

Annual Report 2017

Taseko



Gibraltar Mine

DIVERSIFIED ASSET BASE



PRINCIPAL ASSET	DEVELOPMENT ASSETS		
<p style="text-align: center;">Gibraltar</p> <p>British Columbia, Canada</p> <p>Copper - Molybdenum</p> <p>Second largest open pit copper mine in Canada</p> <p>Ownership: 75% (unincorporated JV)</p> <p>667 million tons P&P reserves at a grade of 0.28% Cu Eq as of December 31, 2017, with additional resources expected to convert to reserves</p> <p>Expected avg. annual production (LOM): 140 million lbs Cu & 2.5 million lbs Mo</p> <p>Mine life: 21 years</p>	<p style="text-align: center;">Florence Copper</p> <p>Arizona, USA</p> <p>Copper</p> <p>Low cost in-situ copper recovery project</p> <p>Ownership: 100%</p> <p>345 million ton probable reserves at a grade of 0.36% Cu</p> <p>Projected annual capacity: 85 million lbs Cu</p> <p>Estimated production life: 21 years</p>	<p style="text-align: center;">Aley</p> <p>British Columbia, Canada</p> <p>Niobium</p> <p>Third largest niobium deposit in the world</p> <p>Ownership: 100%</p> <p>84 million tonne P&P reserves at 0.50% Nb₂O₅ (286 million tonne M&I resource at 0.37% Nb₂O₅)</p> <p>Projected avg. annual production (LOM): Option for 5 mm kgs Nb or 9 mmm kgs Nb</p> <p>Estimated mine life: 24+ years</p>	<p style="text-align: center;">New Prosperity</p> <p>British Columbia, Canada</p> <p>Copper - Gold</p> <p>10th largest copper-gold development project globally</p> <p>Ownership: 100%</p> <p>831 million tonnes P&P reserves at a grade of 0.23% Cu and 0.41 g/t Au</p> <p>1.0 billion tonne ore body (P&P reserves plus M&I resources)</p> <p>5.3 billion lbs of contained Cu and 13.3 million ounces of contained gold</p> <p>Estimated mine life: 20+ years</p>

HIGHLIGHTS OF THE YEAR

January 2017	Taseko announces record quarterly copper and molybdenum production at Gibraltar, with 40.7 million pounds of copper produced and 0.8 million pounds of molybdenum and total 2016 production of 133.2 million pounds of copper and 0.9 million pounds of molybdenum (100%).
March 2017	Taseko closes US\$33 million streaming agreement with Osisko Gold Royalties Ltd for Taseko's 75% share of payable silver production from the Gibraltar Mine.
April 2017	Gibraltar signs a new, long-term agreement with unionized employees
June 2017	Taseko completes debt refinancing, reducing overall debt and extending maturities to 2022. The US\$250 million aggregate principal amount of 8.75% Senior Secured Notes are due 2022. The Company used the net proceeds of the offering, and a portion of its existing cash balance, to fund the redemption of its Senior Notes due 2019 and to repay its senior secured credit facility and the related copper call option.
September 2017	Taseko announces that the Environmental Appeals Board (EAB) of the Environmental Protection Agency (EPA) issued an order denying any further review of the Underground Injection Control (UIC) Permit granted in 2016 for Taseko's Florence Copper Project.
September 2017	Taseko's Board of Directors gives management approval to move forward with the construction of the Florence Copper Production Test Facility (PTF). Estimated remaining costs to construct the PTF are US\$25 million.
October 2017	Anu Dhir joins Taseko's Board of Directors as an independent, non-executive director.
December 2017	In 2017, Gibraltar produces 141 million pounds of copper and 2.6 million pounds of molybdenum, resulting in C\$211 million of cash flow from operations and C\$164 million of EBITDA.

PROJECTS

I am very excited to update everyone on our Florence Copper Project; construction continues to advance on-time and on budget. A strong focus on spending and timelines is imperative for Taseko. Our track record for large capital projects is evidence of this, with the most recent example being our \$325 million Gibraltar expansion which was delivered on-time and on budget.

