper concentrate. The unfavourable provisional pricing adjustments equates to US$0.19 per pound decrease to the average realized copper price for the three months ended March 31, 2018.

Molybdenum revenues for the three months ended March 31, 2018 was $5.7 million, a decrease of $1.7 million compared to the same period in 2017. The decrease was due to lower production and sales volume of molybdenum, partially offset by higher molybdenum realized prices during the first quarter of 2018. During the three months ended March 31, 2018, molybdenum revenues include $0.7 million of favorable adjustments to provisionally priced molybdenum concentrate

Cost of sales

(Cdn$ in thousands)	Three months ended March 31, 2018	2017	Change
Site operating costs	48,877	47,150	1,727
Transportation costs	2,829	5,217	(2,388)
Insurance recoverable	(4,000)	-	(4,000)
Changes in inventories of finished goods	(967)	(233)	(734)
Changes in inventories of ore stockpiles	3,896	(1,172)	5,068
Production costs	50,635	50,962	(327)
Depletion and amortization	14,780	9,577	5,203
Cost of sales	65,415	60,539	4,876
Site operating costs per ton milled*	$8.68	$8.59	$0.09

*Non-GAAP performance measure. See page 18 of this MD&A

Site operating costs for the three months ended March 31, 2018 was comparable to the same period in 2017. The total site operating costs excludes costs that are allocated to capitalized stripping as a result of waste stripping in a new section of the Granite pit, in accordance with the mine plan. For the three months ended March 31, 2018, $14.7 million was allocated to capitalized stripping, compared to $10.6 million for the same period in 2017.

The Company is pursuing an insurance claim related to the Cariboo region wildfires in July 2017. The amount of the insurance claim has not been finalized and is currently estimated to be in the range of $4 to $10 million (75% basis). As at March 31, 2018, the Company has recorded an insurance recoverable of $4 million.

Cost of sales was also impacted by changes in ore stockpile inventories. In the three months ended March 31, 2018, the ore stockpiles were drawn down by 2.6 million tons resulting in a reduction in inventories (increase in cost of sales) of $3.9 million. In the first quarter of 2017, the ore stockpile inventory increased by $1.2 million (reduction in cost of sales) due to an increase in the stockpiled tonnage.

Depletion and amortization for three months ended March 31, 2018 increased by $5.2 million over the same period in 2017, and the difference is primarily due to changes in ore stockpile inventory and increased amortization of capitalized stripping costs in the period. In the first quarter of 2018 the reduction in stockpile inventory resulted in additional depletion and amortization expense of $1.3 million.

Other operating (income) expenses

(Cdn$ in thousands)	Three months ended March 31, 2018	2017	Change
General and administrative	4,751	5,170	(419)
Share-based compensation expense (recovery)	(995)	3,290	(4,285)
Exploration and evaluation	845	475	370
Realized loss on copper put options	1,308	155	1,153
Unrealized (gain) loss on copper put options	(1,165)	52	(1,217)
Loss on copper call option	-	1,414	(1,414)
Other income	(331)	(224)	(107)
	4,413	10,332	(5,919)

General and administrative costs have decreased for the three months ended March 31, 2018 compared to the same period in 2017, due primarily to a $0.5 million donation to a local hospital in the first quarter of 2017.

Share-based compensation expense for the three months ended March 31, 2018 was a recovery of $1.0 million compared to an expense of $3.3 million in the same period in 2017. The share based compensation recovery for the first quarter was primarily due to the revaluation of the liability for deferred share units resulting from a decrease in the Company's share price.

Exploration and evaluation costs for the three months ended March 31, 2018, represent costs associated with the New Prosperity and Aley projects.

During the first quarter of 2018, the Company incurred a realized loss of $1.3 million from copper put options, which relates to copper put options that settled out-of-the-money. The unrealized gain of $1.2 million relates to the fair value adjustment of copper put options that will be settled during the second quarter of 2018.

Finance expenses

	Three months ended March 31,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**
Interest expense	7,810	7,486	324
Finance expense – deferred revenue	901	-	901
Accretion of PER	600	548	52
	9,311	8,034	1,277

Interest expense for the three months ended March 31, 2018 increased by $0.3 million, compared to the same period in 2017. The Company's total interest costs are lower in the three months ended March 31, 2018 due to reduced long-term debt as a result of the June 2017 refinancing. However, interest expense is higher in the first quarter of 2018 because no interest was capitalized this quarter, whereas $1.3 million of interest was capitalized in the first quarter of 2017. Finance expense for the three months ended March 31, 2018 of $0.9 million represents the financing component of the upfront deposit from the silver purchase and sale agreement.

