



Condensed Consolidated Interim Financial Statements
March 31, 2019
(Unaudited)

TASEKO MINES LIMITED

Consolidated Statements of Comprehensive Income (Loss)

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

(Unaudited)

	Note	Three months ended March 31,	
		2019	2018
Revenues	4	70,274	64,179
Cost of sales			
Production costs	5	(54,545)	(50,635)
Depletion and amortization	5	(20,184)	(14,780)
Loss from mining operations		(4,455)	(1,236)
General and administrative		(4,473)	(4,751)
Share-based compensation recovery (expense)	15c	(1,714)	995
Exploration and evaluation		(469)	(845)
Loss on derivatives	6	(843)	(143)
Other income		565	331
Loss before financing costs and income taxes		(11,389)	(5,649)
Finance expenses	7	(9,742)	(9,311)
Finance income		308	323
Foreign exchange gain (loss)		6,076	(7,922)
Loss before income taxes		(14,747)	(22,559)
Income tax recovery	8	6,816	4,078
Net loss		(7,931)	(18,481)
Other comprehensive income (loss):			
Unrealized gain (loss) on financial assets	9	1,114	(702)
Foreign currency translation reserve		(3,467)	3,435
Total other comprehensive income (loss)		(2,353)	2,733
Total comprehensive loss		(10,284)	(15,748)
Earnings (loss) per share			
Basic		(0.03)	(0.08)
Diluted		(0.03)	(0.08)
Weighted average shares outstanding (thousands)			
Basic		237,046	227,079
Diluted		237,046	227,079

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

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(Cdn\$ in thousands)

(Unaudited)

		Three months ended March 31,	
	Note	2019	2018
Operating activities			
Net loss for the period		(7,931)	(18,481)
Adjustments for:			
Depletion and amortization		20,184	14,780
Income tax recovery	8	(6,816)	(4,078)
Share-based compensation expense (recovery)	15c	1,787	(839)
Loss on derivatives	6	843	143
Finance expenses, net		9,434	8,988
Unrealized foreign exchange (gain) loss		(6,689)	8,332
Amortization of deferred revenue	14	(977)	(848)
Deferred electricity repayments		-	(3,828)
Other operating activities		(377)	-
Net change in non-cash working capital	17	(2,267)	7,387
Cash provided by operating activities		7,191	11,556
Investing activities			
Purchase of property, plant and equipment	12	(13,378)	(24,677)
Purchase of copper put options	6	(851)	-
Proceeds from copper put options		241	-
Other investing activities		68	214
Cash used for investing activities		(13,920)	(24,463)
Financing activities			
Interest paid		(381)	(394)
Repayment of lease liabilities and equipment loans		(3,806)	(3,227)
Proceeds on exercise of options		86	130
Cash used for financing activities		(4,101)	(3,491)
Effect of exchange rate changes on cash and equivalents		(306)	399
Decrease in cash and equivalents		(11,136)	(15,999)
Cash and equivalents, beginning of year		45,665	80,231
Cash and equivalents, end of period		34,529	64,232

Supplementary cash flow disclosures 17

Subsequent event 20

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

TASEKO MINES LIMITED

Consolidated Balance Sheets

(Cdn\$ in thousands)

(Unaudited)

	Note	March 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and equivalents		34,529	45,665
Accounts receivable		7,663	14,735
Inventories	11	44,589	38,986
Other financial assets	9	789	3,581
Prepays		1,160	1,464
		88,730	104,431
Property, plant and equipment	12	834,887	821,287
Other financial assets	9	42,124	41,380
Goodwill		5,510	5,625
		971,251	972,723
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities		38,565	41,001
Current portion of long-term debt	13	13,222	9,856
Current portion of deferred revenue	14	3,933	3,907
Interest payable on senior secured notes		8,526	1,243
Current income tax payable		1,537	1,427
		65,783	57,434
Long-term debt	13	340,197	345,625
Provision for environmental rehabilitation ("PER")		96,541	97,914
Deferred and other tax liabilities		76,895	83,793
Deferred revenue	14	39,403	39,367
Other financial liabilities		2,348	1,513
		621,167	625,646
EQUITY			
Share capital	15	436,187	423,438
Contributed surplus		49,816	49,274
Accumulated other comprehensive income ("AOCI")		11,711	14,064
Deficit		(147,630)	(139,699)
		350,084	347,077
		971,251	972,723
Commitments and contingencies	16		
Subsequent event	20		

