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

TASEKO ANNOUNCES 43 MILLION POUNDS OF COPPER PRODUCTION AND FINANCIAL RESULTS FOR THE THIRD QUARTER

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

October 31, 2018, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE American: TGB) ("Taseko" or the "Company") reports earnings from mining operations before depletion and amortization* of $33.7 million and adjusted net income* of $1.5 million for the three months ended September 30, 2018.

Russell Hallbauer, President & CEO commented, "In August, Gibraltar's mine engineering group determined that the Granite Pit high wall could be steepened, based on data from geotechnical and rock structure evaluations. We immediately redesigned the Granite Pit pushback, which allowed us earlier access to high grade ore benches. These benches, which we partially mined in the third quarter, were not included in the 2018 mine plan and ended up having a dramatic impact on copper production during the quarter."

"Not only did we benefit from higher grade ore in the third quarter, but the ore that was processed was also softer and we were able to achieve higher than design throughput of 87,000 tons per day, 6% higher than the previous quarter. The combination of higher grade ore and throughput resulted in 43 million pounds of copper production in the third quarter," added Mr. Hallbauer.

Mr. Hallbauer continued, "Sales of 29 million pounds in the quarter were below production due to extremely poor rail service, which stranded 18.5 million pounds of copper in concentrate at the mine. The lower sales affected our quarterly revenues by approximately $40 million and cash flow by approximately $30 million, based on current copper pricing."

"We continued to make progress at our Florence Copper Project during the quarter. The wellfield, SX/EW plant and all associated infrastructure are now commissioned and pre-operations tests are being performed with positive results to-date. We anticipate final authorizations to commence operations from the regulators shortly, and are ready to immediately commence leaching operations. This project represents many near-term catalysts for the Company as we demonstrate the low-cost, environmental and technical attributes of the in-situ production process," continued Mr. Hallbauer.

"Fourth quarter production is expected to be at a more normalized level, with estimated total copper production of 130 million pounds for 2018. We anticipate that during the fourth quarter the railway will be able to move most of the excess copper concentrate inventory, in addition to the fourth quarter production, to the port for shipping. Depending on vessel scheduling and berth availability, we could realize sales of approximately 45 million pounds (100% basis) for the quarter," concluded Mr. Hallbauer.

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

Third Quarter Highlights

- Copper production in the third quarter was 43.0 million pounds (100% basis), which represents a 28% increase over the previous quarter as a result of the higher head grades and increased mill throughput;
- Total copper sales for the quarter were 29.0 million pounds (100% basis), as concentrate shipments were delayed by poor rail service between the mine and the port terminal. As a result, inventories increased to 18.5 million pounds of copper (100% basis) at September 30, 2018. The lower sales affected the Company's quarterly revenues by approximately $40 million and cash flow by approximately $30 million, based on current copper pricing. The excess inventory is expected to be sold in the fourth quarter;
- Third quarter earnings from mining operations before depletion and amortization* were $33.7 million;
- Net income was $7.1 million ($0.03 net earnings per share) and Adjusted net income* was $1.5 million ($0.01 per share);
- Site operating costs, net of by-product credits* were US$1.34 per pound produced and Total operating costs (C1)* were US$1.58 per pound produced, as unit costs were positively impacted by the higher grades and production;
- The Company has finalized an insurance claim of $7.9 million (75% basis) related to the Cariboo region wildfires in July 2017. Third quarter earnings include an insurance recovery of $3.9 million;
- Construction of the Production Test Facility ("PTF") for the Florence Copper Project was completed in October, on time and on budget. The facility is operational and first copper cathode is expected by the end of this year;
- Cash flow from operations was $18.1 million, which was impacted by a $12.6 million working capital adjustment related to the increased inventories and the timing of customer payments;
- At September 30, 2018 the Company held put options for 15 million pounds of copper with scheduled maturities over the fourth quarter of 2018 at a strike price of US$2.80 per pound; and
- The Company's cash balance at September 30, 2018 was $45 million, a reduction from the previous quarter mainly due to the build-up of unsold copper concentrate inventories.

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

HIGHLIGHTS

Financial Data	Three months ended September 30,			Nine months ended September 30,		
(Cdn$ in thousands, except for per share amounts)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Revenues	74,297	78,508	(4,211)	232,749	282,891	(50,142)
Earnings from mining operations before depletion and amortization*	33,742	45,133	(11,391)	83,553	145,020	(61,467)
Earnings from mining operations	13,568	33,348	(19,780)	30,644	111,859	(81,215)
Net income (loss)	7,098	20,136	(13,038)	(16,054)	41,862	(57,916)
Per share - basic ("EPS")	0.03	0.09	(0.06)	(0.07)	0.19	(0.26)
Adjusted net income (loss)*	1,464	13,405	(11,941)	(7,198)	42,965	(50,163)
Per share - basic ("adjusted EPS")*	0.01	0.06	(0.05)	(0.03)	0.19	(0.22)
EBITDA*	37,718	48,457	(10,739)	63,597	141,407	(77,810)
Adjusted EBITDA*	31,940	42,356	(10,416)	71,728	133,110	(61,382)
Cash flows provided by operations	18,053	37,124	(19,071)	49,958	179,180	(129,222)

Operating Data (Gibraltar - 100% basis)	Three months ended September 30,			Nine months ended September 30,		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
Tons mined (millions)	29.0	23.3	5.7	83.1	66.2	16.9
Tons milled (millions)	8.0	7.2	0.8	22.9	22.0	0.9
Production (million pounds Cu)	43.0	35.1	7.9	99.4	115.7	(16.3)
Sales (million pounds Cu)	28.8	30.2	(1.4)	83.8	111.7	(27.9)

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

REVIEW OF OPERATIONS

Gibraltar Mine (75% Owned)

Operating data (100% basis)	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**
Tons mined (millions)	29.0	27.4	26.7	26.9	23.3
Tons milled (millions)	8.0	7.5	7.5	7.9	7.2
Strip ratio	1.7	1.9	4.1	4.9	4.1
Site operating cost per ton milled (CAD$)*	$10.60	$10.31	$8.68	$7.68	$5.93
Copper concentrate					
Grade (%)	0.314	0.263	0.201	0.209	0.284
Recovery (%)	85.9	85.3	75.7	77.5	86.1
Production (million pounds Cu)	43.0	33.5	22.9	25.5	35.1
Sales (million pounds Cu)	28.8	32.2	22.8	32.0	30.2
Inventory (million pounds Cu)	18.5	4.2	2.9	2.7	9.3
Molybdenum concentrate					
Production (thousand pounds Mo)	690	506	443	537	445
Sales (thousand pounds Mo)	709	424	433	589	403
Per unit data (US$ per pound produced)*					
Site operating costs*	$1.50	$1.78	$2.25	$1.86	$0.97
By-product credits*	(0.16)	(0.12)	(0.23)	(0.17)	(0.09)
Site operating costs, net of by-product credits*	$1.34	$1.66	$2.02	$1.69	$0.88
Off-property costs	0.24	0.32	0.31	0.42	0.30
Total operating costs (C1)*	$1.58	$1.98	$2.33	$2.11	$1.18

OPERATIONS ANALYSIS

Third quarter results

Copper production in the third quarter was 43.0 million pounds, significantly higher than previous quarters as a result of improved head grade and increased concentrator throughput. The improved head grade was mainly achieved by developing a very high grade ore zone near the bottom of the Granite pit pushback faster than planned. During bench development, geotechnical drilling and rock structure evaluations indicated that the high wall could be steepened and additional ore benches could be developed deeper into the Granite Pit. Steepening of the high wall and accelerated mining allowed access to the higher grade ore quicker than that anticipated in the 2018 mine plan.

A total of 29.0 million tons were mined during the period, an increase over previous quarters as haulage truck hours were increased to meet mine plan sequencing requirements. The strip ratio for the third quarter of 1.7 to 1 was lower than recent quarters as a total of 2.9 million tons of mined ore was added to the ore stockpile in the period.

Site operating cost per ton milled* was $10.60 in the third quarter of 2018, which is higher than recent quarters. The increased operating costs are due to the increased mining rate as well as a reduction in the proportion of the mining costs that are capitalized. Waste stripping costs of $7.6 million (75% basis) were capitalized in the third quarter.

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

OPERATIONS ANALYSIS – CONTINUED

Site operating costs per pound produced* decreased to US$1.50 from US$1.78 in the previous quarter, primarily due to higher copper production. Site operating costs per pound produced* does not take into account the insurance recoverable of $3.9 million that was recorded in the third quarter.