Income tax

	Three months ended March 31,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**
Current income tax expense	-	648	(648)
Deferred income tax expense (recovery)	(4,078)	11,379	(15,457)
	(4,078)	12,027	(16,105)
Effective tax rate	18.1%	42.2%	(24.1%)
Canadian statutory rate	27.0%	26.0%	1.0%
B.C. Mineral tax rate	9.6%	9.6%	-

The income tax expense for the first quarter of 2018 decreased from the same quarter in 2017 due to lower earnings, amongst other factors. There was no current income tax estimated for the quarter. For deferred income tax, the recovery was mainly driven by an increase of temporary differences related to tax losses in the quarter due to lower earnings.

FINANCIAL CONDITION REVIEW

Balance sheet review

(Cdn$ in thousands)	As at March 31, 2018	As at December 31, 2017	Change
Cash and cash equivalents	64,232	80,231	(15,999)
Other current assets	55,079	65,505	(10,426)
Property, plant and equipment	819,734	797,265	22,469
Other assets	45,928	45,709	219
Total assets	**984,973**	**988,710**	**(3,737)**
Current liabilities	61,444	50,139	11,305
Debt:			
Senior secured notes	311,334	302,085	9,249
Capital leases and secured equipment loans	23,913	27,133	(3,220)
Deferred revenue	38,791	39,640	(849)
Other liabilities	197,740	202,633	(4,893)
Total liabilities	**633,222**	**621,630**	**11,592**
Equity	**351,751**	**367,080**	**(15,329)**
Net debt (debt minus cash and equivalents)	271,015	248,987	22,028
Total common shares outstanding (millions)	227.1	227.0	0.1

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

Total long-term debt increased by $6.0 million for the three months ended March 31, 2018, due primarily to the foreign exchange losses on the Company's US dollar denominated debt, partially offset by the payments on the Company's capital leases and equipment loans. The Company's net debt has increased by $22.0 million for the three months ended March 31, 2018 primarily due to use of cash for the Florence PTF capital expenditures.

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

Other liabilities decreased by $4.9 million mainly due to the decrease in deferred tax liabilities and other financial liabilities, partially offset by an increase in the provision for environmental rehabilitation ("PER"). Other financial liabilities decreased due the decrease in the fair value of deferred share units as at March 31, 2018.

The increase in the PER is driven by a reduction in the discount rates. At March 31, 2018, the Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates was 2.23% compared to 2.26% at December 31, 2017. Given the long time frame over which environmental rehabilitation expenditures are expected to be incurred (over 100 years), the carrying value of the provision is very sensitive to changes in discount rates.

As at May 1, 2018, there were 227,160,584 common shares outstanding. In addition, there were 10,814,900 stock options and 3,000,000 warrants outstanding at May 1, 2018. More information on these instruments and the terms of their exercise is set out in Notes 13 and 15 of the March 31, 2018 unaudited condensed consolidated interim financial statements.

Liquidity, cash flow and capital resources

During the three months ended March 31, 2018, the Company generated operating cash flow of $11.6 million and used $24.5 million for investing activities. Investing activities in the period included $6.6 million of cash payments for construction of the PTF at Florence, $14.7 million for capitalized stripping costs, $1.2 million on other capital expenditures for Gibraltar, and $2.1 million on other project costs at the Florence and Aley projects.

Cash used for financing activities during the three months ended March 31, 2018 includes $3.2 million of payments for capital leases and equipment loans.

During the three months ended March 31, 2017 the Company generated $64 million of positive cash flow from operating and investing activities, as a result of strong operating results at the Gibraltar Mine and including $44 million of cash proceeds from the sale of a silver stream to Osisko.

At March 31, 2018, the Company had cash and equivalents of $64 million (December 31, 2017 - $80 million) and continues to maintain a strategy of retaining a significant cash balance to reflect the volatile and capital intensive nature of the copper mining business. The Company continues to make monthly principal repayments for capital leases and equipment loans, however, there are no principal payments required on the senior secured notes until the maturity date in June 2022.

