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TASEKO REPORTS FOURTH QUARTER OPERATING CASH FLOW OF $50 MILLION

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

February 22, 2017, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE MKT: TGB) ("Taseko" or the "Company") reports financial results for 2016. For the three months ended December 31, 2016 Taseko had net income of $5.1 million or $0.02 per share, and adjusted net income of $16.4 million or $0.07 per share.

Russell Hallbauer, President and CEO of Taseko, commented, "The $49.7 million of cash flow from operations in the fourth quarter demonstrates the cash generating ability of Gibraltar, even at a copper price well below the current price. Site spending has remained consistent over the past eight quarters and the impact of increased metal production on unit costs was immediate and contributed to a US$0.46 per pound decline in site operating costs, from the third quarter, to US$1.12 per pound. Site costs also benefitted from a full quarter of molybdenum production and the associated by-product credit from molybdenum sales. These factors, combined with moderately higher off property costs this quarter, resulted in total operating costs (C1)* of US$1.48 per pound. We expect site spending to remain stable throughout 2017."

Mr. Hallbauer added, "During the quarter, the copper price rallied to roughly US$2.50 per pound from the US$2.00 to US$2.20 where it traded for most of 2016. Our realized sales price in the fourth quarter, excluding the positive impact from prior-period pricing adjustments, was US$2.47 per pound. In a period of a few months, our operating margin increased from US$0.26 per pound to over US$1.00 (C$1.31) per pound. Since year end, the price of copper has continued to climb, averaging US$2.65 year-to-date, and this will further improve our operating margin."

"The strong finish to 2016, after another challenging year for the copper sector, and the positive momentum so far in 2017 is very exciting for the Company. With the general market sentiment that higher prices should remain in 2017, combined with Gibraltar's higher production and lower costs, we expect a very successful year ahead. With our improved balance sheet today plus increased cash flows we expect in 2017 we will be in a strong position to address our debt obligations, well in advance of the 2019 maturity dates," concluded Mr. Hallbauer.

Fourth Quarter 2016 Highlights

- Earnings from mining operations before depletion and amortization* were $46.6 million, compared to $2.2 million in the same period 2015;
- For the fourth quarter, adjusted EBITDA was $44.5 million and cash flow from operations was $49.7 million;

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

- The Company's cash balance at the end of 2016 was $89.0 million;
- Net earnings were $5.1 million or $0.02 per share, compared to a loss of $23.4 million, or ($0.11) loss per share, in the same quarter 2015;
- Site operating costs, net of by-product credits* were US$1.12 per pound produced and total operating costs (C1)* were US$1.48 per pound produced, down 26% and 20%, respectively, from the fourth quarter of 2015;
- Site operating cost per ton milled* was $9.13, a fifth consecutive quarter below the $10 internal benchmark cost due to a continued focus on spending and operational efficiencies;
- Copper production at Gibraltar was 40.7 million pounds (100% basis), an increase of 23% over the same period 2015. The Gibraltar molybdenum facility, which was restarted in September, produced 800 thousand pounds of molybdenum;
- Total sales for the quarter were 40.4 million pounds of copper and 800,000 pounds of molybdenum;
- In December, the United States Environmental Protection Agency (EPA) issued the final required permit, the Underground Injection Control (UIC) permit, to construct and operate the Phase 1 Test Facility at Taseko's Florence Copper Project in Florence, Arizona; and
- For the third straight year (2016), Gibraltar has received the John Ash Safety Award presented by the Ministry of Energy and Mines. This prestigious award goes to the mining operation in British Columbia with the lowest injury-frequency rate that has worked at least one million hours during the year.

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

HIGHLIGHTS

Financial Data (Cdn$ in thousands, except for per share amounts)	Three months ended December 31,			Year ended December 31,		
	2016	2015	Change	2016	2015	Change
Revenues	94,628	61,412	33,216	263,865	289,298	(25,433)
Earnings from mining operations before depletion and amortization*	46,617	2,155	44,462	54,715	50,834	3,881
Earnings (loss) from mining operations	37,393	(10,674)	48,067	1,776	1,320	456
Net income (loss)	5,113	(23,441)	28,554	(31,396)	(62,352)	30,956
Per share - basic (“EPS”)	0.02	(0.10)	0.12	(0.14)	(0.28)	0.14
Adjusted net income (loss)*	16,404	(13,112)	29,516	(31,860)	(15,531)	(16,329)
Per share - basic (“adjusted EPS”)*	0.07	(0.06)	0.13	(0.14)	(0.08)	(0.06)
EBITDA*	32,312	(9,162)	41,474	39,520	8,196	31,324
Adjusted EBITDA*	44,477	1,415	43,062	41,628	55,555	(13,927)
Cash flows provided by operations	49,663	1,859	47,804	33,853	51,695	(17,842)

Operating Data (Gibraltar - 100% basis)	Three months ended December 31,			Year ended December 31,		
	2016	2015	Change	2016	2015	Change
Tons mined (millions)	18.5	21.3	(2.8)	87.6	93.7	(6.1)
Tons milled (millions)	7.3	7.3	-	29.5	30.6	(1.1)
Production (million pounds Cu)	40.7	33.1	7.6	133.3	142.2	(8.9)
Sales (million pounds Cu)	40.4	33.7	6.7	131.1	142.5	(11.4)

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

REVIEW OF OPERATIONS

Gibraltar mine (75% Owned)

Operating Data (100% basis)	**Q4 2016**	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**	**YE 2016**	**YE 2015**
Tons mined (millions)	18.5	21.5	26.2	21.5	21.3	87.6	93.7
Tons milled (millions)	7.3	7.4	7.2	7.5	7.3	29.5	30.6
Strip ratio	1.1	1.0	2.4	1.7	2.4	1.5	2.4
Site operating cost per ton milled (CAD$)	$9.13	$9.47	$9.67	$9.59	$9.41	$9.47	$9.83
Copper concentrate							
Grade (%)	0.319	0.259	0.252	0.228	0.269	0.264	0.272
Recovery (%)	87.0	85.9	84.1	84.4	84.9	85.5	85.1
Production (million pounds Cu)	40.7	33.1	30.6	28.8	33.1	133.2	141.2
Sales (million pounds Cu)	40.4	29.8	30.3	30.5	33.7	131.1	141.4
Inventory (million pounds Cu)	5.6	5.4	2.1	1.9	3.4	5.6	3.4
Molybdenum concentrate							
Production (thousand pounds Mo)	764	185	-	-	-	949	963
Sales (thousand pounds Mo)	798	105	-	-	-	903	1,003
Silver (in copper concentrate)							
Sales (thousand ozs Ag)	77	56	59	57	63	249	293
Per unit data (US$ per pound)*							
Site operating costs*	$1.23	$1.64	$1.77	$1.81	$1.55	$1.58	$1.65
By-product credits*	(0.11)	(0.06)	(0.03)	(0.03)	(0.03)	(0.06)	(0.06)
Site operating, net of by-product credits*	$1.12	$1.58	$1.74	$1.78	$1.52	$1.52	$1.59
Off-property costs	0.36	0.31	0.33	0.33	0.33	0.33	0.37
Total operating costs (C1)*	$1.48	$1.89	$2.07	$2.11	$1.85	$1.85	$1.96

OPERATIONS ANALYSIS

Fourth quarter results

Despite challenging weather conditions in the fourth quarter, Gibraltar mill throughput was 7.3 million tons of ore, a similar amount to the previous quarters in 2016. A total of 18.5 million tons were mined during the quarter, at a strip ratio of 1.1. A total of 2.4 million tons of ore was added to stockpile in the period. In addition, the copper head grade for the fourth quarter increased to 0.32%, slightly better than planned.

Copper recovery also increased to 87% compared to 86% in the previous quarter, as a result of higher head grade and continued improvements in operating practices. The higher head grades and recoveries resulted in copper production of 41 million pounds for the fourth quarter, a 23% increase over the third quarter of 2016.

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

OPERATIONS ANALYSIS – CONTINUED

The fourth quarter was the first full quarter that the molybdenum plant has operated since it was restarted in September. A total of 0.8 million pounds of molybdenum were produced in the quarter, with recoveries averaging approximately 50%.

The total site spending has been maintained at a consistent and low level in recent quarters. Site operating cost per ton milled* was $9.13 in the fourth quarter of 2016, which is lower than recent quarters due to increased capitalized stripping.

Site operating costs per pound produced* decreased to US$1.12 in the fourth quarter of 2016 from US$1.58 in the third quarter of 2016 primarily as a result of increased copper production. The higher molybdenum by-product credit and increase in capitalized stripping allocation also contributed to the lower unit cost in the fourth quarter.

Off-property costs were US$0.36 per pound for the fourth quarter of 2016, which is higher than recent quarters as a higher portion of shipments were made to the Company's joint venture partner at benchmark terms, as opposed to Gibraltar's normal treatment and refining costs which are lower than benchmark terms.

Total operating costs (C1) per pound* decreased to US$1.48 from US$1.89 in the third quarter of 2016 as a result of increased copper production.

Full-year results

Gibraltar's copper production in 2016 was 133 million pounds, a 6% decrease over 2015 due to lower average head grade and mill throughput.

Site operating costs* for the year were US$1.58 per pound of copper produced, a 4% reduction from 2015, as the Company realized a full year of benefit from the cost saving initiatives implemented in the prior year. These initiatives included a mine optimization based on a new mine plan, workforce reduction and rationalization, and vendor engagement resulting in decreased cost of supplies and services. The benefit of these cost savings resulted in lower unit costs in 2016, even though copper production was 6% lower than the previous year.

Off property costs were US$0.33 per pound of copper produced, an 11% reduction over 2015 as a result of new long-term contracts for treatment and refining costs and ocean freight.

Total operating costs (C1)* fell to US$1.85 per pound for the year, compared to US$1.96 per pound in 2015.

Health and Safety Milestones

The health, safety, and well-being of our employees, contractors and their families is a priority for Taseko and Gibraltar management. Actual performance is a reflection of that commitment.

For the third straight year (2016), Gibraltar has received the John Ash Safety Award presented by the Ministry of Energy and Mines. This prestigious award goes to the mining operation in British Columbia with the lowest injury-frequency rate that has worked at least one million hours during the year.

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

OPERATIONS ANALYSIS – CONTINUED

TSM Initiatives

Taseko is a member of the Mining Association of Canada and the Mining Association of British Columbia. Both of these organizations require members to participate in a program known as Towards Sustainable Mining ("TSM") which encourages companies to work towards best management practice standards through self-regulation and reporting on key performance areas. These areas include:

- Energy Use and Greenhouse Gas Emissions Management;
- Biological Diversity Conservation Management;
- Aboriginal and Community Outreach;
- Tailings Management;
- Health and Safety; and
- Crisis Management Planning.

Taseko and Gibraltar's performance and reporting on performance in all of the areas was verified by an external auditor as being at a level of industry best practice. Further details can be found on the Taseko website.

GIBRALTAR OUTLOOK

Average head grade is expected to be approximately 0.30% in 2017.

Overall, Gibraltar has achieved a stable level of operations consistent with the updated reserve model published in 2015 and the Company continues to focus on further improvements to operating practices to reduce unit costs. During September 2016, the molybdenum circuit at Gibraltar was successfully restarted, and will continue to contribute by-product credits in future periods.

The Canadian dollar is expected to remain at a substantial discount to the US dollar. A weak Canadian dollar contributes to improved operating margins at Gibraltar as approximately 80% of mine operating costs are paid in Canadian dollars.

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 and niobium. Total expenditures on projects in 2016 consisted of $5.0 million at the Florence Copper project, $1.7 million on New Prosperity, and $0.8 million on the Aley Project. Taseko will continue to take a prudent approach to spending on development projects.

Florence Copper Project

The Florence Copper project is currently in the final stages of permitting for the Production Test Facility ("PTF"). The PTF will include a well field comprised of thirteen (four injection and nine recovery) commercial scale production wells and numerous monitoring, observation and point of compliance wells, and also an integrated demonstration scale solvent extraction and electrowinning plant.

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

REVIEW OF PROJECTS – CONTINUED

During 2016, the Company worked with the Arizona Department of Environmental Quality (“ADEQ”) in connection with the amendment to the Temporary Aquifer Protection Permit (“APP”), and with the U.S. Environmental Protection Agency (“EPA”) in connection with the Underground Injection Control (“UIC”) permit.

On August 2, 2016, the Company announced the receipt from the ADEQ of the APP permit. This permit was issued following a public comment period earlier in 2016, and confirms the ADEQ has completed its substantive review and is satisfied with the conditions under which the PTF can operate. In December 2016, the EPA issued the final required permit, the UIC permit, to construct and operate the PTF. Opposing parties have appealed both the APP and the UIC permits granted, but we expect that the regulatory authorities will successfully defend their thorough processes. Both of these two permits are required for construction and operation of the PTF.

On January 16, 2017, the Company announced that completed technical work on the Florence Copper Project has resulted in a significant improvement in project economics. The NI 43-101 technical report documenting these results will be filed on www.sedar.com within 45 days.

Project Highlights:

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

New Prosperity Project

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

On February 12, 2016, Taseko announced that it had filed a civil claim in the BC Supreme Court against the Canadian federal government. The claim seeks damages in relation to the February 25, 2014 decision concerning the New Prosperity Project in that the Government of Canada and its agents failed to meet the legal duties that were owed to Taseko and that in doing so they caused and continue to cause damages, expenses and loss to Taseko.

Taseko is proceeding with its request to amend the British Columbia environmental assessment certificate for the New Prosperity Project. In addition, Taseko has filed a Notice of Work (“NOW”) with the Ministry of Energy & Mines which will allow the Company to gather information to advance mine permitting under the British Columbia Mines Act.

The Company will host a telephone conference call and live webcast on Thursday, February 23, 2017 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific) to discuss these results. The conference call may be accessed by dialing (877) 303-9079 in Canada and the United States, or (970) 315-0461 internationally.

The conference call will be archived for later playback until March 2, 2017 and can be accessed by dialing (855) 859-2056 in Canada and the United States, or (404) 537-3406 internationally and using the passcode 69507435.

