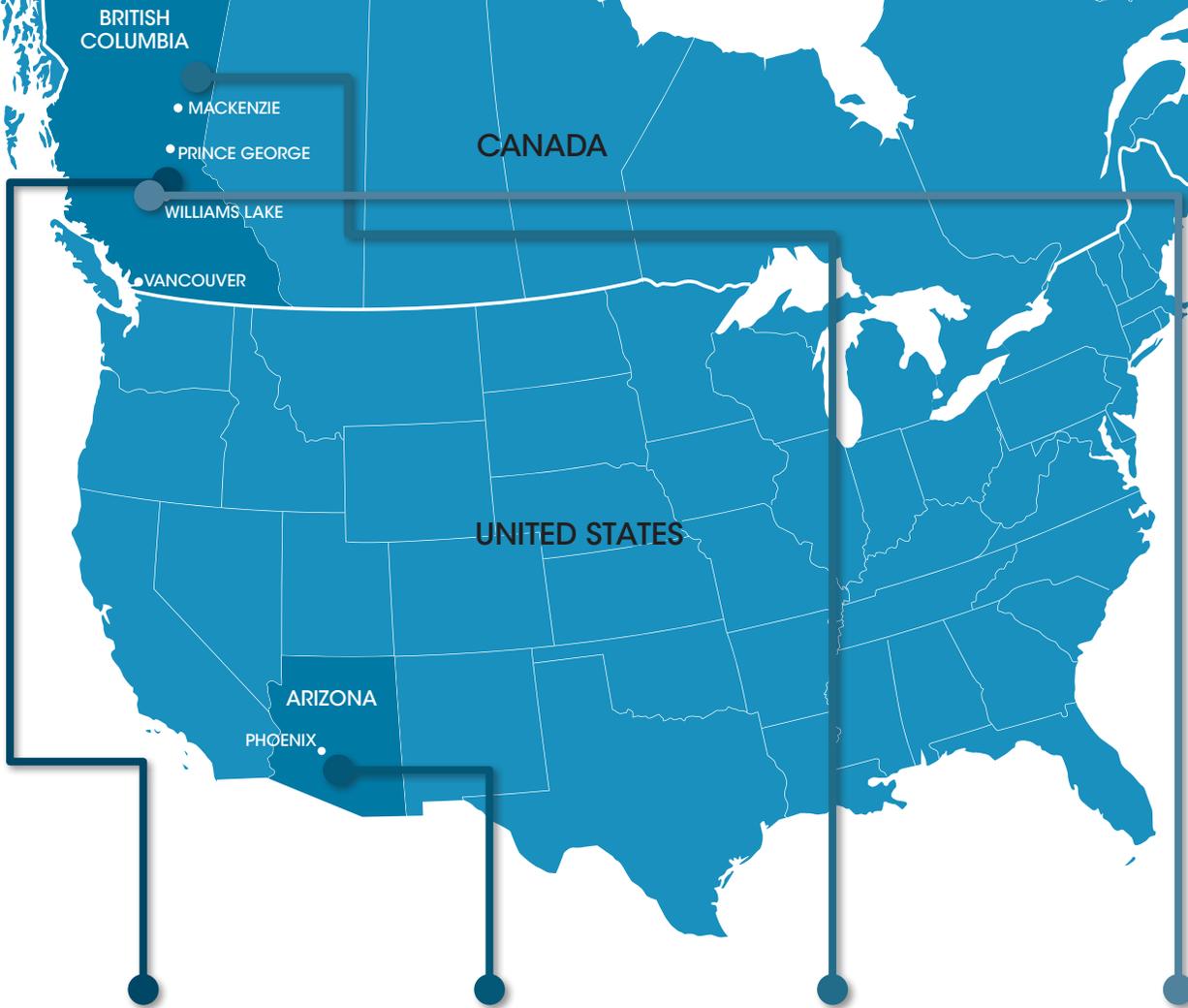


United.  
Committed.  
Open.