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

TASEKO MINES LIMITED

Consolidated Statements of Changes in Equity

(Cdn\$ in thousands)

(Unaudited)

	Share capital	Contributed surplus	AOCI	Deficit	Total
Balance at January 1, 2018	422,091	47,478	389	(102,878)	367,080
Adjustment on initial application of IFRS 15	-	-	-	(1,047)	(1,047)
Adjusted balance at January 1, 2018	422,091	47,478	389	(103,925)	366,033
Share-based compensation	-	1,336	-	-	1,336
Exercise of options and warrants	177	(47)	-	-	130
Total comprehensive income (loss) for the year	-	-	2,733	(18,481)	(15,748)
Balance at March 31, 2018	422,268	48,767	3,122	(122,406)	351,751
Balance at January 1, 2019	423,438	49,274	14,064	(139,699)	347,077
Fair value of shares issued for Yellowhead acquisition (Note 10)	12,629	-	-	-	12,629
Share-based compensation	-	953	-	-	953
Exercise of options and warrants	120	(34)	-	-	86
Settlement of performance share units	-	(377)	-	-	(377)
Total comprehensive loss for the year	-	-	(2,353)	(7,931)	(10,284)
Balance at March 31, 2019	436,187	49,816	11,711	(147,630)	350,084

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

TASEKO MINES LIMITED

Notes to Condensed Consolidated Interim Financial Statements

(Cdn\$ in thousands - unaudited)

1. REPORTING ENTITY

Taseko Mines Limited (the “Company” or “Taseko”) is a corporation governed by the *British Columbia Business Corporations Act*. These unaudited condensed consolidated interim financial statements of the Company as at and for the three month period ended March 31, 2019 comprise the Company, its subsidiaries and its 75% interest in the Gibraltar joint venture (“Gibraltar”), since its formation on March 31, 2010. The Company is principally engaged in the production and sale of metals, as well as related activities including exploration and mine development, within the province of British Columbia, Canada and the State of Arizona, USA. Seasonality does not have a significant impact on the Company’s operations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company’s most recent annual financial statements, except as disclosed in Note 3. These condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2018, 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 May 7, 2019.

(b) Use of judgments and estimates

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

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at the year ended December 31, 2018.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has applied the following revised or new IFRS that were issued and effective January 1, 2019:

(a) IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 *Leases*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective method. Accordingly, the comparative information presented for 2018 has not been restated.

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Notes to Condensed Consolidated Interim Financial Statements

(Cdn\$ in thousands - unaudited)

The impact of IFRS 16 on the classification and measurement of financial assets is set out below.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

In applying IFRS 16 for all leases, except as noted above, the Company (i) recognizes the ROU asset and lease liabilities in the consolidated interim balance sheet, initially measured at the present value of future lease payments; (ii) recognizes the depreciation of ROU assets and interest on lease liabilities in the consolidated interim statement of income (loss); and (iii) separates the total amount of cash paid into a principal portion and interest (included within financing activities) in the consolidated interim statement of cash flows. For short-term leases and leases of low value assets, the Company has opted to recognize a lease expense on a straight-line basis.

In transitioning to IFRS 16, the Company reviewed its contracts to identify whether they are or contain a lease arrangement. The review identified contracts containing leases that have an equivalent increase to both the Company's ROU assets and lease liabilities. The cumulative effect of the changes made to the consolidated January 1, 2019 balance sheet for the adoption of IFRS 16 was an increase to both property plant and equipment and lease liabilities by \$6,254. The weighted average discount rate for lease liabilities initially recognized on adoption of IFRS 16 was 5.6%.

The following is a reconciliation of the operating lease obligations as at December 31, 2018 to the recognized lease liabilities as at January 1, 2019:

Operating lease commitments as at December 31, 2018	4,813
Current leases with a lease term of 12 months or less and low value	(414)
Leases identified in existing service and supply contracts	2,436
Effect from discounting	(581)
Lease liabilities due to initial application of IFRS 16 as at January 1, 2019	6,254

New Accounting Policy for Leases Under IFRS 16

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the exception of short-term and low value leases, which are recognized in the consolidated interim statement of income (loss) on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement date, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset and is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

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Notes to Condensed Consolidated Interim Financial Statements

(Cdn\$ in thousands - unaudited)

ROU assets are included in property, plant, and equipment, and the lease liability is included in long-term debt in the consolidated interim balance sheet (Note 13b).