Molybdenum production increased to 0.7 million pounds in the third quarter due to improved molybdenum plant operating performance. Molybdenum sales volumes were in line with production levels as the product is delivered to the customer at the mine gate and not affected by rail transportation delays. By-product credits per pound of copper produced* increased to US$0.16 in the third quarter from US$0.12 in the previous quarter.

Off-property costs per pound produced* were US$0.24 for the third quarter of 2018, which is lower than recent quarters as a result of lower copper sales volume relative to copper production during the current period. Off-property costs are lower in periods where sales volumes are lower. Total operating costs (C1) per pound* decreased to US$1.58, a 20% decrease from the second quarter of 2018.

GIBRALTAR OUTLOOK

Fourth quarter 2018 copper production is expected to return to more normal levels, and total copper production is expected to be approximately 130 million pounds for the 2018 year. Inventories of copper in concentrate increased to 18.5 million pounds at September 30, 2018, and we expect that during the fourth quarter rail service will move most of the excess inventory to the port for shipping. Sales volumes in the fourth quarter could be approximately 45 million pounds of copper (100% basis), depending on vessel scheduling and berth availability.

The Company has finalized an insurance claim of $7.9 million (75% basis) related to the Cariboo region wildfires in July 2017. Cash settlement is expected in the fourth quarter.

REVIEW OF PROJECTS

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

Florence Copper Project

In September 2017, the Company announced that it was moving forward with the construction of the Production Test Facility ("PTF") for the Florence Copper Project. The SX/EW Plant and the associated wellfield, comprised of 24 production, monitoring, observation and point of compliance wells.

Construction of the PTF progressed smoothly through the third quarter and has now been completed, on time and on budget. Total construction expenditures were $32.5 million (US$25.0 million) as at September 30, 2018. The wellfield and associated facilities are ready to commence leaching activities, and first copper production is expected by the end of the year. Construction expenditures on the PTF in the nine months ended September 30, 2018 were $27.3 million (US$20.8 million).

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

REVIEW OF PROJECTS - CONTINUED

Successful operation of the in situ leaching process will allow permits to be amended for the full scale operation of 85 million pounds per year of copper cathode. It is anticipated that construction of the commercial scale operation could be commenced in the first half of 2020.

Aley Niobium Project

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

The Company will host a telephone conference call and live webcast on Thursday, November 1, 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 November 8, 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 7999942.

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

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

Russell Hallbauer
President and CEO

NON-GAAP PERFORMANCE MEASURES

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

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

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

	Three months ended September 30,		**Nine months ended September 30,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2018**	**2017**	**2018**	**2017**
Cost of sales	**60,729**	**45,160**	**202,105**	**171,032**
Less:				
Depletion and amortization	(20,174)	(11,785)	(52,909)	(33,161)
Insurance recoverable	3,875	-	7,875	-
Net change in inventories of finished goods	17,439	5,440	17,593	5,696
Net change in inventories of ore stockpiles	6,716	(2,413)	7,827	(6,262)
Transportation costs	(5,149)	(4,498)	(12,507)	(15,207)
Site operating costs	**63,436**	**31,904**	**169,984**	**122,098**
Less by-product credits:				
Molybdenum, net of treatment costs	(6,937)	(2,725)	(15,776)	(12,867)
Silver, excluding amortization of deferred revenue	42	(107)	(209)	(637)
Site operating costs, net of by-product credits	**56,541**	**29,072**	**153,999**	**108,594**
Total copper produced (thousand pounds)	32,251	26,306	74,516	86,780
Total costs per pound produced	1.75	1.11	2.07	1.25
Average exchange rate for the period (CAD/USD)	1.31	1.25	1.29	1.31
Site operating costs, net of by-product credits (US$ per pound)	**1.34**	**0.88**	**1.61**	**0.96**
Site operating costs, net of by-product credits	56,541	29,072	153,999	108,594
Add off-property costs:				
Treatment and refining costs of copper concentrate	4,725	5,378	14,617	21,900
Transportation costs	5,149	4,498	12,507	15,207
Total operating costs	66,415	38,948	181,123	145,701
Total operating costs (C1) (US$ per pound)	**1.58**	**1.18**	**1.89**	**1.28**

NON-GAAP PERFORMANCE MEASURES - CONTINUED

Adjusted net income (loss)

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

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

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

	Three months ended September 30,		**Nine months ended September 30,**	
($ in thousands, except per share amounts)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	**7,098**	**20,136**	**(16,054)**	**41,862**
Unrealized foreign exchange (gain) loss	(5,244)	(10,299)	10,817	(19,225)
Unrealized (gain) loss on copper put options	(534)	647	(2,686)	1,072
Loss on copper call option	-	-	-	6,305
Loss on settlement of long-term debt	-	-	-	13,102
Write-down of mine equipment	-	3,551	-	3,551
Estimated tax effect of adjustments	144	(630)	725	(3,702)
Adjusted net income (loss)	**1,464**	**13,405**	**(7,198)**	**42,965**
Adjusted EPS	**0.01**	**0.06**	**(0.03)**	**0.19**

EBITDA and Adjusted EBITDA

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

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

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

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

NON-GAAP PERFORMANCE MEASURES - CONTINUED

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

($ in thousands)	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Net income (loss)	**7,098**	**20,136**	**(16,054)**	**41,862**
Add:				
Depletion and amortization	20,174	11,785	52,909	33,161
Amortization of share-based compensation expense (recovery)	(386)	2,250	(994)	5,779
Finance expense	9,829	8,385	28,873	37,738
Finance income	(296)	(403)	(940)	(1,204)
Income tax expense (recovery)	1,299	6,304	(197)	24,071
EBITDA	**37,718**	**48,457**	**63,597**	**141,407**
Adjustments:				
Unrealized foreign exchange (gain) loss	(5,244)	(10,299)	10,817	(19,225)
Write-down of mine equipment	-	3,551	-	3,551
Unrealized (gain) loss on copper put options	(534)	647	(2,686)	1,072
Loss on copper call option	-	-	-	6,305
Adjusted EBITDA	**31,940**	**42,356**	**71,728**	**133,110**

Earnings from mining operations before depletion and amortization

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

(Cdn$ in thousands)	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Earnings from mining operations	**13,568**	**33,348**	**30,644**	**111,859**
Add:				
Depletion and amortization	20,174	11,785	52,909	33,161
Earnings from mining operations before depletion and amortization	**33,742**	**45,133**	**83,553**	**145,020**

NON-GAAP PERFORMANCE MEASURES - CONTINUED

Site operating costs per ton milled

	Three months ended September 30,		Nine months ended September 30,	
(Cdn$ in thousands, except per ton milled amounts)	**2018**	**2017**	**2018**	**2017**
Site operating costs (included in cost of sales)	**63,436**	**31,904**	**169,984**	**122,098**
Tons milled (thousands) (75% basis)	5,983	5,380	17,208	16,480
Site operating costs per ton milled	**$10.60**	**$5.93**	**$9.88**	**$7.41**

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This document contains “forward-looking statements” within the meaning of applicable Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward looking statements”) that were based on Taseko’s expectations, estimates and projections as of the dates as of which those statements were made. Any statements that express, or involve discussions as to, expectations, believes, plans, objectives, assumptions or future events or performance that are not historical facts, are forward-looking statements. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “outlook”, “anticipate”, “project”, “target”, “believe”, “estimate”, “expect”, “intend”, “should” and similar expressions.

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

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

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

Cautionary Statement on Forward-Looking Information

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

TASEKO MINES LIMITED
Management's Discussion and Analysis

This management discussion and analysis ("MD&A") is intended to help the reader understand Taseko Mines Limited ("Taseko", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto, prepared in accordance with IAS 34 of International Financial Reporting Standards ("IFRS") for the three and nine months ended September 30, 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 October 30, 2018. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Cautionary Statement on Forward-Looking Information

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

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 Project, which is advancing towards an expected construction decision by the end of 2019, as well as the Aley niobium, Harmony gold and New Prosperity gold-copper projects.