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

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

Russell Hallbauer
President and CEO

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

NON-GAAP PERFORMANCE MEASURES

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

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

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

	Three months ended December 31,		**Year ended December 31,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2016**	**2015**	**2016**	**2015**
Cost of sales	57,235	72,086	262,089	287,978
Less:				
Depletion and amortization	(9,224)	(12,829)	(52,939)	(49,514)
Net change in inventory	7,582	(4,216)	16,738	3,971
Transportation costs	(5,358)	(3,858)	(16,507)	(17,129)
Site operating costs	50,235	51,183	209,381	225,306
Less by-product credits:				
Molybdenum	(3,689)	78	(4,400)	(5,036)
Silver	(1,018)	(1,046)	(3,988)	(3,795)
Site operating costs, net of by-product credits	45,528	50,215	200,993	216,475
Total copper produced (thousand pounds)	30,512	24,824	99,938	106,664
Total costs per pound produced	1.49	2.02	2.01	2.03
Average exchange rate for the period (CAD/USD)	1.33	1.34	1.32	1.28
Site operating costs, net of by-product credits (US$ per pound)	**1.12**	**1.52**	**1.52**	**1.59**
Site operating costs, net of by-product credits	45,528	50,215	200,993	216,475
Add off-property costs:				
Treatment and refining costs	9,454	6,935	27,924	33,634
Transportation costs	5,358	3,858	16,507	17,129
Total operating costs	60,340	61,008	245,424	267,238
Total operating costs (C1) (US$ per pound)	**1.48**	**1.85**	**1.85**	**1.96**

NON-GAAP PERFORMANCE MEASURES – CONTINUED

Adjusted net earnings (loss)

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

- Unrealized gains/losses on derivative instruments;
- Unrealized foreign currency gains/losses; and
- Non-recurring transactions, including related tax adjustments.

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

($ in thousands, except per share amounts)	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Net income (loss)	**5,113**	**(23,441)**	**(31,396)**	**(62,352)**
Unrealized (gain) loss on derivatives	3,363	954	4,404	3,131
Unrealized foreign exchange (gain) loss	8,802	9,623	(7,785)	43,809
Write-down of marketable securities	-	-	-	419
Other non-recurring expenses*	-	-	5,489	-
Estimated tax effect of adjustments	(874)	(248)	(2,572)	(538)
Adjusted net income (loss)	**16,404**	**(13,112)**	**(31,860)**	**(15,531)**
Adjusted EPS	**0.07**	**(0.06)**	**(0.14)**	**(0.08)**

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

EBITDA and adjusted EBITDA

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

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

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

- Unrealized gains/losses on derivative instruments;
- Unrealized foreign exchange gains/losses; and
- Non-recurring transactions.

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, foreign currency translation gains/losses and changes in the fair value of financial instruments are not necessarily reflective of the underlying operating results for the reporting periods presented.

	Three months ended December 31,		Year ended December 31,	
($ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Net income (loss)	**5,113**	**(23,441)**	**(31,396)**	**(62,352)**
Add:				
Depletion and amortization	9,225	12,848	53,024	49,599
Share-based compensation expense	1,382	359	3,682	2,002
Finance expense	8,028	6,433	30,007	25,923
Finance income	(297)	(257)	(1,084)	(1,371)
Income tax expense (recovery)	8,861	(5,104)	(14,713)	(5,605)
EBITDA	**32,312**	**(9,162)**	**39,520**	**8,196**
Adjustments:				
Unrealized loss on derivative instruments	3,363	954	4,404	3,131
Unrealized foreign exchange (gain) loss	8,802	9,623	(7,785)	43,809
Write-down of marketable securities	-	-	-	419
Other non-recurring expenses*	-	-	5,489	-
Adjusted EBITDA	**44,477**	**1,415**	**41,628**	**55,555**

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

NON-GAAP PERFORMANCE MEASURES – CONTINUED

Earnings from mining operations before depletion and amortization

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

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, except per share amounts)	2016	2015	2016	2015
Earnings (loss) from mining operations	**37,393**	**(10,674)**	**1,776**	**1,320**
Add:				
Depletion and amortization	9,224	12,829	52,939	49,514
Earnings from mining operations before depletion and amortization	**46,617**	**2,155**	**54,715**	**50,834**

Site operating costs per ton milled

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, except per share amounts)	2016	2015	2016	2015
Site operating costs (included in cost of sales)	**50,235**	**51,183**	**209,381**	**225,306**
Tons milled (millions) (75% basis)	5.50	5.44	22.11	22.91
Site operating costs per ton milled	**$9.13**	**$9.41**	**$9.47**	**$9.83**

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

Cautionary Statement on Forward-Looking Information

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

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

TASEKO MINES LIMITED

Management's Discussion and Analysis

This management discussion and analysis ("MD&A") is intended to help the reader understand Taseko Mines Limited ("Taseko", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board for the year ended December 31, 2016 (the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this MD&A and the Company's other public filings, which are available on the Canadian Securities Administrators' website at www.sedar.com and on the EDGAR section of the United States Securities and Exchange Commission's ("SEC") website at www.sec.gov.

This MD&A is prepared as of February 21, 2017. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Cautionary Statement on Forward-Looking Information

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TASEKO MINES LIMITED
Management's Discussion and Analysis

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 potentially 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 has undergone a major expansion in recent years and is now one of the largest copper mines in North America. Taseko also owns the New Prosperity gold-copper, Aley niobium, Florence copper and Harmony gold projects.

HIGHLIGHTS

Financial Data	**Three months ended December 31,**			**Year ended December 31,**		
(Cdn$ in thousands, except for per share amounts)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Revenues	94,628	61,412	33,216	263,865	289,298	(25,433)
Earnings from mining operations before depletion and amortization*	46,617	2,155	44,462	54,715	50,834	3,881
Earnings (loss) from mining operations	37,393	(10,674)	48,067	1,776	1,320	456
Net income (loss)	5,113	(23,441)	28,554	(31,396)	(62,352)	30,956
Per share - basic ("EPS")	0.02	(0.10)	0.12	(0.14)	(0.28)	0.14
Adjusted net income (loss)*	16,404	(13,112)	29,516	(31,860)	(15,531)	(16,329)
Per share - basic ("adjusted EPS")*	0.07	(0.06)	0.13	(0.14)	(0.08)	(0.06)
EBITDA*	32,312	(9,162)	41,474	39,520	8,196	31,324
Adjusted EBITDA*	44,477	1,415	43,062	41,628	55,555	(13,927)
Cash flows provided by operations	49,663	1,859	47,804	33,853	51,695	(17,842)

Operating Data (Gibraltar - 100% basis)	**Three months ended December 31,**			**Year ended December 31,**		
	2016	**2015**	**Change**	**2016**	**2015**	**Change**
Tons mined (millions)	18.5	21.3	(2.8)	87.6	93.7	(6.1)
Tons milled (millions)	7.3	7.3	-	29.5	30.6	(1.1)
Production (million pounds Cu)	40.7	33.1	7.6	133.3	142.2	(8.9)
Sales (million pounds Cu)	40.4	33.7	6.7	131.1	142.5	(11.4)

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

HIGHLIGHTS - CONTINUED

Fourth Quarter Highlights

- Earnings from mining operations before depletion and amortization* were $46.6 million, compared to $2.2 million in the fourth quarter of 2015;
- Adjusted EBITDA for the quarter was $44.5 million and cash flow from operations was $49.7 million;
- The Company's cash balance at the end of 2016 was $89.0 million;
- Site operating costs, net of by-product credits* were US$1.12 per pound produced and total operating costs (C1)* were US$1.48 per pound produced, down 26% and 20%, respectively, from the fourth quarter of 2015;
- Site operating cost per ton milled* was $9.13, a fifth consecutive quarter below $10 per ton due to a continued focus on spending and operational efficiencies;
- Copper production at Gibraltar was 40.7 million pounds (100% basis), an increase of 22% over the same period 2015. The Gibraltar molybdenum circuit, which was restarted in September, produced 0.8 million pounds of molybdenum;
- Total sales for the fourth quarter were 40.4 million pounds of copper and 0.8 million pounds of molybdenum; and
- In December 2016, the United States Environmental Protection Agency issued the final required permit, the Underground Injection Control permit, to construct and operate the Phase 1 Test Facility ("PTF") at Taseko's Florence Copper Project in Florence, Arizona.

2016 Annual Highlights

- Earnings from mining operations before depletion and amortization* were $54.7 million for the 2016 year, and Adjusted EBITDA was $41.6 million;
- The Gibraltar Mine achieved a stable level of operations at reduced operating costs. Site operating costs per ton milled* was $9.47, a decrease from $9.83 achieved in 2015;
- Total operating costs (C1)* were US$1.85 per pound produced, a 6% decrease from 2015, despite a reduction in copper head grade and production;
- In January 2016, the Company entered into a new US$70 million Senior Secured Credit Facility Agreement with an affiliate of Red Kite, and used a portion of the proceeds to repay the Curis secured loan; and
- The two remaining permits required for construction and operation of the Florence Copper production test facility were issued in August and December 2016.

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

REVIEW OF OPERATIONS

Gibraltar mine (75% Owned)

Operating Data (100% basis)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	YE 2016	YE 2015
Tons mined (millions)	18.5	21.5	26.2	21.5	21.3	87.6	93.7
Tons milled (millions)	7.3	7.4	7.2	7.5	7.3	29.5	30.6
Strip ratio	1.1	1.0	2.4	1.7	2.4	1.5	2.4
Site operating cost per ton milled (CAD$)	$9.13	$9.47	$9.67	$9.59	$9.41	$9.47	$9.83
Copper concentrate							
Grade (%)	0.319	0.259	0.252	0.228	0.269	0.264	0.272
Recovery (%)	87.0	85.9	84.1	84.4	84.9	85.5	85.1
Production (million pounds Cu)	40.7	33.1	30.6	28.8	33.1	133.2	141.2
Sales (million pounds Cu)	40.4	29.8	30.3	30.5	33.7	131.1	141.4
Inventory (million pounds Cu)	5.6	5.4	2.1	1.9	3.4	5.6	3.4
Molybdenum concentrate							
Production (thousand pounds Mo)	764	185	-	-	-	949	963
	7	10					
Sales (thousand pounds Mo)	98	5	-	-	-	903	1,003
Silver (in copper concentrate)							
Sales (thousand ozs Ag)	77	56	59	57	63	249	293
Per unit data (US$ per pound)*							
Site operating costs*	$1.23	$1.64	$1.77	$1.81	$1.55	$1.58	$1.65
By-product credits*	(0.11)	(0.06)	(0.03)	(0.03)	(0.03)	(0.06)	(0.06)
Site operating, net of by-product credits*	$1.12	$1.58	$1.74	$1.78	$1.52	$1.52	$1.59
Off-property costs	0.36	0.31	0.33	0.33	0.33	0.33	0.37
Total operating costs (C1)*	$1.48	$1.89	$2.07	$2.11	$1.85	$1.85	$1.96

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

OPERATIONS ANALYSIS

Fourth quarter results

Despite challenging weather conditions in the fourth quarter, Gibraltar mill throughput was 7.3 million tons of ore, a similar amount to the previous quarters in 2016. A total of 18.5 million tons were mined during the quarter, at a strip ratio of 1.1. A total of 2.4 million tons of ore was added to stockpile in the period. In addition, the copper head grade for the fourth quarter increased to 0.32%, slightly better than planned.

Copper recovery also increased to 87% compared to 86% in the previous quarter, as a result of higher head grade and continued improvements in operating practices. The higher head grades and recoveries resulted in copper production of 41 million pounds for the fourth quarter, a 23% increase over the third quarter of 2016.

The fourth quarter was the first full quarter that the molybdenum plant has operated since it was restarted in September. A total of 0.8 million pounds of molybdenum were produced in the quarter, with recoveries averaging approximately 50%.

The total site spending has been maintained at a consistent and low level in recent quarters. Site operating cost per ton milled* was $9.13 in the fourth quarter of 2016, which is lower than recent quarters due to increased capitalized stripping.

Site operating costs per pound produced* decreased to US$1.12 in the fourth quarter of 2016 from US$1.58 in the third quarter of 2016 primarily as a result of increased copper production. The higher molybdenum by-product credit and increase in capitalized stripping allocation also contributed to the lower unit cost in the fourth quarter.

Off-property costs were US$0.36 per pound for the fourth quarter of 2016, which is higher than recent quarters as a higher portion of shipments were made to the Company's joint venture partner at benchmark terms, as opposed to Gibraltar's normal treatment and refining costs which are lower than benchmark terms.

Total operating costs (C1) per pound* decreased to US$1.48 from US$1.89 in the third quarter of 2016 as a result of increased copper production.

Full-year results

Gibraltar's copper production in 2016 was 133 million pounds, a 6% decrease over 2015 due to lower average head grade and mill throughput.

Site operating costs* for the year were US$1.58 per pound of copper produced, a 4% reduction from 2015, as the Company realized a full year of benefit from the cost saving initiatives implemented in the prior year. These initiatives included a mine optimization based on a new mine plan, workforce reduction and rationalization, and vendor engagement resulting in decreased cost of supplies and services. The benefit of these cost savings resulted in lower unit costs in 2016, even though copper production was 6% lower than the previous year.

Off property costs were US$0.33 per pound of copper produced, an 11% reduction over 2015 as a result of new long-term contracts for treatment and refining costs and ocean freight.

Total operating costs (C1)* fell to US$1.85 per pound for the year, compared to US$1.96 per pound in 2015.

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

Health and Safety Milestones

The health, safety, and well-being of our employees, contractors and their families is a priority for Taseko and Gibraltar management. Actual performance is a reflection of that commitment.

For the third straight year (2016), Gibraltar has received the John Ash Safety Award presented by the Ministry of Energy and Mines. This prestigious award goes to the mining operation in British Columbia with the lowest injury-frequency rate that has worked at least one million hours during the year.