4. REVENUE

	Three months ended March 31,	
	2019	2018
Copper contained in concentrate	64,646	66,143
Molybdenum concentrate	8,937	5,014
Silver (Note 14)	1,012	940
Price adjustments on settlement receivables	1,207	(3,305)
Total gross revenue	75,802	68,792
Less: Treatment and refining costs	(5,528)	(4,613)
Revenue	70,274	64,179

5. COST OF SALES

	Three months ended March 31,	
	2019	2018
Site operating costs	55,430	48,877
Transportation costs	3,288	2,829
Changes in inventories of finished goods	(4,046)	(967)
Changes in inventories of ore stockpiles	(127)	3,896
Insurance recovery	-	(4,000)
Production costs	54,545	50,635
Depletion and amortization	20,184	14,780
Cost of sales	74,729	65,415

Site operating costs include personnel costs, mine site supervisory costs, non-capitalized stripping costs, repair and maintenance costs, consumables, operating supplies and external services.

During the three months ended March 31, 2019, the Company recorded an impairment reversal of \$1,553 to adjust the carrying value of ore stockpile inventories to net realizable value.

During the three months ended March 31, 2018, the Company recognized an insurance recovery of \$4,000 (75% basis) related to the Cariboo region wildfires in 2017.

6. DERIVATIVE INSTRUMENTS

During the three months ended March 31, 2019, the Company purchased copper put option contracts for 15 million pounds of copper with maturity dates ranging from February to April 2019, at a strike price of US\$2.80 per pound, at a total cost of \$851.

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(Cdn\$ in thousands - unaudited)

At March 31, 2019 the Company had options outstanding for 5 million pounds of copper with maturity in April 2019 with a strike price of US\$2.80 per pound. The fair value of the outstanding options at March 31, 2019 is \$8.

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

	Three months ended March 31,	
	2019	2018
Realized loss on copper put options	567	1,308
Unrealized loss (gain) on copper put options	276	(1,165)
	843	143

7. FINANCE EXPENSES

	Three months ended March 31,	
	2019	2018
Interest expense	8,253	7,810
Finance expense – deferred revenue (Note 14)	1,039	901
Accretion on PER	450	600
	9,742	9,311

8. INCOME TAX

	Three months ended March 31,	
	2019	2018
Current tax expense	110	-
Deferred tax recovery	(6,926)	(4,078)
	(6,816)	(4,078)

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Notes to Condensed Consolidated Interim Financial Statements
(Cdn\$ in thousands - unaudited)

9. OTHER FINANCIAL ASSETS

	March 31, 2019	December 31, 2018
Current:		
Marketable securities (Note 10)	781	3,581
Copper put option contracts (Note 6)	8	-
	789	3,581
Long-term:		
Investment in subscription receipts	2,400	2,400
Reclamation deposits	32,224	31,480
Restricted cash	7,500	7,500
	42,124	41,380

Marketable securities at December 31, 2018 include an investment in Yellowhead Mining Inc., which was carried at a fair value of \$2,810 at December 31, 2018 (Note 10).

10. YELLOWHEAD ACQUISITION

In December 2018, the Company entered into an agreement to acquire all of the outstanding common shares of Yellowhead Mining Inc. ("Yellowhead") that it did not already own, in exchange for approximately 17.3 million Taseko common shares. The transaction was structured as a plan of arrangement pursuant to the Business Corporations Act (British Columbia) and required the approval of the Supreme Court of British Columbia and Yellowhead shareholders. The acquisition closed on February 15, 2019.

The total purchase consideration was calculated as follows:

Fair value of common shares issued (17,300,385 shares at \$0.73 per share)	12,630
Fair value of previously held investment in Yellowhead	3,365
Acquisition related costs	271
	16,266

The Company has incurred acquisition costs totaling \$271 for legal and other fees, which have been included in the purchase price consideration.

Prior to the acquisition, the Company held a 21% equity interest in Yellowhead. This investment was previously accounted for as a FVOCI financial asset and was remeasured to its fair value of \$3,365 at the acquisition date, and that amount was included as part of the purchase consideration.