HIGHLIGHTS

Financial Data	**Three months ended September 30,**			**Nine months ended September 30,**		
(Cdn$ in thousands, except for per share amounts)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Revenues	74,297	78,508	(4,211)	232,749	282,891	(50,142)
Earnings from mining operations before depletion and amortization*	33,742	45,133	(11,391)	83,553	145,020	(61,467)
Earnings from mining operations	13,568	33,348	(19,780)	30,644	111,859	(81,215)
Net income (loss)	7,098	20,136	(13,038)	(16,054)	41,862	(57,916)
Per share - basic ("EPS")	0.03	0.09	(0.06)	(0.07)	0.19	(0.26)
Adjusted net income (loss)*	1,464	13,405	(11,941)	(7,198)	42,965	(50,163)
Per share - basic ("adjusted EPS")*	0.01	0.06	(0.05)	(0.03)	0.19	(0.22)
EBITDA*	37,718	48,457	(10,739)	63,597	141,407	(77,810)
Adjusted EBITDA*	31,940	42,356	(10,416)	71,728	133,110	(61,382)
Cash flows provided by operations	18,053	37,124	(19,071)	49,958	179,180	(129,222)

Operating Data (Gibraltar - 100% basis)	**Three months ended September 30,**			**Nine months ended September 30,**		
	2018	**2017**	**Change**	**2018**	**2017**	**Change**
Tons mined (millions)	29.0	23.3	5.7	83.1	66.2	16.9
Tons milled (millions)	8.0	7.2	0.8	22.9	22.0	0.9
Production (million pounds Cu)	43.0	35.1	7.9	99.4	115.7	(16.3)
Sales (million pounds Cu)	28.8	30.2	(1.4)	83.8	111.7	(27.9)

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

HIGHLIGHTS - CONTINUED

Third Quarter Highlights

- Copper production in the third quarter was 43.0 million pounds (100% basis), which represents a 28% increase over the previous quarter as a result of the higher head grades and increased mill throughput;
- Total copper sales for the quarter were 29.0 million pounds (100% basis), as concentrate shipments were delayed by poor rail service between the mine and the port terminal. As a result, inventories increased to 18.5 million pounds of copper (100% basis) at September 30, 2018. The lower sales affected the Company's quarterly revenues by approximately $40 million and cash flow by approximately $30 million, based on current copper pricing. The excess inventory is expected to be sold in the fourth quarter;
- Third quarter earnings from mining operations before depletion and amortization* were $33.7 million;
- Net income was $7.1 million ($0.03 net earnings per share) and Adjusted net income* was $1.5 million ($0.01 per share);
- Site operating costs, net of by-product credits* were US$1.34 per pound produced and Total operating costs (C1)* were US$1.58 per pound produced, as unit costs were positively impacted by the higher grades and production;
- The Company has finalized an insurance claim of $7.9 million (75% basis) related to the Cariboo region wildfires in July 2017. Third quarter earnings include an insurance recovery of $3.9 million;
- Construction of the Production Test Facility ("PTF") for the Florence Copper Project was completed in October, on time and on budget. The facility is operational and first copper cathode is expected by the end of this year;
- Cash flow from operations was $18.1 million, which was impacted by a $12.6 million working capital adjustment related to the increased inventories and the timing of customer payments;
- At September 30, 2018 the Company held put options for 15 million pounds of copper with scheduled maturities over the fourth quarter of 2018 at a strike price of US$2.80 per pound; and
- The Company's cash balance at September 30, 2018 was $45 million, a reduction from the previous quarter mainly due to the build-up of unsold copper concentrate inventories.

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

REVIEW OF OPERATIONS

Gibraltar Mine (75% Owned)

Operating data (100% basis)	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Tons mined (millions)	29.0	27.4	26.7	26.9	23.3
Tons milled (millions)	8.0	7.5	7.5	7.9	7.2
Strip ratio	1.7	1.9	4.1	4.9	4.1
Site operating cost per ton milled (CAD$)*	$10.60	$10.31	$8.68	$7.68	$5.93
Copper concentrate					
Grade (%)	0.314	0.263	0.201	0.209	0.284
Recovery (%)	85.9	85.3	75.7	77.5	86.1
Production (million pounds Cu)	43.0	33.5	22.9	25.5	35.1
Sales (million pounds Cu)	28.8	32.2	22.8	32.0	30.2
Inventory (million pounds Cu)	18.5	4.2	2.9	2.7	9.3
Molybdenum concentrate					
Production (thousand pounds Mo)	690	506	443	537	445
Sales (thousand pounds Mo)	709	424	433	589	403
Per unit data (US$ per pound produced)*					
Site operating costs*	$1.50	$1.78	$2.25	$1.86	$0.97
By-product credits*	(0.16)	(0.12)	(0.23)	(0.17)	(0.09)
Site operating costs, net of by-product credits*	$1.34	$1.66	$2.02	$1.69	$0.88
Off-property costs	0.24	0.32	0.31	0.42	0.30
Total operating costs (C1)*	$1.58	$1.98	$2.33	$2.11	$1.18

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

OPERATIONS ANALYSIS

Third quarter results

Copper production in the third quarter was 43.0 million pounds, significantly higher than previous quarters as a result of improved head grade and increased concentrator throughput. The improved head grade was mainly achieved by developing a very high grade ore zone near the bottom of the Granite pit pushback faster than planned. During bench development, geotechnical drilling and rock structure evaluations indicated that the high wall could be steepened and additional ore benches could be developed deeper into the Granite Pit. Steepening of the high wall and accelerated mining allowed access to the higher grade ore quicker than that anticipated in the 2018 mine plan.

A total of 29.0 million tons were mined during the period, an increase over previous quarters as haulage truck hours were increased to meet mine plan sequencing requirements. The strip ratio for the third quarter of 1.7 to 1 was lower than recent quarters as a total of 2.9 million tons of mined ore was added to the ore stockpile in the period.

Site operating cost per ton milled* was $10.60 in the third quarter of 2018, which is higher than recent quarters. The increased operating costs are due to the increased mining rate as well as a reduction in the proportion of the mining costs that are capitalized. Waste stripping costs of $7.6 million (75% basis) were capitalized in the third quarter.

Site operating costs per pound produced* decreased to US$1.50 from US$1.78 in the previous quarter, primarily due to higher copper production. Site operating costs per pound produced* does not take into account the insurance recoverable of $3.9 million that was recorded in the third quarter.

Molybdenum production increased to 0.7 million pounds in the third quarter due to improved molybdenum plant operating performance. Molybdenum sales volumes were in line with production levels as the product is delivered to the customer at the mine gate and not affected by rail transportation delays. By-product credits per pound of copper produced* increased to US$0.16 in the third quarter from US$0.12 in the previous quarter.

Off-property costs per pound produced* were US$0.24 for the third quarter of 2018, which is lower than recent quarters as a result of lower copper sales volume relative to copper production during the current period. Off-property costs are lower in periods where sales volumes are lower. Total operating costs (C1) per pound* decreased to US$1.58, a 20% decrease from the second quarter of 2018.

GIBRALTAR OUTLOOK

Fourth quarter 2018 copper production is expected to return to more normal levels, and total copper production is expected to be approximately 130 million pounds for the 2018 year. Inventories of copper in concentrate increased to 18.5 million pounds at September 30, 2018, and we expect that during the fourth quarter rail service will move most of the excess inventory to the port for shipping. Sales volumes in the fourth quarter could be approximately 45 million pounds of copper (100% basis), depending on vessel scheduling and berth availability.

The Company has finalized an insurance claim of $7.9 million (75% basis) related to the Cariboo region wildfires in July 2017. Cash settlement is expected in the fourth quarter.

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

REVIEW OF PROJECTS

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

Florence Copper Project

In September 2017, the Company announced that it was moving forward with the construction of the Production Test Facility ("PTF") for the Florence Copper Project. The SX/EW Plant and the associated wellfield, comprised of 24 production, monitoring, observation and point of compliance wells.

Construction of the PTF progressed smoothly through the third quarter and has now been completed, on time and on budget. Total construction expenditures were $32.5 million (US$25.0 million) as at September 30, 2018. The wellfield and associated facilities are ready to commence leaching activities, and first copper production is expected by the end of the year. Construction expenditures on the PTF in the nine months ended September 30, 2018 were $27.3 million (US$20.8 million).

Successful operation of the in situ leaching process will allow permits to be amended for the full scale operation of 85 million pounds per year of copper cathode. It is anticipated that construction of the commercial scale operation could be commenced in the first half of 2020.

Aley Niobium Project

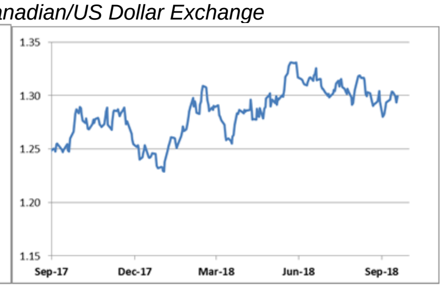
Environmental monitoring on the project continues and a number of product marketing initiatives are underway. A drill program was completed in the third quarter to collect samples for further metallurgical testing.

MARKET REVIEW

Copper

Molybdenum

Canadian/US Dollar Exchange



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

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

The average price of London Metals Exchange ("LME") copper was US$2.77 per pound in the third quarter of 2018, which was 11% lower than the second quarter of 2018 and is approximately 4% lower than the third quarter of 2017. Despite the short-term volatility, management continues to believe that the copper market will benefit from tight mine supply going forward.