Taseko



# DIVERSIFIED ASSET BASE



## GIBRALTAR

British Columbia, Canada  
**Copper-Molybdenum**

Second largest open pit copper mine in Canada

650 employees

85,000 tons/day throughput

Average annual production of 140 million pounds of copper & 2.5 million pounds of molybdenum (LOM)

22 year mine life

## FLORENCE

Arizona, USA  
**Copper**

In-situ copper recovery project

345 million ton reserve @ 0.36% Cu

85 million lbs anticipated average annual copper production at full capacity

## ALEY

British Columbia, Canada  
**Niobium**

84 million tonne reserve @ 0.50% Nb<sub>2</sub>O<sub>5</sub>

Anticipated throughput 10,000 tonnes/day

20 million lbs anticipated average annual niobium production

## NEW PROSPERITY

British Columbia, Canada  
**Copper-Gold**

1.0 billion tonne resource @ 0.24% Cu, 0.41 gpt Au

Anticipated throughput 70,000 tonnes/day

First five years average production of 300,000 ozs gold and 130 million lbs copper

# HIGHLIGHTS

<b>February 2016</b>	Taseko enters into a US\$70 million Senior Secured Credit Facility Agreement with an affiliate of RK Mine Finance, one of the world's largest metal merchants.
<b>May 2016</b>	Geoffrey Burns joins Taseko's Board of Directors as an independent, non-executive director.
<b>July 2016</b>	British Columbia Environmental Assessment Office proceeds with Taseko's request to amend the environmental assessment certificate for New Prosperity.
<b>August 2016</b>	Taseko receives permit from the Arizona Department of Environmental Quality that authorizes the construction, operation and closure of a 24 well in-situ copper recovery operation for its Florence Copper Project .
<b>September 2016</b>	Taseko Drills 510 Feet of 0.42% Copper Equivalent, including 240 Feet of 0.68% Copper Equivalent in New Copper/Gold/Silver Zone at Gibraltar Mine.
<b>December 2016</b>	United States Environmental Protection Agency issues Taseko an Underground Injection Control permit, to construct and operate the Phase 1 Test Facility at the Florence Copper Project in Florence, Arizona.
<b>January 2017</b>	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%).
<b>March 2017</b>	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.
<b>April 2017</b>	Gibraltar signs a new, long-term agreement with unionized employees.



Russell E. Hallbauer  
*President and Chief Executive Officer*

# PRESIDENT'S MESSAGE TO SHAREHOLDERS

Horace Jared Stevens, editor, publisher and meticulous student of the copper industry, wrote in the third edition of his *Copper Handbook*, published in the United States in 1903:

"There will be seasons when demand will follow so closely on the heels of supply that prices will go skyward, and the fool will say in his heart that the market must forever advance. There will also be periods when the supply will far exceed demand, and the faint of heart will say that copper mining is overdone, and never more can be profitable, but in the aggregate the great law of averages, immutable as the law of gravitation, will give to the world the copper for its imperative requirements, at prices not prohibitory to the consumer, yet sufficiently high to provide for the well-managed mines profits beyond the dreams of avarice."

Last year turned out to be a very pivotal year for both Taseko and the copper sector. The year began with depressed copper pricing and a perception of a significant over-supply of copper that would put downward pressure on an already low copper price. There was very little optimism from most industry analysts and experts. While I can't say that I was overly excited about the prospects for the year, I do know that the long-term price of copper did not decline and was still in the US\$2.75 to US\$3.00 per pound range. So for every year when the price of copper is US\$2.25 per pound, there will be years where the long-term price will be exceeded. To the right is an excerpt from the *Copper Handbook* which was published in 1903 which sums up the copper market quite well.

Even though this is over 100 years old, it continues to hold true and hangs in my office as a daily reminder of how things can rapidly change in the copper business.