Liquidity outlook

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

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

Hedging strategy

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

Considerations on the cost of the hedging program include an assessment of Gibraltar's estimated production costs, anticipated copper prices and the Company's capital requirements during the relevant period. Subsequent to March 31, 2018, the Company spent $0.7 million to purchase copper put options to mature during the third quarter of 2018. The following table shows the commodity contracts that were outstanding as at the date of this MD&A.

	Notional amount	Strike price	Term to maturity	Original cost
At May 1, 2018				
Copper put options	10 million lbs	US$2.80 per lb	Q2 2018	$0.6 million
Copper put options	15 million lbs	US$2.80 per lb	Q3 2018	$0.7 million

Commitments and contingencies

Commitments

	Payments due						
($ in thousands)	**Remainder of 2018**	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
Debt [1]:							
Repayment of principal	8,055	7,725	3,865	2,526	324,092	-	346,263
Interest	28,914	28,747	28,450	28,334	5,120	-	119,565
PER [2]	-	-	-	-	-	109,515	109,515
Operating leases	1,698	1,283	858	96		-	3,935
Capital expenditures [3]	4,953	-	-	-	-	-	4,953
Other expenditures [4]	5,222	1,171	611	321	240	-	7,565

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

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

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

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

The Company has guaranteed 100% of certain capital lease and equipment loans entered into by the Gibraltar joint venture in which it holds a 75% interest. As a result, the Company has guaranteed the joint venture partner's 25% share of this debt which amounted to $8.0 million as at March 31, 2018.

SUMMARY OF QUARTERLY RESULTS

	2018	2017				2016		
(Cdn$ in thousands, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	64,179	95,408	78,508	99,994	104,389	94,628	55,964	55,090
Net income (loss)	(18,481)	(7,600)	20,136	5,247	16,479	5,113	(15,610)	(19,384)
Basic EPS	(0.08)	(0.03)	0.09	0.02	0.07	0.02	(0.07)	(0.09)
Adjusted net income (loss) *	(10,999)	(1,544)	13,405	14,305	15,254	16,404	(10,423)	(19,758)
Adjusted basic EPS *	(0.05)	(0.01)	0.06	0.06	0.07	0.07	(0.05)	(0.09)
EBITDA *	370	22,350	48,457	43,805	49,145	32,312	4,064	(7,858)
Adjusted EBITDA *	7,537	28,639	42,356	42,820	47,934	44,477	9,285	(7,642)

(US$ per pound, except where indicated)								
Realized copper price *	2.98	3.30	3.00	2.61	2.72	2.54	2.15	2.13
Total operating costs *	2.33	2.11	1.18	1.31	1.33	1.48	1.89	2.07
Copper sales (million pounds)	17.1	24.0	22.6	30.5	30.6	30.3	22.4	22.8

*Non-GAAP performance measure. See page 18 of this MD&A

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are presented in Note 2.4 of the 2017 annual consolidated financial statements and Note 2 of the March 31, 2018 unaudited condensed consolidated interim financial statements. The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

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

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

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

INTERNAL AND DISCLOSURE CONTROLS OVER FINANCIAL REPORTING

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

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

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

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

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

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

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

There have been no changes in our internal controls over financial reporting and disclosure controls and procedures during the period ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

RELATED PARTY TRANSACTIONS

Key management personnel

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

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

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

Executive officers and directors also participate in the Company's share-based option program (refer to Note 16 of the unaudited condensed consolidated interim financial statements).

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

	Three months ended March 31,	
(Cdn$ in thousands)	**2018**	**2017**
Salaries and benefits	2,987	2,664
Post-employment benefits	373	373
Share-based compensation	(1,157)	3,220
	2,203	6,257

Other related parties

Three directors of the Company are also principals of Hunter Dickinson Services Inc. ("HDSI"), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the three month period ended March 31, 2018, the Company incurred total costs of $0.4 million (Q1 2017: $0.4 million) in transactions with HDSI. Of these, $0.1 million (Q1 2017: $0.2 million) related to administrative, legal, exploration and tax services, $0.2 million related to reimbursements of office rent costs (Q1 2017: $0.2 million), and $0.1 million (Q1 2017: $0.1 million) related to director fees for two Taseko directors who are also principals of HDSI.

