Taseko Mines Limited
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TASEKO REPORTS IMPROVING OPERATING AND FINANCIAL RESULTS

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

October 27, 2016, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE MKT: TGB) ("Taseko" or the "Company") reports the results for the three months ended September 30, 2016.

Third Quarter 2016 Highlights

- Adjusted EBITDA* increased by $16.9 million to $9.3 million in the third quarter and earnings from mining operations before depletion and amortization* increased by $14.7 million to $11.6 million, as compared to the second quarter of 2016;
- Taseko had a net loss of $15.6 million or $0.07 per share, as compared to a net loss of $19.4 million or $0.09 per share in the second quarter of 2016;
- Site operating costs, net of by-product credits* were US$1.58 per pound produced and total operating costs (C1)* were US$1.89 per pound produced, both a significant improvement over the previous quarter's costs of US$1.74 and US$2.07, respectively;
- Site operating cost per ton milled* was CAD$9.47, an improvement over the second quarter of 2016 result of CAD$9.67;
- Copper production at Gibraltar was 33.1 million pounds (100% basis), which is an 8% increase over the second quarter of 2016;
- In September, Gibraltar's molybdenum circuit was restarted and the facility produced 185,000 pounds of molybdenum for the month; and
- During the quarter, the Company has acquired copper put options for a total of 20 million pounds with maturities between October 2016 and January 2017 at a strike price of US$2.10 per pound.

Russell Hallbauer, President and CEO of Taseko commented, "Copper production in the quarter increased by 8% over the previous quarter as a result of improved throughput, recoveries and copper grade. Gibraltar operated well in the quarter and, due to high productivities with the mining fleet, we began accessing higher grade ore earlier than originally anticipated. As per our previous guidance, we are now into a long stretch of above average copper grades which will benefit Gibraltar's cost structure and operating margins. With the higher head grades, which we started accessing in September and are expected to last well into 2017, copper production and cash flows are anticipated to improve significantly over the next year. Recoveries for the quarter also increased, a result of higher grade ore as well as a continued focus on the grinding and flotation circuits. We expect further recovery improvements over the coming quarters."

*Non-GAAP performance measure. Refer to end of news release.

Mr. Hallbauer continued, “Also contributing to Gibraltar’s operating margin is the restart of the molybdenum facility, which was idled in mid-2015 due to low molybdenum pricing. Prior to the restart, a number of modifications were made to the molybdenum plant as well as to operating procedures, which are paying dividends already. Even though the facility was just re-commissioned eight weeks ago, it is operating extremely well. In October, molybdenum recoveries have averaged above 50% and the facility has produced 190,000 pounds month-to-date. Additionally, often overlooked is Gibraltar’s silver production, which at roughly 250,000 ounces annually is an important component of our overall metal stream. Silver production, along with our improving molybdenum production, provides a significant by-product credit.”

“We also have a number of exploration and development initiatives underway. At Gibraltar, we just commenced a 6-hole drill program to better define the copper-gold-silver zone discovery that we recently announced. We do not believe drilling to-date has uncovered the high-grade core of the deposit, so we are excited to complete the next round of drilling. Also, we recently filed a Notice of Work (NOW) at New Prosperity. The main activities to be performed under the NOW are geotechnical drilling, test pitting and mechanical trenching designed to gather information and data which will be used for advancing mine permitting under the British Columbia Mines Act. This work is expected to commence in 2017. Finally, during the third quarter we received the Aquifer Protection Permit for the Phase 1 test facility at our Florence Copper Project. One remaining permit, the Underground Injection Control Permit from EPA, is required to move forward with the test facility. In addition to permitting work at Florence, the technical team has also been making significant progress optimizing the extraction process as well as metallurgical testing. We believe the new data will not only validate the data in the prefeasibility study completed in April 2013, but also improve the economics of the project. I look forward to announcing these results in the coming months,” added Mr. Hallbauer.

HIGHLIGHTS

Financial Data (Cdn$ in thousands, except for per share amounts)	**Three months ended September 30,**			**Nine months ended September 30,**		
	2016	**2015**	**Change**	**2016**	**2015**	**Change**
Revenues	55,964	80,067	(24,103)	169,237	227,886	(58,649)
Earnings from mining operations before depletion and amortization*	11,566	20,083	(8,517)	8,098	48,679	(40,581)
Earnings (loss) from mining operations	(4,501)	5,963	(10,464)	(35,617)	11,994	(47,611)
Net loss	(15,610)	(17,722)	2,112	(36,509)	(38,911)	2,402
Per share - basic ("EPS")	(0.07)	(0.08)	0.01	(0.16)	(0.18)	0.02
Adjusted net loss*	(10,423)	(1,586)	(8,837)	(48,264)	(2,419)	(45,845)
Per share - basic ("adjusted EPS")*	(0.05)	(0.01)	(0.04)	(0.22)	(0.01)	(0.21)
EBITDA*	4,064	3,395	669	7,208	17,358	(10,150)
Adjusted EBITDA*	9,285	19,514	(10,229)	(2,849)	54,140	(56,989)
Cash flows provided by (used for) operations	(7,493)	19,629	(27,122)	(15,810)	49,836	(65,646)

Operating Data (Gibraltar - 100% basis)	**Three months ended September 30,**			**Nine months ended September 30,**		
	2016	**2015**	**Change**	**2016**	**2015**	**Change**
Tons mined (millions)	21.5	27.4	(5.9)	69.2	72.4	(3.2)
Tons milled (millions)	7.4	7.5	(0.1)	22.1	23.3	(1.2)
Production (million pounds Cu)	33.1	40.9	(7.8)	92.6	109.1	(16.5)
Sales (million pounds Cu)	29.8	40.5	(10.7)	90.6	107.8	(17.2)

*Non-GAAP performance measure. Refer to end of news release..

REVIEW OF OPERATIONS

Gibraltar mine (75% Owned)

Operating Data (100% basis)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Tons mined (millions)	21.5	26.2	21.5	21.3	27.4
Tons milled (millions)	7.4	7.2	7.5	7.3	7.5
Strip ratio	1.0	2.4	1.7	2.4	2.3
Site operating cost per ton milled (CAD$)	$9.47	$9.67	$9.59	$9.41	$10.36
Copper concentrate					
Grade (%)	0.259	0.252	0.228	0.269	0.308
Recovery (%)	85.9	84.1	84.4	84.9	87.4
Production (million pounds Cu)	33.1	30.6	28.8	33.1	40.5
Sales (million pounds Cu)	29.8	30.3	30.5	33.7	40.5
Inventory (million pounds Cu)	5.4	2.1	1.9	3.4	3.9
Silver (in copper concentrate)					
Production (thousand ozs Ag)	67	62	58	65	92
Sales (thousand ozs Ag)	54	59	57	63	90
Copper cathode					
Production (million pounds)	-	-	-	-	0.4
Sales (million pounds)	-	-	-	-	0.6
Molybdenum concentrate					
Production (thousand pounds Mo)	185	-	-	-	85
Sales (thousand pounds Mo)	103	-	-	-	233
Per unit data (US$ per pound produced)*					
Site operating costs*	$1.64	$1.77	$1.81	$1.55	$1.45
By-product credits*	(0.06)	(0.03)	(0.03)	(0.03)	(0.03)
Site operating, net of by-product credits*	$1.58	$1.74	$1.78	$1.52	$1.42
Off-property costs	0.31	0.33	0.33	0.33	0.34
Total operating costs (C1)*	$1.89	$2.07	$2.11	$1.85	$1.76

*Non-GAAP performance measure. Refer to end of news release.

OPERATIONS ANALYSIS

Third quarter results

During the third quarter of 2016, Gibraltar milled 7.4 million tons of ore. A total of 21.5 million tons were mined during the quarter, and 3.3 million tons of ore was added to stockpile which resulted in a strip ratio of 1.0 for the period. Backfilling of a mined out section of the Granite Pit commenced in mid-March and resulted in highly productive short waste hauls through to the middle of the third quarter. Earlier in the year, a decision was made to take advantage of the higher productivities and mine additional waste tons instead of idling equipment. The additional waste stripping provided access to higher grade ore earlier than originally planned, and copper head grade for the month of September was 0.28%.

Copper recovery increased in the third quarter to 85.9% as a result of improved operating practices and higher head grade. Copper recovery continues to be an area of focus for management.

Site operating cost per ton milled* was CAD$9.47 in the third quarter of 2016 which is in line with the previous three quarters. Cost control initiatives 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.

Site operating costs per pound produced* decreased to US$1.58 in the third quarter of 2016 from US$1.74 in the second quarter of 2016 primarily as a result of increased copper production.

