Taseko Mines Limited
15th Floor, 1040 West Georgia St.
Vancouver, BC V6E 4H1
tasekomines.com

TASEKO REPORTS 2014 YEAR END 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.

March 25, 2015, Vancouver, BC – Taseko Mines Limited (TSX: TKO; NYSE MKT: TGB) ("Taseko" or the "Company") reports the results for the year ended December 31, 2014.

Fourth Quarter & 2014 Highlights

- Annual 2014 earnings from mining operations (before depletion and amortization)* were $52.3 million and cash flows from operations were $50.6 million. In the fourth quarter, loss from mining operations (before depletion and amortization)* was $0.9 million and cash flows from operations was an outflow of $8.6 million.
- Revenues for 2014 were $371.1 million from the sale of 107.6 million pounds of copper and 1.9 million pounds of molybdenum (Taseko's 75% share).
- Total production at Gibraltar (100%) for 2014 was 136.5 million pounds of copper and 2.3 million pounds of molybdenum. Copper production increased by 12% over 2013 despite the processed copper grade being 10% lower in 2014. Molybdenum production increased by 61% year-over-year.
- In the fourth quarter, Gibraltar produced 28.1 million pounds of copper and 445 thousand pounds of molybdenum.
- Total sales for the fourth quarter were 26.5 million pounds of copper (100% basis) and 481 thousand pounds of molybdenum.
- Expenditures on the New Prosperity and Aley development projects in 2014 totalled $6.3 million.
- Aley's project description was submitted in September to the British Columbia Environmental Assessment Office (BCEAO) as well as to the Canadian Environmental Assessment Agency. The environmental assessment review with the BCEAO has commenced.
- In November, Taseko completed the acquisition of Curis Resources Ltd., and is now the 100% owner of the Florence Copper Project.
- The company completed an impairment review as of December 31, 2014 and the carrying value of the Gibraltar Mine was written down to an after-tax NPV of $1.11 billion (100% basis). The write-down was recorded in the Gibraltar Joint Venture financial statements, but had no impact on Taseko's consolidated financial statements.

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

- In January 2015, the Company sold all outstanding copper put options for cash proceeds of $17.4 million. As a result of this sale, the Company currently does not have any put options in place. The hedging strategy, designed to mitigate short term declines in copper price, has not changed and the Company will seek opportunities to acquire additional copper put options in the future.
- In the fourth quarter, the weakening Canadian dollar offset most of the decline in copper price, an important factor for a Canadian-based producer.

Russell Hallbauer, President and CEO of Taseko, commented, “The Company generated $51 million of cash flow from operations in 2014, despite scheduled major component replacement on shovels resulting in higher mining costs and lower grades as a result of the pit wall stability issue in the third quarter. In the fourth quarter, expenditures were decreased from the previous quarter and cost per ton milled was reduced by 16% to C$10.13, however, financial performance was impacted by a drop in copper production as a result of lower grades.”

Mr. Hallbauer continued, “Metal production and metal prices are key to our business and to be impacted by both at the same time is challenging. During the financial crisis of 2008/09 we successfully modified our operation to deal with copper below US$1.50 per pound. We are taking similar steps to deal with lower copper grades and copper price as we mine our way back to average life of mine head grades, a process we began six months ago. We have reduced our workforce and adjusted the mine plan and believe by the end of the second quarter, as the copper grade improves, we will have operating costs approaching US$2.00 per pound. With 75% of our costs denominated in Canadian dollars, the weakness of the Canadian dollar has helped the Company deal with the adversity we faced in the second half of 2014 and into 2015. The one-time costs of nearly $40 million over this period are now behind us and with the mine stabilized, we are well positioned for the second half of 2015 and beyond.”

“Copper grade, until very recently, remained at a level similar to the fourth quarter 2014, averaging 0.22% in January and February. As of this week, we began accessing higher grade ore and expect an average grade of 0.24% in March. First quarter copper production is anticipated to be approximately 28–29 million pounds. For the balance of 2015, copper grades are forecasted to fluctuate in a range of 0.25%–0.28%. Based on forecasted grades, we expect to produce 130–140 million pounds of copper in 2015 (100% basis). Beyond this year, our engineering team is working on a long range mine plan which is focussed on optimizing cut-off grade with strip ratio. Early indications show that a reduced cut-off grade results in a significantly lower strip ratio, as well as a large increase to ore tons and recoverable pounds of copper. We expect this study to be completed by the summer,” added Mr. Hallbauer.

“In September, the project description for our Aley Niobium Project was submitted to the BC Environmental Assessment Office (BCEAO) and to the Canadian Environmental Assessment Agency. The Federal Minister of Environment granted substitution of the environmental assessment to British Columbia, giving oversight and responsibility of the environmental assessment process to the BCEAO. Most work related to Aley in 2015 will be directly related to the environmental assessment process.”

Mr. Hallbauer concluded, "The acquisition of Curis Resources Ltd., and its wholly owned Florence Copper Project, was completed in November 2014. Florence Copper, an in-situ copper deposit located in Arizona, provides the company with an advanced stage, near-term growth opportunity. The project is in the permitting phase for a pilot test facility, with only two outstanding permits remaining. In December 2014, a draft Underground Injection Control Permit was issued by the Environmental Protection Agency and is now in a public comment period. We expect both final permits to be issued in the middle of the year."

HIGHLIGHTS

Financial Data	**Three months ended December 31,**			**Year ended December 31,**		
(Cdn$ in thousands, except for per share amounts)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Revenues	65,179	94,916	(29,737)	371,196	290,056	81,140
Earnings (loss) from mining operations before depletion and amortization*	(916)	24,969	(25,885)	52,265	77,000	(24,735)
Earnings (loss) from mining operations	(11,164)	15,285	(26,449)	5,102	42,933	(37,831)
Net earnings (loss)	(26,427)	(9,756)	(16,671)	(53,884)	(34,839)	(19,045)
Per share - basic ("EPS")	(0.13)	(0.05)	(0.08)	(0.27)	(0.18)	(0.09)
Adjusted net earnings (loss)*	(20,983)	834	(21,817)	(37,086)	(14,027)	(23,059)
Per share - basic ("adjusted EPS")*	(0.10)	(0.00)	(0.10)	(0.19)	(0.07)	(0.12)
EBITDA*	(13,397)	11,515	(24,912)	11,649	24,193	(12,544)
Adjusted EBITDA*	(8,355)	17,362	(25,717)	27,841	43,670	(15,829)
Cash flows provided by (used for) operations	(8,648)	32,791	(41,439)	50,570	67,587	(17,017)

Operating Data (Gibraltar - 100% basis)	**Three months ended December 31,**			**Year ended December 31,**		
	2014	**2013**	**Change**	**2014**	**2013**	**Change**
Tons mined (millions)	25.1	21.5	3.6	113.8	89.4	24.4
Tons milled (millions)	7.6	7.6	0.0	30.2	24.5	5.7
Production (million pounds Cu)	28.1	33.5	(5.4)	136.5	121.4	15.1
Sales (million pounds Cu)	26.5	37.0	(10.5)	143.4	113.8	29.5

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

Annual Highlights

- Earnings from mining operations before depletion and amortization were $52.3 million;

- Copper production at Gibraltar was 136.5 million pounds (100% basis), a 12% increase over the 2013 financial year, primarily due to concentrator #2 operating for the full year offset by a reduction in overall head grades;

- Net operating costs of production were US$2.08 per pound produced, up from US$1.89 per pound in the prior year driven by lower copper head grades in the second half of the year, periodic shovel maintenance costs, and contract waste stripping expenditures;

HIGHLIGHTS - CONTINUED

- Gibraltar mine completed a $16.2 million major maintenance program on its shovels, and these programs typically occur every seven years;
- The Company generated cash flows from operations of $50.6 million, a 25% decrease from the 2013 financial year;
- The Company ended the 2014 financial year with a cash balance of $53 million;
- On September 15, 2014 the Company announced proven and probable reserves of 84 million tonnes grading 0.50% Nb_2O_5 for its 100%-owned Aley Niobium Project; and
- On November 20, 2014 the Company completed the acquisition of Curis Resources Ltd and its 100% owned Florence copper project, an in-situ copper recovery and SX/EW project located in central Arizona, USA.

Fourth Quarter Highlights

- Loss from mining operations before depletion and amortization were $0.9 million;
- Copper production at Gibraltar was 28.1 million pounds (100% basis) and was impacted by a significant reduction in head grade, which also impacted recoveries, as a result of the pit wall stability issues and the resultant change in mine sequence implemented in the third quarter of 2014;
- Site operating cost per ton milled decreased from $11.67 in the first half of 2014 to $10.13 in the fourth quarter of 2014 as a result of productivity increases and reduced expenditures; and
- Net operating costs of production increased to US$2.32 per pound produced from US$1.70 per pound produced in the fourth quarter of 2013, primarily driven by lower copper head grades and shovel maintenance costs.

REVIEW OF OPERATIONS

Gibraltar mine (75% Owned)

Operating results in the following table are presented on a 100% basis.

Operating Data (100% basis)	**YE 2014**	**YE 2013**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**	**Q4 2013**
Tons mined (millions)	113.8	89.4	25.1	32.5	30.2	25.9	21.5
Tons milled (millions)	30.2	24.5	7.6	7.8	7.7	7.0	7.6
Strip ratio	3.0	3.2	3.1	3.0	3.1	2.8	3.9
Site operating cost per ton milled (CAD)	$11.38	$10.35	$10.13	$12.10	$11.42	$11.91	$8.69
Copper concentrate							
Grade (%)	0.265	0.293	0.222	0.267	0.285	0.290	0.270
Recovery (%)	83.6	84.4	81.3	83.3	85.3	84.6	81.7
Production (million pounds Cu)	134.4	121.4	27.7	34.5	37.6	34.5	33.5
Sales (million pounds Cu)	141.3	113.8	26.0	37.1	38.1	40.0	37.0
Inventory (million pounds Cu)	3.2	10.1	3.2	1.4	3.9	4.4	10.1
Copper cathode							
Production (million pounds)	2.1	-	0.4	0.9	0.9	-	-
Sales (million pounds)	2.1	-	0.5	1.0	0.6	-	-
Molybdenum concentrate							
Grade (%)	0.010	0.011	0.008	0.011	0.011	0.009	0.010
Recovery (%)	40.0	27.1	38.8	38.0	41.4	42.5	34.8
Production (thousand pounds Mo)	2,332	1,452	445	654	667	566	480
Sales (thousand pounds Mo)	2,509	1,263	481	708	731	589	499
Per unit data (US$ per pound) *							
Operating costs of production*	$2.32	$2.03	$2.43	$2.60	$2.11	$2.19	$1.88
By-product credits *	(0.24)	(0.14)	(0.11)	(0.25)	(0.35)	(0.21)	(0.18)
Net operating costs of production *	$2.08	$1.89	$2.32	$2.35	$1.76	$1.98	$1.70
Off-property costs	0.42	0.38	0.45	0.40	0.36	0.50	0.44
Total operating costs *	$2.50	$2.27	$2.77	$2.75	$2.12	$2.48	$2.14

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

OPERATIONS ANALYSIS

Full-year results

2014 represented the first full year of operations for concentrator #2 at Gibraltar, which completed commissioning in March 2013. During 2014 Gibraltar milled 30.2 million tons of ore, a 23% increase over the tons milled in 2013. In 2014, Gibraltar mined 113.8 million tons of material which was lower than planned due to shovel availability issues, although still a 27% increase over tons mined in 2013. In the third quarter of 2014, mining operations were impacted by pit wall stability in the Granite Pit which resulted in the need to alter the short-term mine sequence, and defer the planned mining of higher grade ore in the second half of 2014. Average head grade in the first half of 2014 was 0.29% compared to 0.24% in the second half of the year. Lower head grades also negatively impacted copper recoveries in the second half of 2014.

Copper in concentrate production in 2014 was 134.4 million pounds, an increase of 11% over 2013 copper production of 121.4 million pounds. Molybdenum production during 2014 was 2.3 million pounds, an increase of 61% over 2013. The increase in molybdenum production is due to the new molybdenum plant operating for all of 2014.

Copper cathode production in 2014 was 2.1 million pounds; Gibraltar's SX/EW plant was idle in 2013.

In 2014, net operating cash costs per pound of copper produced was US$2.08, an 11% increase over the US$1.89 averaged during 2013. The increase in net operating cash costs in 2014 was primarily driven by lower head grade, decreased shovel availability due to maintenance and operating contract mining equipment in the second half of the year as a result of the pit wall stability issue in the Granite Pit requiring a short term alternative mine sequence. In order to execute the alternate mine sequence a contractor, with equipment already on site, was deployed to the lower section of Granite Pit in the third quarter along with the Company's own equipment. Gibraltar also completed a $16.2 million shovel fleet maintenance program in 2014 which amounted to US$0.13 per pound to unit costs.

Off-property costs, including transportation, treatment and refining charges, for 2014 were US$0.42 per pound produced, compared to US$0.38 per pound produced in 2013. Off property costs are driven by sales volumes, and therefore off-property costs per pound produced fluctuates based on differences between production and sales volumes.

The total operating costs, including off-property costs, for 2014 were US$2.50 per pound produced, compared to US$2.27 per pound in 2013.

Fourth quarter results

The Gibraltar concentrators operated at design capacity in the fourth quarter of 2014. Total mill throughput for the fourth quarter was 7.6 million tons, consistent with the same quarter in 2013. Total copper production for the quarter was 27.7 million pounds, a 17% decrease from the fourth quarter of 2013.

Fourth quarter copper production was impacted by a 17% decrease in copper head grade due to the alternate mine sequence that was implemented in the third quarter of 2014. Lower head grade ore negatively impacts copper recoveries.

A total of 25.1 million tons were mined in the fourth quarter, a 16% increase over the fourth quarter of 2013.

OPERATIONS ANALYSIS - CONTINUED

Molybdenum production for the fourth quarter of 2014 was 445,000 pounds, a 7% decrease over the fourth quarter of 2013. Molybdenum recoveries were 39% for the fourth quarter as a result of lower molybdenum head grade.

In the fourth quarter of 2014, net operating costs per pound of copper produced were US$2.32, a 37% increase over the US$1.70 per pound in the previous year's quarter. This increase in unit costs was primarily driven by lower head grade. Fourth quarter operating costs were also impacted by a planned $4.7 million shovel overhaul expenditure which contributed US$0.19 per pound to net operating costs per pound. By-product credits were lower than the previous year's quarter due to the decline in both the molybdenum price and production levels.

Off-property costs, including transportation, treatment and refining charges, for the fourth quarter of 2014 were US$0.45 per pound produced, compared to US$0.44 per pound produced in the fourth quarter of 2013. Off-property costs are driven by sales volumes, and therefore off property costs per pound produced fluctuates based on differences between production and sales volumes.

GIBRALTAR OUTLOOK

Management expects Gibraltar's total operating costs per pound to be lower in the future, for the following reasons:

- The mine is benefiting from recent reductions in the price of diesel which is a significant input cost. Diesel prices have fallen approximately 29% over the last year which represents an annualized cost savings of $10 million;

- During 2014, Gibraltar completed a major shovel maintenance program costing $16.2 million. These programs are typically completed every seven years;

- There are a number of cost control initiatives underway including a 12% workforce reduction which occurred in January 2015, mine plan modifications and initiatives with vendors to reduce costs of supplies and consumables;

- Copper grades in the first quarter of 2015 remained below the Granite Pit average grade, at a level similar to the fourth quarter 2014. Recently, the copper grade has increased to approximately 0.25% and for the balance of 2015 we expect the grade to fluctuate in a range between 0.25%-0.28%. Increases in copper grades will reduce total operating costs per pound; and

- The weakening Canadian dollar is having a positive impact on the mine's margins. The Canadian dollar has fallen approximately 20% since the beginning of 2014 and with approximately 80% of Gibraltar's operating costs denominated in Canadian dollars, the weakening dollar has a significant impact on total operating costs per pound which are reported in $USD.

The cumulative effect of these factors will have a significant impact on Gibraltar's operating costs going forward. Adjusting for non-recurring shovel maintenance costs and applying current diesel prices and foreign exchange rates, total operating costs would have been approximately US$2.00 per pound in the first half of 2014. The Company expects to achieve this unit cost in the future in conjunction with increased head grade and recovery levels.

REVIEW OF PROJECTS

Florence Copper project

The Company acquired a 100% interest in the Florence Copper project though the acquisition of Curis Resources Ltd. which was completed on November 20, 2014 (see section below “Acquisition of Curis Resources Ltd.”) The Florence Copper Project is an in-situ copper recovery and solvent extraction/electrowinning project located near the town of Florence in central Arizona, USA. The project is currently in the final stages of permitting for the Phase 1 Production Test Facility ("PTF"). The PTF includes a 24-well in-situ recovery well field and solvent extraction/electrowinning plant that will produce copper cathode. The PTF is designed to demonstrate the science and safety of the in-situ process. Concurrently, the Company is advancing engineering, test work, environmental studies and permitting for commercial operations.

The Temporary Aquifer Protection Permit (“APP”) for the PTF issued in July 2013 by the Arizona Department of Environmental Quality (“ADEQ”) was subject to an appeal. As a result of the appeal an amendment will be submitted in March 2015 and issuance of the amended APP is now anticipated during the second quarter of 2015. In December the Company announced the receipt of a draft Underground Injection Control (UIC) permit from the U.S. Environmental Protection Agency (EPA). The UIC permit regulates the construction and operation of Florence Copper's injection wells at the site and is the final regulatory milestone required by the Company to construct and operate the PTF. The public hearing for the draft permit was held on January 22, 2015 and the comment period was extended to April, 2015. The Company expects the UIC permit to be issued by mid-2015.

Aley project

In October 2014 the Company filed a 43-101 compliant technical report for the Aley project showing proven and probable reserves of 84 million tonnes grading 0.50% Nb_2O_5 for its 100%-owned Aley Niobium Project.

Mineral Reserves*
0.30% Nb_2O_5 Cut-off

Category	Tonnes (millions)	Grade % Nb_2O_5
Proven	44.3	0.52
Probable	39.5	0.48
Total	**83.8**	**0.50**

Highlights of the project, as outlined in the NI43-101 Technical Report, include:

- Pre-tax net present value of approximately $860 million ($480 million post-tax) at an 8% discount rate
- Pre-tax internal rate of return of 17% (14% post-tax) with a 5.5 year payback
- Anticipated operating margin of US$21/kg of niobium (Nb)
- Average annual production of 9 million kilograms Nb in the form of Ferroniobium.
- 24 year mine life at a milling rate of 10,000 tonnes per day
- Life of mine strip ratio of 0.5:1
- Total pre-production capital cost of $870 million, including; $520 million for mine, concentrator and site infrastructure; $180 million for the converter, $100 million for offsite infrastructure including the transmission line, and $70 million for pre-stripping

REVIEW OF PROJECTS - CONTINUED

On September 19, 2014 the BC Environmental Assessment Office (EAO) issued a Section 10 Order under the BC *Environmental Assessment Act*, initiating the BC environmental assessment process for the Aley Niobium Project. On October 9, the Canadian Environmental Assessment Agency confirmed acceptance of the Project Description for the Aley Niobium Project.