TSM Initiatives

Taseko is a member of the Mining Association of Canada and the Mining Association of British Columbia. Both of these organizations require members to participate in a program known as Towards Sustainable Mining ("TSM") which encourages companies to work towards best management practice standards through self-regulation and reporting on key performance areas. These areas include:

- Energy Use and Greenhouse Gas Emissions Management;
- Biological Diversity Conservation Management;
- Aboriginal and Community Outreach;
- Tailings Management;
- Health and Safety; and
- Crisis Management Planning.

Taseko and Gibraltar's performance and reporting on performance in all of the areas was verified by an external auditor as being at a level of industry best practice. Further details can be found on the Taseko website.

GIBRALTAR OUTLOOK

Average head grade is expected to be approximately 0.30% in 2017.

Overall, Gibraltar has achieved a stable level of operations consistent with the updated reserve model published in 2015 and the Company continues to focus on further improvements to operating practices to reduce unit costs. During September 2016, the molybdenum circuit at Gibraltar was successfully restarted, and will continue to contribute by-product credits in future periods.

The Canadian dollar is expected to remain at a substantial discount to the US dollar. A weak Canadian dollar contributes to improved operating margins at Gibraltar as approximately 80% of mine operating costs are paid in Canadian dollars.

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 and niobium. Total expenditures on projects in 2016 consisted of $5.0 million at the Florence Copper project, $1.7 million on New Prosperity, and $0.8 million on the Aley Project. Taseko will continue to take a prudent approach to spending on development projects.

Florence Copper Project

The Florence Copper project is currently in the final stages of permitting for the Production Test Facility ("PTF"). The PTF will include a well field comprised of thirteen (four injection and nine recovery) commercial scale production wells and numerous monitoring, observation and point of compliance wells, and also an integrated demonstration scale solvent extraction and electrowinning plant.

During 2016, the Company worked with the Arizona Department of Environmental Quality ("ADEQ") in connection with the amendment to the Temporary Aquifer Protection Permit ("APP"), and with the U.S. Environmental Protection Agency ("EPA") in connection with the Underground Injection Control ("UIC") permit.

On August 2, 2016, the Company announced the receipt from the ADEQ of the APP permit. This permit was issued following a public comment period earlier in 2016, and confirms the ADEQ has completed its substantive review and is satisfied with the conditions under which the PTF can operate. In December 2016, the EPA issued the final required permit, the UIC permit, to construct and operate the PTF. Opposing parties have appealed both the APP and the UIC permits granted, but we expect that the regulatory authorities will successfully defend their thorough processes. Both of these two permits are required for construction and operation of the PTF.

On January 16, 2017, the Company announced that completed technical work on the Florence Copper Project has resulted in a significant improvement in project economics. The NI 43-101 technical report documenting these results will be filed on www.sedar.com within 45 days.

Project Highlights:

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

New Prosperity Project

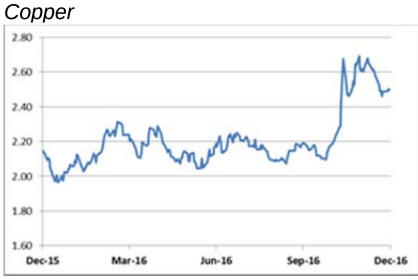
The two Judicial Reviews initiated by Taseko were heard in federal court over a five day period in the week of January 30, 2017. Both Judicial Reviews focus on the principles of administrative and procedural fairness. Taseko's allegation is that the Government of Canada, through the conduct of the environmental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

On February 12, 2016, Taseko announced that it had filed a civil claim in the BC Supreme Court against the Canadian federal government. The claim seeks damages in relation to the February 25, 2014 decision concerning the New Prosperity Project in that the Government of Canada and its agents failed to meet the legal duties that were owed to Taseko and that in doing so they caused and continue to cause damages, expenses and loss to Taseko.

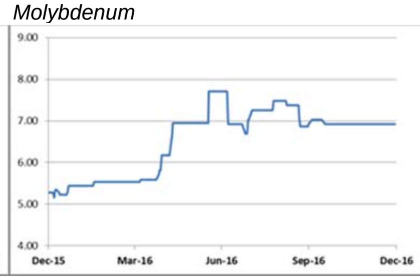
Taseko is proceeding with its request to amend the British Columbia environmental assessment certificate for the New Prosperity Project. In addition, Taseko has filed a Notice of Work ("NOW") with the Ministry of Energy & Mines which will allow the Company to gather information to advance mine permitting under the British Columbia Mines Act.

MARKET REVIEW

Copper



Molybdenum



Canadian/US Dollar Exchange

Prices (USD per pound for Commodities) (Source: Bloomberg)

During 2016, volatility of commodity prices has continued with notably stronger copper prices in late 2016. The global economic uncertainty has led to various copper price increases and decreases over short periods of time. The U.S. election, Chinese economic demand, the United Kingdom's EU membership referendum, copper supply disruptions, and interest rate expectations have all contributed to this volatility over the last year.

The average price of London Metals Exchange ("LME") copper was US$2.39 per pound in the fourth quarter of 2016, which was 11% higher than the third quarter of 2016 and about 8% higher than the fourth quarter of 2015. 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 our operating results and unit production costs, which are reported in US dollars per pound.

FINANCIAL PERFORMANCE

Earnings

The Company realized a net loss of $31.4 million ($0.14 loss per share) for the year ended December 31, 2016, compared to net loss of $62.4 million ($0.28 loss per share) for 2015. The smaller net loss was primarily due to a lower unrealized foreign exchange loss on the Company's US dollar denominated debt, partially offset by increases in derivative losses.

Earnings from mining operations before depletion and amortization* was $54.7 million for the year ended December 31, 2016 compared to $50.8 million for the same prior period in 2015. The increase in earnings from mining operations was a result of lower production costs, partially offset by lower revenue for the year.

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

(Cdn$ in thousands)	Year ended December 31, 2016	2015	Change
Net loss	(31,396)	(62,352)	30,956
Unrealized loss on derivatives	4,404	3,131	1,273
Unrealized foreign exchange (gain) loss	(7,785)	43,809	(51,594)
Write-down of marketable securities	-	419	(419)
Non-recurring other expenses	5,489	-	5,489
Estimated tax effect of adjustments	(2,572)	(538)	(2,034)
Adjusted net loss *	(31,860)	(15,531)	(16,329)

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

Unrealized gains/losses on derivatives can vary materially each period and have a significant impact on earnings.

During the year ended December 31, 2016, the Canadian dollar strengthened in comparison to the prior period end resulting in an unrealized foreign exchange gain of $7.8 million. The unrealized foreign exchange gain was primarily driven by the translation of the Company's US dollar denominated debt.

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

Revenues

(Cdn$ in thousands)	Year ended December 31, 2016	2015	Change
Copper in concentrate	283,401	311,890	(28,489)
Copper cathode	-	2,211	(2,211)
Molybdenum concentrate	5,900	5,036	864
Silver contained in copper concentrate	3,988	3,795	193
Total gross revenue	293,289	322,932	(29,643)
Less: treatment and refining costs	(29,424)	(33,634)	4,210
Revenue	263,865	289,298	(25,433)

(thousands of pounds, unless otherwise noted)			
Copper in concentrate*	94,734	103,033	(8,299)
Copper cathode	-	763	(763)
Total copper sales	94,734	103,796	(9,062)
Average realized copper price (US$ per pound)	2.26	2.37	(0.11)
Average LME copper price (US$ per pound)	2.21	2.49	(0.28)
Average exchange rate (US$/CAD)	1.32	1.28	0.04

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

Copper revenues for the year ended December 31, 2016 decreased by $30.7 million, compared to the same periods in 2015, primarily due to the decrease in copper sales volumes and lower realized copper prices. The decrease in the US dollar realized price of copper was partially offset by the impact of the weaker Canadian dollar in 2016.

The molybdenum circuit was idled in the third quarter of 2015 and restarted in September 2016. The Company recognized molybdenum revenue of $5.9 million after the restart of the molybdenum circuit in 2016.

Cost of sales

(Cdn$ in thousands)	Year ended December 31, 2016	2015	Change
Site operating costs	209,381	225,306	(15,925)
Transportation costs	16,507	17,129	(622)
Changes in inventories of finished goods and ore stockpile	(16,738)	(3,971)	(12,767)
Production costs	209,150	238,464	(29,314)
Depletion and amortization	52,939	49,514	3,425
Cost of sales	262,089	287,978	(25,889)
Site operating costs per ton milled*	$9.47	$9.83	$(0.36)

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

Site operating costs for the year ended December 31, 2016 decreased by 7% from 2015, due to cost control initiatives which were implemented during 2015, including the mine plan modifications, workforce reductions and vendor initiatives.

Depletion and amortization for the year ended December 31, 2016 increased by 7% from 2015, primarily due to the increased amortization of capitalized stripping costs.

Other operating (income) expenses

(Cdn$ in thousands)	Year ended December 31, 2016	2015	Change
General and administrative	11,299	13,892	(2,593)
Share-based compensation	3,619	1,885	1,734
Exploration and evaluation	2,087	928	1,159
Realized (gain) loss on copper put options	1,956	(16,399)	18,355
Unrealized loss on derivative instruments	4,404	3,131	1,273
Other (income) expenses:			
Special shareholder meeting costs	4,894	-	4,894
Other financing costs	616	-	616
Write-down of marketable securities	-	419	(419)
Other income	(1,438)	(1,856)	418
	27,437	2,000	25,437

General and administrative costs have decreased for the year ended December 31, 2016, compared to the same period in 2015, primarily due to the Company's cost reduction initiatives.

Share-based compensation increased for the year ended December 31, 2016, compared to the same period in 2015, primarily due to the timing of grants of share-based compensation to directors, executives and employees. The increase also includes valuation adjustments of the deferred share units and performance share units at the end of a reporting period to reflect an increase in the Company's share price.

Exploration and evaluation costs for the year ended December 31, 2016, represent costs associated with the New Prosperity and Aley projects.

During the year ended December 31, 2016, the Company recognized a realized loss of $2.0 million from copper put options. The realized gain in 2015 relates to copper put options that settled in-the-money and from the early settlement of copper put options that were scheduled to mature between February and June 2015.

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

Finance income and expenses

Finance expenses for the year ended December 31, 2016, increased by $4.1 million over the prior year due to additional interest expense and amortization of finance costs on the new senior secured credit facility, offset by lower interest expense on capital leases and equipment loans.

Finance income is primarily comprised of income earned on the reclamation deposits.

Income tax

	Year ended December 31,		
(Cdn$ in thousands)	**2016**	**2015**	**Change**
Current income tax expense	836	719	117
Deferred income tax recovery	(15,549)	(6,324)	(9,225)
	(14,713)	(5,605)	(9,108)
Effective tax rate	31.9%	8.2%	23.7%
Canadian statutory rate	26.0%	26.0%	-
B.C. Mineral tax rate	9.6%	9.6%	-

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

The effective tax rate for the year 2016 was 31.9%, which is lower than the statutory rate of 35.6%. The difference is a result of permanent differences related to non-deductible share-based compensation and expenditures incurred that are not deductible for B.C. Mineral tax.

FINANCIAL CONDITION REVIEW

Balance sheet review

(Cdn$ in thousands)	As at December 31, 2016	2015	Change
Cash and equivalents	89,030	68,521	20,509
Other current assets	76,297	57,039	19,258
Non-current assets	730,208	794,758	(64,550)
Other assets	53,904	53,891	13
Total assets	**949,439**	**974,209**	**(24,770)**
Current liabilities	38,641	35,650	2,991
Debt:			
Senior secured credit facility	91,483	-	91,483
Capital leases and secured equipment loans	31,372	48,449	(17,077)
Senior notes	266,435	273,876	(7,441)
Curis secured loan	-	42,877	(42,877)
Other liabilities	182,569	203,017	(20,448)
Total liabilities	**610,500**	**603,869**	**6,631**
Equity	**338,939**	**370,340**	**(31,401)**
Net debt	300,260	296,681	3,579
Total common shares outstanding (millions)	221.9	221.8	0.1

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

The Curis secured loan was repaid using the proceeds from a new secured credit facility that was entered into on January 29, 2016. Overall debt increased by $24.1 million, due to the proceeds from the new secured credit facility, partially offset by repayments of capital leases and equipment loans and by foreign exchange adjustments on the Company's US dollar denominated debt.

The change in the provision for environmental rehabilitation is driven by changes in inflation and discounts rates during the year ended December 31, 2016. The Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates increased to 2.3% at December 31, 2016 from 2.2% at December 31, 2015. 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.

Other liabilities decreased to $182.6 million mainly due to the decrease in the provision for environmental rehabilitation ("PER") and the deferred tax liability, partially offset by the increase to the derivative liability associated with the new credit facility and the BC hydro payment deferrals.

As at February 21, 2017, there were 223,867,138 common shares outstanding. In addition, there were 11,710,000 director and employee stock options and 2,000,000 warrants outstanding at February 21, 2017. More information on these instruments and the terms of their exercise is set out in Notes 17e and 20 of the December 31, 2016 annual consolidated financial statements.

Liquidity, cash flow and capital resources

At December 31, 2016, the Company had cash and equivalents of $89.0 million, a $20.5 million increase over the prior year as the Company maintained a strategy of retaining a significant cash balance to reflect the volatile and capital intensive nature of the copper mining business. For the first nine months of 2016, the Company had net cash outflows of $25.6 million from operating and investing activities, and these losses were funded in part by proceeds from the new senior secured credit facility which was entered into in January 2016. In the fourth quarter of 2016, the increase in copper prices and head grades resulted in net cash inflows of $40.3 million from operating and investing activities. Copper head grades are expected to remain at similar levels as experienced in the fourth quarter of 2016 through 2017, and as a result, copper production and cash flows are expected to improve significantly over the next year.

At current copper prices, we expect that positive cash flows from Gibraltar Mine operations will provide sufficient liquidity to fund the Company's working capital requirements and debt service obligations for the next year.