The wellfield development drilling was completed in April and aquifer characterization testing continues. We broke ground on the SX/EW plant construction in January and its completion timing coincides with the deposit pre-leaching in the third quarter. We continue to work with state and federal regulators to ensure a smooth transition from commissioning activities to cathode production, currently anticipated before the end of the year.

Successful operation of the Florence Copper wellfield and processing plant will be a major milestone in advancing this important project. We have no doubt that the technical aspects of the project will be proven, as well as the integrity of the project from an environmental standpoint.

In the 2017 Florence Copper technical report, the economics of the project were robust, with an after-tax net present value of US\$680 million. An important item that shouldn't be overlooked is the impact of the new US corporate tax rate. We believe the lower tax rate will add approximately US\$80 million to the after-tax net present value of Florence Copper, increasing it to US\$760 million. And as a reminder, these economics were run using a long-term copper price of US\$3.00 per pound.

For our Aley Niobium Project, we have completed three years of additional engineering work and are in the final stages of completing an updated technical report. This report will demonstrate improved economics at a lower long-term niobium price. The additional engineering work also provides us with confidence in the scalability of the project. If necessary to enter the market with a lower production profile, our engineering indicates that we can scale the project back in size and that the economics will remain strong. The market for specialty steels has rebounded in the past few years and there has been renewed interest in our Aley Project. We will continue to pursue a strategic off-take partner, which is the area that can create the greatest value for this project.



HEALTH AND SAFETY

Our employees, the environment and communities in which we operate are very important aspects of our business.

Health and safety have always been a high-level commitment for Taseko, Gibraltar and Florence management. With the credo that: “Nothing is more important to the Company than the safety, health and well-being of our workers and their families”. Taseko is committed to operational practices that result in improved efficiencies, safety performance and occupational health.

Through a tremendous amount of effort and persistence by all of our workforce, a true culture of working safely has been established and maintained. Health and safety performance is an ongoing commitment. Our teams continually review their training and awareness programs in order to ensure that they are fresh and relevant. Gibraltar’s 2017 loss time frequency was 0.6 per 200,000 hours worked, well below the British Columbia mining industry average of 1.1. How Gibraltar performs on a health and safety basis compared to our peers is a very important aspect of our business and one we monitor very closely.

BOARD OF DIRECTORS

Two of our board members will not be standing for re-election in at our upcoming AGM. Both Bill Armstrong and Linda Thorstad will be stepping down after multiple years of serving on our Board.

I would like to make special mention of Bill Armstrong, who has been one of our longstanding board members. Since joining our Board in 2006, Bill has contributed significantly in helping us grow Taseko into what it is a today. His technical knowledge proved invaluable and was instrumental in developing many health and safety policies, as the Chair of the Board’s Environment, Health and Safety Committee. I would like to thank him for his many years of service on the Taseko Board.

As well, Linda being our first female Board member has done an excellent job overseeing our governance protocols as the Board continues to advance ever changing governance regiments. Linda also lead the Independent Committee during our proxy fight in 2016 and I would like to thank her on behalf of management for all that she did to see that through to a successful resolution.

Finally, I would like to thank all of our shareholders for their continued support. 2017 was a great year and we believe that higher copper prices, strong production and project advancement will only create stronger equity returns for our holders in the months ahead.

Sincerely,



Russell E. Hallbauer
President and Chief Executive Officer





TWO-YEAR FINANCIAL HIGHLIGHTS

CONSOLIDATED BALANCE SHEETS (CDN\$ IN THOUSANDS)