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

NON-GAAP PERFORMANCE MEASURES

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

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

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

	Three months ended March 31,	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2018**	**2017**
Cost of sales	65,415	60,539
Less:		
Depletion and amortization	(14,780)	(9,577)
Insurance recoverable	4,000	-
Net change in inventories of finished goods	967	233
Net change in inventories of ore stockpiles	(3,896)	1,172
Transportation costs	(2,829)	(5,217)
Site operating costs	48,877	47,150
Less by-product credits:		
Molybdenum, net of treatment costs	(5,009)	(5,807)
Silver, excluding amortization of deferred revenue	(92)	(449)
Site operating costs, net of by-product credits	43,776	40,894
Total copper produced (thousand pounds)	17,145	30,943
Total costs per pound produced	2.55	1.32
Average exchange rate for the period (CAD/USD)	1.26	1.32
Site operating costs, net of by-product credits (US$ per pound)	**2.02**	**1.00**
Site operating costs, net of by-product credits	43,776	40,894
Add off-property costs:		
Treatment and refining costs of copper concentrate	3,954	8,456
Transportation costs	2,829	5,217
Total operating costs	50,559	54,567
Total operating costs (C1) (US$ per pound)	**2.33**	**1.33**

Adjusted net income (loss)

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

- Unrealized foreign currency gains/losses;
- Unrealized gain/loss on copper put options; and
- Gain/loss on copper call option.

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

	Three months ended March 31,	
($ in thousands, except per share amounts)	**2018**	**2017**
Net income (loss)	**(18,481)**	**16,479**
Unrealized foreign exchange (gain) loss	8,332	(2,677)
Unrealized (gain) loss on copper put options	(1,165)	52
Loss on copper call option	-	1,414
Estimated tax effect of adjustments	315	(14)
Adjusted net income (loss)	**(10,999)**	**15,254**
Adjusted EPS	**(0.05)**	**0.07**

EBITDA and Adjusted EBITDA

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

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

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

- Unrealized foreign exchange gains/losses;
- Unrealized gain/loss on copper put options; and
- Gain/loss on copper call option.

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

	Three months ended March 31,	
($ in thousands)	**2018**	**2017**
Net income (loss)	**(18,481)**	**16,479**
Add:		
Depletion and amortization	14,780	9,577
Amortization of share-based compensation expense (recovery)	(839)	3,359
Finance expense	9,311	8,034
Finance income	(323)	(331)
Income tax expense (recovery)	(4,078)	12,027
EBITDA	**370**	**49,145**
Adjustments:		
Unrealized foreign exchange (gain) loss	8,332	(2,677)
Unrealized (gain) loss on copper put options	(1,165)	52
Loss on copper call option	-	1,414
Adjusted EBITDA	**7,537**	**47,934**

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 March 31,	
(Cdn$ in thousands)	**2018**	**2017**
Earnings (loss) from mining operations	**(1,236)**	**43,850**
Add:		
Depletion and amortization	14,780	9,577
Earnings from mining operations before depletion and amortization	**13,544**	**53,427**

Site operating costs per ton milled

	Three months ended March 31,	
(Cdn$ in thousands, except per ton milled amounts)	**2018**	**2017**
Site operating costs (included in cost of sales)	**48,877**	**47,150**
Tons milled (thousands) (75% basis)	5,633	5,489
Site operating costs per ton milled	**$8.68**	**$8.59**

Condensed Consolidated Interim Financial Statements
March 31, 2018
(Unaudited)

TASEKO MINES LIMITED

Condensed Consolidated Statements of Comprehensive Income (Loss)

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

(Unaudited)