Yellowhead had cumulative tax pools of approximately \$57,000 comprised of non-capital losses and resource deductions at the date of acquisition. A full valuation allowance was provided against the deferred tax assets arising from these tax pools due to uncertainty over the timing of their potential utilization.

The acquisition has been accounted for as an asset acquisition and accordingly, the purchase consideration has been allocated to the assets acquired and liabilities assumed, based upon their estimated fair values at the date of acquisition. The following sets forth the allocation of the purchase price:

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Notes to Condensed Consolidated Interim Financial Statements

(Cdn\$ in thousands - unaudited)

Cash and cash equivalents	187
Accounts receivable and other assets	14
Reclamation deposits	85
Property, plant and equipment	16,240
Accounts payable and other liabilities	(260)
	16,266

Yellowhead is in the development stage and does not generate revenues. Yellowhead project related expenditures were \$60 for the period since acquisition.

11. INVENTORIES

	March 31, 2019	December 31, 2018
Ore stockpiles	8,419	8,532
Copper contained in concentrate	7,395	3,166
Molybdenum concentrate	366	549
Materials and supplies	28,409	26,739
	44,589	38,986

12. PROPERTY, PLANT & EQUIPMENT

During the three month period ended March 31, 2019, the Company capitalized stripping costs of \$8,768 and incurred other capital expenditures for Gibraltar of \$3,084. In addition, the Company capitalized development costs of \$3,234 for the Florence Copper project and \$103 for the Aley Niobium project. Additions to property, plant and equipment in the three month period also include \$784 of non-cash depreciation on mining assets related to capitalized stripping and \$8,190 related to right of use assets (Note 3a). Depreciation related to the right of use assets for the three month period ended March 31, 2019 was \$762.

13. DEBT

	March 31, 2019	December 31, 2018
Current:		
Lease liabilities (b)	9,826	6,506
Secured equipment loans	3,396	3,350
	13,222	9,856
Long-term:		
Senior secured notes (a)	325,286	331,683
Lease liabilities (b)	9,434	7,604
Secured equipment loans	5,477	6,338
	340,197	345,625
Total debt	353,419	355,481

TASEKO MINES LIMITED

Notes to Condensed Consolidated Interim Financial Statements

(Cdn\$ in thousands - unaudited)

(a) Senior Secured Notes

In June 2017, the Company completed an offering of US\$250,000 aggregate principal amount of senior secured notes ("the Notes"). The Notes mature on June 15, 2022 and bear interest at an annual rate of 8.750%, payable semi-annually on June 15 and December 15.

The Notes are secured by liens on the shares of Taseko's wholly-owned subsidiary, Gibraltar Mines Ltd., and the subsidiary's rights under the joint venture agreement relating to the Gibraltar mine. The Notes are guaranteed by each of Taseko's existing and future restricted subsidiaries, other than certain immaterial subsidiaries. The Company is able to incur limited amounts of additional secured and unsecured debt under certain conditions as defined in the Note indenture. The Company is also subject to certain restrictions on asset sales, issuance of preferred stock, dividends and other restricted payments. However, there are no maintenance covenants with respect to the Company's financial performance.

The Company may redeem some or all of the Notes at any time on or after June 15, 2019, at redemption prices ranging from 104.375% to 100%, plus accrued and unpaid interest to the date of redemption. Prior to June 15, 2019, all or part of the notes may be redeemed at 100%, plus a make-whole premium, plus accrued and unpaid interest to the date of redemption. In addition, until June 15, 2019, the Company may redeem up to 35% of the aggregate principal amount of the notes, in an amount not greater than the net proceeds of certain equity offerings, at a redemption price of 108.750%, plus accrued and unpaid interest to the date of redemption. On a change of control, the Notes are redeemable at the option of the holder at a price of 101%.

(b) Lease Liabilities

On January 1, 2019, the Company recorded additional lease liabilities of \$6,254 due to the initial application of IFRS 16, the new accounting standard for leases (see Note 3a).