Long-term contracts for ocean freight and treatment and refining costs contributed to reduced off-property costs of US$0.31 per pound produced, down from US$0.34 per pound in the third quarter of 2015. The Company's off-property costs are driven by sales volumes rather than production and sales volumes were lower than production volumes in the third quarter of 2016.

Total operating costs (C1) per pound* decreased to US$1.89 from US$2.07 in the second quarter of 2016 as a result of increased copper production.

GIBRALTAR OUTLOOK

Gibraltar's copper production for the year is expected to be in the range of 130 to 140 million pounds. Average head grade is expected to be approximately 0.30% for the fourth quarter, and the higher head grade is expected to continue into 2017.

Overall, Gibraltar has achieved a stable level of operations consistent with the updated reserve model published in 2015 and the Company continues to focus on further improvements to operating practices to reduce unit costs. Total operating costs per pound produced (C1)* are also expected to decline as copper head grade and copper production increases. During September 2016, the molybdenum circuit at Gibraltar was successfully restarted, and will result in increased by-product credits in future periods.

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

*Non-GAAP performance measure. Refer to 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 third quarter of 2016 consisted of $1.4 million at the Florence Copper project, $0.5 million on New Prosperity, and $0.4 million on the Aley Project.

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 has continued 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 ("UIC") permit. These are the two remaining permits required for construction and operation of the PTF. On August 2, 2016, Company announced the receipt from the ADEQ of the APP permit. This permit was issued following a public comment period earlier this year, and confirms the ADEQ has completed its substantive review and is satisfied with the conditions under which the PTF can operate. The timing of the UIC permit is somewhat uncertain; however, the Company's expectation is that this last required permit will be forthcoming shortly.

In addition to permitting work, the Company's technical team has been making significant progress optimizing the extraction process as well as metallurgical testing. We believe the new data will not only validate the data in the prefeasibility study completed in April 2013, but also improve the economics of the project.

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.

On July 20, 2016, Taseko announced that the British Columbia Environmental Assessment Office is proceeding with Taseko's request to amend the environmental assessment certificate for its New Prosperity Project. In addition, Taseko has filed a Notice of Work ("NOW") with the Ministry of Energy & Mines which will allow the Company to gather information to advance mine permitting under the British Columbia Mines Act. Taseko looks forward to working with the six local Tsilhqot'in First Nation bands as represented by the Tsilhqot'in National Government on the consultative and substantive aspects of the NOW as per the terms in the 2012 settlement agreement.

The Company will host a telephone conference call and live webcast on Friday, October 28 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific) to discuss these results. The conference call may be accessed by dialing (877) 303-9079 in Canada and the United States, or (970) 315-0461 internationally.

The conference call will be archived for later playback until November 4, 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 79693414.

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

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

Russell Hallbauer
President and CEO

NON-GAAP PERFORMANCE MEASURES

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

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

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

	Three Months ended September 30,		**Nine Months ended September 30,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2016**	**2015**	**2016**	**2015**
Cost of sales	**60,465**	**74,104**	**204,854**	**215,892**
Less:				
Depletion and amortization	(16,067)	(14,120)	(43,715)	(36,685)
Net change in inventory	12,076	2,779	9,156	8,187
Transportation costs	(3,544)	(4,415)	(11,149)	(13,271)
Site operating costs	**52,930**	**58,348**	**159,146**	**174,123**
Less by-product credits:				
Molybdenum	(508)	(304)	(508)	(5,114)
Silver	(1,128)	(1,010)	(2,970)	(2,749)
Site operating costs, net of by-product credits	**51,294**	**57,034**	**155,668**	**166,260**
Total copper produced (thousand pounds)	24,838	30,710	69,426	81,840
Total costs per pound produced	2.06	1.86	2.24	2.03
Average exchange rate for the period (CAD/USD)	1.30	1.31	1.32	1.26
Site operating costs, net of by-product credits (US$ per pound)	**1.58**	**1.42**	**1.69**	**1.61**
Site operating costs, net of by-product credits	51,294	57,034	155,668	166,260
Add off-property costs:				
Treatment and refining costs	6,187	9,432	18,266	26,699
Transportation costs	3,544	4,415	11,149	13,271
Total operating costs	61,025	70,881	185,083	206,230
Total operating costs (C1) (US$ per pound)	**1.89**	**1.76**	**2.02**	**2.00**

NON-GAAP PERFORMANCE MEASURES - CONTINUED

Adjusted net earnings (loss)

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Net loss	**(15,610)**	**(17,722)**	**(36,509)**	**(38.911)**
Unrealized (gain) loss on derivatives	50	(64)	1,041	2,177
Unrealized foreign exchange (gain) loss	5,090	15,764	(16,587)	34,186
Write-down of marketable securities	-	419	-	419
Other non-recurring expenses*	81	-	5,489	-
Estimated tax effect of adjustments	(34)	17	(1,698)	(290)
Adjusted net loss	**(10,423)**	**(1,586)**	**(48,264)**	**(2,419)**
Adjusted EPS	**(0.05)**	**(0.01)**	**(0.22)**	**(0.01)**

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

EBITDA and adjusted EBITDA

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

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

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

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

	Three months ended September 30,		**Nine months ended September 30,**	
($ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Net loss	**(15,610)**	**(17,722)**	**(36,509)**	**(38,911)**
Add:				
Depletion and amortization	16,066	14,140	43,799	36,751
Amortization of stock-based compensation	253	293	2,300	1,643
Finance expense	7,964	6,881	21,979	19,490
Finance income	(279)	(290)	(787)	(1,114)
Income tax expense (recovery)	(4,330)	93	(23,574)	(501)
EBITDA	**4,064**	**3,395**	**7,208**	**17,358**
Adjustments:				
Unrealized (gain) loss on derivative instruments	50	(64)	1,041	2,177
Unrealized foreign exchange (gain) loss	5,090	15,764	(16,587)	34,186
Write-down of marketable securities	-	419	-	419
Other non-recurring expenses*	81	-	5,489	-
Adjusted EBITDA	**9,285**	**19,514**	**(2,849)**	**54,140**

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

NON-GAAP PERFORMANCE MEASURES - CONTINUED

Earnings from mining operations before depletion and amortization

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

	Three months ended September 30,		Nine months ended September 30,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Earnings (loss) from mining operations	**(4,501)**	**5,963**	**(35,617)**	**11,994**
Add:				
Depletion and amortization	16,067	14,120	43,715	36,685
Earnings from mining operations before depletion and amortization	**11,566**	**20,083**	**8,098**	**48,679**

Site operating costs per ton milled

	Three months ended September 30,		Nine months ended September 30,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Site operating costs (included in cost of sales)	**52,930**	**58,348**	**159,146**	**174,123**
Tons milled (thousands) (75% basis)	5,587	5,631	16,611	17,472
Site operating costs per ton milled	**$9.47**	**$10.36**	**$9.58**	**$9.97**

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 the continuing availability of capital and financing;
- 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

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 condensed consolidated interim financial statements and notes thereto, prepared in accordance with IAS 34 of IFRS for the three and nine months ended September 30, 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 October 27, 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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TASEKO MINES LIMITED
Management's Discussion and Analysis

OVERVIEW

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

HIGHLIGHTS

Financial Data	**Three months ended September 30,**			**Nine months ended September 30,**		
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Revenues	55,964	80,067	(24,103)	169,237	227,886	(58,649)
Earnings from mining operations before depletion and amortization*	11,566	20,083	(8,517)	8,098	48,679	(40,581)
Earnings (loss) from mining operations	(4,501)	5,963	(10,464)	(35,617)	11,994	(47,611)
Net loss	(15,610)	(17,722)	2,112	(36,509)	(38,911)	2,402
Per share - basic ("EPS")	(0.07)	(0.08)	0.01	(0.16)	(0.18)	0.02
Adjusted net loss*	(10,423)	(1,586)	(8,837)	(48,264)	(2,419)	(45,845)
Per share - basic ("adjusted EPS")*	(0.05)	(0.01)	(0.04)	(0.22)	(0.01)	(0.21)
EBITDA*	4,064	3,395	669	7,208	17,358	(10,150)
Adjusted EBITDA*	9,285	19,514	(10,229)	(2,849)	54,140	(56,989)
Cash flows provided by (used for) operations	(7,493)	19,629	(27,122)	(15,810)	49,836	(65,646)