The average molybdenum price was US$11.83 per pound in the third quarter of 2018, which was 2% higher than the second quarter of 2018. The Company's sales agreement specifies molybdenum pricing based on the published Platts Metals reports.

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

FINANCIAL PERFORMANCE

Earnings

The Company's net income was $7.1 million for the three months ended September 30, 2018, compared to a net income of $20.1 million for the same period in 2017. The decrease in net income was primarily due to the lower copper prices, higher depletion and amortization expense, and increased operating costs in the current period.

The Company's net loss was $16.1 million for the nine months ended September 30, 2018, compared to a net income of $41.9 million for the same period in 2017. The decrease in net income was primarily due to the lower earnings from mining operations and unrealized foreign exchange differences on the Company's US dollar denominated debt.

Earnings from mining operations before depletion and amortization* for the three and nine months ended September 30, 2018 was $33.7 million and $83.6 million, respectively, compared to earnings of $45.1 million and $145.0 million, respectively for the same periods in 2017. These decreases are a result of lower copper sales volumes and higher unit operating costs this year.

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

	Three months ended September 30,			Nine months ended September 30,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Net earnings (loss)	7,098	20,136	(13,038)	(16,054)	41,862	(57,916)
Unrealized foreign exchange gain (loss)	(5,244)	(10,299)	5,055	10,817	(19,225)	30,042
Unrealized (gain) loss on copper put options	(534)	647	(1,181)	(2,686)	1,072	(3,758)
Loss on copper call option	-	-	-	-	6,305	(6,305)
Loss on settlement of long-term debt	-	-	-	-	13,102	(13,102)
Write-down of mine equipment	-	3,551	(3,551)	-	3,551	(3,551)
Estimated tax effect of adjustments	144	(630)	774	725	(3,702)	4,427
Adjusted net income (loss)*	1,464	13,405	(11,941)	(7,198)	42,965	(50,163)

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

In the three month period ended September 30, 2018, the Canadian dollar strengthened in comparison to the US dollar by 2%, resulting in an unrealized foreign exchange gain of $5.2 million. In the nine month period ended

September 30, 2018, the Canadian dollar weakened in comparison to the US dollar by 3%, resulting in an unrealized foreign exchange loss of $10.8 million. The unrealized foreign exchange gains and losses were primarily related to the Company's US dollar denominated long-term debt.

Revenues

	Three months ended September 30,			Nine months ended September 30,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Copper in concentrate	74,904	79,786	(4,882)	236,732	284,890	(48,158)
Molybdenum concentrate	8,044	3,052	4,992	17,892	15,988	1,904
Silver	1,000	325	675	3,169	1,351	1,818
Price adjustments on settlement receivables	(3,617)	1,509	(5,126)	(7,725)	6,461	(14,186)
Total gross revenue	80,331	84,672	(4,341)	250,068	308,690	(58,622)
Less: treatment and refining costs	(6,034)	(6,164)	130	(17,319)	(25,799)	8,480
Revenue	74,297	78,508	(4,211)	232,749	282,891	(50,142)
Copper in concentrate (thousands of pounds)*	20,836	21,806	(970)	60,588	80,738	(20,150)
Average realized copper price (US$ per pound)	2.63	3.00	(0.37)	2.91	2.76	0.15
Average LME copper price (US$ per pound)	2.77	2.88	(0.11)	3.01	2.70	0.31
Average exchange rate (US$/CAD)	1.31	1.25	0.06	1.29	1.31	(0.02)

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

Copper revenues for the three months ended September 30, 2018 decreased by $4.9 million, compared to the same period in 2017, primarily due to a decrease in copper prices in the current period.

Copper revenues for the nine months ended September 30, 2018 decreased by $48.2 million, compared to the same period in 2017, primarily due to a decrease in copper sales volumes, partially offset by higher copper prices in the current period.

During the three and nine months ended September 30, 2018, price adjustments of negative $3.7 million and negative $8.1 million, respectively, were recorded for provisionally priced copper concentrate. These adjustments resulted in US$0.14 and US$0.10 per pound decreases to the average realized copper price for the three and nine months ended September 30, 2018.

Molybdenum revenues for the three and nine months ended September 30, 2018 increased by $5.0 million and $1.9 million, compared to the same periods in 2017. The increase in the three months ended September 30, 2018 was due to higher sales volume and higher molybdenum prices in the current period. The increase in the nine month period was due to higher molybdenum prices, partially offset by lower sales volumes in the current year. During the three and nine months ended September 30, 2018, price adjustments of positive $0.1 million and positive $0.4 million, respectively, were recorded for provisionally priced molybdenum concentrate.

Cost of sales

(Cdn$ in thousands)	Three months ended September 30, 2018	2017	Change	Nine months ended September 30, 2018	2017	Change
Site operating costs	63,436	31,904	31,532	169,984	122,098	47,886
Transportation costs	5,149	4,498	651	12,507	15,207	(2,700)
Insurance recoverable	(3,875)	-	(3,875)	(7,875)	-	(7,875)
Changes in inventories of finished goods	(17,439)	(5,440)	(11,999)	(17,593)	(5,696)	(11,897)
Changes in inventories of ore stockpiles	(6,716)	2,413	(9,129)	(7,827)	6,262	(14,089)
Production costs	40,555	33,375	7,180	149,196	137,871	11,325
Depletion and amortization	20,174	11,785	8,389	52,909	33,161	19,748
Cost of sales	60,729	45,160	15,569	202,105	171,032	31,073
Site operating costs per ton milled*	$10.60	$5.93	$4.67	$9.88	$7.41	$2.47

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

Site operating costs for the three months and nine months ended September 30, 2018 increased by $31.5 million and $47.9 million, respectively. The cost increases are primarily a result of increased mining rates in the first nine months of 2018, and reduced allocations to capitalized stripping costs.

Site operating costs exclude costs that are allocated to capitalized stripping as a result of waste stripping in the Granite pit, in accordance with the mine plan. For the three and nine months ended September 30, 2018, $7.6 million and $30.0 million, respectively, was allocated to capitalized stripping, compared to $22.9 million and $51.6 million for the same periods in 2017.

The Company has finalized an insurance claim of $7.9 million (75% basis) related to the Cariboo region wildfires in July 2017. An insurance recovery of $3.9 million was recorded in the third quarter. During the first quarter of 2018, the Company recorded an insurance recoverable of $4 million. Cash settlement of the insurance claim is expected in the fourth quarter.

Cost of sales is also impacted by changes in ore stockpile and copper inventories. In the three months ended September 30, 2018, the ore stockpiles were increased by 2.9 million tons, resulting in an increase in inventories (decrease in cost of sales) of $6.7 million. In the third quarter of 2017, the ore stockpile inventory decreased by $2.4 million (increase in cost of sales) due to a decrease in the stockpiled tonnage.

In the three months ended September 30, 2018, the finished goods inventory was increased by 14.3 million pounds of copper, resulting in an increase in inventories (decrease in cost of sales) of $17.4 million.

Depletion and amortization for three and nine months ended September 30, 2018 increased by $8.4 million and $19.7 million, respectively, over the same periods in 2017. These differences are primarily due to increased amortization of capitalized stripping costs which has increased significantly in the current year as ore tons are now being mined from the new section of the Granite pit.

Other operating (income) expenses

	Three months ended September 30,			Nine months ended September 30,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
General and administrative	3,328	2,181	1,147	10,830	9,941	889
Share-based compensation expense (recovery)	(428)	2,231	(2,659)	(1,223)	5,673	(6,896)
Exploration and evaluation	(154)	450	(604)	1,381	1,409	(28)
Realized (gain) loss on copper put options	(194)	504	(698)	2,107	1,089	1,018
Unrealized (gain) loss on copper put options	(534)	647	(1,181)	(2,686)	1,072	(3,758)
Loss on copper call option	-	-	-	-	6,305	(6,305)
Write-down of mine equipment	-	3,551	(3,551)	-	3,551	(3,551)
Other income	(547)	(205)	(342)	(1,206)	(751)	(455)
	1,471	9,359	(7,888)	9,203	28,289	(19,086)

General and administrative costs have increased for the three and nine months ended September 30, 2018, compared to the same periods in 2017 primarily due to executive pension contributions during the third quarter.

Share-based compensation recovery for the three months and nine months ended September 30, 2018, was primarily due to the revaluation of the liability for deferred share units resulting from a decrease in the Company's share price.