(c) Debt Continuity

The following schedule shows the continuity of total debt in the first three months of 2019:

Total debt as at December 31, 2018	355,481
Lease additions on initial application of IFRS 16 (Note 13b)	6,254
Lease additions during the period	1,901
Repayment of lease liabilities and equipment loans	(3,806)
Unrealized foreign exchange gain	(6,996)
Amortization of deferred financing charges	585
Total debt as at March 31, 2019	353,419

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Notes to Condensed Consolidated Interim Financial Statements

(Cdn\$ in thousands - unaudited)

14. DEFERRED REVENUE

On March 3, 2017, the Company entered into a silver stream purchase and sale agreement with Osisko Gold Royalties Ltd. ("Osisko"), whereby the Company received an upfront cash deposit payment of US\$33 million for the sale of an equivalent amount of its 75% share of Gibraltar payable silver production until 5.9 million ounces of silver have been delivered to Osisko. After that threshold has been met, 35% of an equivalent amount of Taseko's share of all future payable silver production from Gibraltar will be delivered to Osisko. The Company receives cash payments of US\$2.75 per ounce for all silver deliveries made under the agreement.

The Company recorded the initial deposit as deferred revenue and recognizes amounts in revenue as silver is delivered to Osisko. The amortization of deferred revenue is calculated on a per unit basis using the estimated total number of silver ounces expected to be delivered to Osisko over the life of the Gibraltar Mine. The current portion of deferred revenue is an estimate based on deliveries anticipated over the next twelve months.

The following table summarizes changes in deferred revenue:

Balance at December 31, 2018	43,274
Finance expense (Note 7)	1,039
Amortization of deferred revenue	(977)
Balance at March 31, 2019	43,336

15. EQUITY

(a) Share Capital

	Common shares (thousands)
Common shares outstanding at January 1, 2019	228,431
Issued to acquire Yellowhead (Note 10)	17,300
Exercise of share options	226
Common shares outstanding at March 31, 2019	245,957

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

(b) Share Purchase Warrants

At March 31, 2019, the Company had 3,000,000 share purchase warrants outstanding at an exercise price of \$2.74 per share and with an expiry date of April 1, 2020.

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Notes to Condensed Consolidated Interim Financial Statements

(Cdn\$ in thousands - unaudited)

(c) Share-Based Compensation

	Options (thousands)	Average price
Outstanding at January 1, 2019	10,337	1.64
Granted	3,227	0.78
Exercised	(226)	0.38
Cancelled/forfeited	(38)	1.89
Expired	(3,297)	2.26
Outstanding at March 31, 2019	10,003	1.19
Exercisable at March 31, 2019	7,325	1.19

During the three month period ended March 31, 2019, the Company granted 3,226,500 (2018 – 1,694,500) share options to directors, executives and employees, exercisable at an average exercise price of \$0.78 per common share over a three to five year period. The total fair value of options granted was \$1,387 (2018 – \$2,474) based on a weighted average grant-date fair value of \$0.43 (2018 – \$1.46) per option.

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

	Three months ended March 31, 2019
Expected term (years)	5
Forfeiture rate	0%
Volatility	64%
Dividend yield	0%
Risk-free interest rate	1.9%
Weighted-average fair value per option	\$0.43

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

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

	DSUs (thousands)	PSUs (thousands)
Outstanding at January 1, 2019	2,328	1,210
Granted	682	875
Settled	-	(410)
Outstanding at March 31, 2019	3,010	1,675

During the three month period ended March 31, 2019, 682,000 DSUs were issued to directors (2018 - 385,000) and 875,000 PSUs to senior executives (2018 – 400,000). The fair value of DSUs and PSUs granted was \$1,696 (2018 - \$2,982), with a weighted average fair value at the grant date of \$0.78 per unit for the DSUs (2018 - \$2.86 per unit) and \$1.33 per unit for the PSUs (2018 - \$4.70 per unit).

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Share based compensation expense (recovery) is comprised as follows:

	Three months ended March 31,	
	2019	2018
Share options – amortization	698	1,178
Performance share units – amortization	254	157
Change in fair value of deferred share units	835	(2,174)
	1,787	(839)

16. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Company is a party to certain contracts relating to service and supply agreements. Future minimum payments under these agreements as at March 31, 2019 are presented in the following table:

Remainder of 2019	6,271
2020	5,713
2021	5,412
2022	902
2023	-
2024 and thereafter	-
Total operating commitments	18,298

As at March 31, 2019, the Company had outstanding capital commitments of \$6,727 (2018: \$5,500), of which the Gibraltar joint venture is committed to incur expenditures of \$6,727 (2018: \$2,189) with the Company's share being \$5,045 (2018: \$1,642).

(b) Contingencies

The Company has guaranteed 100% of certain capital lease and equipment loans entered into by the Gibraltar joint venture in which it holds a 75% interest. As a result, the Company has guaranteed the joint venture partner's 25% share of this debt which amounted to \$6,939 as at March 31, 2019.

