Taseko Mines Limited
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TASEKO REPORTS FIRST QUARTER 2016 RESULTS

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

May 12, 2016, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE MKT: TGB) ("Taseko" or the "Company") reports the results for the three months ended March 31, 2016.

Russell Hallbauer, President and CEO of Taseko, commented, "First quarter results were impacted by lower copper grades, which were forecasted in Gibraltar's 2016 operating budget. In the current low copper price environment, our focus will remain on operating costs, which in the first quarter were maintained at a very low cost per ton milled of $9.59. The average realized copper price for the quarter was US$2.10 per pound, which is the lowest pricing quarter since the first quarter of 2009. Considering the copper price and grade Gibraltar processed in the first quarter, it is impressive we were able to generate break-even earnings from mining operations."

First Quarter Highlights

- Earnings from mining operations before depletion and amortization* was essentially break-even for the first quarter of 2016;
- Site operating cost per ton milled* was $9.59, slightly higher than the fourth quarter of 2015 result of $9.41;
- Site operating costs, net of by-product credits* were US$1.78 per pound produced and total operating costs (C1)* were US$2.11 per pound produced
- Copper production at Gibraltar was 28.8 million pounds (100% basis);
- The Company signed an agreement with BC Hydro to defer payment of up to 75% of power costs at Gibraltar, effective from March 1, 2016. Going forward, the deferral will equate to approximately $0.15 per pound of cash savings;
- On January 29, 2016, the Company entered into a US$70 million Senior Secured Credit Facility with an affiliate of RK Mine Finance ("Red Kite"), one of the world's largest metal merchants. The facility consists of an initial tranche of US$33.2 million which has been used to refinance the existing secured loan with Red Kite, and the remaining US$36.8 million is available for general corporate purposes;
- The Company ended the first quarter with a cash balance of $66 million, and with access to additional liquidity under the Credit Facility of $47.8 million (US$36.8 million); and
- The Company acquired copper put options for a total of 15 million pounds with maturities spread evenly over the second quarter of 2016 at a strike price of US$2.15 per pound.

Mr. Hallbauer continued, "During the first quarter, we were able to idle a portion of the haul truck fleet due to short waste and ore haul cycle times. Even with fewer trucks being operated, more tons were mined in the first quarter than in the fourth quarter as a result of the higher productivities. We will continue to benefit from the lower costs associated with shorter haul distances until later in the year when grade increases to the life of mine average."

"Going forward, grade is expected to moderately increase in the second and third quarters and then higher again in the fourth quarter. Gibraltar spending is budgeted to remain relatively flat so costs, on a per pound basis, will decline accordingly."

"As I believe all of you are aware, the other issue we faced in the first quarter was an action by a dissident shareholder attempting to take control of Taseko's board. This was a costly event for the Company, but one which was necessary for Taseko to defend itself against, for the sake of our shareholders. Now that it is behind us, we can once again go back to focussing our resources on creating long-term shareholder value," concluded Mr. Hallbauer.

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

HIGHLIGHTS

Financial Data (Cdn$ in thousands, except for per share amounts)	**Three months ended March 31,** 2016	2015	**Change**
Revenues	58,183	55,065	3,118
Earnings (loss) from mining operations before depletion and amortization*	(304)	2,329	(2,633)
Earnings (loss) from mining operations	(13,814)	(7,979)	(5,835)
Net income (loss)	(1,515)	(25,206)	23,691
Per share - basic ("EPS")	(0.01)	(0.11)	0.10
Adjusted net earnings (loss)*	(18,083)	(2,434)	(15,649)
Per share - basic ("adjusted EPS") *	(0.08)	(0.01)	(0.07)
EBITDA *	11,002	(11,996)	22,998
Adjusted EBITDA *	(4,492)	11,224	(15,716)
Cash flows used for operations	(4,106)	(3,328)	(778)

Operating Data (Gibraltar - 100% basis)	**Three months ended March 31,** 2016	2015	**Change**
Tons mined (millions)	21.5	21.0	0.5
Tons milled (millions)	7.5	7.8	(0.3)
Production (million pounds Cu)	28.8	28.4	0.4
Sales (million pounds Cu)	30.5	25.4	5.1

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

REVIEW OF OPERATIONS

Gibraltar mine (75% Owned)

Operating Data (100% basis)	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**
Tons mined (millions)	21.5	21.3	27.4	24.0	21.0
Tons milled (millions)	7.5	7.3	7.5	8.0	7.8
Strip ratio	1.7	2.4	2.3	2.5	2.4
Site operating cost per ton milled (CAD$)	$9.59	$9.41	$10.36	$9.89	$9.66
Copper concentrate					
Grade (%)	0.228	0.269	0.308	0.285	0.225
Recovery (%)	84.4	84.9	87.4	85.6	81.4
Production (million pounds Cu)	28.8	33.1	40.5	39.2	28.4
Sales (million pounds Cu)	30.5	33.7	40.5	41.8	25.4
Inventory (million pounds Cu)	1.9	3.4	3.9	3.8	6.2
Copper cathode					
Production (million pounds)	-	-	0.4	0.6	-
Sales (million pounds)	-	-	0.6	0.4	-
Molybdenum concentrate					
Production (thousand pounds Mo)	-	-	85	474	404
Sales (thousand pounds Mo)	-	-	233	391	379
Per unit data (US$ per pound produced)*					
Site operating costs*	$1.81	$1.55	$1.45	$1.63	$2.12
By-product credits*	(0.03)	(0.03)	(0.03)	(0.09)	(0.12)
Site operating, net of by-product credits*	$1.78	$1.52	$1.42	$1.54	$2.00
Off-property costs	0.33	0.33	0.34	0.43	0.39
Total operating costs (C1)*	$2.11	$1.85	$1.76	$1.97	$2.39

OPERATIONS ANALYSIS

During the first quarter of 2016, Gibraltar milled 7.5 million tons of ore averaging 82,200 tons per day or 97% of design capacity. Gibraltar mined 21.5 million tons during the quarter. The resulting strip ratio of 1.7 is on plan but slightly below the life of mine average.

Copper production in the first quarter of 2016 was 28.8 million pounds, lower than the fourth quarter of 2015 as a result of the expected decline in copper head grade which was partially offset by higher mill throughput. The benefit of the operation team's ongoing focus on copper recovery was realized with a recovery rate of 84.4% in the first quarter of 2016 being only slightly below fourth quarter of 2015, which had substantially higher head grade. The molybdenum circuit has remained idled since the third quarter of 2015 due to the low market price for molybdenum.

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

OPERATIONS ANALYSIS – CONTINUED

Site operating cost per ton milled* was CAD$9.59 in the first quarter of 2016 which is in line with the previous quarter. Cost control initiatives which were implemented during 2015, including mine plan modifications to reduce waste stripping requirements, workforce reductions and vendor initiatives have continued to benefit operating costs in 2016. In mid-March, the mine was able to begin backfilling a mined out section of the Granite Pit. The resulting highly productive short waste hauls allowed the idling of a portion of the truck fleet while maintaining mine waste production requirements. This benefit should last through the second quarter and into the third quarter when copper head grades are expected to return to deposit average levels.

Site operating costs* increased to US$1.78 per pound produced in the first quarter of 2016 from US$1.52 in the fourth quarter of 2015 primarily as a result of lower copper production.

New long-term contracts for ocean freight and treatment and refining costs contributed to reduced off-property costs of US$0.33 per pound produced, down significantly from US$0.39 per pound in the first quarter of 2015. This result would have been more favorable except that off-property costs are driven by sales volumes rather than production and sales volumes were greater than production volumes in the first quarter of 2016.

Total operating costs (C1) per pound* increased to US$2.11 from US$1.85 in the fourth quarter of 2015 as a result of lower copper production.