Operating Data (Gibraltar - 100% basis)	**Three months ended September 30,**			**Nine months ended September 30,**		
	2016	**2015**	**Change**	**2016**	**2015**	**Change**
Tons mined (millions)	21.5	27.4	(5.9)	69.2	72.4	(3.2)
Tons milled (millions)	7.4	7.5	(0.1)	22.1	23.3	(1.2)
Production (million pounds Cu)	33.1	40.9	(7.8)	92.6	109.1	(16.5)
Sales (million pounds Cu)	29.8	40.5	(10.7)	90.6	107.8	(17.2)

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

HIGHLIGHTS - CONTINUED

Third Quarter 2016 Highlights

- Adjusted EBITDA* increased by $16.9 million to $9.3 million in the third quarter and earnings from mining operations before depletion and amortization* increased by $14.7 million to $11.6 million, as compared to the second quarter of 2016;
- Third quarter GAAP net loss was $15.6 million compared to a net loss of $19.4 million in the second quarter of 2016;
- Site operating costs, net of by-product credits* were US$1.58 per pound produced and total operating costs (C1)* were US$1.89 per pound produced, both a significant improvement over the second quarter of 2016 costs of US$1.74 per pound and US$2.07 per pound, respectively;
- Site operating cost per ton milled* was CAD$9.47, lower than the second quarter of 2016 result of CAD$9.67;
- Copper production at Gibraltar was 33.1 million pounds and sales volumes were 29.8 million pounds (100% basis), resulting in increased copper concentrate inventory levels;
- On July 20, 2016, Taseko announced that the British Columbia Environmental Assessment Office is proceeding with Taseko's request to amend the environmental assessment certificate for its New Prosperity Project;
- On August 2, 2016, Taseko announced the receipt from the Arizona Department of Environmental Quality ("ADEQ") of the permit that authorizes the construction and operation of a test facility for its Florence Copper Project;
- On August 9, 2016, Taseko announced that it has acquired new mineral claims which are adjacent to existing Gibraltar claims. In total, these new claims represent nearly 6,000 acres of land located approximately two kilometres to the northwest of the Extension Zone which forms part of Gibraltar's mineral reserves and resources;
- On September 20 2016, Taseko announced the discovery of a new high grade copper zone northwest of the perimeter of the Extension Pit at Gibraltar; and
- In September 2016, the Company acquired copper put options for a total of 20 million pounds with maturities between October 2016 and January 2017 at a strike price of US$2.10 per pound.

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

REVIEW OF OPERATIONS

Gibraltar mine (75% Owned)

Operating Data (100% basis)	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**
Tons mined (millions)	21.5	26.2	21.5	21.3	27.4
Tons milled (millions)	7.4	7.2	7.5	7.3	7.5
Strip ratio	1.0	2.4	1.7	2.4	2.3
Site operating cost per ton milled (CAD$)	$9.47	$9.67	$9.59	$9.41	$10.36
Copper concentrate					
Grade (%)	0.259	0.252	0.228	0.269	0.308
Recovery (%)	85.9	84.1	84.4	84.9	87.4
Production (million pounds Cu)	33.1	30.6	28.8	33.1	40.5
Sales (million pounds Cu)	29.8	30.3	30.5	33.7	40.5
Inventory (million pounds Cu)	5.4	2.1	1.9	3.4	3.9
Silver (in copper concentrate)					
Production (thousand ozs Ag)	67	62	58	65	92
Sales (thousand ozs Ag)	54	59	57	63	90
Copper cathode					
Production (million pounds)	-	-	-	-	0.4
Sales (million pounds)	-	-	-	-	0.6
Molybdenum concentrate					
Production (thousand pounds Mo)	185	-	-	-	85
Sales (thousand pounds Mo)	103	-	-	-	233
Per unit data (US$ per pound produced)*					
Site operating costs*	$1.64	$1.77	$1.81	$1.55	$1.45
By-product credits*	(0.06)	(0.03)	(0.03)	(0.03)	(0.03)
Site operating, net of by-product credits*	$1.58	$1.74	$1.78	$1.52	$1.42
Off-property costs	0.31	0.33	0.33	0.33	0.34
Total operating costs (C1)*	$1.89	$2.07	$2.11	$1.85	$1.76

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

OPERATIONS ANALYSIS

Third quarter results

During the third quarter of 2016, Gibraltar milled 7.4 million tons of ore. A total of 21.5 million tons were mined during the quarter, and 3.3 million tons of ore was added to stockpile which resulted in a strip ratio of 1.0 for the period. Backfilling of a mined out section of the Granite Pit commenced in mid-March and resulted in highly productive short waste hauls through to the middle of the third quarter. Earlier in the year, a decision was made to take advantage of the higher productivities and mine additional waste tons instead of idling equipment. The additional waste stripping provided access to higher grade ore earlier than originally planned, and copper head grade for the month of September was 0.28%.

Copper recovery increased in the third quarter to 85.9% as a result of improved operating practices and higher head grade. Copper recovery continues to be an area of focus for management.

Site operating cost per ton milled* was CAD$9.47 in the third quarter of 2016 which is in line with the previous three quarters. Cost control initiatives 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.

Site operating costs per pound produced* decreased to US$1.58 in the third quarter of 2016 from US$1.74 in the second quarter of 2016 primarily as a result of increased copper production.

Long-term contracts for ocean freight and treatment and refining costs contributed to reduced off-property costs of US$0.31 per pound produced, down from US$0.34 per pound in the third quarter of 2015. The Company's off-property costs are driven by sales volumes rather than production and sales volumes were lower than production volumes in the third quarter of 2016.

Total operating costs (C1) per pound* decreased to US$1.89 from US$2.07 in the second quarter of 2016 as a result of increased copper production.

GIBRALTAR OUTLOOK

Gibraltar's copper production for the year is expected to be in the range of 130 to 140 million pounds. Average head grade is expected to be approximately 0.30% for the fourth quarter, and the higher head grade is expected to continue into 2017.

Overall, Gibraltar has achieved a stable level of operations consistent with the updated reserve model published in 2015 and the Company continues to focus on further improvements to operating practices to reduce unit costs. Total operating costs per pound produced (C1)* are also expected to decline as copper head grade and copper production increases. During September 2016, the molybdenum circuit at Gibraltar was successfully restarted, and will result in increased by-product credits in future periods.

The Canadian dollar is expected to remain at a substantial discount to the US dollar, and a weak Canadian dollar would 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

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 third quarter of 2016 consisted of $1.4 million at the Florence Copper project, $0.5 million on New Prosperity, and $0.4 million on the Aley Project.

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 has continued 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 ("UIC") permit. These are the two remaining permits required for construction and operation of the PTF. On August 2, 2016, Company announced the receipt from the ADEQ of the APP permit. This permit was issued following a public comment period earlier this year, and confirms the ADEQ has completed its substantive review and is satisfied with the conditions under which the PTF can operate. The timing of the UIC permit is somewhat uncertain; however, the Company's expectation is that this last required permit will be forthcoming shortly.

In addition to permitting work, the Company's technical team has been making significant progress optimizing the extraction process as well as metallurgical testing. We believe the new data will not only validate the data in the prefeasibility study completed in April 2013, but also improve the economics of the project.

New Prosperity Project

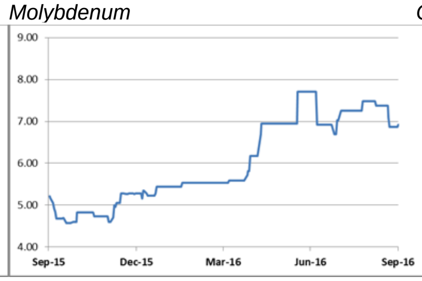
On February 12, 2016, Taseko announced that it had filed a civil claim in the BC Supreme Court against the Canadian federal government. The claim seeks damages in relation to the February 25, 2014 decision concerning the New Prosperity Project in that the Government of Canada and its agents failed to 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.

On July 20, 2016, Taseko announced that the British Columbia Environmental Assessment Office is proceeding with Taseko's request to amend the environmental assessment certificate for its New Prosperity Project. In addition, Taseko has filed a Notice of Work ("NOW") with the Ministry of Energy & Mines which will allow the Company to gather information to advance mine permitting under the British Columbia Mines Act. Taseko looks forward to working with the six local Tsilhqot'in First Nation bands as represented by the Tsilhqot'in National Government on the consultative and substantive aspects of the NOW as per the terms in the 2012 settlement agreement.

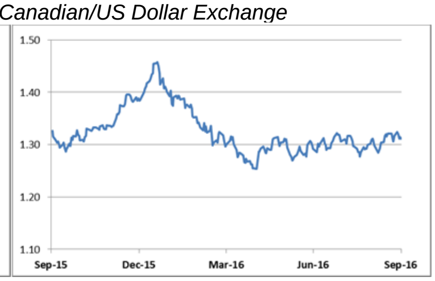
MARKET REVIEW

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 resulting in lower copper demand growth.