## COPPER PRICING AND GIBRALTAR MINE

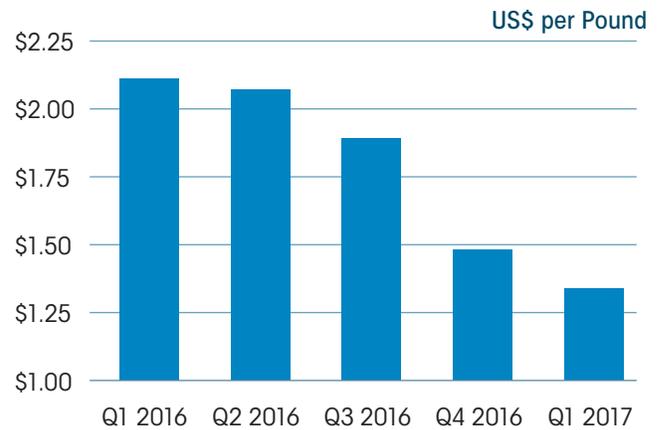
In the first three quarters of the year, copper pricing drifted between US\$1.95 per pound and US\$2.25 per pound. At these price levels very few copper producers generate a profit and many are even cash flow negative. We worked diligently at Gibraltar to reduce our cash costs in the face of a weak copper price. Although our efforts were hampered by lower copper grades in the first half of the year, with a concerted effort by all employees, we have steadily reduced our cost per pound every quarter since the first quarter 2016.

Our fourth quarter last year brought the long-awaited higher grade ore which increased copper production and decreased cash costs per pound. We knew that even with copper prices at a US\$2.25 per pound level, Gibraltar would generate significant cash flow. What we didn't anticipate was the very sudden copper price increase which took place in November. The combination of improved operating performance and the higher pricing led to great financial results in the quarter, generating \$50 million of cash flow.

So far in 2017, we continue to benefit from higher grades at Gibraltar and a strong copper price. The first quarter of the 2017 was another great one. Production was again above 40 million pounds and costs were further reduced to a very low US\$1.33 per pound. While production levels will fluctuate modestly from quarter to quarter, we anticipate a full year of better than average production.

While we are unable to predict where the copper price will be in a year from now, we remain optimistic that we are now in the early stages of an extended period with an under-supplied copper market. The majority of new mines and expansions which pushed the market into a surplus in 2012-2015 are now operating and integrated into today's supply and demand fundamentals. Improving demand growth has absorbed the new production and supply disruptions already this year have driven the market into a deficit. There remains considerable political risk in many South American, African and Asian copper producing countries which could further exacerbate the copper deficit in the short- and medium-term. We believe this, in turn, will cause upward pricing pressure in the months ahead.

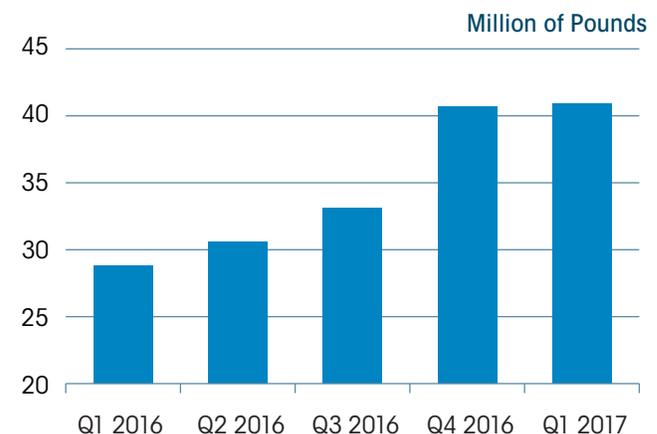
**Gibraltar Total Operating Costs (C1)\***



**LME Copper Price**



**Copper Production**



\* Non-GAPP Performance measure

The first quarter of the 2017 was another great one. Production was again above 40 million pounds and costs were further reduced to a very low US\$1.33 per pound



## DEVELOPMENT PROJECTS

We continued to advance our development projects in 2016, most notably Florence. Progress was made with permitting and the final two permits required to construct and operate the Production Test Facility were received in the second half of the year. Both permits are currently going through an appeal process which we expect to be resolved later this year. In addition to the permitting work, we announced the results of a two-year in-series pressurized cell leach test. This test was designed to more closely replicate in-situ leaching conditions and provide information on a larger scale than previous leach tests. The results verified and greatly increased the confidence in the metallurgical input data used to simulate the performance of the project once it reaches production. In parallel with the leach test, an optimization of the project well field development sequence was performed and then the entire project was re-simulated and re-costed using updated inputs including the verified leach performance data. Based on the new data, the net present value of the project increased to US\$920 million (pre-tax, 7.5% discount rate) with a 44% internal rate of return and a 2.3 year payback.