On November 24, 2014 CEAA determined that a federal environmental assessment was required, issued a Notice of Commencement, and approved BC's request for Substitution under the Canadian Environmental Assessment Act (CEAA) 2012. The EAO will conduct the assessment and Aboriginal consultation on behalf of the Federal government. At the end of the environmental assessment review, EAO will issue a report to both the Provincial and Federal Ministers for a decision.

The EAO issued to Taseko a Section 11 Order under the Environmental Assessment Act on December 31, 2014. This Order describes the Scope of the Project subject to the environmental assessment, identifies the Aboriginal Groups requiring consultation, and directs Taseko to draft Application Information Requirements (AIR) for the environmental assessment application. Taseko is currently preparing the draft AIR.

*The Mineral Reserves are a subset of the Mineral Resources reported in the March 29, 2012 Technical Report, "Technical Report, Aley Carbonatite Niobium Project", prepared by Ronald G. Simpson, P.Geo and a Qualified Person under National Instrument 43-101.

The mine plan, mine related costing, and tailings and water management design was supervised and reviewed by Greg Yelland, P.Eng., Chief Engineer for Taseko and a Qualified Person under National Instrument 43-101. Metallurgical and converter test work was supervised and reviewed by Keith Merriam, P.Eng., Manager, Process Engineering for Taseko and a Qualified Person under National Instrument 43-101.

Process and plant design work was done in accordance with design criteria derived from metallurgical and pyrometallurgical test work under the supervision of Rob Rotzinger, P.Eng. Vice-President Capital Projects for Taseko and a Qualified Person under National Instrument 43-101.

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.

New Prosperity project

On February 26, 2014 the Government of Canada announced its decision to not issue the authorizations necessary for the New Prosperity project to proceed. In the wake of this decision, Taseko initiated legal proceedings in the form of two separate judicial reviews which challenge the decision and the process by which the decision was reached. In August 2014, the Company applied to the Federal Court to convert both judicial reviews into a civil action for damages. The motion was heard on October 22, 2014. No decision has been rendered.

Taseko will host a conference call on Thursday, March 26, 2015 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific) to discuss these results. The conference call may be accessed by dialing (877) 303-9079 in Canada and the United States, or (970) 315-0461 internationally. Alternatively, a live and archived webcast will also be available at tasekomines.com. The conference call will be archived for later playback until April 2, 2014 and can be accessed by dialing (855) 859-2056 in Canada and the United States, or (404) 537-3406 internationally and using the passcode 80839398.

For further information contact: Brian Bergot, Investor Relations – 778-373-4554, toll free 1-800-667-2114

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.

Net operating costs of production

Total costs of sales include all costs absorbed into inventory, as well as treatment and refining costs and transportation costs. Operating costs of production is calculated by removing net changes in inventory and depletion and amortization from cost of sales. Net operating costs of production is calculated by removing by-product credits and offsite costs from the operating costs of production. Net operating costs of production 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 net operating costs of production and offsite costs divided by the copper pounds produced. By-product credits are calculated based on actual sales of molybdenum and silver during the period divided by the total pounds of copper produced during the period. These measures are calculated on a consistent basis for the periods presented.

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2014**	**2013**	**2014**	**2013**
Cost of sales	*76,343*	*79,631*	*366,094*	*247,123*
Less Depletion and amortization	(10,248)	(9,684)	(47,163)	(34,067)
Net change in inventory	2,771	(8,902)	(14,105)	12,540
Operating costs of production	68,866	61,045	304,826	225,596
Less by-product credits:				
Molybdenum	(2,113)	(3,819)	(23,120)	(9,550)
Silver	(503)	(946)	(3,446)	(3,382)
Less offsite costs:				
Treatment and refining costs	(6,906)	(6,120)	(28,250)	(17,291)
Transportation costs	(3,764)	(5,512)	(18,805)	(18,029)
Net operating costs of production	55,580	44,648	231,205	177,344
Total copper produced (thousand pounds)	21,050	25,136	100,793	91,110
Total costs per pound produced	2.64	1.78	2.29	1.95
Average exchange rate for the period (CAD/USD)	1.14	1.05	1.10	1.03
Net operating costs of production (US$ per pound)	**2.32**	**1.70**	**2.08**	**1.89**
Net operating costs of production	55,580	44,648	*231,205*	177,344
Add offsite costs:				
Treatment and refining costs	6,906	6,120	28,250	17,291
Transportation costs	3,764	5,512	18,805	18,029
Total operating costs	*66,250*	*56,280*	*278,260*	*212,664*
Total operating costs (US$ per pound)	**2.77**	**2.14**	**2.50**	**2.27**

NON-GAAP PERFORMANCE MEASURES - CONTINUED

Adjusted net earnings

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

- Unrealized gains/losses on derivative instruments;
- Write down of marketable securities;
- Unrealized foreign currency gains/losses; and
- Non-recurring transactions, including non-recurring tax adjustments.

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

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, except per share amounts)	**2014**	**2013**	**2014**	**2013**
Net earnings (loss)	**(26,427)**	**(9,756)**	**(53,884)**	**(34,839)**
Unrealized loss (gain) on derivatives	(3,549)	(607)	(4,346)	(6,159)
Unrealized foreign exchange (gain) loss	7,328	6,449	17,951	12,082
Gain on deemed disposition of Curis shares	(1,082)	-	(1,082)	-
Write down in marketable securities	367	5	1,152	13,984
Curis acquisition costs	1,978	-	2,517	-
Non-recurring adjustment to interest on royalty obligation	-	4,918	-	4,918
Non-recurring other expenses (income)	-	-	-	(430)
Estimated tax effect of adjustments	402	(175)	606	(3,583)
Adjusted net earnings (loss)	**(20,983)**	**834**	**(37,086)**	**(14,027)**
Adjusted EPS	**(0.10)**	**(0.00)**	**(0.19)**	**(0.07)**

EBITDA and adjusted EBITDA

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

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

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

- Unrealized gains/losses on derivative instruments;
- Write down of marketable securities;
- Foreign currency translation gains/losses; and
- Non-recurring transactions.

NON-GAAP PERFORMANCE MEASURES - CONTINUED

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

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, except per share amounts)	**2014**	**2013**	**2014**	**2013**
Net earnings (loss)	**(26,427)**	**(9,756)**	**(53,884)**	**(34,839)**
Add:				
Depreciation	10,270	9,770	47,338	34,508
Amortization of stock-based compensation	564	466	3,741	2,680
Interest expense	7,475	11,404	27,423	25,399
Interest income	(1,103)	(1,488)	(4,182)	(6,214)
Income tax expense (recovery)	(4,176)	1,119	(8,787)	2,659
EBITDA	**(13,397)**	**11,515**	**11,649**	**24,193**
Adjustments:				
Unrealized (gain)/loss on derivative instruments	(3,549)	(607)	(4,346)	(6,159)
Gain on deemed disposition of Curis shares	(1,082)	-	(1,082)	-
Foreign currency translation losses	7,328	6,449	17,951	12,082
Curis acquisition costs	1,978	-	2,517	-
Write down in marketable securities	367	5	1,152	13,984
Non-recurring other expenses (income)	-	-	-	(430)
Adjusted EBITDA	**(8,355)**	**17,632**	**27,841**	**43,670**

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 December 31,		Year ended December 31,	
(Cdn$ in thousands, except per share amounts)	**2014**	**2013**	**2014**	**2013**
Earnings from mining operations	**(11,164)**	**15,285**	**5,102**	**42,933**
Add:				
Depletion and amortization	10,248	9,684	47,163	34,067
Earnings from mining operations before depletion and amortization	**(916)**	**24,969**	**52,265**	**77,000**

Site operating costs per ton milled

	Three months ended December 31,		Year ended December 31,	
(Cdn$ in thousands, except per share amounts)	**2014**	**2013**	**2014**	**2013**
Direct mining and processing costs (included in cost of sales)	**58,196**	**49,413**	**257,771**	**190,276**
Tons milled (millions) (75% basis)	5.74	5.69	22.65	18.38
Site operating costs per ton milled	**$10.13**	**$8.69**	**$11.38**	**$10.35**

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This document contains “forward-looking statements” that were based on Taseko’s expectations, estimates and projections as of the dates as of which those statements were made. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “outlook”, “anticipate”, “project”, “target”, “believe”, “estimate”, “expect”, “intend”, “should” and similar expressions.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. These included but are not limited to:

- uncertainties and costs related to the Company’s exploration and development activities, such as those associated with continuity of mineralization or determining whether mineral resources or reserves exist on a property;
- uncertainties related to the accuracy of our estimates of mineral reserves, mineral resources, production rates and timing of production, future production and future cash and total costs of production and milling;
- uncertainties related to feasibility studies that provide estimates of expected or anticipated costs, expenditures and economic returns from a mining project;
- uncertainties related to our ability to complete the mill upgrade on time estimated and at the scheduled cost;
- uncertainties related to the ability to obtain necessary licenses permits for development projects and project delays due to third party opposition;
- uncertainties related to unexpected judicial or regulatory proceedings;
- changes in, and the effects of, the laws, regulations and government policies affecting our exploration and development activities and mining operations, particularly laws, regulations and policies;
- changes in general economic conditions, the financial markets and in the demand and market price for copper, gold and other minerals and commodities, such as diesel fuel, steel, concrete, electricity and other forms of energy, mining equipment, and fluctuations in exchange rates, particularly with respect to the value of the U.S. dollar and Canadian dollar, and the continued availability of capital and financing;
- the effects of forward selling instruments to protect against fluctuations in copper prices and exchange rate movements and the risks of counterparty defaults, and mark to market risk;
- the risk of inadequate insurance or inability to obtain insurance to cover mining risks;
- the risk of loss of key employees; the risk of changes in accounting policies and methods we use to report our financial condition, including uncertainties associated with critical accounting assumptions and estimates;
- environmental issues and liabilities associated with mining including processing and stock piling ore; and
- labour strikes, work stoppages, or other interruptions to, or difficulties in, the employment of labour in markets in which we operate mines, or environmental hazards, industrial accidents or other events or occurrences, including third party interference that interrupt the production of minerals in our mines.

For further information on Taseko, investors should review the Company’s annual Form 40-F filing with the United States Securities and Exchange Commission www.sec.gov and home jurisdiction filings that are available at www.sedar.com.

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 our most recent Form 40-F/Annual Information Form on file with the SEC and Canadian provincial securities regulatory authorities.

TASEKO MINES LIMITED
Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") is intended to help the reader understand Taseko Mines Limited ("Taseko", "we", "our" or the "Company"), our operations, financial performance, and current and future business environment. This MD&A is intended to supplement and complement the consolidated financial statements and notes thereto, prepared in accordance with IFRS for the year ended December 31, 2014 (collectively, the "Financial Statements"). You are encouraged to review the Financial Statements in conjunction with your review of this MD&A and the most recent Form 40-F/Annual Information Form, which is 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 March 24, 2015. 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 our most recent Form 40-F/Annual Information Form on file with the SEC and Canadian provincial securities regulatory authorities.

CONTENTS

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 10 years or longer. The Company's sole operating asset is the 75% owned Gibraltar Mine, a large copper/molybdenum 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 acquired the Florence copper project in November 2014 and also owns the New Prosperity gold-copper, Aley niobium and Harmony gold projects.

HIGHLIGHTS

Financial Data	**Three months ended December 31,**			**Year ended December 31,**		
(Cdn$ in thousands, except for per share amounts)	**2014**	**2013**	**Change**	**2014**	**2013**	**Change**
Revenues	65,179	94,916	(29,737)	371,196	290,056	81,140
Earnings (loss) from mining operations before depletion and amortization*	(916)	24,969	(25,885)	52,265	77,000	(24,735)
Earnings (loss) from mining operations	(11,164)	15,285	(26,449)	5,102	42,933	(37,831)
Net earnings (loss)	(26,427)	(9,756)	(16,671)	(53,884)	(34,839)	(19,045)
Per share - basic ("EPS")	(0.13)	(0.05)	(0.08)	(0.27)	(0.18)	(0.09)
Adjusted net earnings (loss)*	(20,983)	834	(21,817)	(37,086)	(14,027)	(23,059)
Per share - basic ("adjusted EPS") *	(0.10)	(0.00)	(0.10)	(0.19)	(0.07)	(0.12)
EBITDA *	(13,397)	11,515	(24,912)	11,649	24,193	(12,544)
Adjusted EBITDA *	(8,355)	17,362	(25,717)	27,841	43,670	(15,829)
Cash flows provided by (used for) operations	(8,648)	32,791	(41,439)	50,570	67,587	(17,017)

Operating Data (Gibraltar - 100% basis)	**Three months ended December 31,**			**Year ended December 31,**		
	2014	**2013**	**Change**	**2014**	**2013**	**Change**
Tons mined (millions)	25.1	21.5	3.6	113.8	89.4	24.4
Tons milled (millions)	7.6	7.6	0.0	30.2	24.5	5.7
Production (million pounds Cu)	28.1	33.5	(5.4)	136.5	121.4	15.1
Sales (million pounds Cu)	26.5	37.0	(10.5)	143.4	113.8	29.5

*Non-GAAP performance measure. See page 31 of this MD&A.

HIGHLIGHTS - CONTINUED

Annual Highlights

- Earnings from mining operations before depletion and amortization were $52.3 million;
- Copper production at Gibraltar was 136.5 million pounds (100% basis), a 12% increase over the 2013 financial year, primarily due to concentrator #2 operating for the full year offset by a reduction in overall head grades;
- Net operating costs of production were US$2.08 per pound produced, up from US$1.89 per pound in the prior year driven by lower copper head grades in the second half of the year, periodic shovel maintenance costs, and contract waste stripping expenditures;
- Gibraltar mine completed a $16.2 million major maintenance program on its shovels, and these programs typically occur every seven years;
- The Company generated cash flows from operations of $50.6 million, a 25% decrease from the 2013 financial year;
- The Company ended the 2014 financial year with a cash balance of $53 million;
- On September 15, 2014 the Company announced proven and probable reserves of 84 million tonnes grading 0.50% Nb_2O_5 for its 100%-owned Aley Niobium Project; and
- On November 20, 2014 the Company completed the acquisition of Curis Resources Ltd and its 100% owned Florence copper project, an in-situ copper recovery and SX/EW project located in central Arizona, USA.

Fourth Quarter Highlights

- Loss from mining operations before depletion and amortization were $0.9 million;
- Copper production at Gibraltar was 28.1 million pounds (100% basis) and was impacted by a significant reduction in head grade, which also impacted recoveries, as a result of the pit wall stability issues and the resultant change in mine sequence implemented in the third quarter of 2014;
- Site operating cost per ton milled decreased from $11.67 in the first half of 2014 to $10.13 in the fourth quarter of 2014 as a result of productivity increases and reduced expenditures; and
- Net operating costs of production increased to US$2.32 per pound produced from US$1.70 per pound produced in the fourth quarter of 2013, primarily driven by lower copper head grades and shovel maintenance costs.

Subsequent event

- In January 2015, when the copper price dropped to a recent low of US$2.45, the Company sold all outstanding copper put options for cash proceeds of $17.4 million. The Company's hedging strategy is designed to mitigate a short term decline in copper price.

REVIEW OF OPERATIONS

Gibraltar mine (75% Owned)

Operating results in the following table are presented on a 100% basis.

Operating Data (100% basis)	**YE 2014**	**YE 2013**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**	**Q4 2013**
Tons mined (millions)	113.8	89.4	25.1	32.5	30.2	25.9	21.5
Tons milled (millions)	30.2	24.5	7.6	7.8	7.7	7.0	7.6
Strip ratio	3.0	3.2	3.1	3.0	3.1	2.8	3.9
Site operating cost per ton milled (CAD)	$11.38	$10.35	$10.13	$12.10	$11.42	$11.91	$8.69
Copper concentrate							
Grade (%)	0.265	0.293	0.222	0.267	0.285	0.290	0.270
Recovery (%)	83.6	84.4	81.3	83.3	85.3	84.6	81.7
Production (million pounds Cu)	134.4	121.4	27.7	34.5	37.6	34.5	33.5
Sales (million pounds Cu)	141.3	113.8	26.0	37.1	38.1	40.0	37.0
Inventory (million pounds Cu)	3.2	10.1	3.2	1.4	3.9	4.4	10.1
Copper cathode							
Production (million pounds)	2.1	-	0.4	0.9	0.9	-	-
Sales (million pounds)	2.1	-	0.5	1.0	0.6	-	-
Molybdenum concentrate							
Grade (%)	0.010	0.011	0.008	0.011	0.011	0.009	0.010
Recovery (%)	40.0	27.1	38.8	38.0	41.4	42.5	34.8
Production (thousand pounds Mo)	2,332	1,452	445	654	667	566	480
Sales (thousand pounds Mo)	2,509	1,263	481	708	731	589	499
Per unit data (US$ per pound) *							
Operating costs of production*	$2.32	$2.03	$2.43	$2.60	$2.11	$2.19	$1.88
By-product credits *	(0.24)	(0.14)	(0.11)	(0.25)	(0.35)	(0.21)	(0.18)
Net operating costs of production *	$2.08	$1.89	$2.32	$2.35	$1.76	$1.98	$1.70
Off-property costs	0.42	0.38	0.45	0.40	0.36	0.50	0.44
Total operating costs *	$2.50	$2.27	$2.77	$2.75	$2.12	$2.48	$2.14

*Non-GAAP performance measure. See page 31 of this MD&A

TASEKO MINES LIMITED

Management's Discussion and Analysis

OPERATIONS ANALYSIS

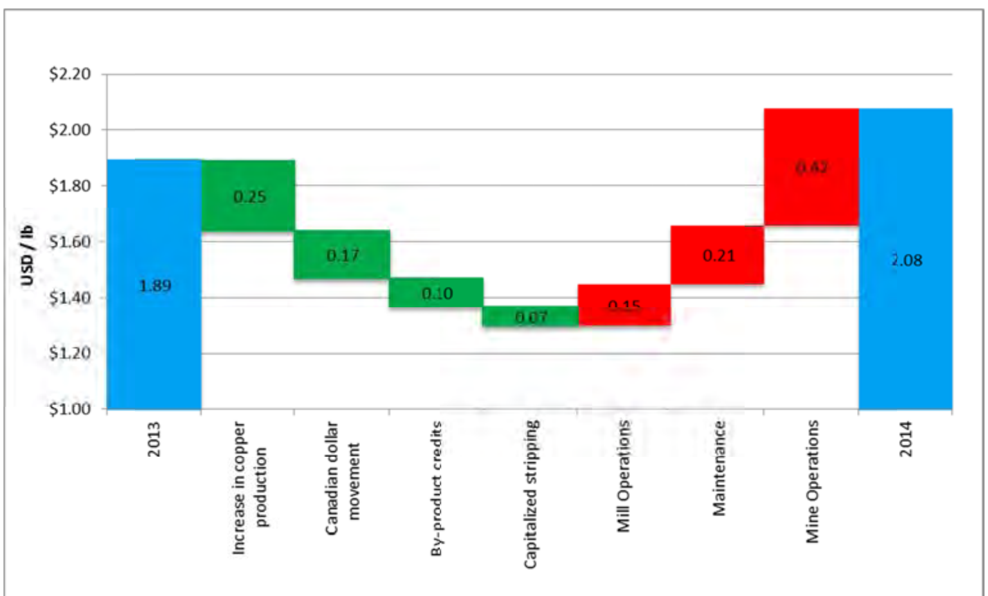
Full-year results

2014 represented the first full year of operations for concentrator #2 at Gibraltar, which completed commissioning in March 2013. During 2014 Gibraltar milled 30.2 million tons of ore, a 23% increase over the tons milled in 2013. In 2014, Gibraltar mined 113.8 million tons of material which was lower than planned due to shovel availability issues, although still a 27% increase over tons mined in 2013. In the third quarter of 2014, mining operations were impacted by pit wall stability in the Granite Pit which resulted in the need to alter the short-term mine sequence, and defer the planned mining of higher grade ore in the second half of 2014. Average head grade in the first half of 2014 was 0.29% compared to 0.24% in the second half of the year. Lower head grades also negatively impacted copper recoveries in the second half of 2014.