	Note	Three months ended March 31, 2018	2017
Revenues	4	64,179	104,389
Cost of sales			
Production costs	5	(50,635)	(50,962)
Depletion and amortization	5	(14,780)	(9,577)
Earnings (loss) from mining operations		(1,236)	43,850
General and administrative		(4,751)	(5,170)
Share-based compensation recovery (expense)	15b	995	(3,290)
Exploration and evaluation		(845)	(475)
Loss on derivatives	6	(143)	(1,621)
Other income		331	224
Income (loss) before financing costs and income taxes		(5,649)	33,518
Finance expenses	7	(9,311)	(8,034)
Finance income		323	331
Foreign exchange gains (loss)		(7,922)	2,691
Income (loss) before income taxes		(22,559)	28,506
Income tax (expense) recovery	8	4,078	(12,027)
Net income (loss)		**(18,481)**	**16,479**
Other comprehensive income (loss):			
Unrealized income (loss) on financial assets	3b, 9	(702)	730
Foreign currency translation reserve		3,435	(1,047)
Total other comprehensive income (loss)		**2,733**	**(317)**
Total comprehensive income (loss)		**(15,748)**	**16,162**
Earnings (loss) per share			
Basic		(0.08)	0.07
Diluted		(0.08)	0.07
Weighted average shares outstanding (thousands)			
Basic		227,079	223,314
Diluted		227,079	226,228

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

TASEKO MINES LIMITED

Condensed Consolidated Statements of Cash Flows

(Cdn$ in thousands)

(Unaudited)

	Note	Three months ended March 31, 2018	2017
Operating activities			
Net income (loss) for the period		(18,481)	16,479
Adjustments for:			
Depletion and amortization		14,780	9,577
Income tax expense (recovery)	8	(4,078)	12,027
Share-based compensation expense (recovery)	15b	(839)	3,359
Loss on derivatives	6	143	1,621
Finance expenses, net		8,988	7,703
Unrealized foreign exchange (gain) loss		8,332	(2,677)
Deferred revenue deposit	13	-	44,151
Amortization of deferred revenue	13	(848)	(319)
Deferred electricity repayments		(3,828)	(544)
Other operating activities		-	28
Net change in non-cash working capital	17	7,387	(11,640)
Cash provided by operating activities		11,556	79,765
Investing activities			
Purchase of property, plant and equipment	11	(24,677)	(15,439)
Purchase of copper put options	6	-	(430)
Other investing activities		214	127
Cash used for investing activities		(24,463)	(15,742)
Financing activities			
Interest paid		(394)	(611)
Repayment of capital leases and equipment loans		(3,227)	(4,562)
Proceeds on exercise of options and warrants		130	2,226
Cash used for financing activities		(3,491)	(2,947)
Effect of exchange rate changes on cash and equivalents		399	(812)
Increase (decrease) in cash and equivalents		(15,999)	60,264
Cash and equivalents, beginning of year		80,231	89,030
Cash and equivalents, end of period		64,232	149,294

Supplementary cash flow disclosures 17

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

TASEKO MINES LIMITED

Condensed Consolidated Balance Sheets

(Cdn$ in thousands)

(Unaudited)

	Note	March 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and equivalents		64,232	80,231
Accounts receivable		15,259	21,618
Other financial assets	9	2,018	2,774
Inventories	10	36,862	39,639
Current tax receivable		48	–
Prepaids		892	1,474
		119,311	145,736
Property, plant and equipment	11	819,734	797,265
Other financial assets	9	40,612	40,537
Goodwill		5,316	5,172
		984,973	**988,710**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities		49,568	47,382
Current income tax payable		–	302
Current portion of long-term debt	12	10,513	11,270
Current portion of deferred revenue	13	3,649	1,312
Interest payable on senior secured notes		8,227	1,143
		71,957	61,409
Long-term debt	12	324,734	317,948
Provision for environmental rehabilitation ("PER")		109,515	107,874
Deferred and other tax liabilities		84,686	89,045
Deferred revenue	13	38,791	39,640
Other financial liabilities	14	3,539	5,714
		633,222	621,630
EQUITY			
Share capital	15	422,268	422,091
Contributed surplus		48,767	47,478
Accumulated other comprehensive income ("AOCI")		3,122	389
Deficit		(122,406)	(102,878)
		351,751	367,080
		984,973	**988,710**

Commitments and contingencies 13, 16

Subsequent event 20

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

TASEKO MINES LIMITED

Condensed Consolidated Statements of Changes in Equity

(Cdn$ in thousands)

(Unaudited)