The average price of London Metals Exchange ("LME") copper was US$2.16 per pound in the third quarter of 2016, which was slightly higher than the prior quarter and about 9% lower than the third 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

The Company realized a net loss of $15.6 million ($0.07 loss per share) for the three months ended September 30, 2016, compared to net loss of $17.7 million ($0.08 loss per share) for the same period in 2015. The change was primarily due to a lower foreign exchange loss partially offset by reduced operating margins as a result of lower copper production and lower realized copper prices.

Earnings from mining operations before depletion and amortization* was $11.6 million for the three month period ended September 30, 2016 compared to earnings from mining operations before depletion and amortization of $20.1 million for the same prior period in 2015. The lower earnings were a result of the decline in copper prices and lower copper production.

For the nine month period ended September 30, 2016 the Company realized a net loss of $36.5 million ($0.16 loss per share), compared to a net loss $38.9 million ($0.18 loss per share) for the same period in 2015. The change in net loss in the current nine month period was primarily due to the unrealized foreign exchange gain on the Company's US dollar denominated debt, partially offset by the increased loss from mining operations.

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 September 30, 2016	2015	Change	Nine months ended September 30, 2016	2015	Change
Net loss	(15,610)	(17,722)	2,112	(36,509)	(38,911)	2,402
Unrealized (gain) loss on derivatives	50	(64)	114	1,041	2,177	(1,136)
Unrealized foreign exchange (gain) loss	5,090	15,764	(10,674)	(16,587)	34,186	(50,773)
Write-down of marketable securities	-	419	(419)	-	419	(419)
Other non-recurring expenses	81	-	81	5,489	-	5,489
Estimated tax effect of adjustments	(34)	17	(51)	(1,698)	(290)	(1,408)
Adjusted net loss*	(10,423)	(1,586)	(8,837)	(48,264)	(2,419)	(45,845)

*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 nine months ended September 30, 2016, the Canadian dollar strengthened in comparison to the prior period end resulting in an unrealized foreign exchange gain of $16.6 million. The unrealized foreign exchange gain was primarily driven by the translation of the Company's US dollar denominated debt.

Other non-recurring expenses relates to other financing costs and the special shareholder meeting costs. For the nine month period ended September 30, 2016, the Company has incurred total costs of approximately $5.5 million on legal and other advisory costs associated with the special shareholder meeting, the proxy contest and related litigation, and other non-recurring financing costs.

Revenues

(Cdn$ in thousands)	Three months ended September 30, 2016	2015	Change	Nine months ended September 30, 2016	2015	Change
Copper in concentrate	60,515	86,943	(26,428)	184,025	244,511	(60,486)
Copper cathode	-	1,242	(1,242)	-	2,211	(2,211)
Total copper revenue	60,515	88,185	(27,670)	184,025	246,722	(62,697)
Molybdenum concentrate	711	304	407	711	5,114	(4,403)
Silver contained in copper concentrate	1,128	1,010	118	2,970	2,749	221
Total gross revenue	62,354	89,499	(27,145)	187,706	254,585	(66,879)
Less: treatment and refining costs	(6,390)	(9,432)	3,042	(18,469)	(26,699)	8,230
Revenue	55,964	80,067	(24,103)	169,237	227,886	(58,649)

(thousands of pounds, unless otherwise noted)						
Copper in concentrate*	21,551	29,336	(7,785)	65,508	77,985	(12,477)
Copper cathode	-	431	(431)	-	763	(763)
Total copper sales	21,551	29,767	(8,216)	65,508	78,748	(13,240)
Average realized copper price (US$ per pound)	2.15	2.26	(0.11)	2.13	2.49	(0.36)
Average LME copper price (US$ per pound)	2.16	2.39	(0.23)	2.14	2.58	(0.44)
Average exchange rate (US$/CAD)	1.30	1.31	(0.01)	1.32	1.26	0.06

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

Copper revenues for the first three and nine months of 2016 decreased by $27.7 million and $62.7 million, respectively, compared to the same periods in 2015, primarily due to the decrease in copper sales volumes and lower realized copper prices. The Company's average realized copper price for the three and nine months ended September 30, 2016 are in line with average LME copper prices.

The decrease in the US dollar realized price of copper was partially offset by the impact of the weaker Canadian dollar in the first nine months of 2016. During the three and nine months ended September 30, 2016, revenues include $0.3 million and $0.8 million, respectively, of unfavorable adjustments to provisionally priced copper concentrate.

The molybdenum circuit was restarted in September 2016 and the Company recognized molybdenum revenue of $0.7 million during the third quarter.

Cost of sales

(Cdn$ in thousands)	Three months ended September 30, 2016	2015	Change	Nine months ended September 30, 2016	2015	Change
Site operating costs	52,930	58,348	(5,418)	159,146	174,123	(14,977)
Transportation costs	3,544	4,415	(871)	11,149	13,271	(2,122)
Changes in inventories of finished goods and ore stockpiles	(12,076)	(2,779)	(9,297)	(9,156)	(8,187)	(969)
Production costs	44,398	59,984	(15,586)	161,139	179,207	(18,068)
Depletion and amortization	16,067	14,120	1,947	43,715	36,685	7,030
Cost of sales	60,465	74,104	(13,639)	204,854	215,892	(11,038)
Site operating costs per ton milled*	$9.47	$10.36	($0.89)	$9.58	$9.97	($0.39)

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

Site operating costs in the three and nine months ended September 30, 2016 both decreased by 9% from the same periods in 2015, due to cost control initiatives which were implemented during 2015, including the mine plan modifications, workforce reductions and vendor initiatives.

Depletion and amortization in the three and nine months ended September 30, 2016 increased by 14% and 19%, respectively, from the same periods in 2015, primarily due to the increased amortization of capitalized stripping costs. Also certain plant and equipment is depreciated based on a units-of-production basis, as a result, copper production factors into the amortization charge being recognized in the respective periods.

Other operating expenses (income)

(Cdn$ in thousands)	Three months ended September 30, 2016	2015	Change	Nine months ended September 30, 2016	2015	Change
General and administrative	2,347	2,842	(495)	9,198	10,794	(1,596)
Share-based compensation	249	272	(23)	2,242	1,546	696
Exploration and evaluation	479	157	322	1,728	692	1,036
Realized (gain) loss on derivative instruments	(18)	(1,216)	1,198	986	(14,469)	15,455
Unrealized (gain) loss on derivative instruments	50	(64)	114	1,041	2,177	(1,136)
Other (income) expenses:						
Special shareholder meeting costs	81	-	81	4,873	-	4,873
Other financing costs	-	-	-	616	-	616
Write-down of marketable securities	-	419	(419)	-	419	(419)
Other income	(264)	(502)	238	(1,013)	(1,367)	354
	2,924	1,908	1,016	19,671	(208)	19,879

General and administrative costs have decreased for the nine months ended September 30, 2016 compared to the same periods in 2015, primarily due to the Company's cost reduction initiatives.

Share-based compensation decreased for the third quarter of 2016 compared to the third quarter of 2015, primarily due to the timing of grants of share-based compensation to directors, executives and employees.

Exploration and evaluation costs for the three and nine months ended September 30, 2016, represent costs associated with the New Prosperity and Aley projects.

During the nine months ended September 30, 2016, the Company recognized a realized loss of $0.1 million from copper put options. The realized gain in the first nine months of 2015 primarily relates to the sale/early settlement of 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 expenses have increased for the nine months ended September 30, 2016 compared to the same prior periods in 2015. The increase relates to legal and other advisory costs associated with the special shareholder meeting, the proxy contest and related litigation, and other non-recurring financing costs.

Finance income and expenses

Finance expenses for the three months ended September 30, 2016 increased by $1.1 million over the third quarter of 2015. The increase relates to interest expense and amortization of finance costs on the new senior secured credit facility, offset by lower interest expense on capital leases and equipment loans.

For the nine months ended September 30, 2016 finance expenses increased by $2.5 million over the prior year, due primarily to additional interest and financing costs on the new senior secured facility.