Exploration and evaluation costs for the three and nine months ended September 30, 2018, represent costs associated with the New Prosperity and Aley projects. During the three months ended September 30, 2018 the exploration and evaluation costs were offset by a $0.6 million tax credit related to the Aley project.

During the three and nine months ended September 30, 2018, the Company incurred a realized gain of $0.2 million and a realized loss of $2.1 million, respectively from copper put options that settled during the period. The unrealized gains of $0.5 million and $2.7 million, respectively relates to the fair value adjustment of copper put options.

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

Finance expenses

	Three months ended September 30,			Nine months ended September 30,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Interest expense	8,221	7,818	403	23,920	22,932	988
Finance expense – deferred revenue	1,020	-	1,020	3,162	-	3,162
Accretion of PER	588	567	21	1,791	1,704	87
Loss on settlement of long-term debt	-	-	-	-	13,102	(13,102)
	9,829	8,385	1,444	28,873	37,738	(8,865)

Interest expense for the three and nine months ended September 30, 2018 increased by $0.4 million and $1.0 million, respectively, compared to the same period in 2017. The Company's total interest costs are lower in the three and nine months ended September 30, 2018 due to reduced long-term debt as a result of the June 2017 refinancing. However, interest expense recorded on the income statement is higher in 2018 primarily because no interest was capitalized in the current year, whereas $2.6 million of interest was capitalized in the nine months ended September 30, 2017.

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

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

Income tax

	Three months ended September 30,			Nine months ended September 30,		
(Cdn$ in thousands)	**2018**	**2017**	**Change**	**2018**	**2017**	**Change**
Current income tax expense	280	420	(140)	770	1,396	(626)
Deferred income tax expense (recovery)	1,019	5,884	(4,865)	(967)	22,675	(23,642)
	1,299	6,304	(5,005)	(197)	24,071	(24,268)
Effective tax rate	15.4%	23.8%	(8.4)%	1.2%	36.5%	(35.3)%
Canadian statutory rate	27%	26%	1%	27%	26%	1%
B.C. Mineral tax rate	9.6%	9.6%	-	9.6%	9.6%	-

The income tax expense for the third quarter of 2018 decreased from the same quarter in 2017 mainly due to lower earnings resulting in lower estimated B.C. mineral taxes for the quarter. The deferred income tax expense is due in part to the reversal of certain deferred income tax assets in the quarter. The lower effective tax rate for the quarter is mainly impacted by items that are not included in income for tax purposes, such as the foreign exchange gain.

FINANCIAL CONDITION REVIEW

Balance sheet review

(Cdn$ in thousands)	As at September 30, 2018	As at December 31, 2017	Change
Cash and cash equivalents	45,292	80,231	(34,939)
Other current assets	93,249	65,505	27,744
Property, plant and equipment	807,547	797,265	10,282
Other assets	45,994	45,709	285
Total assets	**992,082**	**988,710**	**3,372**
Current liabilities	68,760	50,139	18,621
Debt:			
Senior secured notes	313,696	302,085	11,611
Capital leases and secured equipment loans	27,105	27,133	(28)
Deferred revenue	38,904	39,640	(736)
Other liabilities	188,352	202,633	(14,281)
Total liabilities	**636,817**	**621,630**	**15,187**
Equity	**355,265**	**367,080**	**(11,815)**
Net debt (debt minus cash and equivalents)	295,509	248,987	46,522
Total common shares outstanding (millions)	228.4	227.0	1.4

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

Total long-term debt increased by $11.6 million for the nine months ended September 30, 2018, due primarily to the foreign exchange losses on the Company's US dollar denominated debt and a new equipment loan for $9 million, partially offset by the payments on the Company's capital leases and equipment loans. The Company's net debt has increased by $46.5 million for the nine months ended September 30, 2018 which is due to capital expenditures at Florence and Gibraltar, as well as the build-up of inventories at Gibraltar.

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

Other liabilities decreased by $14.3 million mainly due to the decrease in the provision for environmental rehabilitation ("PER") and deferred tax liabilities.

The decrease in the PER is driven by an increase in the discount rates. At September 30, 2018, the Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates was 2.41% 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 October 30, 2018, there were 228,400,834 common shares outstanding. In addition, there were 10,408,400 stock options and 3,000,000 warrants outstanding at October 30, 2018. More information on these instruments and the terms of their exercise is set out in Notes 13 and 15 of the September 30, 2018 unaudited condensed consolidated interim financial statements.

Liquidity, cash flow and capital resources

Copper sales volumes were significantly lower than production volumes during the third quarter of 2018 due to poor rail service between the mine and the port terminal. Operating cash flows for the period were $18.1 million, and were reduced by a negative working capital adjustment of $12.6 million, which primarily relates to the increase in inventories offset by an $8.0 million advance payment received from a customer.

Inventories increased to 18.5 million pounds of copper (100% basis) during the period, and the lower sales affected the Company's third quarter cash flow by approximately $30 million. The excess inventory is expected to be sold in the fourth quarter of 2018.

The Company used $20.9 million of cash for investing activities in the third quarter, which included $6.8 million of cash payments for construction of the PTF at Florence, $7.6 million for capitalized stripping costs, $3.7 million on other capital expenditures for Gibraltar, $2.8 million on other project costs at the Florence and Aley projects.

Cash used for financing activities during the three months ended September 30, 2018 includes $3.5 million of principal and interest payments for capital leases and equipment loans.

During the nine months ended September 30, 2018, the Company generated operating cash flow of $50.0 million and used $69.3 million for investing activities. Investing activities in the period included $23.0 million of cash payments for construction of the PTF at Florence, $30.0 million for capitalized stripping costs, $8.7 million on other capital expenditures for Gibraltar, $7.1 million on other project costs at the Florence and Aley projects, and $1.1 million for the purchase of copper put options.

During the nine months ended September 30, 2017 the Company generated $106 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 September 30, 2018, the Company had cash and equivalents of $45 million (December 31, 2017 - $80 million) and continues to maintain a strategy of retaining a significant cash balance to reflect the volatile and capital intensive nature of the copper mining business. The Company continues to make monthly principal repayments for capital leases and equipment loans, however, there are no principal payments required on the senior secured notes until the maturity date in June 2022.

Liquidity outlook

The Company has a pipeline of development stage projects, including the Florence Copper Project and Aley Niobium Project, and additional funding will be required to advance these projects to production. To address project funding requirements, the Company may seek to raise additional capital through debt or equity financings or asset sales (including royalties, sales of project interests, or joint ventures). The senior secured notes (due in June 2022) allow for up to US$100 million of first lien secured debt to be issued as well as up to US$50 million of debt for equipment financing, all 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 its common shares and senior secured notes, metal prices, liquidity requirements, covenant restrictions and other factors, in order to determine the optimal mix of capital resources to address capital requirements, minimize the Company's cost of capital, and maximize shareholder value.

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

Hedging strategy

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

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

	Notional amount	**Strike price**	**Term to maturity**	**Original cost**
At October 30, 2018				
Copper put options	15 million lbs	US$2.80 per lb	Q4 2018	$0.4 million

Commitments and contingencies

Commitments

			Payments due				
($ in thousands)	**Remainder of 2018**	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
Debt [1]:							
Repayment of principal	3,318	9,852	6,111	4,897	326,602	-	350,780
Interest	14,485	29,242	28,826	28,583	14,205	-	115,341
PER [2]	-	-	-	-	-	100.820	100,820
Operating leases	793	2,395	1,421	189	-	-	4,798
Capital expenditures [3]	1,162	-	-	-	-	-	1,162
Other expenditures [4]	821	4,061	613	322	241	-	6,058

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

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

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

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

The Company has guaranteed 100% of certain capital lease and equipment loans entered into by the Gibraltar joint venture in which it holds a 75% interest. As a result, the Company has guaranteed the joint venture partner's 25% share of this debt which amounted to $9.0 million as at September 30, 2018.