	Note	Share capital	Contributed surplus	AOCI	Deficit	Total
Balance at January 1, 2017		417,975	45,747	12,357	(137,140)	338,939
Issuance of warrants (Note 15c)		-	1,876	-	-	1,876
Share-based compensation		-	1,454	-	-	1,454
Exercise of options and warrants		3,135	(909)	-	-	2,226
Total comprehensive income (loss) for the period		-	-	(317)	16,479	16,162
Balance at March 31, 2017		**421,110**	**48,168**	**12,040**	**(120,661)**	**360,657**
Balance at December 31, 2017		422,091	47,478	389	(102,878)	367,080
Adjustment on initial application of IFRS 15	3	-	-	-	(1,047)	(1,047)
Adjusted balance at January 1, 2018		**422,091**	**47,478**	**389**	**(103,925)**	**366,033**
Share-based compensation		-	1,336	-	-	1,336
Exercise of options and warrants		177	(47)	-	-	130
Total comprehensive income (loss) for the period		-	-	2,733	(18,481)	(15,748)
Balance at March 31, 2018		**422,268**	**48,767**	**3,122**	**(122,406)**	**351,751**

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

1. REPORTING ENTITY

Taseko Mines Limited (the "Company" or "Taseko") is a corporation governed by the *British Columbia Business Corporations Act.* The unaudited condensed consolidated interim financial statements of the Company as at and for the three month period ended March 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on May 1, 2018.

(b) Use of judgments and estimates

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

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

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

(a) IFRS 15, Revenue from Contracts with Customers

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

(Cdn$ in thousands - unaudited)

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

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

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

Deferred revenue

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

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

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

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

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

(Cdn$ in thousands - unaudited)

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

	As reported	Adjustments	Amounts without Adoption of IFRS 15
Current portion of deferred revenue	3,649	2,337	1,312
Deferred tax liability	84,686	(465)	85,151
Deferred revenue	38,791	(615)	39,406
Deficit	(122,406)	(1,257)	(121,149)

The following table summarizes the impact of adopting IFRS 15 on the Company's condensed consolidated interim statement of comprehensive income (loss) for the three months ended March 31, 2018:

	As reported	Adjustments	Amounts without Adoption of IFRS 15
Revenue	64,179	613	63,566
Finance expenses	(9,311)	(901)	(8,410)
Income tax recovery	4,078	78	4,000
Net loss	(18,481)	(210)	(18,271)
Total comprehensive loss	(15,748)	(210)	(15,538)

(b) IFRS 9, Financial Instruments

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

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

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

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

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

(Cdn$ in thousands - unaudited)

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

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

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

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

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

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

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

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

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

(c) IFRS 16, Leases

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

(Cdn$ in thousands - unaudited)

4. REVENUE

	Three months ended March 31,	
	2018	**2017**
Copper contained in concentrate	66,143	103,502
Molybdenum concentrate	5,014	6,468
Silver (Notes 3 and 13)	940	767
Price adjustments on settlement receivables	(3,305)	3,706
Total gross revenue	68,792	114,443
Less: Treatment and refining costs	(4,613)	(10,054)
Revenue	64,179	104,389

5. COST OF SALES

	Three months ended March 31,	
	2018	**2017**
Site operating costs	48,877	47,150
Transportation costs	2,829	5,217
Insurance recoverable	(4,000)	-
Changes in inventories of finished goods	(967)	(233)
Changes in inventories of ore stockpiles	3,896	(1,172)
Production costs	50,635	50,962
Depletion and amortization	14,780	9,577
Cost of sales	65,415	60,539

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

The Company is pursuing an insurance claim related to the Cariboo region wildfires in July 2017. The amount of the insurance claim has not been finalized and is currently estimated to be in the range of $4,000 to $10,000 (75% basis). As at March 31, 2018, the Company has recorded an insurance recoverable of $4,000.

6. DERIVATIVE INSTRUMENTS

In the fourth quarter of 2017, the Company purchased copper put option contracts for 15 million pounds of copper with maturity dates in the second quarter of 2018, at a strike price of US$2.80 per pound, at a total costs of $993. Details of the copper put options outstanding at March 31, 2018 are summarized in the following table:

(Cdn$ in thousands - unaudited)

	Notional amount	Strike price	Maturity Date	Fair value asset
Copper put option contracts	15 million lbs	US$2.80 per lb	Q2 2018	187

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

	Three months ended March 31, 2018	2017
Realized loss on copper put options	1,308	155
Unrealized (gain) loss on copper put options	(1,165)	52
Change in fair value of copper call option	-	1,414
	143	1,621