The Company has significant debt maturities in 2019, as the US$70 million senior secured credit facility and the US$200 million senior notes will both mature in that year. Cash flows from operations may not be sufficient to meet these debt repayment obligations and the Company may need to arrange refinancing prior to the debt maturities in March and April 2019. To address these financing requirements, the Company may seek to raise additional capital through debt or equity financings, asset sales (including joint ventures or royalties), by renegotiating terms with existing lenders or note holders, or by redeeming or repurchasing senior notes on the market. From time to time, the Company evaluates these alternatives, based on a number of factors including the prevailing market prices of the senior notes, our liquidity requirements, covenant restrictions and other factors, in order to determine the optimal mix of capital resources to address capital requirements, minimize the Company's cost of capital, and maximize shareholder value.

Future changes in copper and molybdenum market prices could also impact the timing and amount of cash available for future investment in capital projects, debt obligations, and other uses of capital. Changes in metal prices and cash flow can also impact the Company's compliance with the minimum working capital covenant in the senior secured credit facility. To partially mitigate these risks, copper put options are entered into for a portion of Gibraltar copper production (see section below *"Hedging Strategy"*).

Cash flow provided by operations during the year ended December 31, 2016 was $33.9 million compared to $51.7 million provided in 2015. Operating cash flows in 2016 were impacted by non-cash working capital adjustments of negative $14.7 million, which primarily relates to a $16.0 million increase in ore stockpile inventory.

Cash used for investing activities during the year ended December 31, 2016 was $19.1 million compared to $2.8 million used in 2015. Investing activities in 2016 included $9.2 million for capitalized stripping costs, $3.9 million incurred on other capital expenditures for Gibraltar, and $5.8 million in development costs for the Florence and Aley projects.

Cash provided by financing activities during the year ended December 31, 2016 includes the proceeds from the new senior secured credit facility, partially offset by payments for capital leases and equipment loans totaling $16.6 million, and $22.7 million of interest payments.

Senior secured credit facility

On January 29, 2016, the Company entered into a US$70 million Senior Secured Credit Facility (the "Credit Facility") with EXP T1 Ltd., an affiliate of Red Kite. The Credit Facility consists of an initial tranche of US$33.2 million which has been used to repay the Curis secured loan, and the remainder of the Credit Facility was drawn down in the second quarter of 2016, and is available to the Company for general corporate purposes. Amounts drawn under the Credit Facility accrue interest on a monthly basis at a rate of three-month Libor plus 7.5% per annum, subject to a minimum Libor of 1% per annum. The loan principal and all accrued interest is payable upon maturity of the Credit Facility. The Credit Facility was subject to an up-front arrangement fee of 2.5% payable by Taseko and there are no commitment fees on any undrawn portion of the facility. The Credit Facility matures on March 29, 2019, as the Company exercised its option and paid an extension fee in June 2016. The Credit Facility is repayable without penalty at any time and does not impose any off-take obligations on the Company.

The Credit Facility is secured by a first priority charge over Taseko's assets, including the Company's 75% joint venture interest in the Gibraltar Mine, shares in all material subsidiaries and the Florence Copper Project assets. The availability of the Credit Facility is subject to conditions and covenants, including maintenance of a minimum working capital balance of US$20 million. The Company's balance of working capital (as defined in the Credit Facility agreement) was approximately US$40 million at December 31, 2016. As at December 31, 2016 and the date of this MD&A, the Company is in compliance with all loan covenants.

In connection with the Credit Facility, the Company has issued a call option for 7,500 tonnes of copper with a strike price of US$2.04 per pound. The call option matures in March 2019 and an amount will be payable to Red Kite based on the average copper price during the month of March 2019, subject to a maximum amount of US$15 million.

The Company also issued share purchase warrants to acquire 4 million common shares of the Company at any time until May 9, 2019 at an exercise price of $0.51 per share in connection with the Credit Facility. In February 2017, the Company issued 2 million common shares to Red Kite for proceeds of $1.0 million, upon the partial exercise of warrants that were issued in connection with the Credit Facility.

Senior notes

In April 2011, the Company completed a public offering of US$200 million in senior unsecured notes (the "Notes"). The Notes mature on April 15, 2019, and bear interest at a fixed annual rate of 7.75%, payable semi-annually. The Notes are unsecured obligations guaranteed by the Company's subsidiaries and the subsidiary guarantees are, in turn, guaranteed by the Company. The Notes are redeemable by the Company at a price equal to 101.938%, and the redemption price declines to 100% in April 2017. The Notes are also repayable upon a change of control at a price of 101%. There are no maintenance covenants with respect to the Company's financial performance. However, the Company is subject to certain restrictions on asset sales, incurrence of additional indebtedness, issuance of preferred stock, dividends and other payment restrictions.

Hedging strategy

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

Considerations on the cost of the hedging program include an assessment of Gibraltar's estimated production costs, anticipated copper prices and the Company's capital requirements during the relevant period. During the year ended December 31, 2016, the Company spent $3.8 million to purchase copper put options. The following table shows the commodity contracts that were outstanding as at the date of this MD&A.

	Notional amount	Strike price	Term to maturity	Original cost
At February 21, 2017				
Copper put options	10 million lbs	US$2.20/lb	February and March 2017	$0.5 million

During 2016, the Company spent $3.8 million to purchase copper put options and received cash proceeds of $3.4 million from the sale or settlement of its copper put options.

Commitments and contingencies

	Payments due						
($ in thousands)	**2017**	**2018**	**2019**	**2020**	**2021**	**Thereafter**	**Total**
Debt [1]:							
Repayment of principal	16,157	8,700	367,693	1,355	-	-	393,905
Interest	22,034	21,391	34,074	15	-	-	77,514
PER [2]	-	-	-	-	-	98,454	98,454
Operating leases	2,441	1,723	1,124	851	96	-	6,235
Capital expenditures [3]	189	-	-	-	-	-	189
Other expenditures [4]	7,273	3,602	602	-	-	-	11,477

[1] As at December 31, 2016, debt is comprised of senior notes, senior secured credit facility, capital leases and secured equipment loans.

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

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

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

The Company expects to incur capital expenditures during the next five years at the Gibraltar Mine and at its other development projects. The Company will continue to take a prudent approach to spending on development projects.

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 at December 31, 2016, this debt totaled $31.4 million on a 75% basis.

SELECTED ANNUAL INFORMATION

(Cdn$ in thousands, except per share amounts)	For years ended December 31, 2016	2015	2014
Revenues	263,865	289,298	342,946
Net loss	(31,396)	(62,352)	(53,884)
Per share – basic	(0.14)	(0.28)	(0.27)
Per share – diluted	(0.14)	(0.28)	(0.27)
	As at December 31, 2016	**2015**	**2014**
Total assets	949,439	974,209	992,542
Total long-term financial liabilities	395,046	305,845	293,616

FOURTH QUARTER RESULTS

Consolidated Statements of Comprehensive Income (Loss) (Cdn$ in thousands, except per share amounts)	**Three months ended December 31,** **2016**	**2015**
Revenues	94,628	61,412
Cost of sales		
Production costs	(48,011)	(59,257)
Depletion and amortization	(9,224)	(12,829)
Earnings (loss) from mining operations	37,393	(10,674)
General and administrative	(2,101)	(3,098)
Share-based compensation	(1,377)	(339)
Exploration and evaluation	(359)	(236)
Gain (loss) on derivatives	(4,333)	976
Other income	404	489
	29,627	(12,882)
Finance expenses	(8,028)	(6,433)
Finance income	297	257
Foreign exchange loss	(7,922)	(9,487)
Income (loss) before income taxes	13,974	(28,545)
Income tax recovery (expense)	(8,861)	5,104
Net income (loss) for the period	**5,113**	**(23,441)**
Other comprehensive income (loss):		
Unrealized loss on available-for-sale financial assets	(395)	(177)
Foreign currency translation reserve	2,526	2,410
Total other comprehensive income for the period	**2,131**	**2,233**
Total comprehensive income (loss) for the period	**7,244**	**(21,208)**
Earnings (loss) per share		
Basic	0.02	(0.10)
Diluted	0.02	(0.10)
Weighted-average shares outstanding (thousands)		
Basic	221,846	221,809
Diluted	227,032	221,809

Consolidated Statements of Cash Flows (Cdn$ in thousands)	**Three months ended December 31, 2016**	**2015**
Operating activities		
Net income (loss) for the period	5,113	(23,441)
Adjustments for:		
Depletion and amortization	9,225	12,848
Income tax expense (recovery)	8,861	(5,104)
Share-based compensation	1,382	359
(Gain) loss on derivatives	4,333	(976)
Finance expenses (income)	7,731	6,176
Unrealized foreign exchange loss	8,802	9,623
Deferred electricity payments	2,433	-
Other operating activities	(361)	(121)
Net change in non-cash working capital	2,144	2,495
Cash provided by operating activities	49,663	1,859
Investing activities		
Purchase of property, plant and equipment	(8,416)	(6,582)
Purchase of copper put options	(1,025)	-
Proceeds from the sale/settlement of copper put options	425	2,583
Other investing activities	(330)	82
Cash used for investing activities	(9,346)	(3,917)
Financing activities		
Repayment of capital leases and equipment loans	(4,510)	(3,255)
Interest paid	(10,804)	(10,778)
Common shares issued on exercise of stock options	12	-
Cash used for financing activities	(15,302)	(14,033)
Effect of exchange rate changes on cash and equivalents	(102)	1,011
Increase (decrease) in cash and equivalents	24,913	(15,080)
Cash and equivalents, beginning of period	64,117	83,601
Cash and equivalents, end of period	**89,030**	**68,521**

Earnings

The Company realized a net income of $5.1 million ($0.02 earnings per share) for the three months ended December 31, 2016, compared to net loss of $23.4 million ($0.10 loss per share) for the same period in 2015. The increased earnings were due to a significant increase in revenues and operating margins as a result of higher copper production and higher realized copper prices, partially offset by an increased loss on derivatives. Copper sales volumes increased to 40.4 million pounds in the fourth quarter of 2016 from 33.7 million pounds in the prior year's quarter.

Earnings from mining operations before depletion and amortization* was $46.6 million for the three month period ended December 31, 2016, compared to $2.2 million for the same prior period in 2015. The increase in earnings before depletion and amortization was primarily a result of the increase in copper prices, higher copper production and the increase in molybdenum concentrate revenue due to the September 2016 restart of the molybdenum circuit.

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

	Three months ended December 31,		
(Cdn$ in thousands)	**2016**	**2015**	**Change**
Net income (loss)	5,113	(23,441)	28,554
Unrealized loss on derivatives	3,363	954	2,409
Unrealized foreign exchange loss	8,802	9,623	(821)
Estimated tax effect of adjustments	(874)	(248)	(626)
Adjusted net income (loss)*	16,404	(13,112)	29,516

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

Unrealized gains/losses on derivatives can vary materially each period and have a significant impact on earnings.

In the three months ended December 31, 2016, the Canadian dollar weakened resulting in an unrealized foreign exchange loss of $8.8 million which was primarily due to the translation of the Company's US dollar denominated debt.

Revenues

(Cdn$ in thousands)	Three months ended December 31, 2016	2015	Change
Copper in concentrate	99,375	67,379	31,996
Molybdenum concentrate	5,189	(78)	5,267
Silver contained in copper concentrate	1,018	1,046	(28)
Total gross revenue	105,582	68,347	37,235
Less: treatment and refining costs	(10,954)	(6,935)	(4,019)
Revenue	94,628	61,412	33,216

(thousands of pounds, unless otherwise noted)			
Copper in concentrate*	29,225	25,049	4,176
Average realized copper price (US$ per pound)	2.54	2.01	0.53
Average LME copper price (US$ per pound)	2.39	2.22	0.17
Average exchange rate (US$ per pound)	1.33	1.34	(0.01)

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

Copper revenues for the three months ended December 31, 2016, increased by $32.0 million, compared to the same period in 2015, primarily due to higher sales volumes and the increase in realized copper prices. During the three months ended December 31, 2016, revenues include $2.9 million, of favorable adjustments to provisionally priced copper concentrate. These provisional pricing adjustments contributed US$0.07 per pound to the average realized copper price for the quarter,

The molybdenum circuit was restarted in September 2016 and the Company recognized molybdenum revenue of $5.2 million during the fourth quarter of 2016.

Cost of sales

(Cdn$ in thousands)	Three months ended December 31, 2016	2015	Change
Site operating costs	50,235	51,183	(948)
Transportation costs	5,358	3,858	1,500
Changes in inventories of finished goods and ore stockpiles	(7,582)	4,216	(11,798)
Production costs	48,011	59,257	(11,246)
Depletion and amortization	9,224	12,829	(3,605)
Cost of sales	57,235	72,086	(14,851)
Site operating costs per ton milled*	$9.13	$9.41	$(0.28)

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

Site operating costs in the three months ended December 31, 2016, decreased by 2% from the same period in 2015, due to cost control initiatives which were implemented during 2015.

During the three month period ended December 31, 2016, the Company recorded a $4.3 million reversal of a write-down of stockpile inventory that was recorded earlier in 2016. This reversal was necessary to reflect the increase in net realizable value of the ore stockpile inventory due to increasing copper prices. The adjustment was recorded in cost of sales as a change in inventory of ore stockpile.

Depletion and amortization in the three months ended December 31, 2016 decreased from the same period in 2015, primarily due to the amounts allocated to the ore stockpile cost, partially offset by increased amortization of capitalized stripping costs.

Other operating (income) expenses

	Three months ended December 31,		
(Cdn$ in thousands)	**2016**	**2015**	**Change**
General and administrative	2,101	3,098	(997)
Share-based compensation	1,377	339	1,038
Exploration and evaluation	359	236	123
Realized (gain) loss on derivative instruments	970	(1,930)	2,900
Unrealized loss on derivative instruments	3,363	954	2,409
Other income	(404)	(489)	85
	7,766	2,208	5,558

General and administrative costs have decreased for the three months ended December 31, 2016 compared to the same period in 2015, primarily due to the Company's cost reduction initiatives.

Share-based compensation increased for the fourth quarter of 2016 compared to the fourth quarter of 2015, primarily due to the valuation of deferred share units and performance share units which reflects an increase in the Company's share price.

Exploration and evaluation costs for the three months ended December 31, 2016, represent costs associated with the New Prosperity and Aley projects.