	As at December 31,	
	2017	2016
ASSETS		
Current assets		
Cash and equivalents	\$ 80,231	\$ 89,030
Accounts receivable	21,618	12,905
Other financial assets	2,774	1,574
Inventories	39,639	60,550
Prepays	1,474	1,268
	\$ 145,736	\$ 165,327
Property, plant and equipment	797,265	730,208
Other financial assets	40,537	48,368
Goodwill	5,172	5,536
	\$ 988,710	\$ 949,439
LIABILITIES		
Current liabilities		
Accounts payable and other liabilities	\$ 47,382	\$ 33,416
Current income tax payable	302	889
Current portion of long-term debt	11,270	16,157
Current portion of deferred revenue	1,312	–
Interest payable on senior notes	1,143	4,336
	61,409	54,798
Long-term debt	317,948	373,133
Provision for environmental rehabilitation	107,874	98,454
Deferred and other tax liabilities	89,045	62,202
Deferred revenue	39,640	–
Other financial liabilities	5,714	21,913
	\$ 621,630	\$ 610,500
EQUITY		
Share capital	422,091	417,975
Contributed surplus	47,478	45,747
Accumulated other comprehensive income ("AOCI")	389	12,357
Deficit	(102,878)	(137,140)
	367,080	338,939
	\$ 988,710	\$ 949,439

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(CDN\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	As at December 31,	
	2017	2016
REVENUES	\$ 378,299	\$ 263,865
Cost of sales		
Production Costs	(200,583)	(209,150)
Depletion and amortization	(47,722)	(52,939)
Earnings from mining operations	129,994	1,776
General and administration	(12,775)	(11,299)
Share-based compensation	(6,983)	(3,619)
Exploration and evaluation	(1,730)	(2,087)
Loss on derivatives	(10,082)	(6,360)
Other income (expenses)	(6,341)	(4,072)
Income (loss) before financing costs and income taxes	92,083	(25,661)
Finance expense	(46,430)	(30,007)
Finance income	935	1,084
Foreign exchange gains	16,852	8,475
Income (loss) before income taxes	63,440	(46,109)
Income tax (expense) recovery	(29,178)	14,713
Net income (loss)	34,262	(31,396)
Other comprehensive income (loss):		
Unrealized loss on available-for-sale financial assets, before tax	(4,248)	(32)
Tax recovery	–	516
Foreign currency translation reserve	(7,720)	(3,709)
Other comprehensive loss for the year	(11,968)	(3,225)
Total comprehensive income (loss)	22,294	(34,621)
Earnings (loss) per share		
Basic	0.15	(0.14)
Diluted	0.15	(0.14)
Weighted average shares outstanding (thousands)		
Basic	225,682	221,828
Diluted	232,039	221,828

MINERAL RESERVES & RESOURCES

(AS AT DECEMBER 31, 2017)

GIBRALTAR

Category (at 0.15% Cu cut-off)	Size (M Tons)	Grade		Recoverable Metal	Contained Metal
		Cu (%)	Mo (%)	Cu (B lbs)	Cu (B lbs)
Proven	527	0.26	0.008	2.4	2.7
Probable	140	0.23	0.008	0.6	0.7
Total P&P Reserves	667	0.255	0.008	3.0	3.4
Measured	755	0.26	0.008	–	3.9
Indicated	256	0.24	0.007	–	1.2
Total M&I Resources	1,011	0.25	0.008	–	5.2

The resource and reserve estimation was completed by Gibraltar mine staff under the supervision of Scott Jones, P.Eng., Vice President, Engineering of Taseko and a Qualified Person under National Instrument 43-101. Mr. Jones has verified the methods used to determine grade and tonnage in the geological model, reviewed the long range mine plan, and directed the updated economic evaluation. The estimates used long term metal prices of US\$2.75/lb for copper and US\$11.00/lb for molybdenum and 0.85 C\$/US\$ foreign exchange. Reserves and Resources were updated and are stated as of Dec 31/17. Mineral reserves are contained within the measured and indicated mineral resources.

FLORENCE

Category (at 0.05% TCu cut-off)	Size (M Tons)	Grade	Recoverable Metal	Contained Metal
		(%TCu)	Cu (B lbs)	Cu (B lbs)
Probable Reserves	345	0.36	1.7	2.5
Measured	296	0.35	–	2.1
Indicated	134	0.28	–	0.7
M + I Resources	429	0.33	–	2.8
Inferred	63	0.24	–	0.3

The resource and reserve estimation (effective date Jan 16 2017) was completed by Dan Johnson PE, Vice-President/General Manager for Florence Copper, Inc., and a Qualified Person under National Instrument 43-101. The updated Mineral Reserves are based on engineering performed by SRK Consulting incorporating the measured and indicated resources established in 2010, metallurgical work completed by SGS Inc. and T. McNulty and Associates, process facility designs by M3 Engineering as well as well field designs by Haley and Aldrich Inc. The study was done using a long term metal price of US\$3.00/lb for copper. Mineral reserves are contained within the measured and indicated mineral resources. Mineral resources that are not mineral reserves do not have demonstrated economic viability (Under US standards no reserve declaration is possible until a full feasibility study is completed and financing and permits are acquired.)