GIBRALTAR OUTLOOK

Average head grade in 2016 is expected to be lower than 2015 but have a similar profile, with lower grades being mined in the first half of the year and then increasing in the back half of 2016. Gibraltar's copper production for the year is expected to be in the range of 130 to 140 million pounds.

Overall, Gibraltar has achieved a stable level of operations reflecting the new mine plan published in 2015 and the Company is now focused on further improvements to operating practices to reduce unit costs. A major feature of the 2016 mine plan is the ability to short haul waste in the second and third quarters, which will improve haul truck productivities which improves the overall productivity of the mine. This has already been seen in the months of March and April as the reduced mining fleet has been able to surpass several historical production records set using the entire truck fleet.

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

On April 11, 2016, the Company announced that it had signed a five-year cost deferral agreement with BC Hydro for up to 75% of the power consumed at the Gibraltar mine. The cost deferral program, which is effective March 1, 2016, has the potential to defer Gibraltar's annual spending by up to $18 million and is another initiative to ensure access to sufficient working capital during this period of low copper prices.

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

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. In light of current market conditions, the Company has taken a prudent approach and minimized spending on development projects. Total expenditures on projects in the first quarter of 2016 consisted of $0.7 million at the Florence Copper project, $0.1 million on the Aley Project, and $0.3 million on New Prosperity.

New Prosperity Project

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.

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.

The Company is continuing to work 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 in connection with the Underground Injection Control permit. These are the final two remaining permits required for construction and operation of the PTF. On April 14, 2016, the ADEQ announced its intention to issue a significant amendment to the APP. The decision by the ADEQ to move the permit amendment forward into the 30-day public comment period marks an important milestone for the Company. This decision confirms the ADEQ has completed its substantive review and is satisfied with the conditions under which the PTF can operate once the final permit is issued. The timing of both these final permits is somewhat uncertain but the expectation is that they could be in hand in the first half of 2016.

Taseko will host a conference call on Friday, May 13, 2016 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. Alternatively, a live and archived webcast will also be available at tasekomines.com. The conference call will be archived for later playback until May 20, 2016 and can be accessed by dialing (855) 859-2056 in Canada and the United States, or (404) 537-3406 internationally and using the passcode 88532863.

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

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

Russell Hallbauer
President and CEO

No regulatory authority has approved or disapproved of the information in this news release.

*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 and silver during the period divided by the total pounds of copper produced during the period. These measures are calculated on a consistent basis for the periods presented.

	Three months ended March 31,	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2016**	**2015**
Cost of sales	71,997	63,044
Less depletion and amortization	(13,510)	(10,308)
Net change in inventory	(1,087)	7,061
Less: Transportation costs	(3,593)	(3,617)
Site operating costs	53,807	56,180
Less by-product credits:		
Molybdenum	-	(2,598)
Silver	(916)	(704)
Site operating costs, net of by-product credits	52,891	52,878
Total copper produced (thousand pounds)	21,615	21,273
Total costs per pound produced	2.45	2.49
Average exchange rate for the period (CAD/USD)	1.37	1.24
Site operating costs, net of by-product credits (US$ per pound)	**1.78**	**2.00**
Site operating costs, net of by-product credits	52,891	52,878
Add off-property costs:		
Treatment and refining costs	6,314	6,770
Transportation costs	3,593	3,617
Total operating costs	62,798	63,265
Total operating costs (C1) (US$ per pound)	**2.11**	**2.39**

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

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;
- Write-down of marketable securities;
- Unrealized foreign currency gains/losses; and
- Non-recurring transactions, including non-recurring 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 March 31,	
($ in thousands, except per share amounts)	**2016**	**2015**
Net loss	**(1,515)**	**(25,206)**
Unrealized loss on derivatives	701	1,751
Unrealized foreign exchange (gain) loss	(19,625)	21,469
Other non-recurring transactions*	3,430	-
Estimated tax effect of adjustments	(1,074)	(448)
Adjusted net loss	**(18,083)**	**(2,434)**
Adjusted EPS	**(0.08)**	**(0.01)**

* Other non-recurring expenses relates to costs of the proxy contest, special shareholder meeting, 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.

NON-GAAP PERFORMANCE MEASURES - CONTINUED

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

- Unrealized gains/losses on derivative instruments;
- Write-down of marketable securities;
- Unrealized foreign exchange gains/losses; and
- Non-recurring transactions.

While some of the adjustments are recurring, gains/losses on the sale of marketable securities 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 March 31,	
($ in thousands, except per share amounts)	**2016**	**2015**
Net income (loss)	**(1,515)**	**(25,206)**
Add:		
Depletion and amortization	13,597	10,334
Amortization of share-based compensation	1,641	206
Finance expense	6,835	6,362
Finance income	(256)	(657)
Income tax recovery	(9,300)	(3,035)
EBITDA	**11,002**	**(11,996)**
Adjustments:		
Unrealized loss on derivative instruments	701	1,751
Unrealized foreign exchange (gain) loss	(19,625)	21,469
Other non-recurring transactions*	3,430	-
Adjusted EBITDA	**(4,492)**	**11,224**

* Other non-recurring expenses relates to costs of the proxy contest, special shareholder meeting, 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 March 31,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**
Earnings (loss) from mining operations	**(13,814)**	**(7,979)**
Add:		
Depletion and amortization	13,510	10,308
Earnings (loss) from mining operations before depletion and amortization	**(304)**	**2,329**

Site operating costs per ton milled

	Three months ended March 31,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**
Site operating costs (included in cost of sales)	**53,807**	**56,180**
Tons milled (thousands) (75% basis)	5,608	5,813
Site operating costs per ton milled	**$9.59**	**$9.66**

*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.

TASEKO MINES LIMITED
Management's Discussion and Analysis

This management discussion and analysis ("MD&A") is intended to help the reader understand Taseko Mines Limited ("Taseko", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto, prepared in accordance with IAS 34 of IFRS for the three months ended March 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 May 11, 2016. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

Cautionary Statement on Forward-Looking Information

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

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OVERVIEW

Taseko Mines Limited ("Taseko" or "Company") is a mining company that seeks to create shareholder value by acquiring, developing, and operating large tonnage mineral deposits which, under conservative forward metal price assumptions, are 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 March 31,**		
(Cdn$ in thousands, except for per share amounts)	**2016**	**2015**	**Change**
Revenues	58,183	55,065	3,118
Earnings (loss) from mining operations before depletion and amortization*	(304)	2,329	(2,633)
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Adjusted net earnings (loss)*	(18,083)	(2,434)	(15,649)
Per share - basic ("adjusted EPS") *	(0.08)	(0.01)	(0.07)
EBITDA *	11,002	(11,996)	22,998
Adjusted EBITDA *	(4,492)	11,224	(15,716)
Cash flows used for operations	(4,106)	(3,328)	(778)

Operating Data (Gibraltar - 100% basis)	**Three months ended March 31,**		
	2016	**2015**	**Change**
Tons mined (millions)	21.5	21.0	0.5
Tons milled (millions)	7.5	7.8	(0.3)
Production (million pounds Cu)	28.8	28.4	0.4
Sales (million pounds Cu)	30.5	25.4	5.1

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

HIGHLIGHTS - CONTINUED

First Quarter Highlights

- Earnings from mining operations before depletion and amortization* was essentially break-even for the first quarter of 2016;
- Site operating costs, net of by-product credits* were US$1.78 per pound produced and total operating costs (C1)* were US$2.11 per pound produced;
- Site operating cost per ton milled* was CAD$9.59, slightly higher than the fourth quarter of 2015 result of CAD$9.41;
- Copper production at Gibraltar was 28.8 million pounds (100% basis);
- The Company signed an agreement with BC Hydro to defer payment of up to 75% of power costs at Gibraltar, effective from March 1, 2016;
- On January 29, 2016, the Company entered into a US$70 million Senior Secured Credit Facility with an affiliate of RK Mine Finance ("Red Kite"), one of the world's largest metal merchants. The facility consists of an initial tranche of US$33.2 million which has been used to refinance the existing secured loan with Red Kite, and the remaining US$36.8 million is available for general corporate purposes;
- The Company ended the first quarter with a cash balance of $66 million, and with access to additional liquidity under the Credit Facility of $47.8 million (US$36.8 million); and
- The Company acquired copper put options for a total of 15 million pounds with maturities spread evenly over the second quarter of 2016 at a strike price of US$2.15 per pound.