During the three months ended December 31, 2016, the Company recognized a realized loss of $1.0 million from copper put options. The realized gain of $1.9 million in the three months ended December 31, 2015, is comprised of cash proceeds on the settlement and contracts that expired during the period, net of the purchase cost related to the options.

Finance income and expenses

Finance expenses for the fourth quarter of 2016 increased by $1.6 million over the fourth quarter of 2015. The increase relates to interest expense and amortization of finance costs on the new senior secured credit facility, offset by lower interest expense on capital leases and equipment loans.

Finance income is primarily comprised of income earned on the reclamation deposits.

Income tax

	Three months ended December 31,		
(Cdn$ in thousands)	**2016**	**2015**	**Change**
Current income tax expense (recovery)	836	(75)	911
Deferred income tax expense (recovery)	8,025	(5,029)	13,054
	8,861	(5,104)	13,965
Effective tax rate	63.4%	17.9%	45.5%
Canadian statutory rate	26%	26%	-
B.C. Mineral tax rate	9.6%	9.6%	-

The income tax expense for the fourth quarter of 2016 moved to an expense position from a recovery position in the same quarter in 2015 due in part to a positive quarter and higher copper prices. The current tax expense was due to the BC mineral taxes payable estimate. For deferred income tax, the expense was driven by a reversal of temporary differences as tax pools were applied against taxable income in the quarter, including deductions taken for tax purposes on property, plant and equipment in excess of those taken for accounting purposes.

Liquidity, cash flow and capital resources

Cash flow provided by operations during the fourth quarter of 2016 was $49.7 million compared to $1.9 million cash flow provided in the fourth quarter of 2015. Operating cash flows in the fourth quarter of 2016 reflects the increase in earnings before depletion and amortization, driven by increase in copper prices, copper production and molybdenum concentrate revenue.

Cash used for investing activities during the fourth quarter of 2016 was $9.3 million compared to $3.9 million used in the fourth quarter of 2015. Investing activities in the fourth quarter of 2016 included $6.3 million for capitalized stripping costs, $0.1 million incurred on other capital expenditures for Gibraltar, $2.0 million in development costs for the Florence and Aley projects.

Cash used for financing activities during the fourth quarter of 2016 was $15.3 million, which includes interest paid of $10.8 million and payments for capital leases and equipment loans totaling $4.5 million.

SUMMARY OF QUARTERLY RESULTS

	2016				2015			
(Cdn$ in thousands, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	94,628	55,964	55,090	58,183	61,412	80,067	92,754	55,065
Net earnings (loss)	5,113	(15,610)	(19,384)	(1,515)	(23,441)	(17,722)	4,017	(25,206)
Basic EPS	0.02	(0.07)	(0.09)	(0.01)	(0.10)	(0.08)	0.02	(0.12)
Adjusted net earnings (loss) *	16,404	(10,423)	(19,758)	(18,083)	(13,112)	(1,586)	1,601	(2,434)
Adjusted basic EPS *	0.07	(0.05)	(0.09)	(0.08)	(0.06)	(0.01)	0.01	(0.01)
EBITDA *	32,312	4,064	(7,858)	11,002	(9,162)	3,395	25,959	(11,996)
Adjusted EBITDA *	44,477	9,285	(7,642)	(4,492)	1,415	19,514	23,402	11,224

(US$ per pound, except where indicated)								
Realized copper price *	2.54	2.15	2.13	2.12	2.01	2.26	2.66	2.57
Total operating costs *	1.48	1.89	2.07	2.11	1.85	1.76	1.97	2.39
Copper sales (million pounds)	30.3	22.4	22.8	22.9	25.0	30.4	30.6	19.1

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

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

The measurement of impairment charges represents a significant area of estimation in the financial statements. As part of the annual impairment test, the estimated future cash flows from the Gibraltar mine were discounted to an after-tax net present value of $1,127 million (100% basis) as of December 31, 2016 which is in excess of the Company's carrying value. This net present value was determined with the following key assumptions: a long-term C$/US$ exchange rate of 1.25, an after-tax discount rate of 8.6%, and estimated future copper prices which ranged from US$2.49 to US$3.00 over the next 5 years and US$3.00 long-term. A 5% increase in the Canadian dollar equivalent long-term copper price results in an after-tax net present value of $1,241 million. A 5% decrease in the Canadian dollar equivalent long-term copper price results in an after-tax net present value of $1,013 million.

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.

CHANGE IN ACCOUNTING POLICIES

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangibles.* These amendments prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. These amendments did not have an impact the Company's financial statements as revenue-based depreciation or amortization methods are not used.

As at December 31, 2016, the Company reclassified certain cash amounts from current to non-current classification to reflect the restricted nature of the cash. The December 31, 2015, amounts have also been reclassified from current to non-current for comparative purposes.

During the year ended December 31, 2016, the Company changed its accounting policy in respect of allocating reductions in its tax pools for British Columbia Mineral Tax purposes. This change has been applied retrospectively and has resulted in the previously presented Other assets of $15,985 now being presented as a reduction to Deferred income taxes as at December 31, 2015. Management believes the new method provides reliable information and provides for a more relevant representation of the financial condition of the Company which reflects the way the tax pools will be realized.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

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

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

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

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

There have been no changes in our internal controls over financial reporting and disclosure controls and procedures during the 2016 financial year that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

The Company's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, it used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that, as of December 31, 2016, the Company's internal control over financial reporting is effective based on those criteria.

FINANCIAL INSTRUMENTS

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

Summary of Financial Instruments	Carrying Amount	Associated Risks
Financial assets		
Loans and receivables		
Cash and equivalents	89,030	Interest rate Credit
Accounts receivable	12,905	Credit Market
Available-for-sale		
Shares	1,419	Market
Subscription receipts	10,333	Market
Reclamation deposits	30,535	Market

Fair value through profit and loss (FVTPL)		
Copper put option contracts	155	Liquidity Market Credit
Financial liabilities		
Accounts payable and accrued liabilities	33,416	Currency Interest rate
Senior notes	266,435	Currency
Senior secured credit facility	91,483	Currency
Capital leases	19,976	Interest rate
Secured equipment loans	11,396	Currency Interest rate

RELATED PARTY TRANSACTIONS

Key management personnel

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

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

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

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

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

	Year ended December 31,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**
Salaries and benefits	5,050	4,744
Post-employment benefits	1,309	1,400
Share-based compensation	3,602	1,558
	9,961	7,702

Other related parties

Three directors of the Company are also principals of Hunter Dickinson Services Inc. ("HDSI"), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the year ended December 31, 2016, the Company incurred total costs of $1,440 (2015: $2,407) in transactions with HDSI. Of these, $643 (2015: $854) related to administrative, legal, exploration and tax services, $517 related to reimbursements of office rent costs (2015: $490), and $280 (2015: $280) related to director fees for two Taseko directors who are also principals of HDSI. For the year ended December 31, 2015, the Company also incurred costs of $783 through HDSI related to compensation of Taseko's CEO who is also a principal of HDSI.

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

NON-GAAP PERFORMANCE MEASURES

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

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

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

	Three months ended December 31,		**Year ended December 31,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2016**	**2015**	**2016**	**2015**
Cost of sales	57,235	72,086	262,089	287,978
Less:				
Depletion and amortization	(9,224)	(12,829)	(52,939)	(49,514)
Net change in inventory	7,582	(4,216)	16,738	3,971
Transportation costs	(5,358)	(3,858)	(16,507)	(17,129)
Site operating costs	50,235	51,183	209,381	225,306
Less by-product credits:				
Molybdenum	(3,689)	78	(4,400)	(5,036)
Silver	(1,018)	(1,046)	(3,988)	(3,795)
Site operating costs, net of by-product credits	45,528	50,215	200,993	216,475
Total copper produced (thousand pounds)	30,512	24,824	99,938	106,664
Total costs per pound produced	1.49	2.02	2.01	2.03
Average exchange rate for the period (CAD/USD)	1.33	1.34	1.32	1.28
Site operating costs, net of by-product credits (US$ per pound)	**1.12**	**1.52**	**1.52**	**1.59**
Site operating costs, net of by-product credits	45,528	50,215	200,993	216,475
Add off-property costs:				
Treatment and refining costs	9,454	6,935	27,924	33,634
Transportation costs	5,358	3,858	16,507	17,129
Total operating costs	60,340	61,008	245,424	267,238
Total operating costs (C1) (US$ per pound)	**1.48**	**1.85**	**1.85**	**1.96**

Adjusted net earnings (loss)

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

- Unrealized gains/losses on derivative instruments;
- Unrealized foreign currency gains/losses; and
- Non-recurring transactions, including related tax adjustments.

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

	Three months ended December 31,		Year ended December 31,	
($ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Net income (loss)	**5,113**	**(23,441)**	**(31,396)**	**(62,352)**
Unrealized (gain) loss on derivatives	3,363	954	4,404	3,131
Unrealized foreign exchange (gain) loss	8,802	9,623	(7,785)	43,809
Write-down of marketable securities	-	-	-	419
Other non-recurring expenses*	-	-	5,489	-
Estimated tax effect of adjustments	(874)	(248)	(2,572)	(538)
Adjusted net income (loss)	**16,404**	**(13,112)**	**(31,860)**	**(15,531)**
Adjusted EPS	**0.07**	**(0.06)**	**(0.14)**	**(0.08)**

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

EBITDA and adjusted EBITDA

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

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

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

- Unrealized gains/losses on derivative instruments;
- Unrealized foreign exchange gains/losses; and
- Non-recurring transactions.

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

($ in thousands, except per share amounts)	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Net income (loss)	**5,113**	**(23,441)**	**(31,396)**	**(62,352)**
Add:				
Depletion and amortization	9,225	12,848	53,024	49,599
Share-based compensation expense	1,382	359	3,682	2,002
Finance expense	8,028	6,433	30,007	25,923
Finance income	(297)	(257)	(1,084)	(1,371)
Income tax expense (recovery)	8,861	(5,104)	(14,713)	(5,605)
EBITDA	**32,312**	**(9,162)**	**39,520**	**8,196**
Adjustments:				
Unrealized loss on derivative instruments	3,363	954	4,404	3,131
Unrealized foreign exchange (gain) loss	8,802	9,623	(7,785)	43,809
Write-down of marketable securities	-	-	-	419
Other non-recurring expenses*	-	-	5,489	-
Adjusted EBITDA	**44,477**	**1,415**	**41,628**	**55,555**

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

Earnings from mining operations before depletion and amortization

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

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Earnings (loss) from mining operations	**37,393**	**(10,674)**	**1,776**	**1,320**
Add:				
Depletion and amortization	9,224	12,829	52,939	49,514
Earnings from mining operations before depletion and amortization	**46,617**	**2,155**	**54,715**	**50,834**

Site operating costs per ton milled

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Site operating costs (included in cost of sales)	**50,235**	**51,183**	**209,381**	**225,306**
Tons milled (millions) (75% basis)	5.50	5.44	22.11	22.91
Site operating costs per ton milled	**$9.13**	**$9.41**	**$9.47**	**$9.83**

Taseko

Consolidated Financial Statements
December 31, 2016 and 2015

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

The consolidated financial statements have been audited by KPMG LLP, the Company's independent registered chartered accountants, in accordance with Canadian generally accepted auditing standards.

/s/ Russell Hallbauer

Russell Hallbauer
Chief Executive Officer

/s/ Stuart McDonald

Stuart McDonald
Chief Financial Officer

Vancouver, British Columbia
February 21, 2017

KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
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Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Taseko Mines Limited

We have audited the accompanying consolidated financial statements of Taseko Mines Limited, which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015, the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Taseko Mines Limited as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP (Signed)

Chartered Professional Accountants

February 21, 2017
Vancouver, Canada

TASEKO MINES LIMITED

Consolidated Statements of Comprehensive Loss

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

		For the years ended December 31,	
	Note	2016	2015
Revenues	4	263,865	289,298
Cost of sales	5		
Production costs		(209,150)	(238,464)
Depletion and amortization		(52,939)	(49,514)
Earnings from mining operations		1,776	1,320
General and administrative		(11,299)	(13,892)
Share-based compensation	21	(3,619)	(1,885)
Exploration and evaluation		(2,087)	(928)
Gain (loss) on derivatives	7	(6,360)	13,268
Other income (expenses)	8	(4,072)	1,437
Loss before financing costs and income taxes		(25,661)	(680)
Finance expenses	9	(30,007)	(25,923)
Finance income		1,084	1,371
Foreign exchange gain (loss)		8,475	(42,725)
Loss before income taxes		(46,109)	(67,957)
Income tax recovery	10	14,713	5,605
Net loss for the year		**(31,396)**	**(62,352)**
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on available-for-sale financial assets		484	(1,964)
Foreign currency translation reserve		(3,709)	10,713
Total other comprehensive income (loss) for the year		**(3,225)**	**8,749**
Total comprehensive loss for the year		**(34,621)**	**(53,603)**
Loss per share			
Basic		(0.14)	(0.28)
Diluted		(0.14)	(0.28)
Weighted average shares outstanding (thousands)			
Basic		221,828	221,809
Diluted		221,828	221,809

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

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(Cdn$ in thousands)

	Note	For the years ended December 31, 2016	2015
Operating activities			
Net loss for the year		(31,396)	(62,352)
Adjustments for:			
Depletion and amortization		53,024	49,599
Income tax expense (recovery)	10	(14,713)	(5,605)
Share-based compensation expense	21	3,682	2,002
(Gain) loss on derivatives	7	6,360	(13,268)
Finance expenses		28,923	24,552
Unrealized foreign exchange loss (gain)		(7,785)	43,809
Write-down of marketable securities		-	419
Deferred electricity payments	18	10,938	-
Other operating activities		(469)	(142)
Net change in non-cash working capital	23	(14,711)	12,681
Cash provided by operating activities		33,853	51,695
Investing activities			
Purchase of property, plant and equipment	14	(18,843)	(18,960)
Purchase of copper put options	7	(3,777)	(5,278)
Proceeds from the sale/settlement of copper put options	7	3,371	21,374
Other investing activities		158	99
Cash used for investing activities		(19,091)	(2,765)
Financing activities			
Proceeds from senior secured credit facility	17e	93,605	-
Financing costs	17e	(4,346)	-
Repayment of Curis secured loan	17d	(43,767)	-
Repayment of capital leases and equipment loans		(16,586)	(13,636)
Proceeds from equipment loan		-	5,625
Interest paid		(22,668)	(22,631)
Common shares issued on exercise of stock options		22	-
Cash provided by (used for) financing activities		6,260	(30,642)
Effect of exchange rate changes on cash and equivalents		(513)	4,434
Increase in cash and equivalents		20,509	22,722
Cash and equivalents, beginning of year	2.4	68,521	45,799
Cash and equivalents, end of year		89,030	68,521