SUMMARY OF QUARTERLY RESULTS

	2018			2017				2016
(Cdn$ in thousands, except per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	74,297	94,273	64,179	95,408	78,508	99,994	104,389	94,628
Net earnings (loss)	7,098	(4,671)	(18,481)	(7,600)	20,136	5,247	16,479	5,113
Basic EPS	0.03	(0.02)	(0.08)	(0.03)	0.09	0.02	0.07	0.02
Adjusted net earnings (loss) *	1,464	2,337	(10,999)	(1,544)	13,405	14,305	15,254	16,404
Adjusted basic EPS *	0.01	0.01	(0.05)	(0.01)	0.06	0.06	0.07	0.07
EBITDA *	37,718	25,509	370	22,350	48,457	43,805	49,145	32,312
Adjusted EBITDA *	31,940	32,251	7,537	28,639	42,356	42,820	47,934	44,477

(US$ per pound, except where indicated)								
Realized copper price *	2.63	3.13	2.98	3.30	3.00	2.61	2.72	2.54
Total operating costs *	1.58	1.98	2.33	2.11	1.18	1.31	1.33	1.48
Copper sales (million pounds)	21.6	24.2	17.1	24.0	22.6	30.5	30.6	30.3

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

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

INTERNAL AND DISCLOSURE CONTROLS OVER FINANCIAL REPORTING

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

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

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

Key management personnel

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

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

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

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

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

	Three months ended September 30,		**Nine months ended September 30,**	
(Cdn$ in thousands)	**2018**	**2017**	**2018**	**2017**
Salaries and benefits	1,291	697	5,168	4,169
Post-employment benefits	980	373	1,726	1,119
Share-based compensation expense (recovery)	(476)	2,210	(1,462)	5,560
	1,795	3,280	5,432	10,848

Other related parties

Three directors of the Company are also principals of Hunter Dickinson Services Inc. ("HDSI"), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the three month period ended September 30, 2018, the Company incurred total costs of $0.3 million (Q3 2017: $0.3 million) in transactions with HDSI. Of these, $0.1 million (Q3 2017: $0.1 million) related to administrative, legal, exploration and tax services, $0.1 million related to reimbursements of office rent costs (Q3 2017: $0.1 million), and $0.1 million (Q3 2017: $0.1 million) related to director fees for two Taseko directors who are also principals of HDSI.

For the nine month period ended September 30, 2018*,* the Company incurred total costs of $1.0 million (2017: $1.1 million) in transactions with HDSI. Of these, $0.4 million (2017: $0.5 million) related to administrative, legal, exploration and tax services, $0.4 million related to reimbursements of office rent costs (2017: $0.4 million), and $0.2 million (2017: $0.2 million) related to director fees for two Taseko directors who are also principals of HDSI.

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

NON-GAAP PERFORMANCE MEASURES

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

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

Total costs of sales include all costs absorbed into inventory, as well as transportation costs 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 September 30,		**Nine months ended September 30,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2018**	**2017**	**2018**	**2017**
Cost of sales	**60,729**	**45,160**	**202,105**	**171,032**
Less:				
Depletion and amortization	(20,174)	(11,785)	(52,909)	(33,161)
Insurance recoverable	3,875	-	7,875	-
Net change in inventories of finished goods	17,439	5,440	17,593	5,696
Net change in inventories of ore stockpiles	6,716	(2,413)	7,827	(6,262)
Transportation costs	(5,149)	(4,498)	(12,507)	(15,207)
Site operating costs	**63,436**	**31,904**	**169,984**	**122,098**
Less by-product credits:				
Molybdenum, net of treatment costs	(6,937)	(2,725)	(15,776)	(12,867)
Silver, excluding amortization of deferred revenue	42	(107)	(209)	(637)
Site operating costs, net of by-product credits	**56,541**	**29,072**	**153,999**	**108,594**
Total copper produced (thousand pounds)	32,251	26,306	74,516	86,780
Total costs per pound produced	1.75	1.11	2.07	1.25
Average exchange rate for the period (CAD/USD)	1.31	1.25	1.29	1.31
Site operating costs, net of by-product credits (US$ per pound)	**1.34**	**0.88**	**1.61**	**0.96**
Site operating costs, net of by-product credits	56,541	29,072	153,999	108,594
Add off-property costs:				
Treatment and refining costs of copper concentrate	4,725	5,378	14,617	21,900
Transportation costs	5,149	4,498	12,507	15,207

Total operating costs	66,415	38,948	181,123	145,701
Total operating costs (C1) (US$ per pound)	**1.58**	**1.18**	**1.89**	**1.28**

Adjusted net income (loss)

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

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

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

	Three months ended September 30,		**Nine months ended September 30,**	
($ in thousands, except per share amounts)	**2018**	**2017**	**2018**	**2017**
Net income (loss)	**7,098**	**20,136**	**(16,054)**	**41,862**
Unrealized foreign exchange (gain) loss	(5,244)	(10,299)	10,817	(19,225)
Unrealized (gain) loss on copper put options	(534)	647	(2,686)	1,072
Loss on copper call option	-	-	-	6,305
Loss on settlement of long-term debt	-	-	-	13,102
Write-down of mine equipment	-	3,551	-	3,551
Estimated tax effect of adjustments	144	(630)	725	(3,702)
Adjusted net income (loss)	**1,464**	**13,405**	**(7,198)**	**42,965**
Adjusted EPS	**0.01**	**0.06**	**(0.03)**	**0.19**

EBITDA and Adjusted EBITDA

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

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

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

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

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

($ in thousands)	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Net income (loss)	**7,098**	**20,136**	**(16,054)**	**41,862**
Add:				
Depletion and amortization	20,174	11,785	52,909	33,161
Amortization of share-based compensation expense (recovery)	(386)	2,250	(994)	5,779
Finance expense	9,829	8,385	28,873	37,738
Finance income	(296)	(403)	(940)	(1,204)
Income tax expense (recovery)	1,299	6,304	(197)	24,071
EBITDA	**37,718**	**48,457**	**63,597**	**141,407**
Adjustments:				
Unrealized foreign exchange (gain) loss	(5,244)	(10,299)	10,817	(19,225)
Write-down of mine equipment	-	3,551	-	3,551
Unrealized (gain) loss on copper put options	(534)	647	(2,686)	1,072
Loss on copper call option	-	-	-	6,305
Adjusted EBITDA	**31,940**	**42,356**	**71,728**	**133,110**

Earnings from mining operations before depletion and amortization

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

(Cdn$ in thousands)	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Earnings from mining operations	**13,568**	**33,348**	**30,644**	**111,859**
Add:				
Depletion and amortization	20,174	11,785	52,909	33,161
Earnings from mining operations before depletion and amortization	**33,742**	**45,133**	**83,553**	**145,020**

Site operating costs per ton milled

(Cdn$ in thousands, except per ton milled amounts)	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Site operating costs (included in cost of sales)	**63,436**	**31,904**	**169,984**	**122,098**
Tons milled (thousands) (75% basis)	5,983	5,380	17,208	16,480
Site operating costs per ton milled	**$10.60**	**$5.93**	**$9.88**	**$7.41**

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

TASEKO MINES LIMITED

Condensed Consolidated Statements of Comprehensive Income (Loss)

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

(Unaudited)

	Note	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Revenues	4	74,297	78,508	232,749	282,891
Cost of sales					
Production costs	5	(40,555)	(33,375)	(149,196)	(137,871)
Depletion and amortization	5	(20,174)	(11,785)	(52,909)	(33,161)
Earnings from mining operations		13,568	33,348	30,644	111,859
General and administrative		(3,328)	(2,181)	(10,830)	(9,941)
Share-based compensation recovery (expense)	15b	428	(2,231)	1,223	(5,673)
Exploration and evaluation		154	(450)	(1,381)	(1,409)
Gain (loss) on derivatives	6	728	(1,151)	579	(8,466)
Other income (expenses)		547	(3,346)	1,206	(2,800)
Income before financing costs and income taxes		12,097	23,989	21,441	83,570
Finance expenses	7	(9,829)	(8,385)	(28,873)	(37,738)
Finance income		296	403	940	1,204
Foreign exchange gain (loss)		5,833	10,433	(9,759)	18,897
Income (loss) before income taxes		8,397	26,440	(16,251)	65,933
Income tax (expense) recovery	8	(1,299)	(6,304)	197	(24,071)
Net income (loss)		**7,098**	**20,136**	**(16,054)**	**41,862**
Other comprehensive income (loss):					
Unrealized gain (loss) on financial assets	3b, 9	70	(297)	(1,335)	(731)
Foreign currency translation reserve		(2,563)	(4,355)	3,954	(8,267)
Total other comprehensive income (loss)		**(2,493)**	**(4,652)**	**2,619**	**(8,998)**
Total comprehensive income (loss)		**4,605**	**15,484**	**(13,435)**	**32,864**
Earnings (loss) per share					
Basic		0.03	0.09	(0.07)	0.19
Diluted		0.03	0.09	(0.07)	0.18
Weighted average shares outstanding (thousands)					
Basic		228,373	226,358	227,684	225,296
Diluted		229,780	229,859	227,684	228,305

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

TASEKO MINES LIMITED

Condensed Consolidated Statements of Cash Flows

(Cdn$ in thousands)

(Unaudited)