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

7. FINANCE EXPENSES

	Three months ended March 31, 2018	2017
Interest expense	7,810	7,486
Finance expense – deferred revenue (Notes 3 and 13)	901	-
Accretion on PER	600	548
	9,311	8,034

8. INCOME TAX

	Three months ended March 31, 2018	2017
Current expense	-	648
Deferred expense (recovery)	(4,078)	11,379
	(4,078)	12,027

(Cdn$ in thousands - unaudited)

9. OTHER FINANCIAL ASSETS

	March 31, 2018	December 31, 2017
Current:		
Marketable securities	1,831	2,444
Copper put option contracts (Note 6)	187	330
	2,018	2,774
Long-term:		
Investment in subscription receipts	2,400	2,400
Reclamation deposits	30,712	30,637
Restricted cash	7,500	7,500
	40,612	40,537

10. INVENTORIES

	March 31, 2018	December 31, 2017
Ore stockpiles	4,165	9,332
Copper contained in concentrate	6,819	5,933
Molybdenum concentrate	298	217
Materials and supplies	25,580	24,157
	36,862	39,639

During the three month period ended March 31, 2018, the Company recorded a net impairment of $370 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 stockpile.

11. PROPERTY, PLANT & EQUIPMENT

During the three month period ended March 31, 2018, the Company capitalized stripping costs of $14,675 and incurred other capital expenditures for Gibraltar of $1,621. In addition, the Company capitalized development costs of $15,437 for the Florence Copper and $310 for the Aley Niobium projects. Additions to property, plant and equipment also include $1,216 of non-cash depreciation on mining assets related to capitalized stripping.

(Cdn$ in thousands - unaudited)

12. DEBT

	March 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Current:				
Capital leases	9,187	9,224	9,651	9,697
Secured equipment loans	1,326	1,344	1,619	1,602
	10,513	10,568	11,270	11,299
Long-term:				
Senior secured notes	311,334	336,421	302,085	322,306
Capital leases	11,947	11,995	14,110	14,178
Secured equipment loans	1,453	1,476	1,753	1,727
	324,734	349,892	317,948	338,211

13. DEFERRED REVENUE

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

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

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

(Cdn$ in thousands - unaudited)

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

Upfront cash deposit	44,151
Issuance of warrants	(1,876)
Amortization of deferred revenue	(1,323)
Balance at December 31, 2017	40,952
Transitional adjustment for IFRS 15 (Note 3)	1,435
Finance expense (Notes 3)	901
Amortization of deferred revenue	(848)
Balance at March 31, 2018	42,440

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

	March 31, 2018	**December 31, 2017**
Current	3,649	1,312
Non-current	38,791	39,640
	42,440	40,952

14. OTHER FINANCIAL LIABILITIES

	March 31, 2018	**December 31, 2017**
Long-term:		
Deferred share units (Note 15b)	3,539	5,714

15. EQUITY

(a) Share capital

	Common shares (thousands)
Common shares outstanding at January 1, 2018	227,000
Exercise of share options	146
Common shares outstanding at March 31, 2018	227,146

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

(Cdn$ in thousands - unaudited)

(b) Share-Based Compensation

	Options (thousands)	Average price
Outstanding at January 1, 2018	9,281	1.40
Granted	1,695	2.86
Exercised	(146)	0.89
Outstanding at March 31, 2018	10,830	1.63
Exercisable at March 31, 2018	9,083	1.51

During the three month period ended March 31, 2018, the Company granted 1,694,500 (2017 – 1,910,500) share options to directors, executives and employees, exercisable at an average exercise price of $2.86 per common share over a three to five year period. The total fair value of options granted was $2,474 (2017 – $1,165) based on a weighted average grant-date fair value of $1.46 (2017 – $0.61) per option.

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

	Three months ended March 31, 2018
Expected term (years)	4.4
Forfeiture rate	0%
Volatility	63%
Dividend yield	0%
Risk-free interest rate	1.8%
Weighted-average fair value per option	$1.46

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

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

	DSUs (thousands)	PSUs (thousands)
Outstanding at January 1, 2018	1,943	1,219
Granted	385	400
Outstanding at March 31, 2018	2,328	1,619

During the three month period ended March 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 - $1.28 per unit) and $4.70 per unit for the PSUs (2017 - $2.33 per unit).