Supplementary cash flow information. 23

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

TASEKO MINES LIMITED

Consolidated Balance Sheets

(Cdn$ in thousands)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and equivalents	2.4	89,030	68,521
Accounts receivable	11	12,905	13,199
Other financial assets	12	1,574	1,602
Inventories	13	60,550	40,621
Prepaids		1,268	1,617
		165,327	125,560
Other financial assets	12	48,368	48,185
Property, plant and equipment	14	730,208	794,758
Goodwill	15	5,536	5,706
		949,439	**974,209**
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	16	33,416	30,143
Current income tax payable	10	889	1,038
Current portion of long-term debt	17	16,157	59,801
Interest payable on senior notes		4,336	4,469
		54,798	95,451
Long-term debt	17	373,133	305,401
Provision for environmental rehabilitation ("PER")	19	98,454	124,445
Deferred and other tax liabilities	10	62,202	78,128
Other financial liabilities	18	21,913	444
		610,500	603,869
EQUITY			
Share capital	20(a)	417,975	417,944
Contributed surplus	20(b),21	45,747	42,558
Accumulated other comprehensive income ("AOCI")	20c	12,357	15,582
Deficit		(137,140)	(105,744)
		338,939	370,340
		949,439	**974,209**
Commitments and contingencies	19, 22		
Subsequent event	26		

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

TASEKO MINES LIMITED

Consolidated Statements of Changes in Equity

(Cdn$ in thousands)

	Share capital	Contributed surplus	AOCI	Deficit	Total
Balance at January 1, 2015	417,944	40,890	6,833	(43,392)	422,275
Share-based compensation expense	-	1,668	-	-	1,668
Total comprehensive income (loss) for the year	-	-	8,749	(62,352)	(53,603)
Balance at December 31, 2015	**417,944**	**42,558**	**15,582**	**(105,744)**	**370,340**
Balance at January 1, 2016	417,944	42,558	15,582	(105,744)	370,340
Issuance of warrants	-	830	-	-	830
Exercise of options	31	(9)	-	-	22
Share-based compensation expense	-	2,368	-	-	2,368
Total comprehensive loss for the year	-	-	(3,225)	(31,396)	(34,621)
Balance at December 31, 2016	**417,975**	**45,747**	**12,357**	**(137,140)**	**338,939**

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

1. REPORTING ENTITY

Taseko Mines Limited (the "Company" or "Taseko") is a corporation governed by the *British Columbia Business Corporations Act.* The consolidated financial statements of the Company as at and for the year ended December 31, 2016 comprise the Company, its subsidiaries and its 75% interest in the Gibraltar joint venture since its formation on March 31, 2010. The Company is principally engaged in the production and sale of metals, as well as related activities including exploration and mine development, within the province of British Columbia, Canada and the State of Arizona, USA. Seasonality does not have a significant impact on the Company's operations.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These consolidated financial statements were authorized for issue by the Board of Directors on February 21, 2017.

2.2 Basis of measurement, judgment and estimation

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

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

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

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

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

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

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

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and controlled entities as at December 31, 2016. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

2.4 Changes in accounting policies and disclosures

Except for the changes below, the Company has consistently applied the accounting policies set out in note 2.5 to all periods presented in these consolidated financial statements.

As at December 31, 2016, the Company reclassified certain cash amounts from current to non-current classification to reflect the restricted nature of the cash. The December 31, 2015, amounts have also been reclassified from current to non-current for comparative purposes (Note 12).

During the year ended December 31, 2016, the Company changed its accounting policy in respect of allocating reductions in its tax pools for British Columbia Mineral Tax purposes. This change has been applied retrospectively and has resulted in the previously presented Other assets of $15,985 now being presented as a reduction to Deferred income taxes as at December 31, 2015. Management believes the new method provides reliable information and provides for a more relevant representation of the financial condition of the Company which reflects the way the tax pools will be realized.

2.5 Significant Accounting Policies

(a) Revenue recognition

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

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

(b) Cash and equivalents

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

(c) Financial instruments

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

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

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

Loans and receivables

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

Available-for-sale financial assets

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

Financial liabilities

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

Fair value measurement

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

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

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

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

(d) Exploration and evaluation

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

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

(e) Inventories

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

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

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

(f) Property, plant and equipment

Land, buildings, plant and equipment

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

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

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

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

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

Mineral properties

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

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

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

Construction in progress

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

Capitalized interest

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

Leased assets

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

Impairment

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

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

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

(g) Income taxes

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

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

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

(h) Share-based compensation

The fair-value method is used for the Company's share-based payment transactions. The cost of the share option units and other equity-settled share-based payments are recorded based on the estimated fair value at the grant date, including an estimate for the forfeiture rate, using the Black-Scholes option pricing valuation model. The expense is recognized in earnings on a graded amortization basis over the option vesting period, with a corresponding increase in equity.

Share-based compensation expense relating to cash-settled awards, including the deferred and performance share units, is accrued over the vesting period of the units, based on the quoted market value of the Company's common shares on the date of grant. The performance units have an additional vesting factor determined by comparing the Company's total shareholder return to those achieved by a peer group of companies. For the deferred share units, the expense and liability are re-measured to fair value each reporting period to reflect changes in the market value of the Company's common shares. The compensation expense recognized for the performance units is recognized over the vesting period and adjusted based on the results of the peer group percentile performance and the quoted market value of the Company's common shares at the end of the performance period.

(i) Provisions

Environmental rehabilitation

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

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

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

Other provisions

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

(j) Finance income and expenses

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

(k) Earnings (loss) per share

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

(l) Government assistance

Government assistance includes investment tax credits and is recognized when there is reasonable assurance that the Company will comply with the relevant conditions and that the government assistance will be received. Government assistance that meets the recognition criteria and that relates to current expenses is recorded as a reduction of the related expenses. Government assistance that meets the recognition criteria and that relates to the acquisition of an asset is recorded as a reduction of assets and is applied as a reduction of the cost of the related asset. Investment tax credits, until they are refunded or applied to reduce the Company's current tax liabilities, are included as "other asset" in the financial statements.

(m) Interests in joint arrangements

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

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

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

2.6 *New accounting standards*

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangibles.* These amendments prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. These amendments did not have an impact the Company's financial statements as revenue-based depreciation or amortization methods are not used.

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective at December 31, 2016. These accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements:

- *IFRS 9, Financial Instruments* as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2018. The Company will evaluate the impact of the change to the financial statements based on the characteristics of financial instruments outstanding at the time of adoption.

- On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers.* The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The impact of adoption of the standard has not yet been determined.

- In January 2016, the IASB issued IFRS 16 *Leases*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 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*. IFRS 16 completes the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases Standard, IAS 17 Leases and related interpretations. The Company will evaluate the impact of the change to the financial statements based on the characteristics of leases outstanding at the time of adoption.

3. INTEREST IN GIBRALTAR JOINT VENTURE

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

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

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

(Cdn$ in thousands)

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

	As at December 31,	
	2016	**2015**
Cash and equivalents	79,638	7,586
Other current assets	98,233	69,536
Current assets	177,871	77,122
Non-current assets	1,106,866	1,213,708
Accounts payable and accrued liabilities	38,747	34,506
Other current financial liabilities	23,743	23,309
Current liabilities	62,490	57,815
Long-term debt	20,287	42,032
Provision for environmental rehabilitation	129,487	164,087
Other financial liability	14,584	-
Non-current liabilities	164,358	206,119

	Years ended December 31,	
	2016	**2015**
Revenues	351,820	385,731
Production costs	(278,440)	(318,008)
Depletion and amortization	(81,715)	(76,172)
Other operating expense	(3,725)	(4,022)
Interest expense	(6,459)	(7,132)
Interest income	1,158	1,330
Foreign exchange loss	22	(663)
Net earnings (loss)	(17,339)	(18,936)
Other comprehensive income (loss)	(693)	(5)
Comprehensive income (loss) for joint arrangement	(18,032)	(18,941)

4. REVENUE

	Years ended December 31,	
	2016	**2015**
Copper contained in concentrate	283,401	311,890
Copper cathode	-	2,211
Molybdenum concentrate	5,900	5,036
Silver contained in copper concentrate	3,988	3,795
Total gross revenue	293,289	322,932
Less: Treatment and refining costs	(29,424)	(33,634)
Revenue	263,865	289,298

(Cdn$ in thousands)

5. COST OF SALES

	Years ended December 31, 2016	2015
Site operating costs	209,381	225,306
Transportation costs	16,507	17,129
Changes in inventories of finished goods and ore stockpiles	(16,738)	(3,971)
Production costs	209,150	238,464
Depletion and amortization	52,939	49,514
Cost of sales	262,089	287,978

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

6. COMPENSATION EXPENSE

	Years ended December 31, 2016	2015
Wages, salaries and benefits	57,987	62,874
Post-employment benefits	1,309	1,400
Share-based compensation	3,682	2,002
	62,978	66,276

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

7. DERIVATIVE INSTRUMENTS

During the year ended December 31, 2016, the Company purchased copper put option contracts for 65 million pounds of copper with maturity dates ranging from the second quarter of 2016 to the first quarter of 2017, at strike prices ranging between US$2.10 and US$2.20 per pound, at a total cost of $3,777. During the 2016 year, the Company received proceeds of $3,371 (2015: $21,374) from the sale or settlement of put options. Details of the options outstanding at December 31, 2016 are summarized in the following table:

	Notional amount	Strike price	Maturity Date	Fair value asset
At December 31, 2016				
Commodity contracts				
Copper put option contracts	15 million lbs	US$2.20/lb	Q1 2017	155
Copper put option contracts	5 million lbs	US$2.10/lb	January 2017	-
At December 31, 2015				
Commodity contracts				
Copper put option contracts	15 million lbs	US$2.05/lb	Q1 2016	671

(Cdn$ in thousands)

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

	Years ended December 31, 2016	2015
Realized gain (loss) on copper put options	(1,956)	16,399
Unrealized loss on copper put options	(1,044)	(3,131)
Change in fair value of copper call option liability (Note 17e)	(3,360)	-
	(6,360)	13,268

The realized loss of $1,956 (2015: realized gain $16,399) on copper put options is comprised of cash proceeds on the settlement and sale of these contracts, net of the purchase premiums related to the options.

8. OTHER EXPENSES (INCOME)

	Years ended December 31, 2016	2015
Special shareholder meeting costs	4,894	-
Other financing costs	616	-
Management fee income	(1,043)	(1,076)
Other operating income	(319)	(768)
Gain on sale of property, plant and equipment	(76)	(12)
Write-down of marketable securities	-	419
	(4,072)	(1,437)

During the year ended December 31, 2016, the Company incurred total costs of $4,894 on legal and other advisory costs associated with a special shareholder meeting, a proxy contest and related litigation.

9. FINANCE EXPENSES

	Years ended December 31, 2016	2015
Interest expense	27,649	23,371
Accretion on PER (Note 19)	2,358	2,552
	30,007	25,923

(Cdn$ in thousands)

10. INCOME TAX

(a) Income tax expense (recovery)

	Years ended December 31, 2016	2015
Current income tax:		
Current period	836	719
Deferred income tax:		
Origination and reversal of temporary differences	(15,307)	(6,361)
Deferred tax adjustments related to prior periods	(242)	37
	(15,549)	(6,324)
Income tax expense (recovery)	(14,713)	(5,605)

(b) Income tax recognized directly in other comprehensive income (loss)

	Years ended December 31, 2016	2015
Unrealized (income) loss on available-for-sale financial assets, before tax	32	2,257
Tax expense (recovery)	(516)	(293)
Unrealized (income) loss on available-for-sale financial assets, net of tax	(484)	1,964
Foreign currency translation reserve	3,709	(10,713)
Total other comprehensive (income) loss for the year	3,225	(8,749)

(c) Effective tax rate reconciliation

	Years ended December 31, 2016	2015
Income tax at Canadian statutory rate of 35.62% (2015: 35.62%)	(16,424)	(24,206)
Permanent differences	1,979	11,595
Tax rate differences	1,118	69
Foreign tax rate differential	(103)	343
Unrecognized tax benefits	(1,072)	6,557
Other	(211)	37
Income tax expense (recovery)	(14,713)	(5,605)

(d) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	As at December 31, 2016	2015
Property, plant and equipment	(151,230)	(156,491)
Other financial assets	316	(1,624)
Provisions	17,926	24,736

(Cdn$ in thousands)

Tax loss carry forwards	71,051	55,251
Deferred tax liability	(61,937)	(78,128)

Tax loss carry forwards relate to non-capital losses in Canada of pre-tax $194,929 (2015: $138,112) which expire between 2027 and 2036 and net operating losses in the United States of pre-tax $56,273 (2015: $53,492), which expire between 2027 and 2036. Included in the 2016 deferred and other tax liabilities balance is a long-term tax liability of $265.

e) Unrecognized deferred tax assets and liabilities

	As at December 31,	
	2016	**2015**
Deductible temporary differences:		
Debt	76,031	84,291
Other investments	34,840	34,834
Other financial assets	11,620	11,589
Deferred tax asset:		
Debt	9,880	10,958
Other investments	4,529	4,528
Other financial assets	1,900	1,894

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

Included in the deferred tax balance are other assets of $15,985 (2015: $15,985) which represents additional mineral tax deductions that the Company has received under the British Columbia New Mine Allowance program. The additional tax benefits arose as a result of the completion of the Gibraltar mine expansion and are only accessible by the Company once certain British Columbia mineral tax pools have been reduced, through a reduction in British Columbia mineral taxes payable (Note 2.4).