Subsequent Events

- On April 14, 2016, the Arizona Department of Environmental Quality announced its intention to issue a significant amendment to a Temporary Aquifer Protection Permit for the Florence Copper Project; and
- On April 18, 2016, the Company drew an additional US$20 million of the available Credit Facility.

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

REVIEW OF OPERATIONS

Gibraltar mine (75% Owned)

Operating Data (100% basis)	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**
Tons mined (millions)	21.5	21.3	27.4	24.0	21.0
Tons milled (millions)	7.5	7.3	7.5	8.0	7.8
Strip ratio	1.7	2.4	2.3	2.5	2.4
Site operating cost per ton milled (CAD$)	$9.59	$9.41	$10.36	$9.89	$9.66
Copper concentrate					
Grade (%)	0.228	0.269	0.308	0.285	0.225
Recovery (%)	84.4	84.9	87.4	85.6	81.4
Production (million pounds Cu)	28.8	33.1	40.5	39.2	28.4
Sales (million pounds Cu)	30.5	33.7	40.5	41.8	25.4
Inventory (million pounds Cu)	1.9	3.4	3.9	3.8	6.2
Copper cathode					
Production (million pounds)	-	-	0.4	0.6	-
Sales (million pounds)	-	-	0.6	0.4	-
Molybdenum concentrate					
Production (thousand pounds Mo)	-	-	85	474	404
Sales (thousand pounds Mo)	-	-	233	391	379
Per unit data (US$ per pound produced)*					
Site operating costs*	$1.81	$1.55	$1.45	$1.63	$2.12
By-product credits*	(0.03)	(0.03)	(0.03)	(0.09)	(0.12)
Site operating, net of by-product credits*	$1.78	$1.52	$1.42	$1.54	$2.00
Off-property costs	0.33	0.33	0.34	0.43	0.39
Total operating costs (C1)*	$2.11	$1.85	$1.76	$1.97	$2.39

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

OPERATIONS ANALYSIS

First quarter results

During the first quarter of 2016, Gibraltar milled 7.5 million tons of ore averaging 82,200 tons per day or 97% of design capacity. Gibraltar mined 21.5 million tons during the quarter. The resulting strip ratio of 1.7 is on plan but slightly below the life of mine average.

Copper production in the first quarter of 2016 was 28.8 million pounds, lower than the fourth quarter of 2015 as a result of the expected decline in copper head grade which was partially offset by higher mill throughput. The benefit of the operation team's ongoing focus on copper recovery was realized with a recovery rate of 84.4% in the first quarter of 2016 being only slightly below fourth quarter of 2015, which had substantially higher head grade. The molybdenum circuit has remained idled since the third quarter of 2015 due to the low market price for molybdenum.

Site operating cost per ton milled* was CAD$9.59 in the first quarter of 2016 which is in line with the previous quarter. Cost control initiatives which were implemented during 2015, including mine plan modifications to reduce waste stripping requirements, workforce reductions and vendor initiatives have continued to benefit operating costs in 2016. In mid-March, the mine was able to begin backfilling a mined out section of the Granite Pit. The resulting highly productive short waste hauls allowed the idling of a portion of the truck fleet while maintaining mine waste production requirements. This benefit should last through the second quarter and into the third quarter when copper head grades are expected to return to deposit average levels.

Site operating costs* increased to US$1.78 per pound produced in the first quarter of 2016 from US$1.52 in the fourth quarter of 2015 primarily as a result of lower copper production.

New long-term contracts for ocean freight and treatment and refining costs contributed to reduced off-property costs of US$0.33 per pound produced, down significantly from US$0.39 per pound in the first quarter of 2015. This result would have been more favorable except that off-property costs are driven by sales volumes rather than production and sales volumes were greater than production volumes in the first quarter of 2016.

Total operating costs (C1) per pound* increased to US$2.11 from US$1.85 in the fourth quarter of 2015 as a result of lower copper production.

GIBRALTAR OUTLOOK

Average head grade in 2016 is expected to be lower than 2015 but have a similar profile, with lower grades being mined in the first half of the year and then increasing in the back half of 2016. Gibraltar's copper production for the year is expected to be in the range of 130 to 140 million pounds.

Overall, Gibraltar has achieved a stable level of operations reflecting the new mine plan published in 2015 and the Company is now focused on further improvements to operating practices to reduce unit costs. A major feature of the 2016 mine plan is the ability to short haul waste in the second and third quarters, which will improve haul truck productivities which improves the overall productivity of the mine. This has already been seen in the months of March and April as the reduced mining fleet has been able to surpass several historical production records set using the entire truck fleet.

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

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

On April 11, 2016, the Company announced that it had signed a five-year cost deferral agreement with BC Hydro for up to 75% of the power consumed at the Gibraltar mine. The cost deferral program, which is effective March 1, 2016, has the potential to defer Gibraltar's annual spending by up to $18 million and is another initiative to ensure access to sufficient working capital during this period of low copper prices.

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. In light of current market conditions, the Company has taken a prudent approach and minimized spending on development projects. Total expenditures on projects in the first quarter of 2016 consisted of $0.7 million at the Florence Copper project, $0.1 million on the Aley Project, and $0.3 million on New Prosperity.

New Prosperity Project

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.

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.

The Company is continuing to work 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 in connection with the Underground Injection Control permit. These are the final two remaining permits required for construction and operation of the PTF. On April 14, 2016, the ADEQ announced its intention to issue a significant amendment to the APP. The decision by the ADEQ to move the permit amendment forward into the 30-day public comment period marks an important milestone for the Company. This decision confirms the ADEQ has completed its substantive review and is satisfied with the conditions under which the PTF can operate once the final permit is issued. The timing of both these final permits is somewhat uncertain but the expectation is that they could be in hand in the first half of 2016.

SHAREHOLDER MEETING

On January 13, 2016, the Company received a shareholder meeting requisition notice (the "Requisition") from Raging River Capital LP ("Raging River"), a newly created entity that had acquired Taseko shares and bonds in late December 2015 and early January 2016. The Requisition demanded the convening of a meeting of shareholders to vote on a special resolution to remove three incumbent Taseko directors and replace them with four Raging River nominees, while also increasing the number of Taseko directors to nine from eight. The special resolution would require approval by a 2/3 majority of votes represented. Alternatively, if the special resolution was not passed, Raging River would ask shareholders to pass an ordinary resolution (50%+1 of votes represented) to set the number of Taseko directors at 12 and elect four Raging River nominees.

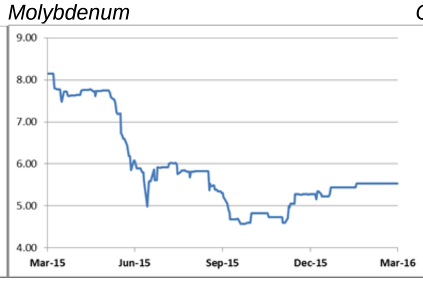
Taseko set a date for the Special Meeting of May 10, 2016. On March 31, 2016, Taseko filed a letter to shareholders and Management Information Circular for the Special Meeting. These materials are available at the SEDAR website (www.sedar.com) and describe the main reasons for shareholders to vote against all recommendations of the dissident shareholder and bondholder. Taseko has since confirmed cancellation of the Special Meeting after Raging River publicly withdrew its meeting requisition on May 6, 2016 citing inadequate shareholder support.

The Company has incurred total costs of approximately $4.5 million on legal and other advisory costs associated with the proxy contest and the shareholder meeting.