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

Income tax

	Three months ended September 30,			**Nine months ended September 30,**		
(Cdn$ in thousands)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Current tax expense	-	340	(340)	-	794	(794)
Deferred tax recovery	(4,330)	(247)	(4,083)	(23,574)	(1,295)	(22,279)
	(4,330)	93	(4,423)	(23,574)	(501)	(23,073)
Effective tax rate	21.7%	(0.5%)	22.2%	39.2%	1.3%	37.9%
Canadian statutory rate	26%	26%	-	26%	26%	-
B.C. Mineral tax rate	9.62%	9.62%	-	9.62%	9.62%	-

The effective tax rate for the three and nine months ended September 30, 2016 was 21.7% and 39.2%, respectively, compared to 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 September 30, 2016	As at December 31, 2015	Change
Cash and equivalents	64,117	68,521	(4,404)
Other current assets	71,032	57,039	13,993
Property, plant and equipment	776,613	794,758	(18,145)
Other non-current assets	70,207	69,876	331
Total assets	**981,969**	**990,194**	**(8,225)**
Other current liabilities	39,645	35,650	3,995
Debt:			
Curis secured loan	-	42,877	(42,877)
Senior secured credit facility	85,190	-	85,190
Capital leases and secured equipment loans	35,667	48,449	(12,782)
Senior notes	260,024	273,876	(13,852)
Other liabilities	230,410	219,002	11,408
Total liabilities	**650,936**	**619,854**	**31,082**
Equity	**331,033**	**370,340**	**(39,307)**
Net debt	325,269	296,681	20,083
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.

On February 1, 2016, the Curis senior secured loan with RK Mine Finance Trust was repaid using the proceeds from the new secured credit facility. Overall debt increased by $15.7 million, due to the proceeds from the new secured credit facility, partially offset by repayments of capital leases and equipment loans and by foreign exchange adjustments on the Company's US dollar denominated debt.

Other liabilities increased to $230.4 million mainly due to derivative liabilities associated with the new credit facility, BC hydro payment deferrals, and the provision for environmental rehabilitation ("PER"), partially offset by a decrease in the deferred tax liability.

The change in the provision for environmental rehabilitation is driven by changes in inflation and discounts rates during the nine months ended September 30, 2016. The Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates decreased to 1.66% at September 30, 2016 from 2.15% at December 31, 2015. Given the long time frame over which environmental rehabilitation expenditures are expected to be incurred (over 100 years), the carrying value of the provision is very sensitive to changes in discount rates.

As at October 27, 2016, there were 221,835,638 common shares outstanding. In addition, there were 12,052,000 director and employee stock options and 4,000,000 warrants outstanding at October 27, 2016. More information on these instruments and the terms of their exercise is set out in Notes 12(b) and 14 of the September 30, 2016 unaudited condensed consolidated interim financial statements.

Liquidity, cash flow and capital resources

At September 30, 2016, the Company had cash and equivalents of $64.1 million, a $4.4 million decrease over the $68.5 million reported at December 31, 2015. The Company maintained a strategy of retaining a significant cash balance to reflect the volatile and capital intensive nature of the copper mining business. Due to low copper prices, lower than average head grades at the Gibraltar Mine and working capital adjustments, the Company had net cash outflows of $25.6 million from all operating and investing activities during the first nine months of 2016. This cash outflow was offset by proceeds from the new senior secured credit facility which the Company entered into in January 2016. Copper head grades have improved in September and October and are expected to remain at higher levels into 2017, and as a result, copper production and cash flows are expected to improve significantly over the next year. At current copper prices, we expect that positive cash flows from Gibraltar Mine operations, combined with existing cash on hand, will provide sufficient liquidity to fund the Company's working capital requirements and debt service obligations for the next year.

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

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

Third quarter cash flows

Cash flow used by operations during the third quarter of 2016 was $7.5 million compared to $19.6 million cash flow provided in the third quarter of 2015. Operating cash flows in the third quarter of 2016 were impacted by non-cash working capital adjustments of negative $20.3 million, which relate to a $7.2 million increase in accounts receivable, a $6.2 million increase in copper concentrate inventory and a $5.7 million increase in ore stockpile inventory.

Cash used for investing activities during the third quarter of 2016 was $5.6 million compared to $7.5 million used in the third quarter of 2015. Investing activities in the third quarter of 2016 included $2.5 million incurred on capital expenditures for Gibraltar, $0.2 million for capitalized stripping costs, $1.7 million in development costs for the Florence and Aley projects, and $1.8 million purchase of copper put options, partially offset by the $0.6 million in proceeds from settlement of copper put options.

Cash used for financing activities during the third quarter of 2016 includes payments for capital leases and equipment loans totaling $5.1 million.

Senior secured credit facility

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 Curis secured loan, and the remainder of the Credit Facility was drawn down in the second quarter of 2016, and is available to the Company for general corporate purposes. Amounts drawn under the Credit Facility accrue interest at a rate of Libor plus 7.5% (subject to a minimum Libor of 1%), with principal and all accrued interest due at maturity. The Credit Facility matures on March 29, 2019, as the Company exercised its option and paid an extension fee in June 2016. The Credit Facility 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.

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.

The Credit Facility is repayable without penalty at any time and does not impose any off-take obligations on the Company. The Credit Facility is secured by a first priority charge over Taseko's assets, including the Company's 75% joint venture interest in the Gibraltar Mine, shares in all material subsidiaries and the Florence Copper Project assets. The availability of the Credit Facility is subject to conditions and covenants, including maintenance of a minimum working capital balance of US$20 million. The Company's balance of working capital (as defined in the Credit Facility agreement) was approximately US$29 million at September 30, 2016. As at September 30, 2016 and the date of this MD&A, the Company is in compliance with all loan covenants.

Senior notes

In April 2011, the Company completed a public offering of US$200 million in senior unsecured notes (the "Notes"). The Notes mature on April 15, 2019, and bear interest at a fixed annual rate of 7.75%, payable semi-annually. The Notes are unsecured obligations guaranteed by the Company's subsidiaries and the subsidiary guarantees are, in turn, guaranteed by the Company. After April 15, 2016, the Notes are redeemable by the Company at a price equal to 101.938%, and the redemption price declines to 100% in April 2017. The Notes are also repayable upon a change of control at a price of 101%. There are no maintenance covenants with respect to the Company's financial performance. However, the Company is subject to certain restrictions on asset sales, incurrence of additional indebtedness, issuance of preferred stock, dividends and other payment restrictions.

Hedging strategy

The Company's hedging strategy is to secure a minimum price for a portion of copper production using put options that are either purchased outright or funded by the sale of call options that are significantly out of the money. The amount and duration of the hedge position is based on an assessment of business-specific risk elements combined with the copper price 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. During the nine months ended September 30, 2016, the Company spent $2.8 million to purchase copper put options. The following table shows the commodity contracts that were outstanding as at the date of this MD&A.

	Notional amount	Strike price	Term to maturity	Original cost
At October 27, 2016				
Copper put options	20 million lbs	US$2.10	October 2016 to January 2017	$1.2 million

Commitments and contingencies

Commitments

At September 30, 2016, the Company's share of operating commitments totalled $18.6 million and outstanding capital commitments of $0.7 million.

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 September 30, 2016, this debt totaled $35.7 million on a 75% basis.

SUMMARY OF QUARTERLY RESULTS

	2016			2015				2014
(Cdn$ in thousands, except per share amounts)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	55,964	55,090	58,183	61,412	80,067	92,754	55,065	58,270
Net earnings (loss)	(15,610)	(19,384)	(1,515)	(23,441)	(17,722)	4,017	(25,206)	(26,427)
Basic EPS	(0.07)	(0.09)	(0.01)	(0.10)	(0.08)	0.02	(0.11)	(0.13)
Adjusted net earnings (loss)*	(10,423)	(19,758)	(18,083)	(13,112)	(1,586)	1,601	(2,434)	(20,983)
Adjusted basic EPS*	(0.05)	(0.09)	(0.08)	(0.06)	(0.01)	0.01	(0.01)	(0.10)
EBITDA*	4,064	(7,858)	11,002	(9,162)	3,395	25,959	(11,996)	(13,397)
Adjusted EBITDA*	9,285	(7,642)	(4,492)	1,415	19,514	23,402	11,224	(8,355)

(US$ per pound, except where indicated)								
Realized copper price*	2.15	2.13	2.12	2.01	2.26	2.66	2.57	2.82
Total operating costs*	1.89	2.07	2.11	1.85	1.76	1.97	2.39	2.77
Copper sales (million pounds)	22.4	22.8	22.9	25.0	30.4	30.6	19.1	19.6

*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; variability in the quarterly sales volumes due to timing of shipments which impacts revenue recognition; and due to grades and recovery which affect the volume available for sale.

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 stockpiles and finished inventory quantities; plant and equipment lives; tax provisions; provisions for environmental rehabilitation; valuation of financial instruments and derivatives; deferred stripping costs and share-based compensation. Key estimates and assumptions made by management with respect to these areas have been disclosed in the notes to these consolidated financial statements, as appropriate.