## HEALTH AND SAFETY

At Taseko, success is dependent on our employees and their health and safety. In this area, our diligence has paid off with a continued strong health and safety track record in 2016. Unfortunately, our extended streak of more than 3.5 million worker hours without a Lost Time Incident came to an end in 2016. But even though our safety record in 2016 took a minor setback, Gibraltar was the recipient of the John Ash Safety Award. The award goes to the mining operating in British Columbia with the lowest injury-frequency rate that has worked at least one million hours during the year. Congratulations to all the employees on this notable achievement.

## THANK YOU

I would like to again thank all of our stakeholders for your support over the past year. We have held ourselves to a long-term strategy for the past ten years, one which I believe will reward all of us as the scarcity of copper supply impacts global copper markets in the years to come.



Russell E. Hallbauer

*President and Chief Executive Officer*



# TWO-YEAR FINANCIAL HIGHLIGHTS

## CONSOLIDATED BALANCE SHEET (CDN\$ IN THOUSANDS)

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

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

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

# MINERAL RESERVES & RESOURCES

(AS AT DECEMBER 31, 2016)

## GIBRALTAR

Category (at 0.20% Cu Cut-off)	Size (M Tons)	Grade		Recoverable Metal		Contained Metal	
		Cu (%)	Mo (%)	Cu (B lbs)		Cu (B lbs)	
P&P Reserves	688	0.26	0.008	3.1		3.6	
M&I Resources	1031	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 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. Mr. Jones has reviewed this release. Reserves and Resources were updated as of Dec 31/16.

## FLORENCE

		All Oxide in Bedrock		
	Class	Millions tons	%TCu Grade	Billion lb Copper
Reserves	Probable	345	0.36	2.5
Resources	Measured	296	0.35	2.1
	Indicated	134	0.28	0.7
	M + I	429	0.33	2.8
	Inferred	63	0.24	0.3

The resource and reserve estimation 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. 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 Nb <sub>2</sub> O <sub>5</sub> (%)	Contained Metal Nb (M kgs)
P&P Reserves (@ 0.30% Nb <sub>2</sub> O <sub>5</sub> cut-off)	84	0.50	293
M&I Resources (@ 0.20% Nb <sub>2</sub> O <sub>5</sub> cut-off)	286	0.37	739

The reserve estimation 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 (NI43-101). (Under US standards no reserve declaration is possible until a full feasibility study is completed and financing and permits are acquired.)

## NEW PROSPERITY

Mineral Reserves @ C\$5.50 NSR/t Cut-Off1							
	Size M Tonnes	Grade		Recoverable Metal		Contained Metal	
		Au (g/t)	Cu (%)	Au (M oz)	Cu (B lb)	Au (M oz)	Cu (B lb)
P&P reserves	830	0.41	0.23	7.7	3.6	11	4.2
M&I Resources	181	0.40	0.30	-	-	2.3	1.1
Total	1,011	0.41	0.24	-	-	13.3	5.3

The mineral resource and reserve estimations were completed by Taseko staff under the supervision of Scott Jones, P.Eng., Vice-President, Engineering 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 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.

# CORPORATE INFORMATION



## Head Office

15th Floor - 1040 West Georgia Street  
Vancouver, British Columbia Canada V6E 4H1

Toll Free: (877) 441-4533  
Main Phone: (778) 373-4533

## Website

[www.tasekomines.com](http://www.tasekomines.com)

## Email

[investor@tasekomines.com](mailto:investor@tasekomines.com)

## Transfer Agent

Computershare Investor Services Inc.  
3rd Floor, 510 Burrard Street  
Vancouver, British Columbia Canada V6C 3B9

## Annual General Meeting

June 8th, 2017 at 2:00 pm  
Metropolitan Hotel, Vancouver BC Canada

## Shares Listed

TSX – TKO NYSE MKT – 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*

**Authentically  
Ambitious**