11. ACCOUNTS RECEIVABLE

	As at December 31,	
	2016	**2015**
Trade receivables	9,463	9,727
Other receivables due from joint venture partner	162	186
Goods and services tax receivable	988	870
Copper put option receivable	-	2,077
Other receivables	2,292	339
	12,905	13,199

(Cdn$ in thousands)

12. OTHER FINANCIAL ASSETS

	As at December 31, 2016	2015
Current:		
Marketable securities	1,419	931
Copper put option contracts (Note 7)	155	671
	1,574	1,602
Long-term:		
Subscription receipts	10,333	10,333
Reclamation deposits (Note 19)	30,535	30,352
Cash	7,500	7,500
	48,368	48,185

The Company holds strategic investments in publicly traded and privately owned companies, which are classified as available for sale investments. As at December 31, 2016 these investments included marketable securities as well as subscription receipts. The subscription receipts relate to an investment in a privately held company with a director in common, and will be convertible into units comprised of shares, or shares and warrants (Note 25c).

The fair value of the marketable securities is based upon public market information and the Company reviews the value of its investments for evidence of impairment based on both quantitative and qualitative criteria. For the years ended December 31, 2016 and 2015, unrealized gains and losses from the mark-to-market of marketable securities and reclamation deposits have been recorded in other comprehensive income (loss). For the year ended December 31, 2015, the Company recorded a write-down through the statement of comprehensive income (loss) of $419 for the impairment of an investment in marketable securities. These assets are classified as available-for-sale financial assets.

The cash relates to security for an irrevocable standby letter of credit that has been provided to the Ministry of Finance as security for reclamation obligations at the Gibraltar Mine.

13. INVENTORIES

	As at December 31, 2016	2015
Ore stockpiles	28,186	7,678
Copper contained in concentrate	5,741	6,030
Molybdenum concentrate	106	-
Materials and supplies	26,517	26,913
	60,550	40,621

During the year ended December 31, 2016, the Company recorded net write-downs of $17,202 (2015: $6,648), to adjust the carryng value of ore stockpiles to net realizable value. These adjustments were included in cost of sales as a change in inventory of ore stockpile.

(Cdn$ in thousands)

14. PROPERTY, PLANT & EQUIPMENT

	Property Acquisition costs	Mineral properties	Plant and equipment	Construction in Progress	Total
Cost					
At January 1, 2015	85,930	209,924	649,888	4,293	950,035
Additions	-	18,083	-	2,064	20,147
Rehabilitation cost asset	-	11,678	-	-	11,678
Capitalized interest [1]	-	4,079	-	-	4,079
Disposals	-	-	(922)	-	(922)
Foreign exchange translation	15,296	525	864	-	16,685
Transfers between categories	-	-	5,610	(5,610)	-
At December 31, 2015	101,226	244,289	655,440	747	1,001,702
Additions	-	17,404	-	2,394	19,798
Rehabilitation cost asset	-	(27,870)	-	-	(27,870)
Capitalized interest [1]	-	5,219	-	-	5,219
Disposals	-	-	(838)	-	(838)
Foreign exchange translation	(2,822)	(214)	(150)	-	(3,186)
Transfers between categories	-	-	1,683	(1,683)	-
At December 31, 2016	98,404	238,828	656,135	1,458	994,825
Accumulated depreciation					
At January 1, 2015	-	46,933	109,443	-	156,376
Depreciation[2]	-	20,648	29,989	-	50,637
Disposals	-	-	(69)	-	(69)
At December 31, 2015	-	67,581	139,363	-	206,944
Depreciation[2]	-	29,076	28,743	-	57,819
Disposals	-	-	(146)	-	(146)
At December 31, 2016	-	96,657	167,960	-	264,617
Carrying amounts					
At December 31, 2015	101,226	176,708	516,077	747	794,758
At December 31, 2016	98,404	142,171	488,175	1,458	730,208

[1] Interest was capitalized at an annual rate of 11% (2015: 11%).

[2] Depreciation included in cost of sales for 2016 and 2015 of $52,939 and $49,514 respectively. Depreciation included in general and administrative costs for 2016 and 2015 of $85 for both years.

(Cdn$ in thousands)

(a) Capital expenditures

During 2016, the Company capitalized stripping costs of $10,065 (2015: $11,863) and incurred other capital expenditures for Gibraltar of $3,932 (2015: $2,311). In addition, the Company capitalized development costs of $4,961 (2015: $5,081) for the Florence Copper Project along with $840 (2015: $866) for the Aley Niobium Project. During 2016, the Company capitalized interest costs of $5,219 (2015: $4,079), related to the Florence Copper Project.

(b) Leased assets

The Company leases mining equipment under a number of capital lease agreements. Most of these leases provide the Company with the option to purchase the equipment at a beneficial price. Certain rents are based on an annual average usage for the applicable equipment and, if at the end of the term (unless the equipment has been purchased by the Company), the actual annual average usage of such equipment has been greater than the specified usage, the Company must pay an additional amount for each excess hour of actual usage. The leased assets secure the lease obligations (Note 17). At December 31, 2016, the net carrying amount of leased assets was $53,476 (2015: $58,610).

(c) Property acquisition costs

Property acquisition costs are comprised of the Aley Niobium property $5,436, Florence Copper Project $95,788, New Prosperity gold-copper property $1 and Harmony gold property $1. The carrying amounts for the New Prosperity and Harmony properties are the original property acquisition costs less historical impairments.

15. GOODWILL

Goodwill was recorded on the Company's acquisition of Curis Resources Ltd. ("Curis") in 2014. Curis is a mineral exploration and development company whose principal asset is the Florence Copper Project, an in-situ copper recovery and solvent extraction/electrowinning project located in central Arizona, USA. As at December 31, 2016, the carrying value of the goodwill decreased to $5,536 as a result of foreign currency translation.

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31,	
	2016	**2015**
Trade payables	28,180	26,293
Other accrued liabilities	4,012	3,799
Advance payments	1,163	-
Payables to related parties	61	51
	33,416	30,143

(Cdn$ in thousands)

17. DEBT

	As at December 31, 2016	2015
Current:		
Capital leases (b)	8,059	7,648
Secured equipment loans (c)	8,098	9,276
Curis secured loan (d)	-	42,877
	16,157	59,801
Long-term:		
Senior notes (a)	266,435	273,876
Capital leases (b)	11,917	19,941
Secured equipment loans (c)	3,298	11,584
Senior secured credit facility (e)	91,483	-
	373,133	305,401

(a) Senior notes

In April 2011, the Company completed a public offering of US$200,000 in senior unsecured notes. The notes mature on April 15, 2019 and bear interest at a fixed annual rate of 7.75%, payable semi-annually. The notes are unsecured obligations guaranteed by the Company's subsidiaries and the subsidiary guarantees are, in turn, guaranteed by the Company. After April 15, 2015 the notes are redeemable by the Company at a price equal to 103.875%, and the redemption price declines to 100% after April 2017. The notes are also repayable upon a change of control at a price of 101%.

The foreign exchange translation of the US dollar denominated senior notes resulted in an unrealized foreign exchange gain of $8,260 in 2016 (2015: unrealized loss of $44,780) due to the strengthening (2015 – weakening) of the Canadian dollar.

There are no maintenance covenants with respect to the Company's financial performance. However, the Company is subject to certain restrictions on asset sales, incurrence of additional indebtedness, issuance of preferred stock, dividends and other restricted payments.

As at December 31, 2016, the Company is in compliance with all senior notes covenants.

(b) Capital leases

Capital leases are repayable in monthly installments and are secured by equipment with a carrying value $53,476 (2015: $58,610). The capital lease obligations bear fixed interest rates ranging from 4.5% to 5.5% and have maturity dates ranging from 2017 to 2020.

(c) Secured equipment loans

Equipment loans are secured by equipment with a carrying value of $50,752 (2015: $53,460). The loans are repayable in monthly installments and bear fixed interest rates ranging from 4.5% to 6.5% and have maturity dates ranging from 2017 to 2020.

(Cdn$ in thousands)

(d) Curis secured loan

As a result of the acquisition of Curis in November 2014, the Company assumed Curis's secured loan agreement with RK Mine Finance Trust I ("Red Kite").

On February 1, 2016, the Company repaid the full outstanding principal and accrued interest in the amount of $43,767 with proceeds from a new senior secured credit facility (Note 17e).

(e) Senior secured credit facility

On January 29, 2016, the Company entered into a US$70 million senior secured credit facility (the "Facility") with EXP T1 Ltd., an affiliate of Red Kite. Amounts drawn under the Facility accrue interest on a monthly basis at a rate of three-month LIBOR plus 7.5% per annum, subject to a minimum LIBOR of 1% per annum. The loan principal and all accrued interest is payable upon maturity of the Facility. The Facility was subject to an up-front arrangement fee of 2.5% payable by Taseko but there are no commitment fees on the undrawn portion of the Facility. The Facility matures on March 29, 2019, as the Company exercised its option and paid an extension fee in June 2016. The Facility is repayable at any time without penalty and does not impose any off-take obligations on the Company.

The Facility is secured by a first priority charge over substantially all assets of the Company, including the Company's 75% joint venture interest in the Gibraltar Mine, shares in all material subsidiaries and the Florence Copper project assets. The availability of the Facility is subject to conditions and covenants, including maintenance of a minimum working capital balance (as defined in the Facility) of US$20 million. As at December 31, 2016, the Company is in compliance with these covenants.

The first tranche of the Facility was drawn on January 29, 2016 and the proceeds of $46,444 (US$33.2 million) were used to repay the Curis secured loan (Note 17d) and to pay the arrangement fee and other transaction costs. The remainder of the Facility in the amount of $47,161 (US$36.8 million) was drawn during the second quarter of 2016.

In connection with the Facility, the Company has issued a call option for 7,500 tonnes of copper with a strike price of US$2.04/lb. The call option matures in March 2019 and an amount will be payable to Red Kite based on the average copper price during the month of March 2019, subject to a maximum amount of US$15 million. The initial fair value of the copper call option was estimated to be $6,081 and was revalued at $9,440 as at December 31, 2016 (Note 7).

The Company also issued share purchase warrants to acquire 4 million common shares of the Company at any time until May 9, 2019 at an exercise price of $0.51 per share in connection with the Facility. The fair value of the warrants was estimated to be $830 at the date of grant.

As at December 31, 2016, the Company had incurred total deferred debt financing costs of $11,257, which includes the initial fair value of the copper call option, warrants, the arrangement fee, the extension fee and other transaction costs. These costs were initially deferred and subsequently reclassified to the loan on a pro-rata basis as loan amounts were drawn down, and are being amortized over the life of the loan using the effective interest rate method.

	Carrying Value December 31, 2016
Outstanding principal (US$70 million)	93,989
Accrued interest	6,482
Loan obligation	100,471
Deferred financing costs, net of accretion	(8,988)
Senior secured credit facility	91,483

(Cdn$ in thousands)

18. OTHER FINANCIAL LIABILITIES

	As at December 31,	
	2016	**2015**
Long-term:		
Derivative liability - copper call option (Note 17e)	9,440	-
Amounts payable to BC Hydro	10,938	-
Deferred share units (Note 21b)	1,535	444
	21,913	444

For the year ended December 31, 2016, the Company has deferred electricity payments of $10,938 under BC Hydro's five-year power rate deferral program for BC mines. Under the program, effective March 1, 2016, the Gibraltar Mine is able to defer up to 75% of electricity costs. The amount of deferral is based on a formula that incorporates the average copper price during the preceding month. The balance, plus interest at the prime rate plus 5%, will be repayable on a monthly schedule if the average copper price during the preceding month exceeds a threshold amount of $3.40 per pound. Specifically, if the average copper price exceeds the threshold amount, the formula determines an amount of repayment of the previously deferred balance and is based on the most recent month's electricity cost.. Any remaining deferred balance will be repayable at the end of the five year term. Accordingly, the deferred amounts have been classified as a long-term financial liability.

19. PROVISION FOR ENVIRONMENTAL REHABILITATION

	2016	**2015**
Beginning balance at January 1	124,445	110,136
Additions during the year	(615)	373
Change in estimates	(27,255)	11,306
Accretion	2,358	2,552
Settlements	(438)	(125)
Foreign exchange differences	(41)	203
Ending balance at December 31	98,454	124,445

The provision for environmental rehabilitation ("PER") represents the present value of estimated costs of legal and constructive obligations required to retire an asset, including decommissioning and other site restoration activities. The majority of these expenditures occur after the end of the life of the related operation. For the Gibraltar Mine, it is anticipated that these costs will be incurred over a period of 100 years beyond the end of the mine life. As at December 31, 2016, the PER was calculated using a pre-tax discount rate of 2.3% (2015 – 2.1%), which is based on the long-term Canadian government bond rate and an inflation rate of 2.0% (2015 – 2.0%) in its cash flow estimates. The decrease in the PER during 2016 is primarily due to the higher discount rate.

During 2012, the Company submitted an updated decommissioning cost report for the Gibraltar Mine to the BC Ministry of Energy, Mines and Petroleum Resources as a requirement to maintain its permits in good standing. The underlying cost assumptions supporting the 2012 decommissioning report reflect management's best estimate for closure costs and were incorporated into the PER. Estimates are reviewed regularly and there have been adjustments to the amount and timing of cash flows as a result of updated information. Assumptions are based on the current economic environment, but actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation will depend on when the mine ceases production which, in turn, will depend on future metal prices, operating conditions and many other factors which are inherently uncertain.

(Cdn$ in thousands)

The Company has provided deposits and other financial security for its reclamation obligations which is held in trust by the regulatory authorities. Reclamation deposits (Note 13) are returned once the site is reclaimed to a satisfactory level and there are no ongoing monitoring or maintenance requirements. The Gibraltar Joint Venture has also issued an irrevocable standby letter of credit for $10 million as part of its security with the regulatory authorities. This letter of credit is secured by cash of $10 million in the Gibraltar Joint Venture. For the Florence Copper project, the Company has issued reclamation bonds totaling US$4,853, which are supported by surety bonds of an insurance company. The Company has provided cash collateral of US$1,595 to the surety provider and these amounts are classified as reclamation deposits (Note 12).