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

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

INTERNAL 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 September 30, 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 executive officers. 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).

During the three and nine month periods ended September 30, 2016, the Company incurred total compensation expenses of $1.4 million and $7.5 million, respectively for its key management personnel compared to $2.0 million and $6.3 million in the corresponding prior year periods.

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 third quarter of 2016, the Company incurred total costs of $0.3 million (2015 - $0.3 million) in transactions with HDSI. Of these, $0.1 million (2015 - $0.1 million) related to administrative, legal, exploration and tax services, $0.1 million related to reimbursements of office rent costs (2015 - $0.1 million), and $0.1 million (2015 - $0.1 million) related to director fees for two Taseko directors who are also principals of HDSI.

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

NON-GAAP PERFORMANCE MEASURES

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

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

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

	Three Months ended September 30,		**Nine Months ended September 30,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2016**	**2015**	**2016**	**2015**
Cost of sales	**60,465**	**74,104**	**204,854**	**215,892**
Less:				
Depletion and amortization	(16,067)	(14,120)	(43,715)	(36,685)
Net change in inventory	12,076	2,779	9,156	8,187
Transportation costs	(3,544)	(4,415)	(11,149)	(13,271)
Site operating costs	**52,930**	**58,348**	**159,146**	**174,123**
Less by-product credits:				
Molybdenum	(508)	(304)	(508)	(5,114)
Silver	(1,128)	(1,010)	(2,970)	(2,749)
Site operating costs, net of by-product credits	**51,294**	**57,034**	**155,668**	**166,260**
Total copper produced (thousand pounds)	24,838	30,710	69,426	81,840
Total costs per pound produced	2.06	1.86	2.24	2.03
Average exchange rate for the period (CAD/USD)	1.30	1.31	1.32	1.26
Site operating costs, net of by-product credits (US$ per pound)	**1.58**	**1.42**	**1.69**	**1.61**
Site operating costs, net of by-product credits	51,294	57,034	155,668	166,260
Add off-property costs:				
Treatment and refining costs	6,187	9,432	18,266	26,699
Transportation costs	3,544	4,415	11,149	13,271
Total operating costs	61,025	70,881	185,083	206,230
Total operating costs (C1) (US$ per pound)	**1.89**	**1.76**	**2.02**	**2.00**

Adjusted net earnings (loss)

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Net loss	**(15,610)**	**(17,722)**	**(36,509)**	**(38.911)**
Unrealized (gain) loss on derivatives	50	(64)	1,041	2,177
Unrealized foreign exchange (gain) loss	5,090	15,764	(16,587)	34,186
Write-down of marketable securities	-	419	-	419
Other non-recurring expenses*	81	-	5,489	-
Estimated tax effect of adjustments	(34)	17	(1,698)	(290)
Adjusted net loss	**(10,423)**	**(1,586)**	**(48,264)**	**(2,419)**
Adjusted EPS	**(0.05)**	**(0.01)**	**(0.22)**	**(0.01)**

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

EBITDA and adjusted EBITDA

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

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

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

- Unrealized gains/losses on derivative instruments;

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

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

	Three months ended September 30,		Nine months ended September 30,	
($ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Net loss	**(15,610)**	**(17,722)**	**(36,509)**	**(38,911)**
Add:				
Depletion and amortization	16,066	14,140	43,799	36,751
Amortization of stock-based compensation	253	293	2,300	1,643
Finance expense	7,964	6,881	21,979	19,490
Finance income	(279)	(290)	(787)	(1,114)
Income tax expense (recovery)	(4,330)	93	(23,574)	(501)
EBITDA	**4,064**	**3,395**	**7,208**	**17,358**
Adjustments:				
Unrealized (gain) loss on derivative instruments	50	(64)	1,041	2,177
Unrealized foreign exchange (gain) loss	5,090	15,764	(16,587)	34,186
Write-down of marketable securities	-	419	-	419
Other non-recurring expenses*	81	-	5,489	-
Adjusted EBITDA	**9,285**	**19,514**	**(2,849)**	**54,140**

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

Earnings from mining operations before depletion and amortization

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

	Three months ended September 30,		Nine months ended September 30,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Earnings (loss) from mining operations	**(4,501)**	**5,963**	**(35,617)**	**11,994**
Add:				
Depletion and amortization	16,067	14,120	43,715	36,685
Earnings from mining operations before depletion and amortization	**11,566**	**20,083**	**8,098**	**48,679**

Site operating costs per ton milled

	Three months ended September 30,		Nine months ended September 30,	
(Cdn$ in thousands, except per share amounts)	**2016**	**2015**	**2016**	**2015**
Site operating costs (included in cost of sales)	**52,930**	**58,348**	**159,146**	**174,123**
Tons milled (thousands) (75% basis)	5,587	5,631	16,611	17,472
Site operating costs per ton milled	**$9.47**	**$10.36**	**$9.58**	**$9.97**

Condensed consolidated interim financial statements
September 30, 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 September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenues	3	55,964	80,067	169,237	227,886
Cost of sales					
Production costs	4	(44,398)	(59,984)	(161,139)	(179,207)
Depletion and amortization	4	(16,067)	(14,120)	(43,715)	(36,685)
Earnings (loss) from mining operations		(4,501)	5,963	(35,617)	11,994
General and administrative		(2,347)	(2,842)	(9,198)	(10,794)
Share-based compensation	14b	(249)	(272)	(2,242)	(1,546)
Exploration and evaluation		(479)	(157)	(1,728)	(692)
Gain (loss) on derivatives	5	(32)	1,280	(2,027)	12,292
Other income (expenses)	7	183	83	(4,476)	948
Income (loss) before financing costs and income taxes		(7,425)	4,055	(55,288)	12,202
Finance expenses	6	(7,964)	(6,881)	(21,979)	(19,490)
Finance income		279	290	787	1,114
Foreign exchange gain (loss)		(4,830)	(15,093)	16,397	(33,238)
Loss before income taxes		(19,940)	(17,629)	(60,083)	(39,412)
Income tax recovery (expense)	8	4,330	(93)	23,574	501
Net loss for the period		**(15,610)**	**(17,722)**	**(36,509)**	**(38,911)**
Other comprehensive income (loss), net of tax					
Unrealized gain (loss) on available-for-sale financial assets	9	(519)	(50)	879	(1,787)
Foreign currency translation reserve		1,626	4,078	(6,235)	8,303
Total other comprehensive income (loss) for the period		**1,107**	**4,028**	**(5,356)**	**6,516**
Total comprehensive loss for the period		**(14,503)**	**(13,694)**	**(41,865)**	**(32,395)**
Earnings (loss) per share					
Basic		(0.07)	(0.08)	(0.16)	(0.18)
Diluted		(0.07)	(0.08)	(0.16)	(0.18)
Weighted average shares outstanding (thousands)					
Basic		221,835	221,809	221,822	221,809
Diluted		221,835	221,809	221,822	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 September 30, 2016	2015	Nine months ended September 30, 2016	2015
Operating activities					
Net income (loss) for the period		(15,610)	(17,722)	(36,509)	(38,911)
Adjustments for:					
Depletion and amortization		16,066	14,140	43,799	36,751
Income tax expense (recovery)	8	(4,330)	93	(23,574)	(501)
Share-based compensation expense	14b	253	293	2,300	1,643
(Gain) loss on derivatives	5	32	(1,280)	2,027	(12,292)
Finance expenses (income)		7,685	6,591	21,192	18,376
Unrealized foreign exchange loss (gain)		5,090	15,764	(16,587)	34,186
Write-down of marketable securities		-	419	-	419
Deferred electricity payments	13	3,706	-	8,505	-
Other operating activities		(76)	-	(108)	(21)
Net change in non-cash working capital	16	(20,309)	1,331	(16,855)	10,186
Cash provided by (used for) operating activities		(7,493)	19,629	(15,810)	49,836
Investing activities					
Purchase of property, plant and equipment	11	(4,423)	(4,560)	(10,427)	(12,378)
Purchase of copper put options	5	(1,824)	(3,865)	(2,752)	(5,278)
Proceeds from the sale/settlement of derivatives		594	1,429	2,946	18,791
Other investing activities		76	(459)	488	17
Cash provided by (used for) investing activities		(5,577)	(7,455)	(9,745)	1,152
Financing activities					
Proceeds from senior secured credit facility	12b	-	-	93,605	-
Financing costs	12	-	-	(4,346)	-
Repayment of Curis secured loan	12a	-	-	(43,767)	-
Repayment of capital leases and equipment loans		(4,453)	(3,251)	(12,076)	(10,381)
Proceeds from equipment loan		-	5,625	-	5,625
Interest paid		(649)	(845)	(11,864)	(11,853)
Common shares issued on exercise of stock options		3	-	10	-
Cash provided by (used for) financing activities		(5,099)	1,529	21,562	(16,609)
Effect of exchange rate changes on cash and equivalents		539	2,543	(411)	3,423
Increase (decrease) in cash and equivalents		(17,630)	16,246	(4,404)	37,802
Cash and equivalents, beginning of period	2d	81,747	67,355	68,521	45,799
Cash and equivalents, end of period		64,117	83,601	64,117	83,601