Copper in concentrate production in 2014 was 134.4 million pounds, an increase of 11% over 2013 copper production of 121.4 million pounds. Molybdenum production during 2014 was 2.3 million pounds, an increase of 61% over 2013. The increase in molybdenum production is due to the new molybdenum plant operating for all of 2014.

Copper cathode production in 2014 was 2.1 million pounds; Gibraltar's SX/EW plant was idle in 2013.

Net operating cash costs of production* per pound
(2014 compared to 2013)



*Non-GAAP performance measure. See page 31 on this MD&A

In 2014, net operating cash costs per pound of copper produced was US$2.08, an 11% increase over the US$1.89 averaged during 2013. The increase in net operating cash costs in 2014 was primarily driven by lower head grade, decreased shovel availability due to maintenance and operating contract mining equipment in the second half of the year as a result of the pit wall stability issue in the Granite Pit requiring a short term alternative mine sequence. In order to execute the alternate mine sequence a contractor, with equipment already on site, was deployed to the lower section of Granite Pit in the third quarter along with the Company's own equipment. Gibraltar also completed a $16.2 million shovel fleet maintenance program in 2014 which amounted to US$0.13 per pound to unit costs.

Off-property costs, including transportation, treatment and refining charges, for 2014 were US$0.42 per pound produced, compared to US$0.38 per pound produced in 2013. Off property costs are driven by sales volumes, and therefore off-property costs per pound produced fluctuates based on differences between production and sales volumes.

The total operating costs, including off-property costs, for 2014 were US$2.50 per pound produced, compared to US$2.27 per pound in 2013.

Fourth quarter results

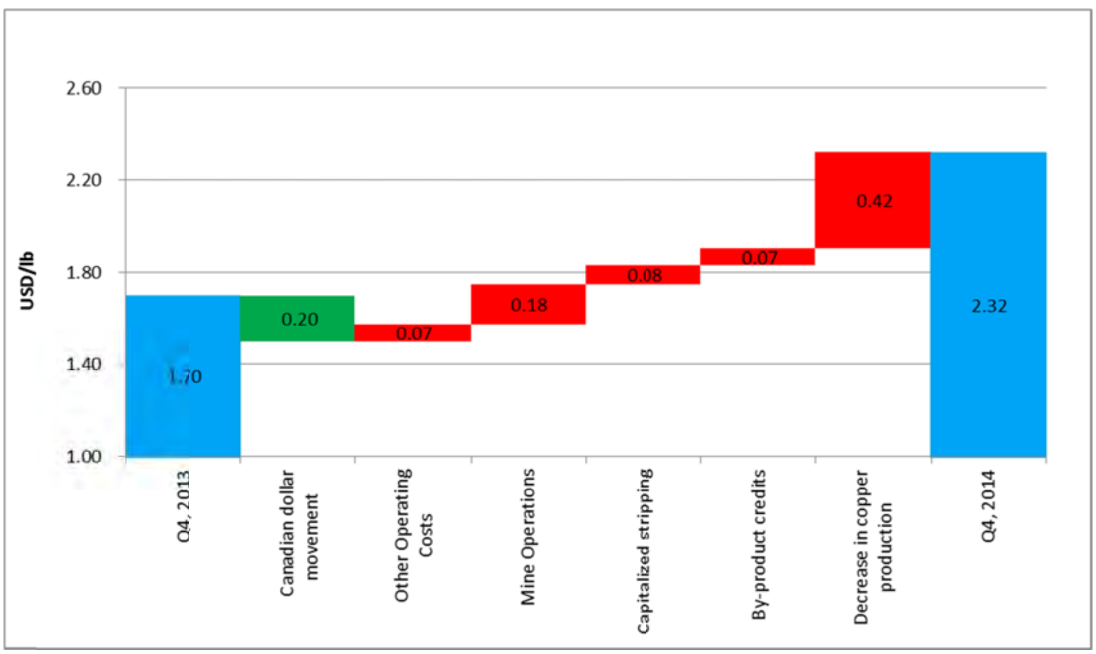
The Gibraltar concentrators operated at design capacity in the fourth quarter of 2014. Total mill throughput for the fourth quarter was 7.6 million tons, consistent with the same quarter in 2013. Total copper production for the quarter was 27.7 million pounds, a 17% decrease from the fourth quarter of 2013.

Fourth quarter copper production was impacted by a 17% decrease in copper head grade due to the alternate mine sequence that was implemented in the third quarter of 2014. Lower head grade ore negatively impacts copper recoveries.

A total of 25.1 million tons were mined in the fourth quarter, a 16% increase over the fourth quarter of 2013.

Molybdenum production for the fourth quarter of 2014 was 445,000 pounds, a 7% decrease over the fourth quarter of 2013. Molybdenum recoveries were 39% for the fourth quarter as a result of lower molybdenum head grade.

Net operating costs of production* per pound
(Q4, 2014 compared to Q4, 2013)



*Non-GAAP performance measure. See page 31 of this MD&A

In the fourth quarter of 2014, net operating costs per pound of copper produced were US$2.32, a 37% increase over the US$1.70 per pound in the previous year's quarter. This increase in unit costs was primarily driven by lower head grade. Fourth quarter operating costs were also impacted by a planned $4.7 million shovel overhaul expenditure which contributed US$0.19 per pound to net operating costs per pound. By-product credits were lower than the previous year's quarter due to the decline in both the molybdenum price and production levels.

Off-property costs, including transportation, treatment and refining charges, for the fourth quarter of 2014 were US$0.45 per pound produced, compared to US$0.44 per pound produced in the fourth quarter of 2013. Off-property costs are driven by sales volumes, and therefore off property costs per pound produced fluctuates based on differences between production and sales volumes.

GIBRALTAR OUTLOOK

Management expects Gibraltar's total operating costs per pound to be lower in the future, for the following reasons:

- The mine is benefiting from recent reductions in the price of diesel which is a significant input cost. Diesel prices have fallen approximately 29% over the last year which represents an annualized cost savings of $10 million;

- During 2014, Gibraltar completed a major shovel maintenance program costing $16.2 million. These programs are typically completed every seven years;

- There are a number of cost control initiatives underway including a 12% workforce reduction which occurred in January 2015, mine plan modifications and initiatives with vendors to reduce costs of supplies and consumables;

- Copper grades in the first quarter of 2015 remained below the Granite Pit average grade, at a level similar to the fourth quarter 2014. Recently, the copper grade has increased to approximately 0.25% and for the balance of 2015 we expect the grade to fluctuate in a range between 0.25%-0.28%. Increases in copper grades will reduce total operating costs per pound; and

- The weakening Canadian dollar is having a positive impact on the mine's margins. The Canadian dollar has fallen approximately 20% since the beginning of 2014 and with approximately 80% of Gibraltar's operating costs denominated in Canadian dollars, the weakening dollar has a significant impact on total operating costs per pound which are reported in $USD.

The cumulative effect of these factors will have a significant impact on Gibraltar's operating costs going forward. Adjusting for non-recurring shovel maintenance costs and applying current diesel prices and foreign exchange rates, total operating costs would have been approximately US$2.00 per pound in the first half of 2014. The Company expects to achieve this unit cost in the future in conjunction with increased head grade and recovery levels.

REVIEW OF PROJECTS

Florence Copper project

The Company acquired a 100% interest in the Florence Copper project though the acquisition of Curis Resources Ltd. which was completed on November 20, 2014 (see section below "Acquisition of Curis Resources Ltd.") The Florence Copper Project is an in-situ copper recovery and solvent extraction/electrowinning project located near the town of Florence in central Arizona, USA. The project is currently in the final stages of permitting for the Phase 1 Production Test Facility ("PTF"). The PTF includes a 24-well in-situ recovery well field and solvent extraction/electrowinning plant that will produce copper cathode. The PTF is designed to demonstrate the science and safety of the in-situ process. Concurrently, the Company is advancing engineering, test work, environmental studies and permitting for commercial operations.

The Temporary Aquifer Protection Permit ("APP") for the PTF issued in July 2013 by the Arizona Department of Environmental Quality ("ADEQ") was subject to an appeal. As a result of the appeal an amendment will be submitted in March 2015 and issuance of the amended APP is now anticipated during the second quarter of 2015. In December the Company announced the receipt of a draft Underground Injection Control (UIC) permit from the U.S. Environmental Protection Agency (EPA). The UIC permit regulates the construction and operation of Florence Copper's injection wells at the site and is the final regulatory milestone required by the Company to construct and operate the PTF. The public hearing for the draft permit was held on January 22, 2015 and the comment period was extended to April, 2015. The Company expects the UIC permit to be issued by mid-2015.

Aley project

In October 2014 the Company filed a 43-101 compliant technical report for the Aley project showing proven and probable reserves of 84 million tonnes grading 0.50% Nb_2O_5 for its 100%-owned Aley Niobium Project.

Mineral Reserves*
0.30% Nb_2O_5 Cut-off

Category	Tonnes (millions)	Grade % Nb_2O_5
Proven	44.3	0.52
Probable	39.5	0.48
Total	**83.8**	**0.50**

Highlights of the project, as outlined in the NI43-101 Technical Report, include:

- Pre-tax net present value of approximately $860 million ($480 million post-tax) at an 8% discount rate
- Pre-tax internal rate of return of 17% (14% post-tax) with a 5.5 year payback
- Anticipated operating margin of US$21/kg of niobium (Nb)
- Average annual production of 9 million kilograms Nb in the form of Ferroniobium.
- 24 year mine life at a milling rate of 10,000 tonnes per day
- Life of mine strip ratio of 0.5:1
- Total pre-production capital cost of $870 million, including; $520 million for mine, concentrator and site infrastructure; $180 million for the converter, $100 million for offsite infrastructure including the transmission line, and $70 million for pre-stripping

On September 19, 2014 the BC Environmental Assessment Office (EAO) issued a Section 10 Order under the BC *Environmental Assessment Act*, initiating the BC environmental assessment process for the Aley Niobium Project. On October 9, the Canadian Environmental Assessment Agency confirmed acceptance of the Project Description for the Aley Niobium Project.

On November 24, 2014 CEAA determined that a federal environmental assessment was required, issued a Notice of Commencement, and approved BC's request for Substitution under the Canadian Environmental Assessment Act (CEAA) 2012. The EAO will conduct the assessment and Aboriginal consultation on behalf of the Federal government. At the end of the environmental assessment review, EAO will issue a report to both the Provincial and Federal Ministers for a decision.

The EAO issued to Taseko a Section 11 Order under the Environmental Assessment Act on December 31, 2014. This Order describes the Scope of the Project subject to the environmental assessment, identifies the Aboriginal Groups requiring consultation, and directs Taseko to draft Application Information Requirements (AIR) for the environmental assessment application. Taseko is currently preparing the draft AIR.

*The Mineral Reserves are a subset of the Mineral Resources reported in the March 29, 2012 Technical Report, "Technical Report, Aley Carbonatite Niobium Project", prepared by Ronald G. Simpson, P.Geo and a Qualified Person under National Instrument 43-101.

The mine plan, mine related costing, and tailings and water management design was supervised and reviewed by Greg Yelland, P.Eng., Chief Engineer for Taseko and a Qualified Person under National Instrument 43-101. Metallurgical and converter test work was supervised and reviewed by Keith Merriam, P.Eng., Manager, Process Engineering for Taseko and a Qualified Person under National Instrument 43-101.

Process and plant design work was done in accordance with design criteria derived from metallurgical and pyrometallurgical test work under the supervision of Rob Rotzinger, P.Eng. Vice-President Capital Projects for Taseko and a Qualified Person under National Instrument 43-101.

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.

New Prosperity project

On February 26, 2014 the Government of Canada announced its decision to not issue the authorizations necessary for the New Prosperity project to proceed. In the wake of this decision, Taseko initiated legal proceedings in the form of two separate judicial reviews which challenge the decision and the process by which the decision was reached. In August 2014, the Company applied to the Federal Court to convert both judicial reviews into a civil action for damages. The motion was heard on October 22, 2014. No decision has been rendered.

ACQUISITION OF CURIS RESOURCES LTD.

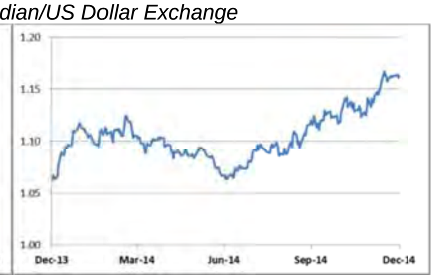
On November 20, 2014 ("Acquisition Date"), the Company completed the acquisition of all of the issued and outstanding common shares of Curis Resources Ltd. ("Curis") and its 100% owned Florence copper project. Under the terms of the transaction, Curis shareholders received 0.438 common shares of the Company for each Curis common share held, and all outstanding Curis stock options were exchanged for an amount of common shares of the Company equal to the 'in the money' value of the outstanding Curis stock options. The Company issued a total of 26.8 million common shares to Curis shareholders and option holders. Prior to the acquisition, the Company held a 17.2% equity interest in Curis and had one director in common with Curis. The total purchase consideration was $54.5 million. For further information please refer to note 4 of the Company's 2014 consolidated financial statements.

MARKET REVIEW

Copper

Molybdenum

Canadian/US Dollar Exchange



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

Aided by a declining Canadian dollar, the Canadian dollar price of copper was only slightly down in the fourth quarter of 2014. Closing at C$3.32 the copper price suffered a 1.8% drop in the quarter and a 7.0% decline for the year. The Canadian dollar price of copper is more relevant to Taseko, as approximately 80% of the Gibraltar Mine's costs are Canadian dollar denominated. A key factor that impacted copper prices in 2014 was a slowing Chinese economy. After decades of double-digit growth in China, its economic growth slowed to approximately 7.5% in 2014. This slowdown has been felt globally and has especially had an impact on commodities. Global copper inventories increased modestly in the fourth quarter, climbing from their six-year lows. At the end of December, refined copper inventories were still very low, representing less than six days of global consumption.

Molybdenum pricing was stable during the fourth quarter, although at considerably lower prices than the second and third quarters of 2014, ending the year at approximately C$10.70. The molybdenum market is tied to global steel production and demand has declined in recent months in both China and Europe. For the year, in Canadian dollar terms molybdenum pricing increased by 6%.

In the fourth quarter the Canadian dollar declined by nearly 4% to 0.86 to the US dollar and for the year it fell by 8%. For 2015, major banks forecast a weak Canadian dollar with the range being 0.75-0.85 to the US dollar, which is well below the 0.91 average in 2014.

Fluctuations in the Canadian dollar/US dollar exchange rate can have a significant effect on our operating results and the net operating costs of production, which is reported in US dollars per pound.

FINANCIAL PERFORMANCE

Earnings

Earnings from mining operations decreased to $5.1 million in 2014 from $42.9 million in 2013, primarily due to increased operating costs and increased depletion and amortization.

Revenues increased by 28% from 2013 primarily due to increased sales volumes of copper and molybdenum at the Gibraltar mine. The increased copper sales volumes are a result of the increased production due to the full year operation of concentrator #2 in 2014 compared to 2013 which was a ramp up year. Although the average realized US dollar copper price declined in 2014, the impact of this was largely offset by a weakening Canadian dollar.

The Company realized a net loss of $53.9 million ($0.27 per share), compared to a net loss of $34.8 million ($0.18 per share) in 2013. The increase in net loss is driven by the increased mining costs in the last half of 2014 as a result of the pit wall stability issue in the Granite pit.

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. These items are in the table below:

(Cdn$ in thousands)	Year ended December 31, 2014	2013	Change
Net (loss) earnings	(53,884)	(34,839)	(19,045)
Unrealized loss (gain) on derivatives	(4,346)	(6,159)	1,813
Unrealized foreign exchange (gain) loss	17,951	12,082	5,869
Gain on deemed disposition of Curis shares	(1,082)	-	(1,082)
Write down of marketable securities	1,152	13,984	(12,832)
Curis acquisition costs	2,517	-	2,517
Non-recurring adjustment to interest on royalty obligation	-	4,918	(4,918)
Non-recurring other expenses (income)	-	(430)	430
Estimated tax effect of adjustments	606	(3,583)	4,189
Adjusted net earnings (loss) *	(37,086)	(14,027)	(23,059)

*Non-GAAP performance measure. See page 31 of this MD&A

Unrealized gains/losses on derivatives can vary materially each period and have a significant impact on earnings. These amounts represent the change in fair value of copper put options during the period.

Any impairment in the value of the Company's marketable securities is written down through profit and loss. For 2014, the Company determined an impairment loss of $1.2 million was required due to decline in fair value of one of its investments.

The foreign currency translation impact and the unrealized gains and losses on the derivative instruments are removed from the adjusted net earnings (loss) measure as they are not indicative of a realized economic gain/loss or the underlying performance of the business in the period. In 2014, the Canadian dollar weakened in comparison to the prior year, the impact was a foreign exchange loss of $17.9 million.

The Company considers expenses and fair value adjustments related to its acquisition of Curis to be non-recurring charges and therefore should be backed out from the company's earnings (loss). The Company incurred acquisition costs totaling $2.5 million for advisory, legal, and other professional fees. In addition, a cumulative gain of $1.08 million was recognized due to the remeasurement of the Company's pre-acquisition ownership interest in Curis to fair value.

Revenues

(Cdn$ in thousands)	Year ended December 31, 2014	2013	Change
Copper in concentrate	339,446	277,091	62,355
Copper cathode	5,184	33	5,151
Total copper sales	344,630	277,124	67,506
Molybdenum concentrate	23,120	9,550	13,570
Silver contained in copper concentrate	3,446	3,382	64
	371,196	290,056	81,140
(thousands of pounds, unless otherwise noted)			
Copper in concentrate *	103,640	82,194	21,446
Copper cathode	1,529	-	1,529
Total copper sales	105,169	82,194	22,975
Average realized copper price (US$ per pound)	2.97	3.27	(0.30)
Average LME copper price (US$ per pound)	3.10	3.32	(0.22)

* This amount includes a net smelter payable deduction of approximately 3.5% to derive net pounds of copper sold and is net of amounts related to production of low grade mill feed which were capitalized in the third quarter of 2014.

Copper revenues for 2014 increased by $67.5 million, or 24%, over 2013, primarily due to increases in copper sales volumes.

As copper sales are denominated in US dollar, the strengthening of the US dollar translates into increased Canadian dollar revenues. Over 2014 the US dollar strengthened, on average, 7% from 2013 which partially offset the weakening average realized copper price, which declined by 9% from 2013. The Company's average realized copper price for 2014 was US$2.97 per pound, compared to US$3.27 for 2013. London Metals Exchange (LME) copper prices averaged US$3.10 in 2014, down 7% over the average in 2013 of US$3.32. The Company's average realized copper price is lower than the LME's average due to a portion of the Company's receivables being revalued in a decreasing copper price environment.