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17. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended	
	March 31,	
	2019	2018
Change in non-cash working capital items		
Accounts receivable	6,840	6,359
Inventories	(5,641)	1,506
Prepays	305	581
Accounts payable and accrued liabilities	(3,785)	(875)
Interest payable	14	166
Income tax paid	-	(350)
	(2,267)	7,387
Non-cash investing and financing activities		
Equipment acquired by way of lease additions	1,901	-

18. RELATED PARTY TRANSACTIONS

(a) Termination of Service Agreement with HDSI

On December 31, 2018, the Company terminated the services agreement with Hunter Dickinson Services Inc. ("HDSI"), which was a related party as three directors of the Company are also principals of HDSI. In 2018 and prior years, HDSI invoiced the Company for their executive services (director fees) and for other services provided by HDSI under a services agreement dated July 2010.

Effective from January 1, 2019 HDSI no longer provides services to the Company, and the Company had no transactions with HDSI, except for a reimbursement of warehouse rental costs in the amount of \$13 for the three month period ended March 31, 2019.

For the three month period ended March 31, 2018, the Company incurred total costs of \$351 in transactions with HDSI. Of these, \$126 related to administrative, legal, exploration and tax services, \$155 related to reimbursements of office rent costs, and \$70 related to director fees for two Taseko directors who are also principals of HDSI.

(b) Gibraltar Joint Venture

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. For the three month period ended March 31, 2019, management income for \$290 (Q1 2018: \$292) and reimbursable compensation expenses and third party costs of \$23 (Q1 2018: \$34) were charged to the joint venture partner.

19. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify

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(Cdn\$ in thousands - unaudited)

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 fair values of the senior secured notes is \$310,062 and the carrying value is \$325,286 at March 31, 2019. The fair value of all other financial assets and liabilities approximates their carrying value.

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

	Level 1	Level 2	Level 3	Total
March 31, 2019				
<i>Financial assets designated as FVOCI</i>				
Marketable securities	781	-	-	781
Investment in subscription receipts	-	-	2,400	2,400
Reclamation deposits	32,224	-	-	32,224
	33,005	-	2,400	35,405
December 31, 2018				
<i>Financial assets designated as FVOCI</i>				
Marketable securities	3,581	-	-	3,581
Investment in subscription receipts	-	-	2,400	2,400
Reclamation deposits	31,480	-	-	31,480
	35,061	-	2,400	37,461

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 March 31, 2019.

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

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

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

The subscription receipts, a Level 3 instrument, are valued based on a management estimate. As the subscription receipts are an investment in a private exploration and development company, there are no observable market

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Notes to Condensed Consolidated Interim Financial Statements

(Cdn\$ in thousands - unaudited)

data inputs. At March 31, 2019 the determination of the estimated fair value of the investment includes comparison to the market capitalization of comparable public companies.

Commodity Price Risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the metals it produces. The Company enters into copper put option contracts to reduce the risk of short-term copper price volatility. The amount and duration of the hedge position is based on an assessment of business-specific risk elements combined with the copper pricing outlook. Copper put option contracts are typically extended adding incremental quarters at established put strike prices to provide the necessary price protection.

Provisional pricing mechanisms embedded within the Company's sales arrangements have the character of a commodity derivative and are carried at fair value as part of accounts receivable.

The table below summarizes the impact on revenue and receivables for changes in commodity prices on the provisionally invoiced sales volumes.

**As at March 31,
2019**

Copper increase/decrease by US\$0.29/lb. ¹	1,911
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¹The analysis is based on the assumption that the period end copper price increases 10% with all other variables held constant. At March 31, 2019, 5 million pounds of copper in concentrate were exposed to copper price movements. The closing exchange rate at March 31, 2019 of CAD/USD 1.3363 was used in the analysis.

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

20. SUBSEQUENT EVENT

In May 2019, Gibraltar entered into an equipment loan with the Company's share of proceeds being \$13,875. The loan bears interest at an annual rate of 5.2%, is secured by existing mining equipment at the Gibraltar Mine and is repayable in monthly installments with a final maturity date of May 6, 2024. The proceeds of the loan were used to repay an existing equipment loan of \$1,362 and the remaining funds are available for general working capital purposes.