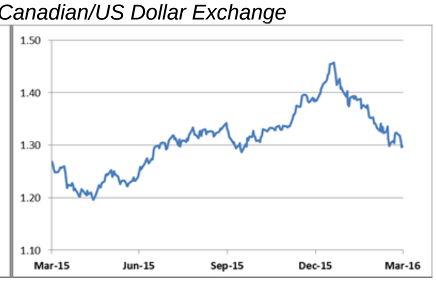
MARKET REVIEW

Copper

Molybdenum



Canadian/US Dollar Exchange



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

A key factor that impacted copper prices in 2015 and into 2016 was the economic slowdown in China. This slowdown has impacted the demand for commodities.

The average price of copper was US$2.12 per pound in the first quarter of 2016, which was approximately 5% lower than the prior quarter and about 20% lower than the first quarter of 2015. Approximately 80% of the Gibraltar Mine's costs are Canadian dollar denominated and therefore, fluctuations in the Canadian dollar/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

Earnings (loss) from mining operations was a loss of $13.8 million for the three months ended March 31, 2016 compared to a loss of $8.0 million for the same prior period in 2015, due primarily to the decline in copper prices.

The Company realized a net loss of $1.5 million ($0.01 loss per share) for the three months ended March 31, 2016, compared to a net loss of $25.2 million ($0.11 loss per share) for the same prior period in 2015. The net loss was lower than the prior year quarter due to an unrealized foreign exchange gain on the Company's US dollar denominated debt, which offset the increased loss from mining operations and other items.

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)	Three months ended March 31, 2016	2015	Change
Net earnings (loss)	(1,515)	(25,206)	23,691
Unrealized loss on derivatives	701	1,751	(1,050)
Unrealized foreign exchange (gain) loss	(19,625)	21,469	(41,094)
Other non-recurring expenses	3,430	-	3,430
Estimated tax effect of adjustments	(1,074)	(448)	(626)
Adjusted net earnings (loss) *	(18,083)	(2,434)	(15,649)

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

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

In the first quarter of 2016, the Canadian dollar strengthened in comparison to the prior year end resulting in an unrealized foreign exchange gain of $19.6 million primarily driven by the translation of the Company's US dollar denominated debt.

Other non-recurring expenses relates to other financing costs and the special shareholder meeting costs. The special shareholder meeting costs include legal and other advisory costs associated with the proxy contest and a special shareholder meeting that was requisitioned by a shareholder.

Revenues

(Cdn$ in thousands)	Three months ended March 31, 2016	2015	Change
Copper in concentrate	63,581	58,663	4,918
Copper cathode	-	(130)	130
Total copper revenue	63,581	58,533	5,048
Molybdenum concentrate	-	2,598	(2,598)
Silver contained in copper concentrate	916	704	212
Total gross revenue	64,497	61,835	2,662
Less: treatment and refining costs	(6,314)	(6,770)	456
Revenue	58,183	55,065	3,118

(thousands of pounds, unless otherwise noted)			
Copper in concentrate*	22,036	18,375	3,661
Total copper sales	22,036	18,375	3,661
Average realized copper price (US$ per pound)	2.10	2.57	(0.47)
Average LME copper price (US$ per pound)	2.12	2.63	(0.51)
Average exchange rate (US$/CAD)	1.37	1.24	0.13

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

Copper revenues for the first quarter of 2016 increased by $5.0 million, or 9%, over the first quarter of 2015, primarily due to the increase in copper sales and partially offset by lower average realized copper prices and no molybdenum sales. The Company's average realized copper price for the first quarter of 2016 of US$2.10 per pound was in line with the London Metals Exchange ("LME") copper price average of US$2.12 per pound.

As copper sales are denominated in US dollars, the 7% weakening of the Canadian dollar in the first quarter of 2016 partially offset the decrease in the US dollar realized price of copper. During the first quarter of 2016, revenues include $0.2 million of unfavorable adjustments to provisionally price copper concentrate.

There was no molybdenum revenue for the first quarter of 2016 due to the idling of the molybdenum circuit in the third quarter of 2015.

Cost of sales

	Three months ended March 31,		
(Cdn$ in thousands)	**2016**	**2015**	**Change**
Site operating costs	53,807	56,180	(2,373)
Transportation costs	3,593	3,617	(24)
Changes in inventories of finished goods and ore stockpile	1,087	(7,061)	8,148
Production costs	58,487	52,736	5,751
Depletion and amortization	13,510	10,308	3,202
Cost of sales	71,997	63,044	8,953
Site operating costs per ton milled*	$9.59	$9.66	$(0.07)

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

Site operating costs in the first quarter of 2016 were 4% lower than the first quarter of 2015 as a result of cost control initiatives which were implemented during 2015, including the mine plan modifications to reduced stripping requirements, workforce reductions and vendor initiatives.

Depletion and amortization in the first quarter of 2016 increased by 31% compared to the first quarter of 2015, primarily due the amortization of capitalized stripping costs and higher copper production which factors into the amortization charge being recognized in the period.

Other expenses (income)

(Cdn$ in thousands)	Three months ended March 31, 2016	2015	Change
General and administrative	3,821	4,573	(752)
Share-based compensation	1,608	170	1,438
Exploration and evaluation	659	264	395
Realized (gain) loss on copper derivative instruments	491	(13,536)	14,027
Unrealized loss on derivative instruments	701	1,751	(1,050)
Other operating expenses (income):			
Other expense (income)	2,937	(271)	3,208
	10,217	(7,049)	17,266

General and administrative costs have decreased for the first quarter of 2016 compared to the first quarter of 2015, primarily due to the Company's cost reduction initiatives.

Share-based compensation increased for the first quarter of 2016 compared to the first quarter of 2015, primarily due to the timing of grants of share-based compensation to directors, executives and employees. More information is set out in Note 14 of the March 31, 2016 unaudited condensed consolidated interim financial statements.

Exploration and evaluation costs for the first quarter of 2016 in the amount of $0.7 million primarily represent costs associated with the New Prosperity and Aley projects.

During the first quarter of 2016, the Company recognized a realized loss of $0.5 million from the copper put options that settled out-of-the-money. For the comparative first quarter of 2015, the Company recognized a realized gain of $13.5 million from the copper put options that settled in-the-money and from the sale of copper put options that were scheduled to mature between February and June 2015.

Other expense (income) have increased for the first quarter of 2016 compared to the same prior year period. The increase relates to other financing costs and special shareholder meeting costs, which include legal and other advisory costs associated with the proxy contest and a special shareholder meeting that was requisitioned by a shareholder.

Finance income and expenses

Finance expenses for the first quarter of 2016 increased by $0.5 million over the first quarter of 2015 due primarily to the stronger US dollar compared to the first quarter of 2015 and the related impact on the value of the US dollar denominated interest payments.

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

Income tax

(Cdn$ in thousands)	Three months ended March 31, 2016	2015	Change
Current income tax expense (recovery)	-	-	-
Deferred income tax expense (recovery)	(9,300)	(3,035)	(6,265)
	(9,300)	(3,035)	(6,265)
Effective tax rate	86.0%	10.7%	75.3
Canadian statutory rate	26.0%	26.0%	-
B.C. Mineral tax rate	9.62%	9.62%	-

The effective tax rate for the three months end March 31, 2016 was 86%, which is higher 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, and the partial reversal of the previously unrecognized tax benefits related to foreign exchange.