Molybdenum revenues for 2014 totaled $23.1 million, a significant increase over the $9.5 million for 2013. The increase in revenues was due to an increase in sales volumes as a result of increased production combined with a 14% increase in the average realized molybdenum price over 2013.

Cost of sales

(Cdn$ in thousands)	Year ended December 31, 2014	2013	Change
Direct mining and processing costs	257,771	190,276	67,495
Treatment and refining costs	28,250	17,291	10,959
Transportation costs	18,805	18,029	776
Changes in inventories of finished goods and WIP	14,105	(12,540)	26,645
Production costs	318,931	213,056	105,875
Depletion and amortization	47,163	34,067	13,096
Cost of sales	366,094	247,123	118,971

Direct mining and processing costs increased by 35% over 2013 primarily due to the increase in tons mined and milled as a result of the expanded mining fleet and full year operation of concentrator #2. Additional 2014 expenditures included a mining contractor assisting with waste stripping and a $16.2 million shovel maintenance program.

Total treatment and refining costs and transportation have increased over last year, mostly due to the 26% increase in copper sales volumes and the strengthening of the US dollar.

Depletion and amortization for 2014 was $47.2 million, a 38% increase from the prior year. The increase is due to increases in both tons mined and milled and a higher depreciable asset base with concentrator #2 in commission for the full year of 2014.

Other expenses (income)

(Cdn$ in thousands)	Year ended December 31, 2014	2013	Change
General and administrative	16,085	16,236	(151)
Exploration and evaluation	5,945	10,294	(4,349)
Curis acquisition costs	2,517	-	2,517
Other operating expenses (income):			
Realized loss on copper derivative instruments	6,273	10,530	(4,257)
Unrealized (gain) loss on copper derivative instruments	(4,346)	(6,159)	1,813
Gain on deemed disposition of Curis shares	(1,082)	-	(1,082)
Other expense (income)	251	(1,491)	1,742
	1,096	2,880	(1,784)

General and administrative costs are relatively constant year-over-year as the Company is focusing on controlling general and administrative expenditures.

Exploration and evaluation costs include $3.5 million for Aley and $2.0 million for the New Prosperity project, compared to $4.3 million and $5.2 million, respectively in 2013. During 2014, the Company published a 43-101 compliant reserve statement for the Aley niobium project in October 2014. The Government of Canada's decision not to issue the permits for New Prosperity in February 2014 resulted in decreased exploration and evaluation expenses on the project.

The $4.3 million unrealized gain on the copper derivative instruments is due to increases in the fair value of the put options on the outstanding contracts.

The Company incurred acquisition costs totaling $2.5 million for advisory, legal, and other professional fees. In addition, a cumulative gain of $1.1 million was recognized due to the remeasurement of the Company's pre-acquisition 17.2% ownership interest in Curis to fair value.

Marketable securities

During the year ended December 31, 2014, the Company reviewed the value of its marketable securities and subscription receipts for objective evidence of impairment based on both quantitative and qualitative criteria and determined that a write down was required for all but one investment. The write down reflected the decline in market value of these investments which is representative of the recent decline in equity market valuations for mining companies. Accordingly, the Company recorded a write down of marketable securities of $1.2 million (2013 – $14 million).

Finance income & expenses

Finance expenses for 2014 increased by $2.0 million compared to 2013 due to the strengthening US dollar and the related impact on the value of the US dollar denominated interest payments and increased accretion expenses related to the provision for environmental rehabilitation

Finance income is primarily comprised of income earned on the promissory note and reclamation deposits. For 2014, finance income is lower than the prior year due to lower interest earned on the reclamation deposits.

Income tax

(Cdn$ in thousands)	**Year ended December 31, 2014**	**2013**	**Change**
Current expense (recovery)	(8,241)	(16,704)	8,463
Deferred expense (recovery)	(546)	19,363	(19,909)
	(8,787)	2,659	11,446
Effective tax rate	14.02%	(8.30%)	
Canadian statutory rate	26.0%	25.8%	0.2%
BC Mineral tax rate	9.6%	9.6%	-

The current tax recovery in the quarter was partially offset by estimated BC Mineral taxes based on production at the Gibraltar mine, in addition to taking into account minor adjustments to prior year taxes.

The effective tax rate for the year 2014 was 14.0%, which is lower than the statutory rate of 35.6%. The difference is a result of permanent differences related to non-deductible share-based compensation and expenditures incurred that are not deductible for BC Mineral tax, in addition to unrecognized tax benefits. (please refer to the consolidated financial statements note 18(a)).

FINANCIAL CONDITION REVIEW

Balance sheet review

	As at December 31,		
(Cdn$ in thousands)	**2014**	**2013**	**Change**
Cash and equivalents	53,299	82,865	(29,566)
Other current assets	83,332	146,073	(62,741)
Non-current assets	793,659	678,580	115,079
Other assets	62,252	62,710	(458)
Total assets	**992,542**	**970,228**	**22,314**
Current liabilities	66,444	116,909	(50,465)
Long-term debt	293,506	259,515	33,991
Other liabilities	210,317	167,588	42,729
Total liabilities	**570,267**	**544,012**	**26,255**
Equity	**422,275**	**426,216**	**(3,941)**
Working capital	70,187	112,029	(41,842)
Net debt	260,364	199,275	61,089
Total common shares outstanding (millions)	221.8	193.4	28.4

The Company's asset base is comprised principally of non-current assets, including property, plant and equipment, reflecting the capital intensive nature of the mining business. The current assets include cash, accounts receivable, other financial assets and inventories (supplies and production inventories), along with prepaid expenses and deposits. Production inventories, accounts receivable and cash balances fluctuate in relation to shipping and cash settlement schedules.

Total liabilities increased from $544 million at December 31, 2013 to $570.3 million as at December 31, 2014. Current liabilities decreased by $50.5 million, primarily due to the settlement of the Red Mile royalty obligation in 2014. Long-term debt increased by $34 million mainly represented by the Company's assumption of the Curis Red Kite loan (note 17(d) of the consolidated financial statements),

Other long-term liabilities increased by $42.7 million mainly due to a $40.5 million increase in the provision for the environmental rehabilitation (PER) driven by changes in inflation and discounts rates.The PER valuation was adjusted during 2014 for changes in estimated cash flows required to discharge the liability, along with a change in the discount rates. The Bank of Canada long-term benchmark bond rate used as a proxy for long-term discount rates decreased to 2.33% at December 31, 2014 from the 3.2% level at December 31, 2013. Given the long timeframe over which environmental rehabilitation expenditures are expected to be incurred (over 100 years), the carrying value of the provision and asset are very sensitive to changes in discount rates.

As at March 24, 2015, there were 221,808,638 common shares outstanding. In addition, there were 9,522,000 director and employee stock options outstanding at March 24, 2015. More information on these instruments and the terms of their exercise is set out in note 21 of our 2014 annual financial statements.

Liquidity, cash flow and capital resources

At December 31, 2014, the Company had cash and equivalents of $53.3 million, a $29.6 million decrease over the $82.9 million reported at December 31, 2013. The Company maintained a strategy of retaining significant liquidity to fund operations and to reflect the capital intensive nature of the business.

Cash flow from operations was $50.6 million for 2014 compared with $67.6 million for 2013. Although cash received from product sales was higher in 2014 than the prior year, operating cash flow was negatively impacted by overall higher operating costs for the year.

Changes in non-cash working capital items resulted in cash provided of $16.5 million compared with $13.8 million in 2013, mostly due to the lower levels of copper inventories and higher accounts payable balances.

Cash used for investing activities for 2014 was $39.4 million compared to $93.9 million used in the prior year. Cash flow from investing activities in 2014 primarily related to $38.8 million for the purchase of property plant and equipment and capitalized stripping, $11.9 million for purchase of copper put options and marketable securities, $1.9 million of cash consideration for the acquisition of Curis, offset by the refund of a deposit of $12.9 million which was collateral for the purchase of power by the Gibraltar Joint Venture. The prior year's major components were an outflow of $98.5 million invested in property, plant and equipment, $9.4 million in security deposits and $7.5 million invested in financial assets, offset by $20.1 million in proceeds on the redemption of highly-liquid money market instruments.

Cash used for financing activities for 2014 was $44.1 million, primarily due to debt repayment and interest charges of $46.6 million offset by $2.5 million in proceeds on the issuance of common shares. Cash used for financing activities for the prior year was $28.5 million, debt repayment and interest charges were comparable year on year, however financing activities for 2013 included proceeds from debt issuance of $11.3 million.

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

Hedging strategy

The Company's hedging strategy is to secure a minimum price for a portion of copper production using put options that are either purchased outright or funded by the sale of call options that are significantly out of the money. The amount and duration of the hedge position is based on an assessment of business-specific risk elements combined with the copper pricing outlook. Copper price and quantity exposure are reviewed at least quarterly to ensure that adequate revenue protection is in place. Hedge positions are typically extended adding incremental quarters at established put strike prices to provide the necessary price protection.

Considerations on the cost of the hedging program include an assessment of Gibraltar's estimated production costs, anticipated copper prices and the Company's capital requirements during the relevant period.

The Company spent $1.9 million and $6.9 million to purchase Copper put options in the three and twelve month periods ended December 31, 2014 respectively. The Company's hedging strategy is designed to mitigate short term declines in copper price, as was seen in late 2014 and early 2015. In January 2015, the Company sold all outstanding copper put options for cash proceeds of $17.4 million. As a result of this sale the Company currently does not have any put options in place. However, the hedging strategy has not changed and the Company will seek opportunities to acquire additional copper put options in the future.

Commitments and contingencies

	Payments due						
(Cdn$ in thousands)	2015	2016	2017	2018	2019	thereafter	Total
Debt *:							
Repayment of principal	20,157	43,021	13,138	2,380	232,020	-	310,716
Interest	20,292	31,124	18,431	18,018	5,245	-	93,110
PER **	-	-	-	-	-	127,939	127,939
Operating leases	4,124	2,486	340	277	282	385	7,894
Capital expenditures ***	1,166	-	-	-	-	-	1,166
Other expenditures ****	8,593	2,956	-	-	-	-	11,549

* Debt is comprised of senior notes, capital leases and secured equipment loans.

** Provision for environmental rehabilitation – Amounts presented in the table represents the expected cost of environmental rehabilitation for Gibraltar mine without considering the effect of discount or inflation rates.

*** Commitments for capital expenditures include only those items where binding commitments have been entered into.

**** Other expenditure commitments include the purchase of goods and services and exploration activities.

The Company expects to incur capital expenditures during the next five years for both the Gibraltar mine and other projects. The other projects are at various stages of development, from preliminary exploration through to permitting. The ultimate decision to incur capital expenditures at each potential site is subject to positive results which allow the project to advance past key decision hurdles.

In April 2011, the Company completed a public offering of US$200 million in senior notes due in 2019, bearing interest at an annual rate of 7.75%. The notes are guaranteed by the Company's subsidiaries and the subsidiary guarantees are, in turn, guaranteed by the Company. The Company may redeem some or all of the notes at any time on or after April 15, 2015 at redemption prices ranging from 103.875% to 100% plus accrued interest. Prior to April 15, 2015, the notes may be redeemed at 100% plus a make-whole premium, plus accrued interest. The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock. As at December 31, 2014 and the date of this MD&A, the Company is in compliance with all loan covenants.

As a result of the acquisition of Curis, the Company has assumed Curis's senior secured loan agreement with RK Mine Finance Trust I ("Red Kite"). The total loan balance, including accrued interest, was $US27.8 million as of December 31, 2014. Interest on the loan is being capitalized quarterly at a rate of 11% per annum. The outstanding principal and accrued interest can be prepaid at any time without penalty, and is otherwise repayable at maturity on May 31, 2016.

The loan has been guaranteed by the Company and is secured against substantially all assets of Curis, including its interest in the Florence Copper project. The loan contains certain non-financial affirmative and restrictive covenants similar to those found in a traditional bank financing. As at December 31, 2014 and the date of this MD&A, the Company is in compliance with all loan covenants.

In addition, Curis also has previously entered into an off-take agreement whereby Red Kite has the unconditional right as well as an obligation to purchase up to 19% of the Florence Copper project's copper cathode production for the life of the project, at market prices subject to certain transportation discounts.

The Company is party to various contracts in respect of its operations, of which certain contracts were terminated by the Company during the year. The Company accrues its best estimate of the final settlement amount to be paid in respect of terminated contracts, however the actual settlement amount could differ when negotiations are finalized and any changes in cost estimates will be reflected in future periods.

SELECTED ANNUAL INFORMATION

(Cdn$ in thousands, except per share amounts)	**2014**	**2013**	**2012**
Revenues	371,196	290,056	253,607
Net (loss) earnings	(53,884)	(34,839)	(9,139)
Per share – basic	(0.27)	(0.18)	(0.05)
Per share – diluted	(0.27)	(0.18)	(0.05)
		As at December 31,	
	2014	**2013**	**2012***
Total assets	992,542	970,228	996,448
Total long-term financial liabilities	293,616	260,080	292,655

FOURTH QUARTER RESULTS

Consolidated Statements of Comprehensive Income (Cdn$ in thousands, except per share amounts)	**Three months ended December 31,** **2014**	**2013**
Revenues	65,179	94,916
Cost of sales		
Production costs	(66,095)	(69,947)
Depletion and amortization	(10,248)	(9,684)
Earnings (loss) from mining operations	(11,164)	15,285
General and administrative	(4,450)	(3,886)
Exploration and evaluation	-	(2,594)
Other expenses	757	(1,546)
Curis acquisition costs	(2,517)	-
Write down of marketable securities	(367)	(5)
	(17,741)	7,254
Finance expenses	(7,475)	(11,404)
Finance income	1,103	1,134
Foreign exchange gain (loss)	(6,490)	(5,621)
Loss before income taxes	(30,603)	(8,637)
Income tax recovery (expense)	4,176	(1,119)
Net income (loss) for the period	**(26,427)**	**(9,756)**
Other comprehensive income (loss):		
Unrealized losses on available-for-sale financial assets, net of tax	(127)	(131)
Reclassification of gain/(loss) on available for sale financial assets, included in the net loss	(2,296)	-
Foreign currency translation reserve	1,420	-
Total other comprehensive income (loss) for the period	**(1,003)**	**(131)**
Total comprehensive income (loss) for the period	**(27,430)**	**(9,887)**
Earnings (loss) per share		
Basic	(0.13)	(0.05)
Diluted	(0.13)	(0.05)
Weighted-average shares outstanding (thousands)		
Basic	206,949	192,983
Diluted	206,949	192,983

Consolidated Statements of Cash Flows (Cdn$ in thousands)	**Three months ended December 31, 2014**	**2013**
Operating activities		
Net loss for the period	(26,427)	(9,756)
Adjustments for:		
Depletion and amortization	10,270	9,770
Income tax expense (recovery)	(4,176)	1,119
Share-based compensation	564	466
Change in fair value of copper put options	(1,708)	1,584
Finance expenses (income)	6,372	10,270
Unrealized foreign exchange loss (gain)	7,328	6,382
Write down of marketable securities	367	5
Other operating activities	2,229	832
Net change in non-cash working capital	(3,467)	12,119
Cash provided by operating activities	(8,648)	32,791
Investing activities		
Purchase of property, plant and equipment	(14,056)	(13,040)
Investment in financial assets	(1,918)	(3,501)
Acquisition of Curis Resources Ltd., net	(1,874)	-
Interest received	87	59
Cash used for investing activities	(17,761)	(16,482)
Financing activities		
Repayment of debt	(5,192)	(5,921)
Interest paid	(9,471)	(9,054)
Common shares issued for cash	-	632
Cash provided by (used for) financing activities	(14,663)	(14,343)
Effect of exchange rate changes on cash and equivalents	1,416	1,069
Increase (decrease) in cash and equivalents	(39,656)	3,035
Cash and equivalents, beginning of period	92,955	79,830
Cash and equivalents, end of period	**53,299**	**82,865**

Earnings

Earnings from mining operations decreased to a loss of $11.2 million in the fourth quarter of 2014 from earnings of $15.3 million in the fourth quarter of 2013, primarily due to lower copper sale volumes, lower realized copper prices and increased depreciation expense. Copper sales volumes decreased to 19.5 million pounds in the fourth quarter of 2014 from 27 million pounds in the prior year's quarter, a 30% decrease due to decreased production resulting from the lower head grade and recoveries.

The realized copper price for the fourth quarter of 2014 was US$2.82 per pound compared to US$3.18 per pound in the prior year's quarter. Although the average realized US dollar copper price declined in the fourth quarter of 2014, the impact of this was largely offset by a weakening Canadian dollar.

The Company incurred a net loss of $26.4 million ($0.13 per share) in the fourth quarter of 2014, compared to a net loss of $9.8 million ($0.05 per share) in the fourth quarter of 2013.

Included in net loss are a number of items that management believes require adjustment in order to better measure the underlying performance of the business. These items are in the table below:

	Three months ended December 31,		
(Cdn$ in thousands)	**2014**	**2013**	**Change**
Net loss	(26,427)	(9,756)	(16,671)
Unrealized loss (gain) on derivatives	(3,549)	(607)	(2,942)
Unrealized foreign exchange (gain) loss	7,328	6,449	879
Gain on deemed disposition of Curis Shares	(1,082)	-	(1,082)
Write down of marketable securities	367	5	362
Curis acquisition costs	1,978	-	1,978
Non-recurring adjustment to interest on royalty obligation	-	4,918	(4,918)
Estimated tax effect of adjustments	402	(175)	577
Adjusted net earnings (loss) *	(20,983)	834	(21,817)

*Non-GAAP performance measure. See page 31 on this MD&A

Revenues

	Three months ended December 31,		
(Cdn$ in thousands)	**2014**	**2013**	**Change**
Copper in concentrate	61,323	90,151	(28,828)
Copper cathode	1,241	-	1,241
Total copper sales	62,564	90,151	(27,587)
Molybdenum concentrate	2,113	3,819	(1,706)
Silver contained in copper concentrate	502	946	(444)
	65,179	94,916	(29,737)
(thousands of pounds, unless otherwise noted)			
Copper in concentrate *	19,176	27,041	(7,865)
Copper cathode	374	-	374
Total copper sales	19,550	27,041	(7,491)
Average realized copper price (US$ per pound)	2.82	3.18	(0.36)
Molybdenum concentrate	361	374	(13)

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

Copper revenues for the fourth quarter 2014 decreased by $27.6 million, or 30.6%, compared to revenues in the prior-year period as a result of lower volume of copper sales and lower average realized prices. The Company's average realized copper price of US$2.82 per pound for the fourth quarter 2014, 11% lower than the $3.18 per pound in the prior year's quarter. The average realized copper price was partially offset by an 8% strengthening of the US dollar compared to the fourth quarter of 2013. As copper sales are denominated in US dollars, a strengthening US dollar will translate into higher Canadian dollar revenues.

Molybdenum revenues totaled $2.1 million in fourth quarter 2014 which is 45% lower than the prior-year quarter due to a provisional pounds sold being revalued in a declining market.