20. EQUITY

(a) Share capital

(thousands of shares)	Common shares
Common shares outstanding at January 1, 2015	221,809
Exercise of share options	-
Common shares outstanding at December 31, 2015	221,809
Exercise of share options	58
Common shares outstanding at December 31, 2016	221,867

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

(b) Contributed surplus

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

(c) Accumulated other comprehensive income (loss) ("AOCI")

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

21. SHARE-BASED COMPENSATION

(a) Share Options

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

(Cdn$ in thousands)

(thousands of options)	Options	Average price
Outstanding at January 1, 2015	11,908	$3.28
Granted	2,680	0.98
Forfeited	(241)	1.95
Expired	(2,790)	4.22
Outstanding at January 1, 2016	11,557	2.55
Granted	2,601	0.38
Exercised	(59)	0.38
Forfeited	(313)	1.40
Expired	(1,845)	5.04
Outstanding at December 31, 2016	11,941	$1.74
Exercisable at December 31, 2016	9,693	$2.00

During the year ended December 31, 2016, the Company granted 2,601,000 (2015 – 2,680,000) share options to directors, executives and employees. The total fair value of options granted was $442 (2015 – $1,018) based on a weighted average grant-date fair value of $0.17 (2015 – $0.38) per option. During the year ended December 31, 2016, 58,500 options were exercised. The weighted-average share price at the date of exercise was $0.83 per share.

Range of exercise price	Options (thousands)	Average life (years)
$0.38 to $0.68	2,453	3.5
$0.69 to $1.02	2,469	3.0
$1.03 to $2.32	3,794	1.9
$2.33 to $2.80	2,055	0.2
$2.81 to $2.94	1,170	1.0
	11,941	2.1

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

	2016	2015
Expected term (years)	4.49	4.54
Forfeiture rate	0%	0%
Volatility	52.5%	48.7%
Dividend yield	0%	0%
Risk-free interest rate	0.57%	0.96%
Weighted-average fair value per option	$0.17	$0.38

(Cdn$ in thousands)

(b) Deferred Share Units and Performance Share Units

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

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

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

	DSUs	PSUs
Outstanding at January 1, 2015	99,371	-
Granted	816,000	461,500
Outstanding at January 1, 2016	915,371	461,500
Granted	714,000	1,349,292
Settled	(306,000)	(59,426)
Forfeited	-	(44,574)
Outstanding at December 31, 2016	1,323,371	1,706,792

During the year ended December 31, 2016, 714,000 DSUs were issued to directors (2015 - 816,000) and 1,349,292 PSUs to senior executives (2015 - 461,500). The fair value of DSUs and PSUs granted was $1,080 (2015 - $1,231), with a weighted average fair value at the grant date of $0.38 per unit for the DSUs (2015 - $0.98 per unit) and ranging between $0.38 and $0.74 per unit for the PSUs (2015 – ranging between $0.77 and $0.98 per unit).

Grants of PSUs during the year ended December 31, 2016, included 887,792 PSU's issued to executives in lieu of annual incentive plan payments for 2015. The 887,792 PSU's vest between June 2017 and September 2017, and entitle the holder to a cash or equity payment at that time and do not include a performance factor adjustment. The share-based compensation expense for these units is adjusted at each reporting period to reflect the change in the market value of the Company's common shares.

For the year ended December 31, 2016, the Company recognized total share-based compensation expense of $3,682 (2015: $2,002).

(Cdn$ in thousands)

22. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	<1 year or on demand	1 - 2 years	2 - 5 years	>5 years	Total
At December 31, 2015					
Capital lease liability	7,648	8,024	11,917	-	27,589
Future interest charges	1,268	837	592	-	2,697
Capital lease commitments	8,916	8,861	12,509	-	30,286
Operating lease commitments	3,055	416	848	96	4,415
Purchase obligations	4,875	-	-	-	4,875
Capital expenditure commitments	121	-	-	-	121
At December 31, 2016					
Capital lease liability	8,059	7,149	4,768	-	19,976
Future interest charges	838	443	149	-	1,430
Capital lease commitments	8,897	7,592	4,917	-	21,406
Operating lease commitments	2,441	1,723	2,071	-	6,235
Purchase obligations	7,273	3,602	602	-	11,477
Capital expenditure commitments	189	-	-	-	189

The Gibraltar joint venture (Note 3) is committed to incur capital expenditures of $251 (2015: $161), of which the Company's share is $189 (2015: $121).

(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 at December 31, 2016, this debt totaled $31,372 on a 75% basis. The Company has an indemnity agreement with Cariboo related to their share of the guarantee, and the Company received a guarantee fee of $66 from Cariboo in 2016 (2015:$20).

23. SUPPLEMENTARY CASH FLOW INFORMATION

	For the year ended December 31, 2016	2015
Change in non-cash working capital items		
Accounts receivable	(1,783)	1,497
Inventories	(16,023)	(4,527)
Prepaids	349	10
Accounts payable and accrued liabilities	4,010	(12,337)
Interest payable	(543)	534
Income tax paid	(750)	-
Income tax received	29	27,504
	(14,711)	12,681
Non-cash investing and financing activities		
Derivative liability - copper call option (Note 17e)	6,081	-
Share purchase warrants (Note 17e)	830	-

(Cdn$ in thousands)

24. FINANCIAL RISK MANAGEMENT

(a) Overview

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

(b) Market risk

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

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

Commodity price risk

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

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

	As at December 31,	
	2016	**2015**
Copper increase/decrease by US$0.25/lb (2015: US$0.20/lb)[1, 2]	4,778	5,530

[1]The analysis is based on the assumption that the year-end copper price increases 10 percent with all other variables held constant. The relationship between the year-end copper price and the strike price of copper options has significant influence over the fair value of the derivatives. As such, a 10% decrease in the year-end copper price will not result in an equal but opposite impact on earnings after tax and equity. The closing exchange rate for the year ended December 31, 2016 of CAD/USD 1.3427 (2015: 1.3840) was used in the analysis.

[2]At December 31, 2016, 14.0 million (2015: 19.6 million) pounds of copper in concentrate were exposed to copper price movements.

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

(Cdn$ in thousands)

Interest rate risk

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

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

	Years ended December 31,	
	2016	**2015**
Fair value sensitivity for fixed-rate instruments		
Capital leases	(200)	(181)
Secured equipment loans	(160)	(190)
Senior notes	(1,960)	(2,048)
Senior secured credit facility	(246)	-
	(2,566)	(2,419)
Cash flow sensitivity for variable-rate instruments		
Cash and equivalents	171	99
Reclamation deposits	192	203
	363	302

Currency risk

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

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

(Cdn$ in thousands)

	Year ended December 31,	
	2016	**2015**
Cash and equivalents	(5,429)	(4,407)
Accounts receivable	(699)	(823)
Copper put option contracts	(12)	(50)
Accounts payable and accrued liabilities	283	350
Equipment loans	547	1,174
Senior secured credit facility	7,435	-
Senior notes	20,193	20,814
Curis secured loan	-	3,173

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

(c) Liquidity risk

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

Standard & Poor's downgraded the Company's long-term credit rating to CCC+ in January 2016. Moody's Investor Service has a long-term credit rating for the Company of B3. The Company's credit profile and significant cash balance ensure that sufficient liquid funds are maintained to meet its daily cash requirements.

The maturity profile of the Company's financial liabilities based on contractual undiscounted amounts are:

(Cdn$ in thousands)

	<1 year or demand	1 - 2 years	2 - 5 years	>5 years	Total
At December 31, 2016					
Accounts payable and accrued liabilities	33,416	-	-	-	33,416
Expected future interest payments	22,034	21,391	6,292	-	49,717
Capital leases	8,059	7,149	4,768	-	19,976
Secured equipment loans	8,098	1,551	1,747	-	11,396
Senior notes	-	-	268,540	-	268,540
Senior secured credit facility	-	-	121,787	-	121,787
Copper call option	-	-	9,440	-	9,440
	71,607	30,091	412,574	-	514,272
Carrying amount	49,571	8,700	384,966	-	443,237
At December 31, 2015					
Accounts payable and accrued liabilities	30,143	-	-	-	30,143
Expected future interest payments	23,594	22,679	28,510	-	74,783
Capital leases	7,648	8,024	11,917	-	27,589
Secured equipment loans	9,276	8,268	3,316	-	20,860
Senior notes	-	-	276,800	-	276,800
Current portion of long-term debt (incl. interest)	44,863	-	-	-	44,863
	115,524	38,971	320,543	-	475,038
Carrying amount	91,930	16,292	292,033	-	400,255

(d) Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its receivables, marketable securities and investments, and derivatives. In general, the Company manages its credit exposure by transacting only with reputable counterparties. The Company monitors the financial condition of its customers and counterparties to contracts. The Company deals with a limited number of counterparties for its metal sales. The Company had two significant customers in 2016 that represented 65% and 30% of gross copper concentrate revenues, respectively. The trade receivable balance at December 31, 2016 and 2015, is comprised of three customers. There are no impairments recognized on the trade receivables.

(Cdn$ in thousands)

(e) *Fair values of financial instruments*

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table. The table does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	December 31, 2016		December 31, 2015	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Fair value through profit and loss (FVTPL)				
Copper put option contracts	155	155	671	671
Loans and receivables				
Cash	89,030	-	68,521	-
Other financial assets (Note 2.4)	7,500	-	7,500	-
Accounts receivable	12,905	-	13,199	-
Available-for-sale				
Marketable securities	1,419	1,419	931	931
Subscription receipts	10,333	10,333	10,333	10,333
Reclamation deposits	30,535	30,535	30,352	30,352
Financial liabilities				
Financial liabilities				
Accounts payable and accrued liabilities	33,416	-	30,143	-
Interest payable on senior notes	4,336	-	4,469	-
Senior notes	266,435	223,026	273,876	139,507
Senior secured credit facility	91,483	91,933	-	-
Capital leases	19,976	20,201	27,589	29,510
Secured equipment loans	11,396	11,376	20,860	20,797
Curis secured loan	-	-	42,877	42,877

(Cdn$ in thousands)

The Company uses the fair value hierarchy described in note 2.5(c) for determining the fair value of instruments that are measured at fair value.

	Level 1	Level 2	Level 3	Total
December 31, 2016				
Financial assets designated at FVTPL				
Copper put option contracts	-	155	-	155
Available-for-sale financial assets				
Marketable Securities	1,419	-	-	1,419
Subscription receipts (Note 12)	-	-	10,333	10,333
Reclamation deposits	30,535	-	-	30,535
	31,954	155	10,333	42,442
December 31, 2015				
Financial assets designated at FVTPL				
Copper put option contracts	-	671	-	671
Available-for-sale financial assets				
Marketable Securities	931	-	-	931
Subscription receipts (Note 12)	-	-	10,333	10,333
Reclamation deposits	30,352	-	-	30,352
	31,283	671	10,333	42,287

There have been no transfers between fair value levels during the reporting period.

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

The fair values of the level 2 instruments, copper put option contracts, 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 subscription receipts, a level 3 instrument, are valued based on a third party transaction. The fair value of the subscription receipts is based upon the most recent transaction, and there was no change in the recorded fair value during 2016.

(f) Capital management

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

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

(Cdn$ in thousands)

	December 31, 2016	December 31, 2015
Cash	89,030	68,521
Current portion of long-term debt	16,157	59,801
Long-term debt	373,133	305,401
Net debt	**300,260**	**296,681**
Shareholders' equity	**338,939**	**370,340**

In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the Board of Directors. Management also actively monitors its financial covenants to ensure compliance. The Company's investment policy is to invest its cash in highly liquid interest-bearing investments that are readily convertible to known amounts of cash. There were no changes to the Company's approach to capital management during the year ended December 31, 2016.

25. RELATED PARTIES

(a) Subsidiaries

	Ownership interest as at	
	December 31, 2016	December 31, 2015
Gibraltar Mines Ltd.	100%	100%
Curis Resources Ltd.	100%	100%
Curis Holdings (Canada) Ltd.	100%	100%
Florence Copper Inc.	100%	100%
Aley Corporation	100%	100%
672520 BC Ltd.	100%	100%

(b) Key management personnel compensation

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

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

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

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

(Cdn$ in thousands)

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

	Year ended December 31,	
	2016	**2015**
Salaries and benefits	5,050	4,744
Post-employment benefits	1,309	1,400
Share-based compensation	3,602	1,558
	9,961	7,702

(c) Related party transactions

	Transaction value for the year end December 31,		Due (to) from related parties as at December 31,	
	2016	**2015**	**2016**	**2015**
Hunter Dickinson Services Inc.:				
General and administrative expenses	1,400	2,254		
Exploration and evaluation expenses	40	153		
	1,440	2,407	(61)	(51)
Gibraltar Joint Venture:				
Management fee income	1,043	1,139		
Reimbursable compensation expenses and third party costs	105	107		
	1,148	1,246	162	235

Three directors of the Company are also principals of Hunter Dickinson Services Inc. ("HDSI"), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the year ended December 31, 2016, the Company incurred total costs of $1,440 (2015: $2,407) in transactions with HDSI. Of these, $643 (2015: $854) related to administrative, legal, exploration and tax services, $517 related to reimbursements of office rent costs (2015: $490), and $280 (2015: $280) related to director fees for two Taseko directors who are also principals of HDSI. For the year ended December 31, 2015, the Company also incurred costs of $783 through HDSI related to compensation of Taseko's CEO who is also a principal 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.

26. SUBSEQUENT EVENT

In February 2017, the Company issued 2 million common shares to Red Kite for proceeds of $1,020, upon the partial exercise of warrants that were issued in connection with the senior secured credit facility (Note 17e). The remaining 2 million share purchase warrants held by Red Kite are exercisable at any time until May 9, 2019.