ALEY

Category	Size (M Tonnes)	Grade	Recoverable Metal	Contained Metal
		Nb2O5 (%)	Nb (M kg)	Nb (M kg)
Proven	44	0.52	102	160
Probable	40	0.48	86	134
Total P&P Reserves (at 0.30% Nb2O5 cut-off)	84	0.50	188	294
Measured	113	0.41	–	323
Indicated	173	0.35	–	423
Total M&I Resources (at 0.20 Nb2O5 cut-off)	286	0.37	–	746

The reserve estimation (effective date Sept 15 2014) was reviewed by Scott Jones, P.Eng., Vice-President Engineering for Taseko and a Qualified Person under National Instrument 43-101. Mr Jones has verified the methods used to determine grade and tonnage in the geological model, reviewed the long range mine plan, and directed the updated economic evaluation. The study was done using long term metal prices of US\$45.00/kg for niobium and an exchange rate of US\$0.90/C\$1.00. The NI 43-101 compliant reserve estimate takes into consideration all geologic, mining, milling, and economic factors, and is stated according to Canadian standards. (Under US standards no reserve declaration is possible until a full feasibility study is completed and financing and permits are acquired.) Mineral reserves are contained within the measured and indicated mineral resources.

NEW PROSPERITY

Category	Size (M Tonnes)	Grade		Recoverable Metal		Contained Metal	
		Au (g/t)	Cu (%)	Au (M oz)	Cu (B lb)	Au (M oz)	Cu (B lb)
Proven	481	0.46	0.26	5.0	2.4	7.1	2.8
Probable	350	0.35	0.18	2.7	1.2	3.9	1.4
Total P&P Reserves (at C\$5.50 NSR/t cut-off.)	831	0.41	0.23	7.7	3.6	11.0	4.2
Measured	547	0.46	0.27	–	–	8.1	3.2
Indicated	463	0.34	0.21	–	–	5.2	2.1
Total M&I Resources (at 0.14% Cu cut-off)	1,010	0.41	0.24	–	–	13.3	5.3

The mineral resource and reserve estimations (effective date Nov. 2 2009) were completed by Taseko staff under the supervision of Scott Jones, P.Eng., Vice-President, Engineering of Taseko and a Qualified Person under National Instrument 43-101. Mr Jones has verified the methods used to determine grade and tonnage in the geological model, reviewed the long range mine plan, and directed the updated economic evaluation. The basis for the reserves used long term metal prices of US\$1.65/lb for copper and US\$650/oz for gold and a foreign exchange of C\$0.82 per US dollar. The NI 43-101 compliant reserve estimate takes into consideration all geologic, mining, milling, and economic factors, and is stated according to Canadian standards. (Under US standards no reserve declaration is possible until a full feasibility study is completed and financing and permits are acquired.) Mineral reserves are contained within the measured and indicated mineral resources.



Gibraltar Mine employees



CORPORATE INFORMATION

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Annual General Meeting

June 7th, 2018 at 2:00 pm
McMillan LLP
1055 W Georgia St
Royal Centre, Suite 1500
Vancouver BC Canada

Shares Listed

TSX – TKO NYSEAMERICAN – TGB

Senior Officers

Russell Hallbauer
President & CEO and Director

Ron Thiessen
Chairman

John McManus
Chief Operating Officer

Stuart McDonald
Chief Financial Officer

Brian Battison
Vice President, Corporate Affairs

Scott Jones
Vice President, Engineering

Rob Rotzinger
Vice President, Capital Projects

Brian Bergot
Vice President, Investor Relations