Cost of sales

	Three months ended December 31,		
(Cdn$ in thousands)	**2014**	**2013**	**Change**
Direct mining and processing costs	58,196	49,413	8,783
Treatment and refining costs	6,906	6,120	786
Transportation costs	3,764	5,512	(1,748)
Changes in inventories of finished goods and WIP	(2,771)	8,902	(11,673)
Production costs	66,095	69,947	(3,852)
Depletion and amortization	10,248	9,684	564
Cost of sales	76,343	79,631	(3,288)

The 18% increase in direct mining and processing costs reflects the 17% increase in tons mined in fourth quarter 2014 compared to the prior-year quarter. The changes in inventories of finished goods and WIP reflect the decrease in on hand inventory quarter over quarter.

Offsite costs and depreciation expenses are consistent with the prior year's quarter.

Other expenses (income)

	Three months ended December 31,		
(Cdn$ in thousands)	**2014**	**2013**	**Change**
General and administrative	4,450	3,886	564
Exploration and evaluation	-	2,594	(2,594)
Curis acquisition costs	2,517	-	2,517
Other operating expenses (income):			
Realized (gain) loss on copper derivative instruments	1,841	2,191	(350)
Unrealized (gain) loss on copper derivative instruments	(3,549)	(607)	(2,942)
Gain on deemed disposition of Curis Resources Ltd.	(1,082)	-	(1,082)
Loss on disposition of property, plant and equipment	2,549	-	2,549
Other expenses (income)	(516)	(38)	(478)
	(757)	1,546	(2,303)

General and administrative expenses during the fourth quarter 2014 are comparable to the prior year's quarter.

The $3.5 million unrealized gain on the copper derivative instruments is due to increases in the fair value of the put options on the outstanding contracts.

The Company incurred acquisition costs totaling $1.8 million for advisory, legal, and other professional fees. In addition, a cumulative gain of $1.1 million was recognized due to the remeasurement of the Company's pre-acquisition 17.2% ownership interest in Curis to fair value.

Loss on disposition of property, plant and equipment reflects the recognized loss on the disposition of leased assets.

Finance income and expenses

Finance income is primarily comprised of income earned on the promissory note and reclamation deposits. These amounts in the fourth quarter of 2014 are comparable with the prior year's quarter.

Finance expenses for the fourth quarter 2014 decreased by $3.8 million over the fourth quarter of 2013. This is due to an adjustment to interest on royalty obligation in the fourth quarter of 2013.

Income tax

	Three months ended December 31,		
(Cdn$ in thousands)	**2014**	**2013**	**Change**
Current expense (recovery)	(242)	(4,450)	4,208
Deferred expense (recovery)	(3,934)	5,569	(9,503)
	(4,176)	1,119	(5,295)
Effective tax rate	15.80%	(13.0%)	(28.8%)
Canadian statutory rate	26.0%	25.8%	0.2%
BC Mineral tax rate	9.6%	9.6%	-

The income tax recovery for fourth quarter 2014 was relatively flat for current income tax purposes. For deferred income tax, the recovery was driven by higher losses realized for the group in addition giving rise to an increase to the deferred tax asset, as well as the increase in the temporary difference related to the increase to the provision for environmental rehabilitation, offset by deductions taken for taxes on property, plant and equipment in excess of those taken for accounting purposes.

Liquidity, cash flow and capital resources

In the fourth quarter of 2014, the Company's operating cash outflow was $8.6 million compared to a $32.8 million inflow for the prior-year period.

Cash used in investing activities in the fourth quarter of 2014 was $17.7 million and primarily related to capital expenditures, which included capitalized stripping of $11.4 million, purchase of copper put options of $1.9 million and the cash consideration component of the acquisition of Curis Resources Ltd of $1.9 million.

Cash used for financing activities was $14.6 million for the fourth quarter 2014 resulting from debt principal and interest payments. This amount is comparable to the prior year's quarter.

SUMMARY OF QUARTERLY RESULTS

	2014				2013			
(Cdn$ in thousands, except per share amounts)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	65,179	93,714	107,307	104,996	94,916	66,799	68,191	60,150
Net earnings (loss)	(26,427)	(20,937)	2,628	(9,148)	(9,756)	120	(14,721)	(10,482)
Basic EPS	(0.13)	(0.11)	0.01	(0.05)	(0.05)	0.00	(0.08)	(0.05)
Adjusted net earnings (loss) *	(20,983)	(11,221)	(2,172)	(2,710)	834	(1,851)	(10,177)	(2,833)
Adjusted basic EPS *	(0.10)	(0.06)	(0.01)	(0.01)	(0.00)	(0.01)	(0.05)	(0.01)
EBITDA *	(13,397)	(7,148)	23,336	8,858	11,869	15,173	(2,171)	(591)
Adjusted EBITDA *	(8,355)	2,385	19,217	14,594	17,716	12,545	3,888	9,608

(US$ per pound, except where indicated)								
Realized copper price *	2.82	3.07	3.16	3.10	3.18	3.33	3.52	3.47
Total operating costs *	2.77	2.75	2.12	2.48	2.14	2.21	2.34	2.45
Copper sales (million pounds)	19.6	26.0	28.4	28.9	27.0	18.9	20.1	16.1

*Non-GAAP performance measure. See page 31 of this MD&A

Financial results for the last eight quarters reflect: volatile copper prices that impact realized sale prices; variability in the quarterly sales volumes due to timing of shipments which impacts revenue recognition; and a trend of increasing absolute production costs caused by increasing production volumes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are presented in note 2.5 of the 2014 annual 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.

The measurement of impairment charges represents a significant area of estimation in the financial statements. Due to declining Copper prices, in December 2014 the carrying value of the Gibraltar mine's cash generating unit ("CGU") was reviewed for impairment. The estimated future cash flows from the Gibraltar mine were discounted to an after-tax net present value of $1,110 million (100% basis) as of December 31, 2014, or $833 million on a 75% basis, which is in excess of the Company's carrying amount of $634 million. This net present value was determined using management's discounted cash flow model for the Gibraltar mine with the following key assumptions: a C$/US$ exchange rate ranging between 1.16 and 1.18 over the life of mine, an after-tax discount rate of 7.12%, and estimated future copper prices, which, in real terms, ranged from US$3.10 to US$3.30 over the next 6 years and US$3.10 long term. A 5% increase in the Canadian dollar equivalent long term copper price results in an after-tax net present value of $1,394 million. A 5% decrease in the Canadian dollar equivalent long term copper price results in an after-tax net present value of $847 million.

At December 31, 2014 an impairment charge of $82 million (100% basis) was recognized in the Gibraltar joint venture financial statements, but had no impact on the Company's consolidated financial statements as the carrying value of the Company's 75% interest in the Gibraltar mine CGU is lower in the consolidated financial statements.

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

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

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

CHANGE IN ACCOUNTING POLICIES

Financial Instruments: Presentation ("IAS 32")

The Company adopted an amendment to IAS 32 on January 1, 2014, which establishes principles for offsetting financial assets and financial liabilities. Based on the Company's analysis, the amendment did not have an impact on the consolidated financial statements for the current period or prior periods presented.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the Interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, with early application permitted.

Based on the Company's analysis, IFRIC 21 did not have an impact on the consolidated financial statements for the current period or prior periods presented.

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.

The Company acquired Curis Resources Ltd. during 2014, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, Curis Resources Limited's internal control over financial reporting associated with total assets of $93 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2014.

There have been no changes in our internal controls over financial reporting and disclosure controls and procedures during the 2014 financial year that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting and disclosure.

FINANCIAL INSTRUMENTS

The Company uses a mixture of cash, long-term debt and shareholders' equity to maintain an efficient capital allocation and ensure adequate liquidity exists to meet the ongoing cash requirements of the business. In the normal course of business, the Company is inherently exposed to financial risks, including market risk, commodity price risk, interest rate risk, currency risk, liquidity risk and credit risk. The Company manages these risks in accordance with its risk management policies. To mitigate some of these inherent business risks, the Company uses commodity hedging derivative instruments that do not qualify for hedge accounting treatment. These non-hedge derivatives are summarized in note 25(f) to the consolidated financial statements. The financial risks and the Company's exposure to these risks, is provided in various tables in note 25 of the consolidated financial statements. For a discussion on the methods used to value financial instruments, as well as significant assumptions, refer also to notes 3 and 25 of the consolidated financial statements.

Summary of Financial Instruments	Carrying amount	Associated Risks
Financial assets		
Loans and receivables		
Cash and equivalents	53,299	Interest rate Credit
Accounts receivable	12,618	Credit Market
Available-for-sale		
Shares	977	Market
Subscription receipts	12,400	Market
Reclamation deposits	29,084	Market
Fair value through profit and loss (FVTPL)		
Copper put option contracts	5,577	Liquidity Market Credit
Financial liabilities		
Accounts payable and accrued liabilities	42,541	Currency Interest rate
Senior notes	228,343	Currency
Long-term debt	32,245	
Capital leases	33,326	Interest rate
Secured equipment loans	19,749	Currency Interest rate

CHANGE IN BOARD COMPOSITION

Mr. Wayne Kirk, did not stand for re-election as a director at the Company's AGM held on June 11, 2014. In addition to this decision, the Company decided to change the composition of the Board of Directors by replacing a non-independent director with an independent director, and accordingly George Ireland was appointed as a director on July 7, 2014 and Scott Cousens resigned as a director of the Company. George Ireland is the Chief Investment Officer and Managing Member of Geologic Resource Partners LLC, a significant shareholder of the Company and brings over 30 years of experience in all aspects of the resource sector to Taseko.

Effective August 1, 2014, Linda Thorstad was appointed as a director of the Company. Ms. Thorstad is a registered professional geoscientist who brings over twenty-five years of senior management experience in the mining industry to the Company.

RELATED PARTY TRANSACTIONS

Key management personnel

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

The Company contributes to a post-employment defined contribution pension plan on the behalf of certain key management personnel. This retirement compensation arrangement (RCA Trust) was established to provide benefits to certain executive officers on or after retirement in recognition of their long service. Upon retirement, the participant is entitled to the distribution of the accumulated value of the contributions under the RCA Trust. Obligations for contributions to the defined contribution pension plan are recognized as compensation expense in profit or loss 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-month to 12-month's 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-month 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 (note 21).

Compensation for key management personnel (including directors) is as follows:

	Year ended December 31,	
(Cdn$ in thousands, except per share amounts)	**2014**	**2013**
Salaries and benefits	4,357	5,188
Post-employment benefits	1,471	1,643
Share-based compensation	3,426	1,736
	9,254	8,567

Other related parties

Hunter Dickinson Services Inc. ("HDSI") is a private company which has certain directors in common with the Company. HDSI carries out geological, engineering, corporate development, administrative, financial management, investor relations, and other management activities for the Company. The terms and conditions of the transactions are similar to transactions conducted on an arm's length basis. During 2014, the Company incurred general and administrative expenses and exploration and evaluation expenses of $3.4 million with HDSI compared to $3.6 million for 2013.

The Gibraltar joint venture pays a management fee to Taseko for services rendered as operator of the Gibraltar mine. During 2014, the Company earned $1.5 million of other operating income for these services rendered, which is comparable to the amounts earned in 2013.

During 2013, the Company invested $2.4 million in subscription receipts of a private company with directors in common which holds mineral property interests. The subscription receipts will be convertible into units comprised of shares, or shares and warrants (refer to note 13 of the consolidated financial statements). During the year, the Company completed the acquisition of Curis Resources Ltd (refer to note 4 of the consolidated financial statements).

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.

Net operating costs of production

Total costs of sales include all costs absorbed into inventory, as well as treatment and refining costs and transportation costs. Operating costs of production is calculated by removing net changes in inventory and depletion and amortization from cost of sales. Net operating costs of production is calculated by removing by-product credits and offsite costs from the operating costs of production. Net operating costs of production 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 net operating costs of production and offsite costs divided by the copper pounds produced. By-product credits are calculated based on actual sales of molybdenum and silver during the period divided by the total pounds of copper produced during the period. These measures are calculated on a consistent basis for the periods presented.

	Three months ended December 31,		**Year ended December 31,**	
(Cdn$ in thousands, unless otherwise indicated) – 75% basis	**2014**	**2013**	**2014**	**2013**
Cost of sales	*76,343*	*79,631*	*366,094*	*247,123*
Less Depletion and amortization	(10,248)	(9,684)	(47,163)	(34,067)
Net change in inventory	2,771	(8,902)	(14,105)	12,540
Operating costs of production	68,866	61,045	304,826	225,596
Less by-product credits:				
Molybdenum	(2,113)	(3,819)	(23,120)	(9,550)
Silver	(503)	(946)	(3,446)	(3,382)
Less offsite costs:				
Treatment and refining costs	(6,906)	(6,120)	(28,250)	(17,291)
Transportation costs	(3,764)	(5,512)	(18,805)	(18,029)
Net operating costs of production	55,580	44,648	231,205	177,344
Total copper produced (thousand pounds)	21,050	25,136	100,793	91,110
Total costs per pound produced	2.64	1.78	2.29	1.95
Average exchange rate for the period (CAD/USD)	1.14	1.05	1.10	1.03
Net operating costs of production (US$ per pound)	**2.32**	**1.70**	**2.08**	**1.89**
Net operating costs of production	55,580	44,648	*231,205*	177,344
Add offsite costs:				
Treatment and refining costs	6,906	6,120	28,250	17,291
Transportation costs	3,764	5,512	18,805	18,029
Total operating costs	*66,250*	*56,280*	*278,260*	*212,664*
Total operating costs (US$ per pound)	**2.77**	**2.14**	**2.50**	**2.27**

Adjusted net earnings

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

- Unrealized gains/losses on derivative instruments;
- Write down of marketable securities;
- Unrealized foreign currency gains/losses; and
- Non-recurring transactions, including non-recurring tax adjustments.

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

	Three months ended December 31,		**Year ended December 31,**	
(Cdn$ in thousands, except per share amounts)	**2014**	**2013**	**2014**	**2013**
Net earnings (loss)	**(26,427)**	**(9,756)**	**(53,884)**	**(34,839)**
Unrealized loss (gain) on derivatives	(3,549)	(607)	(4,346)	(6,159)
Unrealized foreign exchange (gain) loss	7,328	6,449	17,951	12,082
Gain on deemed disposition of Curis shares	(1,082)	-	(1,082)	-
Write down in marketable securities	367	5	1,152	13,984
Curis acquisition costs	1,978	-	2,517	-
Non-recurring adjustment to interest on royalty obligation	-	4,918	-	4,918
Non-recurring other expenses (income)	-	-	-	(430)
Estimated tax effect of adjustments	402	(175)	606	(3,583)
Adjusted net earnings (loss)	**(20,983)**	**834**	**(37,086)**	**(14,027)**
Adjusted EPS	**(0.10)**	**(0.00)**	**(0.19)**	**(0.07)**

EBITDA and adjusted EBITDA

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

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

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

- Unrealized gains/losses on derivative instruments;
- Write down of marketable securities;
- Foreign currency translation gains/losses; and
- Non-recurring transactions.

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

	Three months ended December 31,		**Year ended December 31,**	
(Cdn$ in thousands, except per share amounts)	**2014**	**2013**	**2014**	**2013**
Net earnings (loss)	**(26,427)**	**(9,756)**	**(53,884)**	**(34,839)**
Add:				
Depreciation	10,270	9,770	47,338	34,508
Amortization of stock-based compensation	564	466	3,741	2,680
Interest expense	7,475	11,404	27,423	25,399
Interest income	(1,103)	(1,488)	(4,182)	(6,214)
Income tax expense (recovery)	(4,176)	1,119	(8,787)	2,659
EBITDA	**(13,397)**	**11,515**	**11,649**	**24,193**
Adjustments:				
Unrealized (gain)/loss on derivative instruments	(3,549)	(607)	(4,346)	(6,159)
Gain on deemed disposition of Curis shares	(1,082)	-	(1,082)	-
Foreign currency translation losses	7,328	6,449	17,951	12,082
Curis acquisition costs	1,978	-	2,517	-
Write down in marketable securities	367	5	1,152	13,984
Non-recurring other expenses (income)	-	-	-	(430)
Adjusted EBITDA	**(8,355)**	**17,632**	**27,841**	**43,670**

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 December 31,		**Year ended December 31,**	
(Cdn$ in thousands, except per share amounts)	**2014**	**2013**	**2014**	**2013**
Earnings from mining operations	**(11,164)**	**15,285**	**5,102**	**42,933**
Add:				
Depletion and amortization	10,248	9,684	47,163	34,067
Earnings from mining operations before depletion and amortization	**(916)**	**24,969**	**52,265**	**77,000**

Site operating costs per ton milled

	Three months ended December 31,		**Year ended December 31,**	
(Cdn$ in thousands, except per share amounts)	**2014**	**2013**	**2014**	**2013**
Direct mining and processing costs (included in cost of sales)	**58,196**	**49,413**	**257,771**	**190,276**
Tons milled (millions) (75% basis)	5.74	5.69	22.65	18.38
Site operating costs per ton milled	**$10.13**	**$8.69**	**$11.38**	**$10.35**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements, the notes thereto and other financial information contained in the Management's Discussion and Analysis have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are the responsibility of the management of Taseko Mines Limited. The financial information presented elsewhere in the Management's Discussion and Analysis is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgment of management.

In order to discharge management's responsibility for the integrity of the financial statements, the Company maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable financial information is produced. These controls include maintaining quality standards in hiring and training of employees, establishing policies and procedures, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility.

The Company acquired Curis Resources Ltd. during 2014, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2014, Curis Resources Ltd.'s internal control over financial reporting associated with total assets of $93 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2014.

The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review financial reporting issues.

The consolidated financial statements have been audited by KPMG LLP, the Company's independent registered chartered accountants, in accordance with Canadian generally accepted auditing standards.