For the three month period ended March 31, 2018, the Company recognized total share-based compensation recovery of $839 (Q1:2017: $3,359 expense).

(Cdn$ in thousands - unaudited)

(c) Share Purchase Warrants

In March, 2017, the Company issued 3,000,000 share purchase warrants as part of the silver stream purchase and sale agreement (Note 13).

16. COMMITMENTS AND CONTINGENCIES

(a) Commitments

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

Remainder of 2018	11,873
2019	2,454
2020	1,469
2021	417
2022	240
2023 and thereafter	-
Total commitments	16,453

As at March 31, 2018, the Company had commitments to incur capital expenditures of $3,311 (2017: $nil) for Florence Copper and $2,189 (2017 - $nil) for the Gibraltar joint venture, of which the Company's share is $1,642.

(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 $7,971 as at March 31, 2018.

17. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended March 31,	
	2018	**2017**
Change in non-cash working capital items		
Accounts receivable	6,359	(13,909)
Inventories	1,506	(605)
Prepaids	581	448
Accounts payable and accrued liabilities	(875)	2,440
Interest payable	166	(14)
Income tax paid	(350)	-
	7,387	(11,640)
Non-cash financing activities		
Share purchase warrants issued (Note 13)	-	1,876
Share purchase warrants exercised	-	(830)
	-	1,046

(Cdn$ in thousands - unaudited)

18. RELATED PARTIES

Related Party Transactions

	Transaction value for the three months ended March 31,		Due (to) from related parties as at March 31,	
	2018	**2017**	**2018**	**2017**
Hunter Dickinson Services Inc.:				
General and administrative expenses	338	354		
Exploration and evaluation expenses	13	38		
	351	392	(47)	(151)
Gibraltar Joint Venture:				
Management fee income	292	293		
Reimbursable compensation expenses and third party costs	34	27		
	326	320	236	226

Three directors of the Company are also principals of Hunter Dickinson Services Inc. ("HDSI"), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the three month period ended March 31, 2018, the Company incurred total costs of $351 (Q1 2017: $392) in transactions with HDSI. Of these, $126 (Q1 2017: $166) related to administrative, legal, exploration and tax services, $155 related to reimbursements of office rent costs (Q1 2017: $156), and $70 (Q1 2017: $70) related to director fees for two Taseko directors who are also principals of HDSI.

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

19. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(Cdn$ in thousands - unaudited)

	Level 1	Level 2	Level 3	Total
March 31, 2018				
Financial assets designated as FVPL				
Copper put option contracts	-	187	-	187
Financial assets irrevocably designated as FVOCI				
Marketable securities	1,831	-	-	1,831
Investment in subscription receipts	-	-	2,400	2,400
Reclamation deposits	30,712	-	-	30,712
	32,543	187	2,400	35,130
December 31, 2017				
Financial assets designated as FVPL				
Copper put option contracts	-	331	-	331
Financial assets irrevocably designated as FVOCI				
Marketable securities	2,444	-	-	2,444
Investment in subscription receipts	-	-	2,400	2,400
Reclamation deposits	30,638	-	-	30,638
	33,082	331	2,400	35,813

There have been no transfers between fair value levels during the reporting period. The carrying value of cash and equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair value as at March 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 4.1% based on the relevant loans effective interest rate.

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

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

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

Commodity Price Risk

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

(Cdn$ in thousands - unaudited)

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

	As at March 31, 2018
Copper increase/decrease by US$0.30/lb.[1, 2]	5,894

[1]The analysis is based on the assumption that the period end copper price increases 10% with all other variables held constant. The relationship between the period-end copper price and the strike price of copper options has significant influence over the fair value of the derivatives. As such, a 10% decrease in the year-end copper price will not result in an equal but opposite impact on earnings after tax and equity. The closing exchange rate for the three months ended March 31, 2018 of CAD/USD 1.2894 was used in the analysis.

[2]At March 31, 2018, 15 million pounds of copper in concentrate were exposed to copper price movements.

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

20. SUBSEQUENT EVENT

Subsequent to March 31, 2018, the Company purchased copper put option contracts for a total of 15 million pounds of copper with maturities spread evenly over the third quarter of 2018, at a strike price of US$2.80 per pound. The total cost of these put options was $661.