FINANCIAL CONDITION REVIEW

Balance sheet review

(Cdn$ in thousands)	As at March 31, 2016	As at December 31, 2015	Change
Cash and equivalents	65,909	76,021	(10,112)
Other current assets	57,756	57,039	717
Property, plant and equipment	785,792	794,758	(8,966)
Other non-current assets	67,815	62,376	5,439
Total assets	**977,272**	**990,194**	**(12,922)**
Current liabilities	63,628	95,451	(31,823)
Long-term debt	322,436	305,401	17,035
Other liabilities	227,344	219,002	8,342
Total liabilities	**613,408**	**619,854**	**(6,446)**
Equity	**363,864**	**370,340**	**(6,476)**
Working capital	60,037	37,609	22,428
Net debt	274,282	289,181	(14,899)
Total common shares outstanding (millions)	221.8	221.8	-

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. The current assets include cash, accounts receivable, other financial assets and inventories (supplies and production inventories), along with prepaid expenses and deposits. Production inventories, accounts receivable and cash balances fluctuate in relation to shipping and cash settlement schedules.

Total liabilities decreased from $619.9 million at December 31, 2015 to $613.4 million as at March 31, 2016. Current liabilities decreased by $31.8 million, mainly due to the repayment of the senior secured loan with RK

Mine Finance Trust on February 1, 2016, using the proceeds from the new secured credit facility. The long-term debt increased by $17.0 million, due to the proceeds on the new secured credit facility, partially offset by the unrealized foreign exchange gains related to the Company's US dollar denominated debt.

Other liabilities increased by $8.3 million mainly due to derivative liabilities associated with the new credit facility and the provision for environmental rehabilitation ("PER"), partially offset by a decrease in deferred tax liability.

The change in the fair value of the PER is driven by changes in inflation and discounts rates during the first quarter 2016. The Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates decreased to 2.0% at March 31, 2016 from the 2.15% level 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 and asset are very sensitive to changes in discount rates.

As at May 11, 2016, there were 221,817,638 common shares outstanding. In addition, there were 12,443,000 director and employee stock options and 4,000,000 warrants outstanding at May 11, 2016. More information on these instruments and the terms of their exercise is set out in Notes 12(b) and 14 of the March 31, 2016 unaudited condensed consolidated interim financial statements.

Liquidity, cash flow and capital resources

At March 31, 2016, the Company had cash and equivalents of $65.9 million, a $10.1 million decrease over the $76.0 million reported at December 31, 2015. The Company maintained a strategy of retaining significant liquidity to fund operations and to reflect the capital intensive nature of the business.

Cash flow used by operations was $4.1 million for the first quarter of 2016 compared to $3.3 million cash used for the first quarter of 2015.

Changes in non-cash working capital items resulted in cash provided of $3.4 million compared with $1.0 million used in the first quarter of 2015, due mainly to the changes in levels of accounts receivable, prepaids, inventory and accounts payable balances, and the income taxes. The non-cash working capital change includes $1.2 million relating to BC Hydro's five-year power rate deferral program for BC mines. This deferral program allows qualifying mines to defer up to 75% of their electricity costs over the two years of the program.

Cash provided by investing activities during the first quarter of 2016 was $0.1 million compared to $11.7 million provided in the first quarter of 2015. Cash flow provided by investing activities in the first quarter of 2016 was due to the proceeds from settlement of copper put options, partially offset by $0.2 million incurred on other capital expenditures for Gibraltar, $0.7 million for capitalized stripping costs, and $0.7 million and $0.1 million in developments costs for the Florence and Aley projects, respectively. In addition, the Company purchased copper put options in the amount of $0.9 million.

Cash used for financing activities during the first quarter of 2016 was $4.4 million, primarily due to debt repayment, interest charges and financing fees of $50.8 million, partially offset by $46.4 million in proceeds from a new secured credit facility in January 2016. The new secured credit facility is discussed below.

Future changes in copper and molybdenum market prices could impact the timing and amount of cash available for future investment in capital projects and/or other uses of capital. To partially mitigate these risks, copper put options are entered into for a portion of our share of Gibraltar copper production. In addition to operating cash flows generated by the Gibraltar mine, alternate sources of funding for future capital or other liquidity needs may include strategic partnerships and debt or equity financings. These alternatives are regularly evaluated to determine the optimal mix of capital resources to address capital needs and to minimize the weighted average cost of capital.

Debt financings

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. After April 15, 2015, the Notes are redeemable by the Company at a price equal to 103.875%, and the redemption price declines to 101.938% in April 2016 and 100% after 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 restricted payments.

As a result of the Curis acquisition in 2014, the Company assumed Curis's senior secured loan agreement with RK Mine Finance Trust I ("Red Kite"). Interest on the loan was capitalized quarterly at a rate of 11% per annum. The loan could be prepaid at any time without penalty, and was otherwise repayable at maturity on May 31, 2016. The loan had been guaranteed by the Company and was secured against the assets of Curis, including its interest in the Florence Copper project. The total loan balance, including accrued interest, in the amount of US$31.2 million was repaid on February 1, 2016.

On January 29, 2016, the Company entered into a US$70 million Senior Secured Credit Facility Agreement (the "Credit Facility") with 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 Company's existing secured loan with Red Kite, and the remaining is available to the Company for general corporate purposes. Amounts drawn under the Credit Facility will accrue interest at a rate of Libor plus 7.5% (subject to a minimum Libor of 1%), with principal and all accrued interest due at maturity on June 30, 2017. The Credit Facility includes an option to extend the maturity to March 29, 2019. The Credit Facility was subject to an up-front arrangement fee of 2.5% payable by Taseko but there are no standby or commitment fees on the undrawn portion of the facility. 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.

In connection with the Credit Facility, the Company has issued a call option to Red Kite for 7,500 mt of copper ("Copper Call Option"). The Copper Call Option strike price is US$2.04 per pound and payment will be made by Taseko in March of 2019 based on the average copper price during the month of March 2019 (subject to a maximum amount of US$15 million). The Company has also issued warrants that allow Red Kite to acquire 4 million common shares of the Company. The warrants have an exercise price of C$0.51 per common share and are exercisable at any time until May 9, 2019.

On April 18, 2016, the Company drew an additional US$20 million of the available Credit Facility.

As at March 31, 2016 and the date of this MD&A, the Company is in compliance with all loan covenants.

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.

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. The following table shows the commodity contracts that were outstanding as at the date of this document.

	Notional amount	Strike price	Term to maturity	Original cost
At May 11, 2016				
Copper put options	15 million lbs	US$2.15	Q2 2016	$0.9 million

During the first quarter of 2016, the Company spent $0.9 million to purchase Copper put options. The Company's hedging strategy is designed to mitigate short-term declines in copper price, as was seen in 2015 and into early 2016.

Commitments and contingencies

Commitments

At March 31, 2016, the Company's share of operating commitments totalled $15.6 million. There were no outstanding capital commitments at March 31, 2016.

In the fourth quarter of 2015, the Company signed a new long-term off-take agreement to sell 600,000 tons of Gibraltar copper concentrate (approximately 50% of expected production) through to the end of 2020.

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 March 31, 2016, this debt totaled $44.3 million on a 75% basis.

SUMMARY OF QUARTERLY RESULTS

	2016	2015				2014		
(Cdn$ in thousands, except per share amounts)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	58,183	61,412	80,067	92,754	55,065	58,270	87,362	100,020
Net earnings (loss)	(1,515)	(23,441)	(17,722)	4,017	(25,206)	(26,427)	(20,937)	2,628
Basic EPS	(0.01)	(0.10)	(0.08)	0.02	(0.11)	(0.13)	(0.11)	0.01
Adjusted net earnings (loss) *	(18,083)	(13,112)	(1,586)	1,601	(2,434)	(20,983)	(11,221)	(2,172)
Adjusted basic EPS *	(0.08)	(0.06)	(0.01)	0.01	(0.01)	(0.10)	(0.06)	(0.01)
EBITDA *	11,002	(9,162)	3,395	25,959	(11,996)	(13,397)	(7,148)	23,336
Adjusted EBITDA *	(4,492)	1,415	19,514	23,402	11,224	(8,355)	2,385	19,217

(US$ per pound, except where indicated)

Realized copper price *	2.10	2.01	2.26	2.66	2.57	2.82	3.07	3.16
Total operating costs *	2.11	1.85	1.76	1.97	2.39	2.77	2.75	2.12
Copper sales (million pounds)	22.9	25.0	30.4	30.6	19.1	19.6	26.0	28.4

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

Financial results for the last eight quarters reflect: 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 2015 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 receivables.