/s/ Russell Hallbauer

Russell Hallbauer
Chief Executive Officer

/s/ Stuart McDonald

Stuart McDonald
Chief Financial Officer

Vancouver, British Columbia
March 24, 2015

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Taseko Mines Limited

We have audited the accompanying consolidated financial statements of Taseko Mines Limited, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Taseko Mines Limited as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP (signed)

Chartered Accountants

March 24, 2015
Vancouver, Canada

TASEKO MINES LIMITED

Consolidated Statements of Comprehensive Income (Loss)

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

	Note	2014	For the years ended December 31, 2013
Revenues	5	371,196	290,056
Cost of sales	6		
Production costs		(318,931)	(213,056)
Depletion and amortization		(47,163)	(34,067)
Earnings from mining operations		5,102	42,933
General and administrative		(16,085)	(16,236)
Exploration and evaluation	15c	(5,945)	(10,294)
Other income (expenses)	8	(1,096)	(2,880)
Curis acquisition costs	4	(2,517)	-
Write-down of marketable securities	13	(1,152)	(13,984)
Income (loss) before financing costs and income taxes		(21,693)	(461)
Finance expenses	9	(27,423)	(25,399)
Finance income	10	4,182	6,214
Foreign exchange loss		(17,737)	(12,534)
Income (loss) before income taxes		(62,671)	(32,180)
Income tax recovery (expense)	11	8,787	(2,659)
Net income (loss) for the year		**(53,884)**	**(34,839)**
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on available-for-sale financial assets		2,766	2,095
Reclassification of gain/(loss) on available for sale financial assets, included in the net loss		(2,296)	8,213
Foreign currency translation reserve		1,420	-
Total other comprehensive income (loss) for the year		**1,890**	**10,308**
Total comprehensive income (loss) for the year		**(51,994)**	**(24,531)**
Earnings (loss) per share			
Basic		(0.27)	(0.18)
Diluted		(0.27)	(0.18)
Weighted average shares outstanding (thousands)			
Basic		197,658	192,222
Diluted		197,658	192,222

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

TASEKO MINES LIMITED

Consolidated Statements of Cash Flows

(Cdn$ in thousands)

	Note	For the years ended December 31, 2014	2013
Operating activities			
Net income (loss) for the period		(53,884)	(34,839)
Adjustments for:			
Depletion and amortization		47,338	34,508
Income tax expense (recovery)	11	(8,787)	2,659
Share-based compensation expense		3,741	2,680
Change in fair value of copper put options	8	1,927	4,371
Finance expenses (income)	9,10	23,241	19,185
Unrealized foreign exchange loss (gain)		17,951	12,244
Write-down of marketable securities	13	1,152	13,984
Other operating activities		1,414	(994)
Net change in non-cash working capital	24	16,477	13,789
Cash provided by (used for) operating activities		50,570	67,587
Investing activities			
Investment in property, plant and equipment		(38,799)	(98,524)
Investment in financial assets		(11,935)	(7,578)
Acquisition of Curis Resources Ltd., net	4	(1,874)	-
Interest received		349	1,662
Proceeds from sale of financial assets		-	20,050
Refund of (investment in) long-term prepaids	23a	12,901	(9,485)
Cash provided by (used for) investing activities		(39,358)	(93,875)
Financing activities			
Repayment of debt		(25,953)	(22,929)
Interest paid		(20,709)	(19,722)
Common shares issued for cash		2,584	2,779
Proceeds from debt issuance		-	11,330
Cash provided by (used for) financing activities		(44,078)	(28,542)
Effect of exchange rate changes on cash and equivalents		3,300	2,700
Increase (decrease) in cash and equivalents		(29,566)	(52,130)
Cash and equivalents, beginning of year		82,865	134,995
Cash and equivalents, end of year		53,299	82,865

Supplementary cash flow disclosures (note 24)

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

TASEKO MINES LIMITED

Consolidated Balance Sheets

(Cdn$ in thousands)

	Note	December 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and equivalents		53,299	82,865
Accounts receivable	12	12,618	4,532
Other financial assets	13	6,554	69,729
Inventories	14	36,094	47,174
Current tax receivable		27,153	18,284
Prepaids		913	6,354
		136,631	228,938
Other financial assets	13	41,484	38,272
Property, plant and equipment	15	793,659	678,580
Prepaids		–	10,543
Other receivables	11f	15,985	13,895
Goodwill	4	4,783	–
		992,542	**970,228**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	16	42,541	26,864
Current portion of long-term debt	17	20,157	22,625
Interest payable		3,746	3,435
Other financial liabilities	18	–	63,985
		66,444	116,909
Long-term debt	17	293,506	259,515
Other financial liabilities	18	110	565
Provision for environmental rehabilitation ("PER")	19	110,136	69,673
Deferred tax liabilities	11	100,071	97,350
		570,267	544,012
EQUITY			
Share capital	20(a)	417,944	372,274
Contributed surplus	20(b), 21	40,890	38,507
Accumulated other comprehensive income (loss) ("AOCI")	20c	6,833	4,943
Retained earnings (deficit)		(43,392)	10,492
		422,275	426,216
		992,542	**970,228**
Commitments and contingencies	23		
Subsequent event	25f		

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

TASEKO MINES LIMITED

Consolidated Statements of Changes in Equity

(Cdn$ in thousands)

	Share capital	Contributed surplus	AOCI	Retained earnings (deficit)	Total
Balance at January 1, 2013	368,128	37,487	(5,365)	45,331	445,581
Exercise of options	4,146	(1,367)	-	-	2,779
Share-based compensation	-	2,387	-	-	2,387
Total comprehensive income (loss)					-
for the period	-	-	10,308	(34,839)	(24,531)
Balance at December 31, 2013	**372,274**	**38,507**	**4,943**	**10,492**	**426,216**
Balance at January 1, 2014	372,274	38,507	4,943	10,492	426,216
Shares issued for Curis acquisition	41,546	-	-	-	41,546
Exercise of options	4,124	(1,540)	-	-	2,584
Share-based compensation	-	3,923	-	-	3,923
Total comprehensive income (loss)	-	-	-	-	-
for the period	-	-	1,890	(53,884)	(51,994)
Balance at December 31, 2014	**417,944**	**40,890**	**6,833**	**(43,392)**	**422,275**

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

1. REPORTING ENTITY

Taseko Mines Limited (the Company) is a corporation governed by the *British Columbia Business Corporations Act.* The consolidated financial statements of the Company as at and for the year ended December 31, 2014 comprise the Company, its subsidiaries and its 75% interest in the Gibraltar joint venture 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. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2015.

2.2 Basis of measurement, judgment and estimation

These consolidated financial statements have been prepared on a historical cost basis except for fair-value-through-profit-or-loss, available-for-sale and derivative financial instruments, which are measured at fair value.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Foreign currency monetary assets and liabilities are translated into Canadian dollars at the closing exchange rate as at the balance sheet date. Foreign currency non-monetary assets and liabilities, revenues and expenses are translated in Canadian dollars at the prevailing rate of exchange on the dates of the transactions. The Company's US subsidiary continues to measure the items in its financial statements using the US dollar as its functional currency. The financial statements of the US subsidiary are then translated into Canadian dollars using the translation method. Any gains and losses on translation are included in AOCI. All financial information presented in Canadian dollars has been rounded to the nearest thousand, unless otherwise noted.

The preparation of these consolidated 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.

Significant areas of estimation include reserve and resource estimation; asset valuations and the measurement of impairment charges or reversals; finished and in-process 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.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and controlled entities as at December 31, 2014. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income (loss) from the date the Company gains control until the date the Company ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

The Company applies the acquisition method in accounting for business combinations. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company , which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount would be recognized in profit or loss immediately.

2.4 Changes in accounting policies and disclosures

Except for the changes below, the Company has consistently applied the accounting policies set out in note 2.5 to all periods presented in these consolidated financial statements.

IAS 32 Financial Instruments: Presentation (IAS 32)

The Company adopted an amendment to IAS 32 on January 1, 2014, which establishes principles for offsetting financial assets and financial liabilities. Based on the Company's analysis, the amendment did not have an impact on the consolidated financial statements for the current period or prior periods presented.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the Interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Company adopted IFRIC 21 on January 1, 2014.

Based on the Company's analysis, IFRIC 21 did not have an impact on the consolidated financial statements for the current period or prior periods presented.

2.5 Significant Accounting Policies

(a) Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred and the amount of revenue is reasonably determinable. These conditions are generally satisfied when title passes to the customer. Cash received in advance of meeting these conditions is recorded as deferred revenue.

Under the terms of the Company's concentrate and cathode sales contracts, the final sales amount is based on final assay results and quoted market prices which may be in a period subsequent to the date of sale. Revenues for these sales are recorded at the time of shipment, which is also when the risks and rewards of ownership transfer to the customer, based on an estimate of metal contained using initial assay results and forward market prices on the expected date that final sales prices will be fixed. The period between provisional pricing and final settlement can be up to four months. This provisional pricing mechanism represents an embedded derivative. The embedded derivative is recorded at fair value each reporting period by reference to forward market prices until the date of final pricing, with the changes in fair value recorded as an adjustment to revenue.

(b) Cash and equivalents

Cash and equivalents consist of cash and highly-liquid investments having terms of three months or less from the date of acquisition and that are readily convertible to known amounts of cash. Cash and equivalents exclude cash subject to restrictions.

(c) Financial instruments

Financial assets and liabilities are recognized on the balance sheet when the Company becomes party to the contractual provisions of the instrument. The classification of financial instruments dictates how these assets and liabilities are measured subsequently in the Company's financial statements.

Financial instruments at fair value through profit or loss (FVTPL)

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of selling in the near term. Derivative financial instruments that are not designated and effective as hedging instruments are classified as FVTPL. Financial instruments classified as FVTPL are stated at fair value with any changes in fair value recognized in earnings for the period. Financial assets in this category include derivative financial instruments that the Company acquires to manage exposure to commodity price fluctuations and to improve the returns on its cash assets. These instruments are non-hedge derivative instruments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Accounts receivable are assessed for evidence of impairment at each reporting date, with any impairment recognized in earnings for the period. Financial assets in this category include cash and equivalents and accounts receivable.

Available-for-sale financial assets

Marketable securities, subscription receipts and reclamation deposits are designated as available-for-sale and recorded at fair value. Unrealized gains and losses are recognized in other comprehensive income until the securities are disposed of or when there is evidence of impairment in value. Impairment is evident when there has been a significant or sustained decline in the fair value of the marketable securities. If impairment in value has been determined, it is recognized in earnings for the period.

Financial liabilities

Financial liabilities are initially recorded at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Company has accounted for accounts payable and accrued liabilities and long-term debt under this method.

Fair value measurement

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).

(d) Exploration and evaluation

Exploration and evaluation expenditures relate to the initial search for a mineral deposit and the subsequent evaluation to determine the economic potential of the mineral deposit. The exploration and evaluation stage commences when the Company obtains the legal right or license to begin exploration. This stage ends when management determines that there is sufficient evidence to support probability of future mining operations of economically recoverable reserves, and requires significant judgment on the part of management.

Exploration and evaluation expenditures are recognized in earnings in the period in which they are incurred. Once it is expected that expenditures can be recovered by future exploitation or sale, they are considered development costs and capitalized as part of mineral properties within property, plant and equipment.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes direct labour and materials; non-capitalized stripping costs; depreciation and amortization;

freight; and overhead costs. Net realizable value is determined with reference to relevant market prices, less applicable variable selling costs and estimated remaining costs of completion to bring the inventories into saleable form.

Work in process represents stockpiled ore and metals in the processing circuits that have not yet completed the production process, and are not yet in a saleable form. Finished goods inventories represent metals in saleable form that have not yet been sold. Materials and supplies inventories represent consumables used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

The quantity of recoverable metal in stockpiled ore and in the processing circuits is an estimate which is based on the tons of ore added and removed, expected grade and recovery. The quantity of recoverable metal in concentrate is an estimate using initial assay results.

(f) Property, plant and equipment

Land, buildings, plant and equipment

Land, buildings, plant and equipment are recorded at cost, including all expenditures incurred to prepare an asset for its intended use.

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

Depreciation is based on the cost of the asset less residual value. Where an item of plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items and depreciated separately. Depreciation commences when an asset is available for use. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The depreciation rates of the major asset categories are as follows:

Land	Not depreciated
Buildings	Straight-line basis over 10-25 years
Plant and equipment	Units-of-production basis
Mining equipment	Straight-line basis over 5-20 years
Light vehicles and other mobile equipment	Straight-line basis over 2-5 years
Furniture, computer and office equipment	Straight-line basis over 2-3 years

Mineral properties

Mineral properties consist of the cost of developing mineral properties. Once in production, mineral properties are amortized on a units-of-production basis over the component of the ore body to which they relate.

Property acquisition costs arise either as an individual asset purchase or as part of a business combination, and may represent a combination of either proven and probable reserves, resources, or future exploration potential. When management has not made a determination that technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the entire amount is considered property acquisition costs and not amortized. When such property moves into development, the property acquisition cost asset is transferred to mineral properties within property, plant and equipment.

Mineral property development costs include: stripping costs incurred in order to provide initial access to the ore body; stripping costs incurred during production that generate a future economic benefit by increasing the productive capacity, extending the productive life of the mine or allowing access to a mineable reserve; capitalized project development costs; and capitalized interest.

Construction in progress

Construction in progress includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Construction in progress includes advances on long-lead items. Construction in progress is not depreciated. Once the asset is complete and available for use, the costs of construction are transferred to the appropriate category of property, plant and equipment, and depreciation commences.

Capitalized interest

Interest is capitalized for qualifying assets. Qualifying assets are assets that require a substantial period of time to prepare for their intended use. Capitalization ceases when the asset is substantially complete or if construction is interrupted for an extended period. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period.

Leased assets

Leased assets in which the Company receives substantially all the risks and rewards of ownership of the asset are capitalized as finance leases at the lower of the fair value of the asset or the estimated present value of the minimum lease payments. The corresponding lease obligation is recorded within debt on the balance sheet. Assets under operating leases are not capitalized and rental payments are expensed on a straight line basis.

Impairment

The carrying amounts of the Company's non-financial assets are reviewed for impairment whenever circumstances suggest that the carrying value may not be recoverable. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

The recoverable amount of an asset or cash generating unit (CGU) is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or CGU's. If the recoverable amount of an asset or its related CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and the impairment loss is recognized in earnings for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not to an amount that exceeds the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in earnings.

(g) Income taxes

Income tax on the earnings for the periods presented comprises current and deferred tax. Income tax is recognized in earnings except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Income tax is calculated using tax rates enacted or substantively enacted at the reporting date applicable to the period of expected realization or settlement.

Current tax expense is the expected tax payable on the taxable income for the year, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is determined using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities acquired (not in a business combination) that affect neither accounting nor taxable profit on acquisition; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they are not probable to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable that the related tax benefit will be realized.

(h) Share-based compensation

The fair-value method of accounting is used for the Company's share option plan. Fair value is measured at grant date using the Black-Scholes option pricing model and is recognized in earnings on a graded amortization basis over the option vesting period, with a corresponding increase in equity. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(i) Provisions

Environmental rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to retire an asset in the period in which the obligation occurs. Environmental rehabilitation activities include facility decommissioning and dismantling; removal and treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; and related costs required to perform this work and/or operate equipment designed to reduce or eliminate environmental effects. The provision for environmental rehabilitation (PER) is adjusted each period for new disturbances, and changes in regulatory requirements, the estimated amount of future cash flows required to discharge the liability, the timing of such cash flows and the pre-tax discount rate specific to the liability. The unwinding of the discount is recognized in earnings as a finance cost.

When a PER is initially recognized, the corresponding cost is capitalized by increasing the carrying amount of the related asset, and is amortized to earnings on a unit-of-production basis. Costs are only capitalized to the extent that the amount meets the definition of an asset and represents future economic benefits to the operation.

Significant estimates and assumptions are made in determining the provision for environmental rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimation of the extent and cost of rehabilitation activities; timing of future cash flows that are impacted by changes in discount rates; inflation rate; and regulatory requirements.

Other provisions

Other provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Where the effect is material, the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The accretion expense is included in finance expense.

(j) Finance income and expenses

Finance income comprises interest income on funds invested, gains on the disposal of marketable securities, and changes in the fair value of derivatives included in cash and equivalents and marketable securities. Interest income is recognized as it accrues in earnings, using the effective interest method. Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on the disposal of marketable securities, changes in the fair value of derivatives included in cash and equivalents and marketable securities, and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in earnings using the effective interest method.

(k) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise convertible preferred shares and share options granted. There is no dilution impact when the Company incurs a loss.

(l) Government assistance

Government assistance includes investment tax credits and is recognized when there is reasonable assurance that the Company will comply with the relevant conditions and that the government assistance will be received. Government assistance that meets the recognition criteria and that relates to current expenses is recorded as a reduction of the related expenses. Government assistance that meets the recognition criteria and that relates to the acquisition of an asset is recorded as a reduction of assets and is applied as a reduction of the cost of the related asset. Investment tax credits, until they are refunded or applied to reduce the Company's current tax liabilities, are included as "other receivables" in the financial statements.

(m) Interests in joint arrangements

IFRS defines a joint arrangement as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to its interests in joint operations, the Company recognizes its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

2.6 New accounting standards

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective at December 31, 2014. 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.

- *IFRS 2, Share-based Payments* (effective for annual periods beginning on or after July 1, 2014) clarifies the definition of a vesting condition and separately defines performance and service conditions.

- *IFRS 3, Business Combinations* (effective for annual periods beginning on or after July 1, 2014) requires that an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as a financial liability or as equity on the basis of the definitions of IAS 32. Additionally, it clarifies that IFRS 3 does not apply to the formation of any joint arrangement and that the scope exemption only applies in the financial statements of the joint arrangement itself.

- *IAS 24 Related Party Disclosures* (effective for annual periods beginning on or after July 1, 2014) requires a reporting entity to include as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

- 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, 2017. The extent of the impact of adoption of the standard has not yet been determined.

(Cdn$ in thousands)

3. INTEREST IN JOINT ARRANGEMENT

On March 31, 2010, the Company entered into an agreement with Cariboo Copper Corp. (Cariboo) whereby the Company contributed certain assets and liabilities of the Gibraltar mine, operating in British Columbia, into an unincorporated joint venture to acquire a 75% interest in the joint venture. Cariboo contributed $186,800 to purchase the remaining 25% interest.

The assets and liabilities contributed by the Company to the joint venture were mineral property interests, plant and equipment, inventories, prepaid expenses, reclamation deposits, capital lease obligations, and site closure and reclamation obligations. Certain key strategic, operating, investing and financing policies of the joint venture require unanimous approval such that neither venturer is in a position to exercise unilateral control over the joint venture. The Company continues to be the operator of the Gibraltar mine.

The Company has joint control over the joint arrangement and as such consolidates its 75% portion of all the joint venture's assets, liabilities, income and expenses.

The following is a summary of the joint venture financial information on a 100% basis.

	As at December 31,	
	2014	**2013**
Cash and equivalents	44,073	71,497
Other current assets	65,031	76,770
Current assets	109,104	148,267
Non-current assets	1,245,726	1,309,821
Accounts payable and accrued liabilities	50,194	30,935
Other current financial liabilities	27,950	30,412
Current liabilities	78,144	61,347
Long-term debt	43,891	68,221
Provision for environmental rehabilitation	145,428	92,897
Non-current liabilities	189,319	161,118

	Years ended December 31,	
	2014	**2013**
Revenues	494,928	386,741
Production costs	(425,241)	(284,074)
Depletion and amortization	(73,949)	(54,066)
Other operating expense	(7,570)	(4,323)
Impairment of assets	(81,687)	-
Interest expense	(7,997)	(6,555)
Interest income	1,142	1,462
Foreign exchange loss	(631)	(1,026)
Net earnings (loss)	(101,005)	38,159
Other comprehensive income (loss)	900	(1,039)
Comprehensive income (loss) for joint arrangement	(100,105)	37,120

At December 31, 2014, an impairment charge of $81,687 (100% basis) was recognized in the Gibraltar joint venture financial statements, but had no impact on the Company's consolidated financial statements as the carrying value of the Gibraltar mine CGU is lower in the consolidated financial statements. The Company does not have any further commitments to the joint venture beyond those disclosed in note 23.

(Cdn$ in thousands)

4. ACQUISITION OF CURIS RESOURCES LTD. ("CURIS")

On November 20, 2014 ("Acquisition Date"), the Company completed the acquisition of all of the issued and outstanding common shares of Curis Resources Ltd. ("Curis"). Curis is a mineral exploration and development company whose principal asset is the Florence Copper Project, an in-situ copper recovery and solvent extraction/electrowinning ("SX/EW") project located in central Arizona, USA. Under the terms of the transaction, Curis shareholders received 0.438 common shares of the Company for each Curis common share held, and all outstanding Curis stock options were exchanged for an amount of common shares of the Company equal to the 'in the money' value of the outstanding Curis stock options. Prior to the acquisition, the Company held a 17.2% equity interest in Curis and had one director in common with Curis.