	Note	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Operating activities					
Net income (loss) for the period		7,098	20,136	(16,054)	41,862
Adjustments for:					
Depletion and amortization		20,174	11,785	52,909	33,161
Income tax expense (recovery)	8	1,299	6,304	(197)	24,071
Share-based compensation expense (recovery)	15b	(386)	2,250	(994)	5,779
Loss (gain) on derivatives	6	(728)	1,151	(579)	8,466
Finance expenses, net		9,533	7,982	27,933	36,534
Unrealized foreign exchange (gain) loss		(5,244)	(10,299)	10,817	(19,225)
Write-down of mine equipment		-	3,551	-	3,551
Deferred revenue deposit	13	-	-	-	44,151
Amortization of deferred revenue	13	(937)	(296)	(2,809)	(1,026)
Deferred electricity repayments		-	(1,662)	(4,841)	(2,711)
Other operating activities		(205)	(1,294)	(205)	(1,846)
Net change in non-cash working capital	17	(12,551)	(2,484)	(16,022)	6,413
Cash provided by operating activities		18,053	37,124	49,958	179,180
Investing activities					
Purchase of property, plant and equipment	11	(20,927)	(28,975)	(68,834)	(68,883)
Purchase of copper put options	6	-	(2,026)	(1,063)	(2,960)
Proceeds from copper put options	6	401	-	401	-
Investment in other financial assets		(253)	(1,395)	(253)	(1,395)
Other investing activities		153	222	495	509
Cash used for investing activities		(20,626)	(32,174)	(69,254)	(72,729)
Financing activities					
Interest paid		(502)	(526)	(15,444)	(29,432)
Proceeds from equipment loan, net	12	-	-	8,943	-
Repayment of capital leases and equipment loans	12	(3,034)	(3,658)	(8,984)	(12,695)
Proceeds on exercise of options and warrants		50	223	322	2,517
Net proceeds from issuance of senior secured notes		-	(118)	-	317,596
Repayment of senior notes		-	-	-	(264,180)
Repayment of senior secured credit facility		-	-	-	(92,463)
Settlement of copper call option		-	-	-	(15,745)
Cash used for financing activities		(3,486)	(4,079)	(15,163)	(94,402)
Effect of exchange rate changes on cash and equivalents		(331)	(2,247)	(480)	(5,410)
Increase (decrease) in cash and equivalents		(6,390)	(1,376)	(34,939)	6,639
Cash and equivalents, beginning of period		51,682	97,045	80,231	89,030
Cash and equivalents, end of period		45,292	95,669	45,292	95,669

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	September 30, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and equivalents		45,292	80,231
Accounts receivable		15,499	21,618
Inventories	10	72,627	39,639
Other financial assets	9	2,867	2,774
Prepaids		2,256	1,474
		138,541	145,736
Property, plant and equipment	11	807,547	797,265
Other financial assets	9	40,657	40,537
Goodwill		5,337	5,172
		992,082	**988,710**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities		47,473	47,382
Advance payments on product sales		8,011	–
Current portion of long-term debt	12	10,850	11,270
Current portion of deferred revenue	13	3,836	1,312
Interest payable on senior secured notes		8,259	1,143
Current income tax payable		1,181	302
		79,610	61,409
Long-term debt	12	329,951	317,948
Provision for environmental rehabilitation ("PER")		100,820	107,874
Deferred and other tax liabilities		85,157	89,045
Deferred revenue	13	38,904	39,640
Other financial liabilities	14	2,375	5,714
		636,817	621,630
EQUITY			
Share capital	15	423,422	422,091
Contributed surplus		48,814	47,478
Accumulated other comprehensive income ("AOCI")		3,008	389
Deficit		(119,979)	(102,878)
		355,265	367,080
		992,082	**988,710**
Commitments and contingencies	13, 16		

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

TASEKO MINES LIMITED

Condensed Consolidated Statements of Changes in Equity

(Cdn$ in thousands)

(Unaudited)

	Note	Share capital	Contributed surplus	AOCI	Deficit	Total
Balance at January 1, 2017		417,975	45,747	12,357	(137,140)	338,939
Issuance of warrants		-	1,876	-	-	1,876
Share-based compensation		-	2,765	-	-	2,765
Exercise of options and warrants		3,535	(1,017)	-	-	2,518
Settlement of performance share units		-	(1,876)	-	-	(1,876)
Total comprehensive income (loss) for the period		-	-	(8,998)	41,862	32,864
Balance at September 30, 2017		**421,510**	**47,495**	**3,359**	**(95,278)**	**377,086**
Balance at January 1, 2018		422,091	47,478	389	(102,878)	367,080
Adjustment on initial application of IFRS 15	3	-	-	-	(1,047)	(1,047)
Adjusted balance at January 1, 2018		**422,091**	**47,478**	**389**	**(103,925)**	**366,033**
Share-based compensation		-	2,345	-	-	2,345
Exercise of options and warrants		431	(109)	-	-	322
Settlement of performance share units		900	(900)	-	-	-
Total comprehensive income (loss) for the period		-	-	2,619	(16,054)	(13,435)
Balance at September 30, 2018		**423,422**	**48,814**	**3,008**	**(119,979)**	**355,265**

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.* These unaudited condensed consolidated interim financial statements of the Company as at and for the three and nine month periods ended September 30, 2018 comprise the Company, its subsidiaries and its 75% interest in the Gibraltar joint venture since its formation on March 31, 2010. The Company is principally engaged in the production and sale of metals, as well as related activities including exploration and mine development, within the province of British Columbia, Canada and the State of Arizona, USA. Seasonality does not have a significant impact on the Company's operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on October 30, 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 advance payments.

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

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

Deferred revenue

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

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

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

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

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

(Cdn$ in thousands - unaudited)

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

	As reported	**Adjustments**	**Amounts without Adoption of IFRS 15**
Current portion of deferred revenue	3,836	2,634	1,202
Deferred revenue	38,904	(112)	39,016
Deferred tax liability	85,157	(681)	85,838
Deficit	(119,979)	(1,841)	(118,138)

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

	As reported	**Adjustments**	**Amounts without Adoption of IFRS 15**
Revenue	232,749	2,075	230,674
Finance expenses	(28,873)	(3,162)	(25,711)
Income tax recovery	197	293	(96)
Net loss	(16,054)	(794)	(15,260)
Total comprehensive loss	(13,435)	(794)	(12,641)

(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 not restated 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 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 September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Copper contained in concentrate	74,904	79,786	236,732	284,890
Molybdenum concentrate	8,044	3,052	17,892	15,988
Silver (Notes 3 and 13)	1,000	325	3,169	1,351
Price adjustments on settlement receivables	(3,617)	1,509	(7,725)	6,461
Total gross revenue	80,331	84,672	250,068	308,690
Less: Treatment and refining costs	(6,034)	(6,164)	(17,319)	(25,799)
Revenue	74,297	78,508	232,749	282,891

5. COST OF SALES

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Site operating costs	63,436	31,904	169,984	122,098
Transportation costs	5,149	4,498	12,507	15,207
Insurance recoverable	(3,875)	-	(7,875)	-
Changes in inventories of finished goods	(17,439)	(5,440)	(17,593)	(5,696)
Changes in inventories of ore stockpiles	(6,716)	2,413	(7,827)	6,262
Production costs	40,555	33,375	149,196	137,871
Depletion and amortization	20,174	11,785	52,909	33,161
Cost of sales	60,729	45,160	202,105	171,032

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 has finalized an insurance claim related to the Cariboo region wildfires in July 2017 and the amount of the insurance claim is $7,875 (75% basis). In the three and nine month periods ended September 30, 2018, the Company has recorded an insurance recoverable of $3,875 and $7,875 respectively.

6. DERIVATIVE INSTRUMENTS

At September 30, 2018 the Company had options outstanding for 15 million pounds of copper with maturity dates spread evenly over the fourth quarter of 2018 with a strike price of US$2.80 per pound. The fair value of these outstanding options is $1,117.