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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

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

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

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

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

There have been no changes in our internal controls over financial reporting and disclosure controls and procedures during the period ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

RELATED PARTY TRANSACTIONS

Key management personnel

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

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

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

Executive officers and directors also participate in the Company's share option program (refer to Note 14 of the unaudited condensed consolidated interim financial statements).

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

	Three months ended March 31,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**
Salaries and benefits	2,022	2,013
Post-employment benefits	399	338
Share-based compensation	1,150	-
	3,571	2,351

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. The terms and conditions of the transactions are similar to, or more favorable than, transactions conducted on an arm's length basis. During the first quarter of 2016, the Company incurred total costs of $0.4 million (2015 - $0.7 million) in transactions with HDSI. Of these, $0.2 million (2015 - $0.4 million) related to administrative, legal and tax services, $0.2 million related to reimbursements of office rent costs (2015 - $0.2 million), and $0.1 million (2015 - $0.2 million) related to director fees for two Taseko directors who are also principals of HDSI. In the first quarter of 2015, the Company also incurred costs of $0.5 million 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 and silver during the period divided by the total pounds of copper produced during the period. These measures are calculated on a consistent basis for the periods presented.

	Three months ended March 31,	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2016**	**2015**
Cost of sales	71,997	63,044
Less depletion and amortization	(13,510)	(10,308)
Net change in inventory	(1,087)	7,061
Less: Transportation costs	(3,593)	(3,617)
Site operating costs	53,807	56,180
Less by-product credits:		
Molybdenum	-	(2,598)
Silver	(916)	(704)
Site operating costs, net of by-product credits	52,891	52,878
Total copper produced (thousand pounds)	21,615	21,273
Total costs per pound produced	2.45	2.49
Average exchange rate for the period (CAD/USD)	1.37	1.24
Site operating costs, net of by-product credits (US$ per pound)	**1.78**	**2.00**
Site operating costs, net of by-product credits	52,891	52,878
Add off-property costs:		
Treatment and refining costs	6,314	6,770
Transportation costs	3,593	3,617
Total operating costs	62,798	63,265
Total operating costs (C1) (US$ per pound)	**2.11**	**2.39**

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;
- Write-down of marketable securities;
- Unrealized foreign currency gains/losses; and
- Non-recurring transactions, including non-recurring 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 March 31,	
($ in thousands, except per share amounts)	**2016**	**2015**
Net loss	**(1,515)**	**(25,206)**
Unrealized loss on derivatives	701	1,751
Unrealized foreign exchange (gain) loss	(19,625)	21,469
Other non-recurring expenses*	3,430	-
Estimated tax effect of adjustments	(1,074)	(448)
Adjusted net loss	**(18,083)**	**(2,434)**
Adjusted EPS	**(0.08)**	**(0.01)**

* Other non-recurring expenses relates to costs of the proxy contest, special shareholder meeting, 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;
- Write-down of marketable securities;
- Unrealized foreign exchange gains/losses; and
- Non-recurring transactions.

While some of the adjustments are recurring, gains/losses on the sale of marketable securities 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 March 31,	
($ in thousands, except per share amounts)	**2016**	**2015**
Net income (loss)	**(1,515)**	**(25,206)**
Add:		
Depletion and amortization	13,597	10,334
Amortization of share-based compensation	1,641	206
Finance expense	6,835	6,362
Finance income	(256)	(657)
Income tax recovery	(9,300)	(3,035)
EBITDA	**11,002**	**(11,996)**
Adjustments:		
Unrealized loss on derivative instruments	701	1,751
Unrealized foreign exchange (gain) loss	(19,625)	21,469
Other non-recurring expenses*	3,430	-
Adjusted EBITDA	**(4,492)**	**11,224**

* Other non-recurring expenses relates to costs of the proxy contest, special shareholder meeting, 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 March 31,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**
Earnings (loss) from mining operations	**(13,814)**	**(7,979)**
Add:		
Depletion and amortization	13,510	10,308
Earnings (loss) from mining operations before depletion and amortization	**(304)**	**2,329**

Site operating costs per ton milled

	Three months ended March 31,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**
Site operating costs (included in cost of sales)	**53,807**	**56,180**
Tons milled (thousands) (75% basis)	5,608	5,813
Site operating costs per ton milled	**$9.59**	**$9.66**

Condensed consolidated interim financial statements

March 31, 2016

(Unaudited)

TASEKO MINES LIMITED

Condensed Consolidated Statements of Comprehensive Income (Loss)

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

(Unaudited)

	Note	Three months ended March 31, 2016	2015
Revenues	3	58,183	55,065
Cost of sales	4		
Production costs		(58,487)	(52,736)
Depletion and amortization		(13,510)	(10,308)
Earnings (loss) from mining operations		(13,814)	(7,979)
General and administrative		(3,821)	(4,573)
Share-based compensation	14b	(1,608)	(170)
Exploration and evaluation		(659)	(264)
Gain (loss) on derivatives	5	(1,192)	11,785
Other income (expenses)	7	(2,937)	271
Income (loss) before financing costs and income taxes		(24,031)	(930)
Finance expenses	6	(6,835)	(6,362)
Finance income		256	657
Foreign exchange gain (loss)		19,795	(21,606)
Income (loss) before income taxes		(10,815)	(28,241)
Income tax recovery	8	9,300	3,035
Net income (loss) for the period		**(1,515)**	**(25,206)**
Other comprehensive income (loss), net of tax			
Unrealized gain (loss) on available-for-sale financial assets		580	222
Foreign currency translation reserve		(7,287)	5,078
Total other comprehensive income (loss) for the period		**(6,707)**	**5,300**
Total comprehensive income (loss) for the period		**(8,222)**	**(19,906)**
Earnings (loss) per share			
Basic		(0.01)	(0.11)
Diluted		(0.01)	(0.11)
Weighted average shares outstanding (thousands)			
Basic		221,818	221,809
Diluted		221,818	221,809

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

TASEKO MINES LIMITED

Condensed Consolidated Statements of Cash Flows

(Cdn$ in thousands)

(Unaudited)

	Note	Three months ended March 31, 2016	2015
Operating activities			
Net income (loss) for the period		(1,515)	(25,206)
Adjustments for:			
Depletion and amortization		13,597	10,334
Income tax recovery	8	(9,300)	(3,035)
Share-based compensation expense	14b	1,641	206
(Gain)/loss on derivatives	5	1,192	(11,785)
Finance expenses (income)		6,579	5,704
Unrealized foreign exchange loss (gain)		(19,625)	21,469
Deferred electricity payments	13	1,154	-
Other operating activities		(32)	(4)
Net change in non-cash working capital	16	2,203	(1,011)
Cash used for operating activities		(4,106)	(3,328)
Investing activities			
Purchase of property, plant and equipment	11	(1,595)	(5,870)
Purchase of copper put options	5	(928)	-
Proceeds from the sale/settlement of derivatives		2,258	17,362
Other investing activities		360	178
Cash provided by investing activities		95	11,670
Financing activities			
Repayment of Curis secured loan	12a	(43,767)	-
Repayment of capital leases and equipment loans		(3,246)	(4,368)
Interest paid		(652)	(654)
Proceeds from senior secured credit facility	12b	46,444	-
Financing costs	12	(3,169)	-
Common shares issued on exercise of stock options		3	-
Cash used for financing activities		(4,387)	(5,022)
Effect of exchange rate changes on cash and equivalents		(1,714)	1,641
Increase (decrease) in cash and equivalents		(10,112)	4,961
Cash and equivalents, beginning of period		76,021	53,299
Cash and equivalents, end of period		65,909	58,260

Supplementary cash flow disclosures (Note 16)