The total purchase consideration was calculated as follows:

Fair value of common shares issued (26,804,183 shares at $1.55 per share)	41,546
Cash consideration	1,934
Pre-acquisition convertible loan to Curis	2,261
Fair value of previously held investment in Curis	8,769
	54,510

As part of the transaction, the Company provided a US$2,000 unsecured short-term convertible loan to Curis, to ensure that Curis had sufficient liquidity to operate through closing of the transaction. The convertible loan was effectively settled upon closing of the acquisition and included as part of the purchase consideration. Cash consideration consists of expected payments to dissenting shareholders and withholding taxes related to the exchange of Curis stock options for common shares of the Company

The Company's 17.2% equity investment in Curis, previously accounted for as an available-for-sale financial asset, was remeasured to fair value in the amount of $8,769 at the acquisition date and included as part of the purchase consideration. A cumulative gain of $1,082 arising from increases in the fair value of this investment was reclassified from other comprehensive income and included on the statement of comprehensive income as other income (Note 8).

The acquisition has been accounted for as a business combination 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. Fair values were determined based on independent appraisals, discounted cash flows, and quoted market prices. The following sets forth the allocation of the purchase price:

Cash and cash equivalents	731
Accounts receivable and other assets	231
Reclamation deposits	1,803
Property, plant and equipment	82,809
Accounts payable and other liabilities	(1,110)
Long-term loan (note 17d)	(31,279)
Deferred tax liability	(3,115)
Provision for environmental rehabilitation	(222)
Goodwill	4,662
	54,510

(Cdn$ in thousands)

The goodwill recorded on this transaction arises because deferred taxes have been determined based on the difference between the assigned values and the tax bases, and does not reflect fair value. The goodwill is not deductible for tax purposes. As at December 31, 2014, the carrying value of the goodwill is $4,783 reflecting foreign currency translation. The Company has incurred acquisition costs totaling $2,517 for advisory, legal, and other professional fees, which have been included in the statement of comprehensive income (loss).

From the Acquisition Date to December 31, 2014, Curis contributed $1,321 to the Company's consolidated loss. If the acquisition of Curis had taken place at the beginning of the year, the Company's consolidated loss would have been $59,850. The acquisition did not have any effect on the Company's revenues since Curis is at the development stage and does not generate revenues.

5. REVENUE

	Years ended December 31,	
	2014	**2013**
Copper contained in concentrate	339,446	277,091
Copper cathode	5,184	33
Total copper sales	344,630	277,124
Molybdenum concentrate	23,120	9,550
Silver contained in copper concentrate	3,446	3,382
	371,196	290,056

6. COST OF SALES

	Years ended December 31,	
	2014	**2013**
Direct mining and processing costs	257,771	190,276
Treatment and refining costs	28,250	17,291
Transportation costs	18,805	18,029
Changes in inventories of finished goods and work in process	14,105	(12,540)
Production costs	318,931	213,056
Depletion and amortization	47,163	34,067
Cost of sales	366,094	247,123

Cost of sales consists of direct mining costs (which include personnel costs, mine site supervisory costs, non-capitalized stripping costs, repair & maintenance costs, depletion and amortization, operating supplies and external services), and off property costs comprised of treatment & refining costs and transportation costs.

7. COMPENSATION EXPENSE

	Years ended December 31,	
	2014	**2013**
Wages, salaries and benefits	65,365	59,129
Post-employment benefits	1,471	1,643
Share-based compensation	3,877	2,670
	70,713	63,442

(Cdn$ in thousands)

Compensation expense is presented as a component of cost of sales, general and administrative expense, and exploration and evaluation expense.

8. OTHER EXPENSES (INCOME)

	Years ended December 31,	
	2014	**2013**
Realized loss on copper put options (note 25(f))	6,273	10,530
Unrealized loss (gain) on copper put options (note 25(f))	(4,346)	(6,159)
Loss on disposition of property, plant and equipment	2,549	20
Gain on deemed disposition of Curis shares (note 4)	(1,082)	-
Other income	(1,173)	(545)
Management fee income	(1,125)	(966)
	1,096	2,880

9. FINANCE EXPENSES

	Years ended December 31,	
	2014	**2013**
Interest expense	24,357	23,553
Accretion on PER (note 19)	3,066	1,846
	27,423	25,399

10. FINANCE INCOME

	Years ended December 31,	
	2014	**2013**
Interest income	4,182	5,860
Income on dual currency deposits	-	354
	4,182	6,214

11. INCOME TAX

(a) Income tax expense (recovery)

	Years ended December 31,	
	2014	**2013**
Current income tax:		
Current period	(8,034)	(16,960)
Current tax adjustments related to prior periods	(207)	256
	(8,241)	(16,704)
Deferred income tax:		
Origination and reversal of temporary differences	(708)	19,348
Deferred tax adjustments related to prior periods	162	15
	(546)	19,363
Income tax expense (recovery)	(8,787)	2,659

(Cdn$ in thousands)

During the year ended December 31, 2014, the Company recognized recoveries of income tax of $576 (2013: $nil) and interest expense of $nil (2013: $nil) associated with the reversal of historical tax reserves dating back to 2007.

(b) Income tax recognized directly in other comprehensive income

	Years ended December 31,	
	2014	**2013**
Unrealized (income) loss on available-for-sale financial assets, before tax	(3,179)	(2,427)
Tax expense	413	332
Unrealized (income) loss on available-for-sale financial assets, net of tax	(2,766)	(2,095)
Reclassification of fair value movements on available-for-sale financial assets, before tax	2,639	(9,386)
Tax (benefit) expense	(343)	1,173
Reclassification of realized losses (gains) on available-for-sale financial assets, net of tax	2,296	(8,213)
Foreign currency translation reserve	(1,420)	-
Total other comprehensive (income) loss for the year	(1,890)	(10,308)

(c) Effective tax rate reconciliation

	Years ended December 31,	
	2014	**2013**
Income tax at Canadian statutory rate of 35.62% (2013: 35.37%)	(22,323)	(11,382)
Permanent differences	11,172	10,328
Tax rate differences	(163)	547
Foreign tax rate differential	(161)	-
Unrecognized tax benefits	2,733	2,893
Other	(45)	273
Income tax expense (recovery)	(8,787)	2,659

(d) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	As at December 31,	
	2014	**2013**
Property, plant and equipment	(157,924)	(118,049)
Other financial assets	(1,974)	(1,284)
Provisions	21,682	11,482
Other	-	3,858
Tax loss carry forwards	38,145	6,643
Deferred tax asset (liability)	(100,071)	(97,350)

(Cdn$ in thousands)

Tax loss carry forwards relate to non-capital losses in Canada of pre-tax $90,347 (2013: $21,751) which expire between 2027 and 2034 and non-operating losses in the United States of pre-tax $38,409 (2013: $nil), which expire between 2029 and 2035.

e) Unrecognized deferred tax assets and liabilities

	As at December 31,	
	2014	**2013**
Deductible temporary differences:		
Debt	39,511	20,210
Other investments	33,344	32,233
Other financial assets	8,912	8,300
Deferred tax asset:		
Debt	5,136	2,627
Other investments	4,335	4,190
Other financial assets	1,159	1,079

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits. There are no unrecognized tax liabilities.

f) Other receivables

Other receivables of $15,985 (2013: $13,895) represent mineral tax benefits that the Company is entitled to receive as a result of the completion of the Gibraltar mine expansion.

12. ACCOUNTS RECEIVABLE

	As at December 31,	
	2014	**2013**
Trade receivables	9,256	1,367
Other receivables due from joint venture partner	268	62
Goods and services tax receivable	2,758	1,998
Other receivables	336	1,105
	12,618	4,532

(Cdn$ in thousands)

13. OTHER FINANCIAL ASSETS

	As at December 31,	
	2014	**2013**
Current:		
Copper put option contracts (note 25(f))	5,577	1,295
Marketable securities – available for sale	977	4,951
Red Mile promissory note (note 18(a))	-	63,483
	6,554	69,729
Long-term:		
Subscription receipts – available for sale	12,400	12,400
Reclamation deposits (note 19)	29,084	25,872
	41,484	38,272

The Company holds strategic investments in publicly traded and privately owned companies, which are classified as available for sale investments. As at December 31, 2014, these investments included marketable securities as well as subscription receipts in a privately held company which will be convertible into units comprised of shares, or shares and warrants. The subscription receipts and certain marketable securities relate to investments in companies with a director in common (Note 26c).

During the year, the Company reviewed the value of its investments for objective evidence of impairment based on both quantitative and qualitative criteria. Accordingly, the Company has recorded a write down through the income statement of $1,152 (2013 – $13,984) on its marketable securities. The fair value of the marketable securities was determined based upon public market information and the fair value of subscription receipts was determined by a recent third party transaction.

14. INVENTORIES

	As at December 31,	
	2014	**2013**
Work in process	2,095	1,250
Finished goods:		
Copper contained in concentrate	7,328	20,049
Molybdenum concentrate	314	859
Materials and supplies	26,357	25,016
	36,094	47,174

At December 31, 2014, materials and supplies inventories were written down by $858 (2013: $904) and copper concentrate inventory was written down by $1,908 (2013: $Nil). These write downs were necessary to record inventories at their net realizable value and were included in cost of sales.

(Cdn$ in thousands)

15. PROPERTY, PLANT & EQUIPMENT

	Property Acquisition costs	Mineral properties	Plant and equipment	Construction in Progress	Total
Cost					
At January 1, 2013	5,438	162,772	378,977	181,596	728,783
Additions	-	19,635	204	80,208	100,047
Rehabilitation cost asset	-	(36,920)	-	-	(36,920)
Capitalized interest [1]	-	-	-	3,351	3,351
Disposals	-	-	(3,705)	-	(3,705)
Investment tax credits	-	-	(932)	-	(932)
Transfers between categories	-	-	251,737	(251,737)	-
At December 31, 2013	5,438	145,487	626,281	13,418	790,624
Additions	78,445	26,138	16,083	12,052	132,718
Rehabilitation cost asset	-	38,151	-	-	38,151
Capitalized interest [1]	-	148	-	-	148
Disposals	-	-	(11,673)	-	(11,673)
Investment tax credits	-	-	(2,090)	-	(2,090)
Foreign exchange translation	2,047	-	110	-	2,157
Transfers between categories	-	-	13,056	(13,056)	-
At December 31, 2014	85,930	209,924	641,767	12,414	950,035
Accumulated depreciation and impairments					
At January 1, 2013	-	23,043	58,198	-	81,241
Depreciation[2]	-	8,752	25,756	-	34,508
Disposals	-	-	(3,705)	-	(3,705)
At December 31, 2013	-	31,795	80,249	-	112,044
Depreciation[2]	-	15,138	32,200	-	47,338
Disposals	-	-	(3,006)	-	(3,006)
At December 31, 2014	-	46,933	109,443	-	156,376
Carrying amounts					
At December 31, 2013	5,438	113,692	546,032	13,418	678,580
At December 31, 2014	85,930	162,991	532,324	12,414	793,659

[1] Interest was capitalized at an annual rate of 11% (2013: 7.35%)

[2] Depreciation included in cost of sales for 2014 and 2013 was $47,163 and $34,067 respectively. Depreciation included in general and administrative costs for 2014 and 2013 was $175 and $441 respectively

(a) Leased assets

The Company leases mining equipment under a number of capital lease agreements. Most of these leases provide the Company with the option to purchase the equipment at a beneficial price. One lease contains a mandatory purchase provision. Certain rents are based on an annual average usage for the applicable equipment and, if at the end of the term (unless the equipment has been purchased by the Company), the actual annual average usage of such equipment has been greater than the specified usage, the Company must pay an additional amount for each excess hour of actual usage. The leased assets secure the lease obligations (note 17).

(Cdn$ in thousands)

At December 31, 2014, the net carrying amount of leased assets was $63,794 (2013: $68,858).

(b) Capitalized Stripping

During the year, the Company capitalized $23,824 in stripping costs (2013: $17,717). Capitalized costs are included within mineral properties.

(c) Property acquisition costs

Property acquisition costs are comprised of the Aley Niobium property $5,436 (2013: $5,436), Florence Copper Project $78,445, (2013: $Nil), New Prosperity gold-copper property $1 (2013: $1) and Harmony gold property $1 (2013: $1). The carrying amounts for the New Prosperity and Harmony properties are the original property acquisition costs less historical impairments. During the year, the Company spent $5,945 (2013: 10,294) on evaluating the Aley and New Property projects and these amounts were expensed on the statement of comprehensive income (loss). Subsequent to Aley releasing its NI 43-101 compliant reserves in September 2014, the Company determined that Aley is now at the development stage and has capitalized development expenses incurred for Aley from September 2014 onwards.

16. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31,	
	2014	**2013**
Trade payables	36,873	22,768
Other payables due to related parties	91	94
Other payables	5,577	4,002
	42,541	26,864

17. DEBT

	As at December 31,	
	2014	**2013**
Current:		
Capital leases	13,603	13,674
Secured equipment loans	6,554	8,951
	20,157	22,625
Long-term:		
Senior notes	228,343	208,349
Long-term loan (note 4)	32,245	-
Capital leases	19,723	33,138
Secured equipment loans	13,195	18,028
	293,506	259,515

(a) Senior notes

In April 2011, the Company completed a public offering of US$200,000 in senior notes due in 2019, bearing interest at an annual rate of 7.75%. The notes are guaranteed by the Company's subsidiaries and the subsidiary guarantees are, in turn, guaranteed by the Company.

The Company may redeem some or all of the notes at any time on or after April 15, 2015 at redemption prices ranging from 103.875% to 100% plus accrued interest. Prior to April 15, 2015, the notes may be redeemed at 100% plus a make-whole premium, plus accrued interest.

The Company is subject to certain restrictions on asset sales, payments, and incurrence of indebtedness and issuance of preferred stock. As at December 31, 2014 the Company is in compliance with all senior note covenants.

(b) Capital leases

Capital leases are repayable in monthly installments with fixed interest rates and are secured by plant and equipment with a carrying value $63,794 (2013: $68,858). The capital lease obligations bear fixed interest rates ranging from 4.55% to 6.25% and have maturity dates ranging from 2015 to 2018.

(c) Secured equipment loans

The equipment loans are secured by equipment with a carrying value of $35,944 (2013: $62,714). The loans are repayable in monthly installments and bear fixed interest rates ranging from 4.49% to 6.47% and have maturity dates out to 2018.

(d) Long-term loan

As a result of the acquisition of Curis (Note 4), the Company has assumed Curis's senior secured loan agreement with RK Mine Finance Trust I ("Red Kite"). The total loan balance, including accrued interest, was $US27,795 as of December 31, 2014. Interest on the loan is being capitalized quarterly at a rate of 11% per annum. The outstanding principal and accrued interest can be prepaid at any time without penalty, and is otherwise repayable at maturity on May 31, 2016.

The loan has been guaranteed by the Company and is secured against substantially all assets of the Company's subsidiary, Curis Resources Ltd., including its interest in the Florence Copper project. The loan contains certain non-financial affirmative and restrictive covenants similar to those found in a traditional bank financing. As at December 31, 2014, the Company is in compliance with all loan covenants.

(Cdn$ in thousands)

18. OTHER FINANCIAL LIABILITIES

	As at December 31,	
	2014	**2013**
Current:		
Royalty obligations	-	63,854
Deferred revenue – royalty obligation	-	131
	-	63,985
Long-term:		
Income tax obligations	-	272
Deferred share units (Note 21)	110	293
	110	565

(a) Red Mile royalty obligation and promissory note

On October 31, 2014, the Company exercised a call option which effectively extinguished the Red Mile royalty obligation. This obligation was the result of a transaction in September 2004, whereby the Company sold a royalty on the Gibraltar mine's copper production to Red Mile Resources No. 2 Limited Partnership (Red Mile), an unrelated investment partnership, for $67,357. The proceeds were invested with a trust company in a promissory note (note 13) and the Company pledged the promissory note, along with interest earned thereon, as security for its royalty obligation.

Annual royalties based on Gibraltar's copper production were payable to Red Mile from the commencement of commercial production to December 2014. Funds held within the trust company were released to satisfy the annual royalty payments.

Pursuant to the agreements, the Company received fees and interest for services performed in relation to the Red Mile transaction, including $1,750 for indemnifying an affiliate of Red Mile from any claims relating to a breach by the Company under the royalty agreement. The indemnification funds received were recorded as deferred revenue and were recognized as income over the life of the royalty agreement.

The Company had the option, under certain conditions, to purchase (call) the royalty interest, and this call option was exercised on October 31, 2014. The proceeds of the promissory note were used to acquire the remaining royalty interests. The call exercise effectively extinguished both the royalty obligation and the promissory note and resulted in net finance income of $135 in the year ended December 31, 2014.

As part of the transaction in 2004, the Company also granted to Red Mile a net profits interest royalty (NPI) which was applicable for the years 2012 to 2014 and ranged from 2% to 4%, depending on copper prices and foreign exchange rates. The NPI was only payable on net profits in excess of a pre-determined cumulative level of revenues less operating costs. No NPI was payable in 2013 or 2014 as these threshold levels were not met, and the NPI royalty expired at the end of 2014.

(Cdn$ in thousands)

19. PROVISION FOR ENVIRONMENTAL REHABILITATION

	Environmental rehabilitation
At January 1, 2014	69,673
Additions during the year	722
Change in estimates	37,665
Accretion	3,066
Settlements	(993)
Exchange differences	3
At December 31, 2014	110,136

The PER represents the present value of estimated costs of legal and constructive obligations required to retire an asset. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability.

The decommissioning and restoration provision represents the present value of estimated costs for required future decommissioning and other site restoration activities. The majority of the decommissioning and site restoration expenditures occur at the end of the life of the related operation. Remaining lives of mines and infrastructure range from three years to over 100 years. Therefore, it is anticipated that these costs will be incurred over a period in excess of 100 years. In 2014, the decommissioning and restoration provision was calculated using pre-tax discount rates between 1.0% and 2.3%. The Company also used an inflation rate of 2.0% and a market risk adjustment of 0.5% in its cash flow estimates

Estimates are reviewed regularly to take into account any material changes to the assumptions. During 2012, the Company submitted an updated decommissioning cost report for the Gibraltar Mine to the BC Ministry of Energy, Mines and Petroleum Resources as a requirement to maintain its permits in good standing. The underlying cost assumptions supporting the 2012 decommissioning report reflect management's best estimate for closure costs and were incorporated into the PER. There have been some adjustments to certain estimates, both in terms of amount and timing, made subsequently as a result of updated information. The majority of the changes in estimates in the current year relate to changes in discount rates during the current period, which has had a significant impact on the PER.

In general, the expected cash flows become more reliable towards the end of the mine's life, whereas the estimate of a PER at the beginning of the mine's life is more subjective. Actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning work required, which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future metal prices, which are inherently uncertain.

As required by the regulatory authorities, before commencing work on a project or mine, the Company posts security which is held in trust by the regulatory authorities. These reclamation deposits (note 13) are returned once the site is reclaimed to a satisfactory level and there are no ongoing monitoring or maintenance requirements. For the Gibraltar mine, the Company has also issued an irrevocable standby letter of credit for $10,000 as part of its security with the regulatory authorities. For the Florence Copper project, the Company has issued reclamation bonds totaling $4,566, which are supported by surety bonds of an insurance company. The Company has provided cash collateral of $1,850 to the surety provider and these amounts are classified as reclamation deposits (note 13).