Supplementary cash flow information. 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	September 30, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and equivalents	2d	64,117	68,521
Accounts receivable		16,079	13,199
Other financial assets	9	1,764	1,602
Inventories	10	51,257	40,621
Prepaids		1,932	1,617
		135,149	125,560
Other financial assets	9	48,814	48,185
Property, plant and equipment	11	776,613	794,758
Other asset		15,985	15,985
Goodwill		5,408	5,706
		981,969	**990,194**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		30,009	30,143
Current income tax payable		317	1,038
Current portion of long-term debt	12	16,834	59,801
Interest payable		9,319	4,469
		56,479	95,451
Long-term debt	12	364,047	305,401
Provision for environmental rehabilitation ("PER")		143,224	124,445
Deferred tax liabilities		69,846	94,113
Other financial liabilities	13	17,340	444
		650,936	619,854
EQUITY			
Share capital	14	417,958	417,944
Contributed surplus		45,102	42,558
Accumulated other comprehensive income ("AOCI")		10,226	15,582
Retained earnings (deficit)		(142,253)	(105,744)
		331,033	370,340
		981,969	**990,194**
Commitments and contingencies	15		

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	-	1,268	-	-	1,268
Total comprehensive income (loss) for the period	-	-	6,516	(38,911)	(32,395)
Balance at September 30, 2015	**417,944**	**42,158**	**13,349**	**(82,303)**	**391,148**
Balance at January 1, 2016	417,944	42,558	15,582	(105,744)	370,340
Issuance of warrants	-	830	-	-	830
Exercise of options	14	(4)	-	-	10
Share-based compensation	-	1,718	-	-	1,718
Total comprehensive income (loss) for the period	-	-	(5,356)	(36,509)	(41,865)
Balance at September 30, 2016	**417,958**	**45,102**	**10,226**	**(142,253)**	**331,033**

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 three and nine month periods ended September 30, 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 Company's Board of Directors on October 27, 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 consolidated financial statements as at the year ended December 31, 2015.

(c) New accounting standards

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

(Cdn$ in thousands - unaudited)

(c) New accounting standards (continued)

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective at September 30, 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.

(d) Changes in accounting policies and disclosures

As at September 30, 2016, the Company reclassified certain cash amounts from a current to a non-current classification to reflect the restricted nature of the cash. The December 31, 2015, amounts have also been reclassified from current to non-current for comparative purposes (Note 9).

3. REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Copper concentrate	60,515	86,943	184,025	244,511
Copper cathode	-	1,242	-	2,211
Total copper sales	60,515	88,185	184,025	246,722
Molybdenum concentrate	711	304	711	5,114
Silver contained in copper concentrate	1,128	1,010	2,970	2,749
Total gross revenue	62,354	89,499	187,706	254,585
Less: Treatment and refining costs	(6,390)	(9,432)	(18,469)	(26,699)
Revenue	55,964	80,067	169,237	227,886

(Cdn$ in thousands - unaudited)

4. COST OF SALES

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Site operating costs	52,930	58,348	159,146	174,123
Transportation costs	3,544	4,415	11,149	13,271
Changes in inventories of finished goods and ore stockpiles	(12,076)	(2,779)	(9,156)	(8,187)
Production costs	44,398	59,984	161,139	179,207
Depletion and amortization	16,067	14,120	43,715	36,685
Cost of sales	60,465	74,104	204,854	215,892

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, depletion and amortization.

5. DERIVATIVE INSTRUMENTS

During the three months ended September 30, 2016, the Company purchased additional copper put option contracts for 30 million pounds of copper for the third and fourth quarter of 2016 and January 2017. The total cost of these contracts was $1,824. The Company received cash proceeds of $594 from copper put options that matured in the third quarter of 2016. The fair value of the outstanding options at September 30, 2016 is summarized in the following table:

	Notional amount	Strike price	Term to maturity	Fair value asset
At September 30, 2016				
Commodity contracts				
Copper put option contracts	15 million lbs	US$2.10/lb	Q4 2016	313
Copper put option contracts	5 million lbs	US$2.10/lb	January 2017	266
				579

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Realized gain (loss) on copper put options	18	1,216	(986)	14,469
Unrealized gain (loss) on copper put options	(567)	64	(567)	(2,177)
Change in fair value of derivative liabilities (Note12b)	517	-	(474)	-
	(32)	1,280	(2,027)	12,292

(Cdn$ in thousands - unaudited)

6. FINANCE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Interest expense	7,385	6,247	20,166	17,579
Accretion on PER	579	634	1,813	1,911
	7,964	6,881	21,979	19,490

7. OTHER (INCOME) EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Special shareholder meeting costs	81	-	4,873	-
Other financing costs	-	-	616	-
Management fee income	(224)	(311)	(678)	(886)
Other operating income	(40)	(191)	(303)	(282)
Gain on sale of property, plant and equipment	-	-	(32)	(199)
Write-down of marketable securities	-	419	-	419
	(183)	(83)	4,476	(948)

During the nine month period ended September 30, 2016, the Company has incurred total costs of $4,873 on legal and other advisory costs associated with the special shareholder meeting, the proxy contest and related litigation.

8. INCOME TAX

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Current expense (recovery)	-	340	-	794
Deferred expense (recovery)	(4,330)	(247)	(23,574)	(1,295)
	(4,330)	93	(23,574)	(501)

(Cdn$ in thousands - unaudited)

9. OTHER FINANCIAL ASSETS

	September 30, 2016	December 31, 2015
Current:		
Marketable securities	1,185	931
Copper put option contracts (Note 5)	579	671
	1,764	1,602
Long-term:		
Subscription receipts	10,333	10,333
Reclamation deposits	30,981	30,352
Cash (Note 2d)	7,500	7,500
	48,814	48,185

For the three and nine months ended September 30, 2016 and 2015, unrealized gains and losses from the mark-to-market of marketable securities and reclamation deposits have been recorded in other comprehensive income (loss). These assets are classified as available-for-sale financial assets (Note 18).

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

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

10. INVENTORIES

	September 30, 2016	December 31, 2015
Ore stockpiles	13,901	7,678
Copper concentrate	8,822	6,030
Molybdenum concentrate	142	-
Materials and supplies	28,392	26,913
	51,257	40,621

At September 30, 2016, a write-down of $7,277 (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 AND EQUIPMENT

During the three month period ended September 30, 2016, the Company capitalized stripping costs of $199 and incurred other capital expenditures for Gibraltar of $2,560. In addition, the Company capitalized development costs of $1,394 for the Florence Copper and $353 for the Aley Niobium projects. The Company also capitalized interest of $1,352 and incurred depletion and amortization in mining operations of $16,067 for the three month period ended September 30, 2016.

During the nine month period ended September 30, 2016, the Company capitalized stripping costs of $3,128 and incurred other capital expenditures for Gibraltar of $3,849. In addition, the Company capitalized development costs of $3,296 for the Florence Copper and $542 for the Aley Niobium projects. The Company also capitalized interest of $3,935 and incurred depletion and amortization in mining operations of $43,715 for the nine month period ended September 30, 2016.

(Cdn$ in thousands - unaudited)

12. DEBT

	September 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Current:				
Curis secured loan (Note 12a)	-	-	42,877	42,877
Capital leases	8,319	8,782	7,648	8,181
Secured equipment loans	8,515	8,362	9,276	8,236
	16,834	17,144	59,801	59,294
Long-term:				
Senior notes	260,024	168,205	273,876	139,507
Senior secured credit facility (Note 12b)	85,190	85,648	-	-
Capital leases	13,872	14,644	19,941	21,329
Secured equipment loans	4,961	4,936	11,584	12,561
	364,047	273,433	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 a new senior secured credit facility (Note 12b).

(b) Senior secured credit facility

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

The Facility is secured by a first priority charge over substantially all assets of the Company, including the Company's 75% joint venture interest in the Gibraltar Mine, shares in all material subsidiaries and the Florence Copper project assets. The availability of the Facility is subject to conditions and covenants, including maintenance of a minimum working capital balance (as defined in the Facility) of US$20 million. As at September 30, 2016, the Company is in compliance with these covenants.