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

TASEKO MINES LIMITED

Condensed Consolidated Balance Sheets

(Cdn$ in thousands)

(Unaudited)

	Note	March 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and equivalents		65,909	76,021
Accounts receivable		13,097	13,199
Other financial assets	9	1,721	1,602
Inventories	10	42,113	40,621
Prepaids		825	1,617
		123,665	133,060
Other financial assets	9	40,811	40,685
Property, plant and equipment	11	785,792	794,758
Deferred financing costs	12	5,664	–
Other asset		15,985	15,985
Goodwill		5,355	5,706
		977,272	**990,194**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		36,359	30,143
Current income tax payable		288	1,038
Current portion of long-term debt	12	17,755	59,801
Interest payable		9,226	4,469
		63,628	95,451
Long-term debt	12	322,436	305,401
Provision for environmental rehabilitation ("PER")		133,665	124,445
Deferred tax liabilities		84,069	94,113
Other financial liabilities	13	9,610	444
		613,408	619,854
EQUITY			
Share capital	14	417,949	417,944
Contributed surplus		44,299	42,558
Accumulated other comprehensive income ("AOCI")		8,875	15,582
Retained earnings (deficit)		(107,259)	(105,744)
		363,864	370,340
		977,272	**990,194**
Commitments and contingencies	15		
Subsequent event	19		

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

TASEKO MINES LIMITED

Condensed Consolidated Statements of Changes in Equity

(Cdn$ in thousands)

(Unaudited)

	Share capital	Contributed surplus	AOCI	Retained earnings (deficit)	Total
Balance at January 1, 2015	417,944	40,890	6,833	(43,392)	422,275
Share-based compensation	-	239	-	-	239
Total comprehensive income (loss) for the period	-	-	5,300	(25,206)	(19,906)
Balance at March 31, 2015	**417,944**	**41,129**	**12,133**	**(68,598)**	**402,608**
Balance at January 1, 2016	417,944	42,558	15,582	(105,744)	370,340
Issuance of warrants (Note 12b)		830	-	-	830
Exercise of options	5	(1)	-	-	4
Share-based compensation	-	912	-	-	912
Total comprehensive income (loss) for the period	-	-	(6,707)	(1,515)	(8,222)
Balance at March 31, 2016	**417,949**	**44,299**	**8,875**	**(107,259)**	**363,864**

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

1. REPORTING ENTITY

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. These condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2015 prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These condensed consolidated interim financial statements were authorized for issue by the Audit and Risk Committee of the Board on May 11, 2016.

(b) Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the condensed financial statements as at end for the year ended December 31, 2015.

(c) Changes in accounting policies and disclosures

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.

(Cdn$ in thousands - unaudited)

(d) New accounting standards

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective at March 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. REVENUE

	Three months ended March 31,	
	2016	**2015**
Copper concentrate	63,581	58,663
Copper cathode	-	(130)
Total copper sales	63,581	58,533
Molybdenum concentrate	-	2,598
Silver contained in copper concentrate	916	704
Total gross revenue	64,497	61,835
Less: Treatment and refining costs	(6,314)	(6,770)
Revenue	58,183	55,065

(Cdn$ in thousands - unaudited)

4. COST OF SALES

	Three months ended March 31, 2016	2015
Site operating costs	53,807	56,180
Transportation costs	3,593	3,617
Changes in inventories of finished goods and ore stockpiles	1,087	(7,061)
Production costs	58,487	52,736
Depletion and amortization	13,510	10,308
Cost of sales	71,997	63,044

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

5. DERIVATIVE INSTRUMENTS

During the first quarter of 2016, the Company purchased copper put option contracts for 15 million pounds of copper for the second quarter of 2016 at a strike price of US$2.15 per pound, at a total cost of $928. The fair value of the outstanding options at March 31, 2016 is $765.

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

	Three months ended March 31, 2016	2015
Realized gain (loss) on copper put options	(491)	13,536
Unrealized gain (loss) on copper put options	(163)	(1,751)
Change in fair value of derivative liabilities (Note12b)	(538)	-
	(1,192)	11,785

6. FINANCE EXPENSES

	Three months ended March 31, 2016	2015
Interest expense	6,180	5,705
Accretion on PER	655	657
	6,835	6,362

(Cdn$ in thousands - unaudited)

7. OTHER EXPENSES/(INCOME)

	Three months ended March 31, 2016	2015
Special shareholder meeting costs	2,814	-
Other financing costs	616	-
Management fee income	(234)	(281)
Other operating income	(227)	10
Gain on sale of property, plant & equipment	(32)	-
	2,937	(271)

Special shareholder meeting costs include legal and other advisory costs associated with the proxy contest and a shareholder meeting that was requisitioned by a shareholder.

8. INCOME TAX

	Three months ended March 31, 2016	2015
Current expense (recovery)	-	-
Deferred expense (recovery)	(9,300)	(3,035)
	(9,300)	(3,035)

9. OTHER FINANCIAL ASSETS

	March 31, 2016	December 31, 2015
Current:		
Copper put option contracts (Note 5)	765	671
Marketable securities – available for sale	956	931
	1,721	1,602
Long-term:		
Subscription receipts – available for sale	10,333	10,333
Reclamation deposits – available for sale	30,478	30,352
	40,811	40,685

10. INVENTORIES

	March 31, 2016	December 31, 2015
Ore stockpiles	9,509	7,678
Copper concentrate	3,112	6,030
Materials and supplies	29,492	26,913
	42,113	40,621

(Cdn$ in thousands - unaudited)

During the three month period ended March 31, 2016, a write-down of $1,225 (December 31, 2015 - $6,648) was recorded through cost of sales in order to value ore stockpile inventory at net realizable value.

11. PROPERTY, PLANT & EQUIPMENT

During the three month period ended March 31, 2016, the Company capitalized stripping costs of $679 and incurred $224 of other capital expenditures at Gibraltar. In addition, the Company capitalized development costs of $703 for the Florence Copper Project and $95 for the Aley Niobium Project.

The Company also capitalized interest of $1,270 during the three month period ended March 31, 2016, related to the Florence Copper Project. The rehabilitation cost asset increased by $8,649 for the three month period ended March 31, 2016, as a result of changes in estimates during the period including market driven discount rate changes. The Company incurred depletion and amortization in mining operations of $13,510 for the three month period ended March 31, 2016.

12. DEBT

	March 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Current:				
Curis secured loan (Note a)	-	-	42,877	42,877
Capital leases	8,870	9,416	7,648	8,181
Secured equipment loans	8,885	8,838	9,276	8,236
	17,755	18,254	59,801	59,294
Long-term:				
Senior notes	257,015	128,472	273,876	139,507
Senior secured credit facility (Note b)	38,849	38,633	-	-
Capital leases	17,709	18,798	19,941	21,329
Secured equipment loans	8,863	8,863	11,584	12,561
	322,436	194,766	305,401	173,397

(a) Curis secured loan

As a result of the acquisition of Curis Resources Ltd. ("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 the Company's newly arranged senior secured credit facility (Note 12b).

(b) Senior Secured Credit Facility

On January 29, 2016, the Company entered into a US$70,000 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%. 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 June 30, 2017. The Facility includes an option to extend the maturity to March 29, 2019, subject to payment of an extension fee equal to 1.25% of the outstanding balance. The Facility is repayable at any time without penalty and does not impose any off-take obligations on the Company.

(Cdn$ in thousands - unaudited)

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 of $US 20 million. As at March 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 12(a)) and to pay the arrangement fee and other transaction costs.

In connection with the Facility, the Company has issued a call option for 7,500 MT of copper with a strike price of US$ 2.04/lb. The call option matures in 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 $15,000. The initial fair value of the copper call option was estimated to be $6,081 and was revalued at $6,659 as at March 31, 2016 (Note 5). In addition, an embedded derivative liability has been recognized in relation to the interest rate floor (minimum LIBOR of 1%). The initial fair value of this embedded derivative was estimated to be $665 and was revalued at $624 as at March 31, 2016 (Note 5).