(Cdn$ in thousands - unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Realized (gain) loss on copper put options	(194)	504	2,107	1,089
Unrealized (gain) loss on copper put options	(534)	647	(2,686)	1,072
Change in fair value of copper call option	-	-	-	6,305
	(728)	1,151	(579)	8,466

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

7. FINANCE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Interest expense	8,221	7,818	23,920	22,932
Finance expense – deferred revenue (Notes 3 and 13)	1,020	-	3,162	-
Accretion on PER	588	567	1,791	1,704
Loss on settlement of long-term debt	-	-	-	13,102
	9,829	8,385	28,873	37,738

8. INCOME TAX

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Current expense	280	420	770	1,396
Deferred expense (recovery)	1,019	5,884	(967)	22,675
	1,299	6,304	(197)	24,071

(Cdn$ in thousands - unaudited)

9. OTHER FINANCIAL ASSETS

	September 30, 2018	December 31, 2017
Current:		
Marketable securities	1,750	2,444
Copper put option contracts (Note 6)	1,117	330
	2,867	2,774
Long-term:		
Investment in subscription receipts	2,400	2,400
Reclamation deposits	30,757	30,637
Restricted cash	7,500	7,500
	40,657	40,537

10. INVENTORIES

	September 30, 2018	December 31, 2017
Ore stockpiles	21,078	9,332
Copper contained in concentrate	23,305	5,933
Molybdenum concentrate	438	217
Materials and supplies	27,806	24,157
	72,627	39,639

11. PROPERTY, PLANT & EQUIPMENT

During the three month period ended September 30, 2018, the Company capitalized stripping costs of $7,620 and incurred other capital expenditures for Gibraltar of $6,459. In addition, the Company capitalized development costs of $4,690 for the Florence Copper project and $1,870 for the Aley Niobium project. Additions to property, plant and equipment in the three month period also include $501 of non-cash depreciation on mining assets related to capitalized stripping.

During the nine month period ended September 30, 2018, the Company capitalized stripping costs of $29,957 and incurred other capital expenditures for Gibraltar of $11,684. In addition, the Company capitalized development costs of $31,436 for the Florence Copper project and $2,370 for the Aley Niobium project. Additions to property, plant and equipment in the nine month period also include $2,327 of non-cash depreciation on mining assets related to capitalized stripping.

(Cdn$ in thousands - unaudited)

12. DEBT

	September 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Current:				
Capital leases	7,278	7,159	9,651	9,697
Secured equipment loans	3,572	3,513	1,619	1,602
	10,850	10,672	11,270	11,299
Long-term:				
Senior secured notes	313,696	329,120	302,085	322,306
Capital leases	9,069	8,920	14,110	14,178
Secured equipment loans	7,186	7,148	1,753	1,727
	329,951	345,188	317,948	338,211

In June 2018, the Company entered into a new equipment loan for $9,000. The equipment loan is repayable in monthly installments over a four year term and bears interest at an annual rate of 5.46%. The equipment loan is secured by equipment with a carrying value of $15,553.

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:

Upfront cash deposit	44,151
Issuance of warrants	(1,876)
Amortization of deferred revenue	(1,323)
Balance at December 31, 2017	40,952
Transitional adjustment for IFRS 15 (Note 3)	1,435
Finance expense (Note 3, 7)	3,162
Amortization of deferred revenue	(2,809)
Balance at September 30, 2018	42,740

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

	September 30, 2018	**December 31, 2017**
Current	3,836	1,312
Non-current	38,904	39,640
	42,740	40,952

14. OTHER FINANCIAL LIABILITIES

	September 30, 2018	**December 31, 2017**
Long-term:		
Deferred share units (Note 15b)	2,375	5,714

15. EQUITY

(a) Share capital

	Common shares (thousands)
Common shares outstanding at January 1, 2018	227,000
Settlement of performance share units	1,024
Exercise of share options	377
Common shares outstanding at September 30, 2018	228,401

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	1,724	2.84
Exercised	(377)	0.85
Cancelled/forfeited	(120)	2.24
Expired	(100)	2.02
Outstanding at September 30, 2018	10,408	1.64
Exercisable at September 30, 2018	8,778	1.52

During the nine month period ended September 30, 2018, the Company granted 1,724,500 (2017 – 1,910,500) share options to directors, executives and employees, exercisable at an average exercise price of $2.84 per common share over a three to five year period. The total fair value of options granted was $2,483 (2017 – $1,165) based on a weighted average grant-date fair value of $1.44 (2017 – $0.61) per option.

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

	Nine months ended September 30, 2018
Expected term (years)	4.4
Forfeiture rate	0%
Volatility	64%
Dividend yield	0%
Risk-free interest rate	1.8%
Weighted-average fair value per option	$1.44

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

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

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

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

(Cdn$ in thousands - unaudited)

For the three and nine month periods ended September 30, 2018, the Company recognized total share-based compensation recoveries of $386 and $994 respectively (2017: $2,250 and $5,779 expense).

(c) Share Purchase Warrants

At September 30, 2018, the Company had 3,000,000 share purchase warrants outstanding at an exercise price of $2.74 per share and with an expiry date of April 1, 2020. These warrants were issued in March, 2017 in connection with the silver stream purchase and sale agreement (Note 13).

16. COMMITMENTS AND CONTINGENCIES

(a) Commitments

As at September 30, 2018, the Company had commitments to incur capital expenditures of $304 (2017: $nil) for the Florence Copper project and $1,145 (2017: $3,162) for the Gibraltar joint venture, of which the Company's share is $859.

The Company is a party to certain contracts relating to operating leases and service and supply agreements. Future minimum payments under these agreements as at September 30, 2018 are presented in the following table:

Remainder of 2018	1,614
2019	6,456
2020	2,034
2021	511
2022	241
2023 and thereafter	-
Total operating commitments	10,856

(b) Contingencies

The Company has guaranteed 100% of certain capital lease and equipment loans entered into by the Gibraltar joint venture in which it holds a 75% interest. As a result, the Company has guaranteed the joint venture partner's 25% share of this debt which amounted to $9,035 as at September 30, 2018.

17. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	**2017**	**2018**	**2017**
Change in non-cash working capital items				
Accounts receivable	4,366	3,653	6,885	4,136
Inventories	(25,727)	(3,127)	(29,069)	696
Prepaids	223	423	(782)	(557)
Accounts payable and accrued liabilities	2,043	(3,363)	1,543	3,303
Advance payments on product sales	8,011	-	8,011	-
Interest payable	(88)	(70)	(64)	(90)
Income tax payable	(1,379)	-	(2,546)	(1,075)
	(12,551)	(2,484)	(16,022)	6,413

(Cdn$ in thousands - unaudited)

Non-cash financing activities				
Share purchase warrants issued (Note 13)	-	-	-	1,876
Assets acquired under capital lease	-	12,019	-	13,059
Share purchase warrants exercised	-	-	-	(830)
	-	12,019	-	14,105

18. RELATED PARTIES

Related Party Transactions

	Transaction value for the three months ended September 30,		**Transaction value for the nine months ended September 30**	
	2018	**2017**	**2018**	**2017**
Hunter Dickinson Services Inc.:				
General and administrative expenses	276	285	982	1,008
Exploration and evaluation expenses	10	11	34	84
	286	296	1,016	1,092
Gibraltar joint venture:				
Management fee income	293	291	875	875
Reimbursable compensation expenses and third party costs	81	(6)	127	33
	374	285	1,002	908

	Balance due (to) from as at September 30,	
	2018	**2017**
Hunter Dickinson Services Inc.	(38)	(61)
Gibraltar Joint Venture	189	285

Three directors of the Company are also principals of Hunter Dickinson Services Inc. ("HDSI"), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the three month period ended September 30, 2018, the Company incurred total costs of $286 (Q3 2017: $296) in transactions with HDSI. Of these, $108 (Q3 2017: $119) related to administrative, legal, exploration and tax services, $108 related to reimbursements of office rent costs (Q3 2017: $107), and $70 (Q3 2017: $70) related to director fees for two Taseko directors who are also principals of HDSI.

For the nine month period ended September 30, 2018, the Company incurred total costs of $1,016 (2017: $1,092) in transactions with HDSI. Of these, $388 (2017: $463) related to administrative, legal, exploration and tax services, $418 related to reimbursements of office rent costs (2017: $419), and $210 (2017: $140) related to director fees for two Taseko directors who are also principals of HDSI.

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

(Cdn$ in thousands - unaudited)

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.

	Level 1	Level 2	Level 3	Total
September 30, 2018				
Financial assets designated as FVPL				
Copper put option contracts	-	1,117	-	1,117
Financial assets irrevocably designated as FVOCI				
Marketable securities	1,750	-	-	1,750
Investment in subscription receipts	-	-	2,400	2,400
Reclamation deposits	30,757	-	-	30,757
	32,507	1,117	2,400	36,024
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 September 30, 2018.

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

(Cdn$ in thousands - unaudited)

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 September 30, 2018 the determination of the estimated fair value of the investment includes comparison to 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 put option contracts are typically extended adding incremental quarters at established strike prices to provide the necessary price protection.

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

	As at September 30, 2018
Copper increase/decrease by US$0.26/lb.[1]	4,507

[1]The analysis is based on the assumption that the period end copper price increases 10% with all other variables held constant. At September 30, 2018, 13 million pounds of copper in concentrate were exposed to copper price movements. The closing exchange rate at September 30, 2018 of CAD/USD 1.2945 was used in the analysis.

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