(Cdn$ in thousands - unaudited)

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 12a) and to pay the arrangement fee and other transaction costs. The remainder of the Facility in the amount of $47,161 (US$36.8 million) was drawn during the second quarter of 2016.

In connection with the Facility, the Company has issued a call option for 7,500 MT of copper with a strike price of US$2.04/lb. The call option matures in March 2019 and an amount will be payable to Red Kite based on the average copper price during the month of March 2019, subject to a maximum amount of US$15 million. The initial fair value of the copper call option was estimated to be $6,081 and was revalued at $6,989 as at September 30, 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 $1,253 and was revalued at $819 as at September 30, 2016 (Note 5).

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

As at September 30, 2016 the Company had incurred total deferred debt financing costs of $12,510, which includes the initial fair value of the copper call option, warrants and embedded derivative, the arrangement fee, the extension fee and other transaction costs. These costs were initially deferred and subsequently reclassified to the loan on a pro-rata basis as loan amounts were drawn down, and are being amortized over the life of the loan using the effective interest rate method.

	Carrying Value September 30, 2016
Outstanding principal (US$70 million)	91,819
Accrued interest	4,231
Loan obligation	96,050
Deferred financing costs, net of accretion	(10,860)
Senior secured credit facility	85,190

13. OTHER FINANCIAL LIABILITIES

	September 30, 2016	**December 31, 2015**
Long-term:		
Derivative liability - copper call option (Note 12b)	6,989	-
Derivative liability - interest rate floor (Note 12b)	819	-
Amounts payable to BC Hydro	8,505	-
Deferred share units (Note 14b)	1,027	444
	17,340	444

For the nine month period ended September 30, 2016, the Company has deferred electricity payments of $8,505 under BC Hydro's five-year power rate deferral program for BC mines. Under the program, effective March 1, 2016, the Gibraltar Mine is able to defer up to 75% of electricity costs. The amount of deferral is based on a formula that incorporates the average copper price during the preceding month. The balance, plus interest at the prime rate plus 5%, will be repayable on a monthly schedule if the average copper price during the preceding month exceeds a threshold amount. Any remaining deferred balance will be repayable at the end of the five year term. Accordingly, the deferred amounts have been classified as a long-term financial liability.

(Cdn$ in thousands - unaudited)

14. EQUITY

(a) Share capital

(thousands of shares)	Common shares
Common shares outstanding at January 1, 2016	221,809
Exercise of share options	27
Common shares outstanding at September 30, 2016	221,836

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)	Number of Options	Average price
Outstanding at January 1, 2016	11,557	$2.55
Granted	2,601	0.38
Exercised	(27)	0.38
Forfeited	(216)	1.31
Expired	(1,845)	5.04
Outstanding at September 30, 2016	12,070	$1.73

During the nine month period ended September 30, 2016, the Company granted 2,601,000 (2015 – 2,680,000) share options to directors, executives and employees. The total fair value of options granted was $442 (2015 – $1,018) based on a weighted average grant-date fair value of $0.17 (2015 – $0.38) per option.

Weighted average assumptions used in calculating fair value of options granted during the nine month period ended September 30, 2016 were as follows:

	Nine months ended September 30, 2016
Expected forfeiture rate (%)	0%
Expected share price volatility (%)	52%
Risk free interest rate (%)	0.57%
Expected dividend yield (%)	0%
Expected life (years)	4.49

(Cdn$ in thousands - unaudited)

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	1,349,292
Settled	-	(59,426)
Forfeited	-	(44,574)
Outstanding at September 30, 2016	1,629,371	1,706,792

During the nine month period ended September 30, 2016, 714,000 DSUs were issued to directors (2015 - 816,000) and 1,349,292 (2015 - 461,500) PSUs to senior executives. The fair value of DSUs and PSUs granted was $1,080 (2015 – $1,231), with a weighted average fair value at the grant date of $0.38 per unit for the DSUs (2015 - $0.98) and ranging between $0.38 and $0.74 per unit for the PSUs (2015 - $0.77 and $0.98).

Grants of PSUs in the nine month period ended September 30, 2016, included 887,792 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.

A total share based compensation expense of $253 and $2,300, respectively, has been recognized for the three and nine month periods ended September 30, 2016 (2015: $293 and $1,643).

15. COMMITMENTS AND CONTINGENCIES

(a) Commitments

At September 30, 2016, capital commitments totalled $957 on 100% basis, of which the Company's share was $718. The Company's share of operating commitments totalled $18,573 at September 30, 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 September 30, 2016, this debt totaled $35,666 on a 75% basis.

(Cdn$ in thousands - unaudited)

16. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Change in non-cash working capital items				
Accounts receivable	(7,190)	3,167	(4,533)	(4,619)
Inventories	(11,364)	(3,127)	(10,636)	(9,890)
Prepaids	318	279	(312)	(668)
Accounts payable and accrued liabilities	(2,165)	(335)	(59)	(2,910)
Interest payable	92	374	(565)	769
Income tax (paid) received	-	973	(750)	27,504
	(20,309)	1,331	(16,855)	10,186
Non-cash investing and financing activities				
Derivative liability - copper call option (Note 12b)	-	-	6,081	-
Derivative liability - interest rate floor (Note 12b)	-	-	1,253	-
Share purchase warrants (Note 12b)	-	-	830	-
	-	-	8,164	-

17. RELATED PARTIES

Related party transactions

	Transaction value for the three months ended September 30, 2016	Transaction value for the three months ended September 30, 2015	Transaction value for the nine months ended September 30 2016	Transaction value for the nine months ended September 30 2015
Hunter Dickinson Services Inc.:				
General and administrative expenses	309	292	1,084	1,992
Exploration and evaluation expenses	11	9	31	132
	320	301	1,115	2,124
Gibraltar joint venture:				
Management fee income	223	312	677	887
Reimbursable compensation expenses and third party costs	(4)	23	101	87
	219	335	778	974

	Balance due (to) from as at September 30, 2016	Balance due (to) from as at September 30, 2015
Hunter Dickinson Services Inc.	(56)	(89)
Gibraltar Joint Venture	(19)	185

Three directors of the Company are also principals of Hunter Dickinson Services Inc. ("HDSI"), a private company. HDSI invoices the Company for their executive services (director fees) and for other services provided by HDSI. For the three month period ended September 30, 2016, the Company incurred total costs of $320 (Q3 2015: $301) in transactions with HDSI. Of these, $143 (Q3 2015: $133) related to administrative, legal, exploration and tax services, $107 related to reimbursements of office rent costs (Q3 2015: $98), and $70 (Q3 2015: $70) related to director fees for two Taseko directors who are also principals of HDSI.

(Cdn$ in thousands - unaudited)

For the nine month period ended September 30, 2016, the Company incurred total costs of $1,115 (2015: $2,124) in transactions with HDSI. Of these, $495 (2015: $740) related to administrative, legal, exploration and tax services, $410 related to reimbursements of office rent costs (2015: $391), and $210 (2015: $210) related to director fees for two Taseko directors who are also principals of HDSI. For the nine month period ended September 30, 2015, the Company also incurred costs of $783 through HDSI related to compensation of Taseko's CEO who is also a principal of HDSI.

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

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
September 30, 2016				
Financial assets designated as FVTPL				
Copper put option contracts	-	579	-	579
Available-for-sale financial assets				
Marketable securities	1,185	-	-	1,185
Reclamation deposits	30,981	-	-	30,981
Subscription receipts	-	-	10,333	10,333
	32,166	579	10,333	43,078

(Cdn$ in thousands - unaudited)

Financial liabilities				
Derivative liability - copper call option (Note 12b)	-	6,989	-	6,989
Derivative liability - interest rate floor (Note 12b)	-	819	-	819
	-	7,808	-	7,808
December 31, 2015				
Financial assets designated as FVTPL				
Copper put option contracts	-	671	-	671
Available-for-sale financial assets				
Marketable securities	931	-	-	931
Reclamation deposits	30,352	-	-	30,352
Subscription receipts	-	-	10,333	10,333
	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, accounts payable and accrued liabilities approximate their fair value as at September 30, 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 effective interest rate of 13.1%.

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 September 30, 2016
Copper increase/decrease by US$0.21/lb [1, 2]	1,601

[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 at September 30, 2016 of CAD/USD 1.3117 was used in the analysis.

[2]At September 30, 2016, 5.7 million pounds of provisionally priced copper in concentrate sales are subject to final selling price determination at market rates. These provisionally priced sales volumes are therefore exposed to copper price movements during the quotational period.