The Company has also issued share purchase warrants to acquire 4,000,000 common shares of the Company at any time until May 9, 2019 at an exercise price of $0.51/share. The total fair value of the warrants was estimated to be $830 at the date of grant.

As at March 31, 2016 the Company had incurred total deferred debt financing costs of $10,745, which includes the initial fair value of the copper call option, warrants and embedded derivative, the arrangement fee and other transaction costs. These costs are initially deferred and subsequently reclassified to the loan on a pro-rata basis as loan amounts are drawn down, and then amortized over the life of the loan using the effective interest rate method.

	Carrying Value March 31, 2016
Outstanding principal (US $33,160)	43,065
Accrued interest	634
Loan obligation	43,699
Deferred financing costs, net of amortization	(4,850)
Senior secured credit facility	38,849

Subsequent to March 31, 2016, the Company drew an additional US $20,000 of the available Loan Facility.

(Cdn$ in thousands - unaudited)

13. OTHER FINANCIAL LIABILITIES

	March 31, 2016	**December 31, 2015**
Long-term:		
Fair value of copper call option liability (Note 12b)	6,659	-
Derivative liability – interest rate floor (Note 12b)	624	-
Amounts payable to BC Hydro	1,154	-
Deferred share units (Note 14b)	1,173	444
	9,610	444

In the first quarter of 2016, the Company has deferred electricity payments of $1,154 under BC Hydro's five-year power rate deferral program for BC mines. Under the program, effective March 1, 2016 the Gibraltar mine will be 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 if the average copper price exceeds a threshold amount or at the end of the five year term. Accordingly, the deferred amounts have been classified as a long-term financial liability.

14. EQUITY

(a) Share capital

(thousands of shares)	Common shares
Common shares outstanding at January 1, 2016	221,809
Exercise of share options	9
Common shares outstanding at March 31, 2016	221,818

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

(b) Share-Based Compensation

(thousands of options)	Options	Average price
Outstanding at January 1, 2016	11,557	2.55
Granted	2,601	0.38
Exercised	(9)	0.38
Forfeited	(36)	0.68
Expired	(1,670)	5.13
Outstanding at March 31, 2016	12,443	1.76

During the three month period ended March 31, 2016, the Company granted 2,601,000 share options to directors, executives and employees. The fair value of options granted was $442 (2015 –$Nil) and had a weighted average grant-date fair value of C$0.17 (2015 – $Nil) per option.

Assumptions used in calculating fair value of options granted during the period were as follows:

(Cdn$ in thousands - unaudited)

	Three months ended March 31, 2016
Weighted Average Forfeiture Rate (%)	0%
Weighted Average Market Price	0.38
Weighted Average Volatility (%)	52%
Weighted Average Risk Free Interest Rate (%)	0.57%
Weighted Average Dividend Yield (%)	0%
Weighted Average Expected Life (years)	4.49

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

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

	DSUs	PSUs
Outstanding at January 1, 2016	915,371	461,500
Granted	714,000	1,107,059
Outstanding at March 31, 2016	1,629,371	1,568,559

Grants of PSUs in the first quarter of 2016 include 645,559 PSU's issued to executives in lieu of annual incentive plan payments for 2015. These PSU's will vest in September 2017 and entitle the holder to a cash or equity payment at that time. All other outstanding PSU awards entitle the holder to a cash or equity payment at the end of a three-year performance period based on the Company's total shareholder return relative to a peer group of companies. During the three month period ended March 31, 2016 the fair value of DSUs and PSUs granted was $750 (2015 – $Nil), with a weighted average fair value at the grant date of $0.38 per unit for the DSUs (2015 – $Nil) and $0.74 per unit for the PSUs (2015 – $Nil).

A total share based compensation expense of $1,641 has been recognized for the three month period ended March 31, 2016 (2015:$206).

15. COMMITMENTS AND CONTINGENCIES

(a) Commitments

At March 31, 2016, the Company's share of operating commitments totalled $15,632. There were no outstanding capital commitments at March 31, 2016.

(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 March 31, 2016, this debt totaled $44,327 on a 75% basis.

(Cdn$ in thousands - unaudited)

16. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended March 31, 2016	2015
Change in non-cash working capital items		
Accounts receivable	(1,976)	(5,715)
Inventories	(1,492)	(8,579)
Prepaids	797	399
Accounts payable and accrued liabilities	6,192	(5,640)
Interest payable	(568)	443
Income tax (paid) received	(750)	18,081
	2,203	(1,011)
Non-cash investing and financing activities		
Copper call option (Note 12b)	6,081	-
Share purchase warrants (Note 12b)	830	-
Interest rate floor (Note 12b)	665	-
	7,576	-

17. RELATED PARTIES

Related party transactions

	Transaction value for the three months ended March 31, 2016	2015	Due (to) from related parties as at March 31, 2016	2015
Hunter Dickinson Services Inc.:				
General and administrative expenses	394	1,131		
Exploration and evaluation expenses	7	101		
	401	1,232	(64)	(593)
Gibraltar joint venture:				
Management fee income	300	281		
Reimbursable compensation expenses and third party costs	23	29		
	323	310	111	574

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. During the first quarter of 2016, the Company incurred total costs of $401 (Q1 2015: $696) in transactions with HDSI. Of these, $181 (Q1 2015: $367) related to administrative, legal and tax services, $150 related to reimbursements of office rent costs (Q1 2015: $147), and $70 (Q1 2015: $182) related to director fees for two Taseko directors who are also principals of HDSI. In the first quarter of 2015, the Company also incurred costs of $536 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

(Cdn$ in thousands - unaudited)

Company pays certain expenses on behalf of the Gibraltar Joint Venture and invoices the Joint Venture for these expenses.

18. FAIR VALUE MEASUREMENTS

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

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

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

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

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

	Level 1	**Level 2**	**Level 3**	**Total**
March 31, 2016				
Financial assets designated as FVTPL				
Copper put option contracts	-	765	-	765
Available-for-sale financial assets				
Marketable Securities	956	-	-	956
Subscription receipts	-	-	10,333	10,333
Reclamation deposits	30,478	-	-	30,478
	31,434	765	10,333	42,532
Financial liabilities				
Copper call option (Note 12b)	-	6,659	-	6,659
Interest rate floor (Note 12b)	-	624	-	624
	-	7,283	-	7,283
December 31, 2015				
Financial assets designated as FVTPL				
Copper put option contracts	-	671	-	671
Available-for-sale financial assets				
Marketable Securities	931	-	-	931
Subscription receipts	-	-	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 carrying value of cash and equivalents, accounts receivable and payable approximate their fair value as at March 31, 2016.

The fair value of the senior notes, a Level 1 instrument, is determined based upon publicly available information. The fair value of the capital leases and secured equipment loans, level 2 instruments, are determined through discounting future cash flows at an interest rate of 5.49% based on the relevant loans effective interest rate. The fair value of the senior secured credit facility, a level 2 instrument, is determined through discounting future cash flows at an interest rate of 12.63% based on the effective interest rate.

(Cdn$ in thousands - unaudited)

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

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

The subscription receipts, a level 3 instrument, are valued based on a third party transaction in the last twelve months.

Commodity Price Risk

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

	As at March 31, 2016
Copper increase/decrease by US$0.21/lb.[1, 2]	3,452

[1]The analysis is based on the assumption that the period-end copper price increases 10% with all other variables held constant. The closing exchange rate for the quarter ended March 31, 2016 of CAD/USD 1.2987 was used in the analysis.

[2]At March 31, 2016, 12.5 million pounds of copper in concentrate were exposed to copper price movements.

19. SUBSEQUENT EVENTS

Subsequent to March 31, 2016, the Company drew an additional US $20,000 of the available Loan Facility (Note 12b).