(Cdn$ in thousands)

20. EQUITY

(a) Share capital

(thousands of shares)	Common shares
Common shares outstanding at January 1, 2013	190,882
Exercise of share options	2,500
Common shares outstanding at December 31, 2013	193,382
Exercise of share options	1,623
Issued to acquire Curis Resources Ltd. (Note 4)	26,804
Common shares outstanding at December 31, 2014	221,809

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

(b) Contributed surplus

Contributed surplus represents employee entitlements to share-based awards that have been charged to the statement of comprehensive income and loss in the periods during which the entitlements were accrued and have not yet been exercised.

(c) Accumulated other comprehensive income (loss) ("AOCI")

AOCI is comprised of the cumulative net change in the fair value of available-for-sale financial assets, net of taxes, until the investments are sold or impaired and cumulative translation adjustments arising from the translation of foreign subsidiaries (Note 11(b)).

21. SHARE-BASED COMPENSATION

The Company has a share option plan (equity settled) approved by the shareholders that allows it to grant options to directors, officers, employees and other service providers. Under the plan, a maximum of 9.5% of the Company's outstanding common shares may be granted. The maximum allowable number of options to independent directors as a group at any time outstanding is 1% of the Company's outstanding common shares. The exercise price of an option is set at the time of grant using the five-day volume weighted average price of the common shares. Options may be exercisable for a maximum of five years from the effective date of grant under the plan. Vesting conditions of options are at the discretion of the Board of Directors at the time the options are granted.

The Company has adopted a Deferred Share Unit ("DSU") Plan (the "DSU Plan") for non-employee directors, effective February 15, 2013. The DSU Plan provides for an annual grant to each non-employee director of the Company, or an equivalent cash payment in lieu thereof, which participants have agreed would in first instance be used to assist in complying with the Company's share ownership guidelines. DSUs vest immediately upon grant and are paid out in cash when a participant ceases to be a director of the Company.

During 2014, the Company issued 66,079 DSUs to directors (2013: 133,333). The DSUs were valued at $2.27 (2013: $3.18) per unit based upon the underlying share price at grant date and are fair valued based upon the market price every period end. The total number of deferred share units outstanding at December 31, 2014 was 99,371 units (2013: 133,333). An expense of $56 (2013: $293) was recognized to record the liability at fair value during the year.

(Cdn$ in thousands)

(thousands of options)	Options	Average price
Outstanding at January 1, 2013	14,125	$3.16
Granted	175	$2.02
Exercised	(2,500)	$1.12
Forfeited	(1,117)	$3.85
Expired	(937)	$4.77
Outstanding at January 1, 2014	9,746	$3.43
Granted	4,083	$2.27
Exercised	(1,623)	$1.59
Forfeited	(39)	$2.71
Expired	(259)	$3.55
Outstanding at December 31, 2014	11,908	$3.28
Exercisable at December 31, 2014	9,169	$3.58

The weighted-average share price at the date of exercise for share options exercised in 2014 was $2.26 (2013: $2.20).

Range of exercise price	Options (thousands)	Average life (years)
$2.02 to $2.32	4,066	3.7
$2.33 to $4.09	3,867	2.1
$4.10 to $5.74	3,975	0.5
	11,908	2.1

The fair value at grant date of the share option plan was measured based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plans are the following:

	Key management personnel		Employees	
	2014	2013	2014	2013
Weighted-average share price	2.26	2.14	2.26	2.14
Expected term (years)	5.0	5.0	3.0	3.0
Expected forfeiture rate	0%	0%	0%	0%
Weighted-average expected volatility	57.2%	68.6%	57.2%	49.4%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	1.72%	1.74%	1.72%	1.24%
Weighted-average fair value per option	1.13	1.26	0.81	0.78

22. EARNINGS (LOSS) PER SHARE

	Year ended December 31, 2014	2013
Net (loss) earnings	(53,884)	(34,839)
(in thousands of common shares)		
Weighted-average number of common shares	197,658	192,222
Dilutive securities:		
Effect of share options	-	-
Weighted-average number of diluted common shares	197,658	192,222
($ per common share)		
Basic earnings (loss) per share	**(0.27)**	**(0.18)**
Diluted earnings (loss) per share	**(0.27)**	**(0.18)**

23. COMMITMENTS AND CONTINGENCIES

(a) Commitments

	<1 year or on demand	1 - 2 years	2 - 5 years	>5 years	Total
At December 31, 2013					
Capital lease liability	13,674	13,414	19,724	-	46,812
Future interest charges	2,203	1,437	1,086	-	4,726
Capital lease commitments	15,877	14,851	20,810	-	51,538
Operating lease commitments	2,271	466	856	667	4,260
Purchase obligations	2,587	-	-	-	2,587
Capital expenditure commitments	2,192	-	-	-	2,192
Marketable security investment	5,000	-	-	-	5,000
At December 31, 2014					
Capital lease liability	13,603	10,594	9,130	-	33,327
Future interest charges	1,437	770	316	-	2,523
Capital lease commitments	15,040	11,364	9,446	-	35,850
Operating lease commitments	4,124	2,486	899	385	7,894
Purchase obligations	8,593	2,956	-	-	11,549
Capital expenditure commitments	1,166	-	-	-	1,166

In respect of its interest in the joint arrangement (note 3), the joint venture is committed to incur capital expenditures of $720 (2013: $2,923), of which the Company's share of this commitment is $540 (2013: $2,192).

During the year, ACE INA Insurance ("ACE") issued a surety bond of $13,161 to BC Hydro as collateral for the Gibraltar Joint Venture's power purchase obligation. The surety bond replaced a cash security deposit of $12,901 that was refunded to the Company. The Company issued ACE a financial guarantee for 75% of the surety bond, which is equal to the Company's portion of the power purchase obligation. This obligation is reported as a purchase obligation in the above table.

(Cdn$ in thousands)

The Company's subsidiary, Curis Resources Ltd., has previously entered into an off-take agreement whereby Red Kite has the unconditional right as well as an obligation to purchase up to 19% of the Florence Copper project's copper cathode production for the life of the project, at market prices subject to certain transportation discounts.

(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 December 31, 2014, this debt totaled $44,436 on a 100% basis. The Company has also guaranteed its share of additional capital lease and equipment loans totaling $19,749 on a 75% basis.

The Company is party to various contracts in respect of its operations, of which certain contracts were terminated by the Company during the year. The Company accrues its best estimate of the final settlement amount to be paid in respect of terminated contracts, however the actual settlement amount could differ when negotiations are finalized and any changes in cost estimates will be reflected in future periods.

24. SUPPLEMENTARY CASH FLOW INFORMATION

	For the year ended December 31,	
	2014	**2013**
Change in non-cash working capital items		
Accounts receivable	(7,855)	24,394
Inventories	8,314	(20,628)
Prepaids	3,082	2,211
Accounts payable and accrued liabilities	13,399	6,945
Interest payable	437	138
Income tax paid	(900)	(1,450)
Income tax received	-	2,179
	16,477	13,789
Non-cash investing and financing activities		
Shares issued for the acquisition of Curis (note 4)	41,546	-
Assets acquired under capital lease	750	25,293
Interest earned on promissory note	(3,015)	(3,642)
Interest expense on royalty obligation	2,780	6,396
Royalty obligation settled by promissory note	(64,781)	(10,820)

(Cdn$ in thousands)

25. FINANCIAL RISK MANAGEMENT

(a) Overview

In the normal course of business, the Company is inherently exposed to market, liquidity and credit risk through its use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Board approves and monitors risk management processes, including treasury policies, counterparty limits, controlling and reporting structures.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk; interest rate risk; and currency risk. Financial instruments affected by market risk include: cash and equivalents; accounts receivable; marketable securities; subscription receipts; reclamation deposits; accounts payable and accrued liabilities; debt and derivatives.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company buys and sells derivatives in order to manage market risks. The derivative instruments employed by the Company are not designated as hedges for accounting purposes. These non-hedge derivatives are considered to be economic hedges.

Commodity price risk
The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the metals it produces. To manage the Company's operating margins effectively in volatile metals markets, the Company enters into copper option contracts. The amount and duration of the hedge position is based on an assessment of business-specific risk elements combined with the copper pricing outlook. Copper price and quantity exposure are reviewed at least quarterly to ensure that adequate revenue protection is in place. Copper option contracts are typically extended adding incremental quarters at established put strike prices to provide the necessary price protection.

The Company also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are measured at cost (typically at nil); they are therefore excluded from the fair value and sensitivity table below. Also not included in the below table are provisionally priced sales volumes for which price finalization is outstanding at the balance sheet date. Provisional pricing mechanisms embedded within these 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 earnings after tax and equity for changes in commodity prices on the fair value of derivatives and the provisionally invoiced sales volumes.

	Years ended December 31,	
	2014	**2013**
Copper increase/decrease by US$0.30/lb (2013: US$0.34/lb) [1, 2]	2,495	576
Molybdenum increase/decrease by US$0.89/lb (2013: US$0.96/lb) [1]	298	299

[1] The analysis is based on the assumption that the year-end copper price increases 10% with all other variables held constant. The relationship between the year-end copper price and the strike price of copper options has significant influence over the fair value of the derivatives. As such, a 10% decrease in the year-end copper price will not result in an equal but opposite impact on earnings after tax and equity. The closing exchange rate for the year ended December 31, 2014 of CAD/USD 1.1601 (2013: 1.0636) was used in the analysis.

[2] At December 31, 2014 7,177 (2013: 671) pounds of copper in concentrate were exposed to copper price movements.

(Cdn$ in thousands)

The sensitivities in the above tables have been determined as the absolute impact on fair value of a 10 per cent increase in commodity prices at each reporting date, while holding all other variables, including foreign currency and exchange rates, 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.

Interest rate risk

The Company is exposed to interest rate risk on its outstanding debt and investments, including cash and equivalents, from the possibility that changes in market interest rates will affect future cash flows or the fair value of fixed-rate interest-bearing financial instruments.

The table below summarizes the impact on earnings after tax and equity for a change of 100 basis points in interest rates at the reporting date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This assumes that the change in interest rates is effective from the beginning of the financial year and balances are constant over the year. However, interest rates and balances of the Company may not remain constant in the coming financial year and therefore such sensitivity analysis should be used with care.

	Years ended December 31,	
	2014	**2013**
Fair value sensitivity for fixed-rate instruments		
Promissory note	-	836
Royalty obligation	-	(261)
Capital leases	(245)	(328)
Secured equipment loans	(127)	(199)
Senior notes	(1,635)	(1,533)
	(2,007)	(1,485)
Cash flow sensitivity for variable-rate instruments		
Cash and equivalents	219	278
Reclamation deposits	196	187
	415	465

Currency risk

The Canadian dollar is the functional currency of the Company and, as a result, currency exposure arises from transactions and balances in currencies other than the Canadian dollar, primarily the US dollar. The Company's potential currency exposures comprise translational exposure in respect of non-functional currency monetary items, and transactional exposure in respect of non-functional currency revenues and expenditures.

The following table demonstrates the sensitivity to a 10% strengthening in the CAD against the USD. With all other variables held constant, the Company's shareholders equity and earnings after tax would both increase/(decrease) due to changes in the carrying value of monetary assets and liabilities. A weakening in the CAD against the USD would have had the equal but opposite effect to the amounts shown below.

(Cdn$ in thousands)

	Year ended December 31,	
	2014	**2013**
Cash and equivalents	(2,589)	(2,457)
Accounts receivable	(322)	(102)
Copper put option contracts	(413)	(96)
Accounts payable and accrued liabilities	436	205
Equipment loans	1,469	1,778
Long-term loan	2,386	-
Senior notes	17,169	15,468

The Company's financial asset and liability profile may not remain constant and, therefore, these sensitivities should be used with care.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by holding sufficient cash and equivalents and scheduling long-term obligations based on estimated cash inflows.

During the year ended December 31, 2014, Moody's Investor Service made no change to the Company's long-term credit rating of B3, and Standard & Poor's made no change to the Company's long-term credit rating of B. The Company's credit profile and significant cash balance ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Company's practice on counterparty credit exposure ensures that only counterparties of a high credit standing are used for the investment of any excess cash.

There were no defaults on loans payable during the year.

(Cdn$ in thousands)

The maturity profile of the Company's financial liabilities based on contractual undiscounted amounts is:

	<1 year or demand	1 - 2 years	2 - 5 years	>5 years	Total
At December 31, 2014					
Accounts payable and accrued liabilities	42,541	-	-	-	42,541
Expected future interest payments	20,292	19,273	36,449	5,245	81,259
Capital leases	13,603	10,594	9,130	-	33,327
Secured equipment loans	6,554	6,806	6,389	-	19,749
Senior notes	-	-	-	232,020	232,020
Long-term debt (incl. interest)	-	37,605	-	-	37,605
	82,990	74,278	51,968	237,265	446,501
Carrying amount	62,698	55,005	15,519	232,020	365,242
At December 31, 2013					
Accounts payable and accrued liabilities	26,864	-	-	-	26,864
Expected future interest payments	19,860	18,724	51,178	4,808	94,570
Capital leases	13,674	13,414	19,724	-	46,812
Secured equipment loans	8,951	5,840	12,188	-	26,979
Senior notes	-	-	-	212,720	212,720
Royalty obligations[1]	63,854	-	-	-	63,854
	133,203	37,978	83,090	217,528	471,799
Carrying amount	113,343	19,254	31,912	212,720	377,229

[1.] Actual timing of payment for royalty obligations may differ. Amounts estimated based on expected future production levels.

(d) Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its receivables, marketable securities and investments, and derivatives. In general, the Company manages its credit exposure by transacting only with reputable counterparties. The Company monitors the financial condition of its customers and counterparties to contracts. The Company deals with a limited number of counterparties for its metal sales. The balance at December 31, 2014 is comprised of five customers (2013: five customers). There are no impairments recognized on the receivables.

(Cdn$ in thousands)

(e) *Fair values of financial instruments*

The fair values of financial assets and liabilities, together with their carrying amounts, are presented by class in the following table. The table does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	December 31, 2014		December 31, 2013	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Fair value through profit and loss (FVTPL)				
Copper put option contracts	5,577	5,577	1,295	1,295
Loans and receivables				
Cash	53,299	-	82,865	-
Accounts receivable	12,618	-	4,532	-
Promissory note [1]	-	-	63,483	-
Available-for-sale				
Shares	977	977	4,951	4,951
Subscription receipts	12,400	12,400	12,400	12,400
Reclamation deposits	29,084	29,084	25,872	25,872
Financial liabilities				
Financial liabilities				
Accounts payable and accrued liabilities	42,541	-	26,864	-
Interest payable senior notes	3,746	-	3,435	-
Senior notes	228,343	206,127	208,349	211,540
Long-term loan	32,245	32,245	-	-
Capital leases	33,326	33,236	46,812	44,628
Secured equipment loans	19,749	19,708	26,979	26,825
Royalty obligation	-	-	63,854	-

1. The fair value of the promissory note and royalty obligation are not readily determinable with sufficient reliability due to the uncertainty around the maturities and the future cash flows associated with the promissory note.

(Cdn$ in thousands)

The Company uses the fair value hierarchy described in note 2.5c for determining the fair value of instruments that are measured at fair value.

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Financial assets designated at FVTPL				
Copper put option contracts	-	5,577	-	5,577
Available-for-sale financial assets				
Marketable Securities	977	-	-	977
Subscription receipts (note 13)	-	-	12,400	12,400
Reclamation deposits	29,084	-	-	29,084
	30,061	5,577	12,400	48,038
December 31, 2013				
Financial assets designated at FVTPL				
Copper put option contracts	-	1,295	-	1,295
Available-for-sale financial assets				
Marketable Securities	4,951	-	-	4,951
Subscription receipts (note 13)	-	-	12,400	12,400
Reclamation deposits	25,872	-	-	25,872
	30,823	1,295	12,400	44,518

There have been no transfers between fair value levels during the reporting period.

The senior notes, a level 1 instrument, are valued based upon publicly available information. The capital leases and secured equipment loans, level 2 instruments, are fair valued through discounting future cash flows at a rate of 5.5% based on the relevant loans effective interest rate.

The fair values of the level 2 instruments, copper put option contracts, 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 subscription receipts, a level 3 instrument, are valued based on a third party transaction in the last twelve months or in the absence of a transaction, market comparison based on the average share value of comparable companies. Transactions have occurred within the 2013 and 2014 financial years which valued each subscription receipt at $0.80.

(Cdn$ in thousands)

The following table shows a reconciliation for Level 3 fair values

	Note	Subscription receipts
At January 1, 2013		7,100
Purchase		2,400
Write down of marketable securities		(6,150)
Change in fair value (other comprehensive income)		9,050
At December 31, 2013 and 2014	13	12,400

The fair value of the subscription receipts is based upon a recent transaction.

(f) Summary of derivatives

	Notional amount	Strike price	Term to maturity	Fair value
At December 31, 2014				
Commodity contracts				
Copper put option contracts	15.0 million lbs	US$3.00	Q1 2015	2,676
Copper put option contracts	15.0 million lbs	US$2.90	Q2 2015	2,901
				5,577
At December 31, 2013				
Commodity contracts				
Copper put option contracts	25.6 million lbs	US$3.00	Q1-Q2 2014	647
Copper put option contracts	7.3 million lbs	US$3.00	Q3 2014	648
				1,295

The Company spent $6,935 to purchase copper put options in the twelve month periods ended December 31, 2014.

Subsequent to year end, the Company received $2,244 on settlement of in-the-money put options that matured in January 2015 and sold the remaining outstanding put options for proceeds of $15,118.

(g) Capital management

The Company's primary objective when managing capital is to ensure that the Company is able to continue its operations and that it has sufficient ability to satisfy its capital obligations and ongoing operational expenses, as well as to have sufficient liquidity available to fund suitable business opportunities as they arise.

The Company considers the components of shareholders' equity, as well as its cash and equivalents, credit facilities and debt as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue or buy back equity, issue, buy back or repay debt, sell assets, or return capital to shareholders.

(Cdn$ in thousands)

	December 31, 2014	December 31, 2013
Cash and equivalents	53,299	82,865
Current debt	20,157	22,625
Long-term debt	293,506	259,515
Net debt (cash)	**260,364**	**199,275**
Shareholders' equity	**422,275**	**426,216**

In order to facilitate the management of its capital requirements, the Company prepares annual operating budgets that are approved by the Board of Directors. Management also actively monitors its financial covenants to ensure compliance.

The Company is not subject to any capital restrictions.

The Company's investment policy is to invest its cash in highly liquid interest-bearing investments that are readily convertible to known amounts of cash.

There were no changes to the Company's approach to capital management during the year ended December 31, 2014.

26. RELATED PARTIES

(a) Subsidiaries

	Ownership interest as at	
	December 31, 2014	**December 31, 2013**
Gibraltar Mines Ltd.	100%	100%
Aley Corporation	100%	100%
Curis Resources Ltd.	100%	N/A
Curis Holdings (Canada) Ltd.	100%	N/A
Florence Copper Inc.	100%	N/A
672520 BC Ltd.	100%	N/A
688888 BC Ltd. [1]	N/A	100%
Gibraltar Royalty LP	99.99%	99.99%

1. This company was wound up in 2014.

(b) Key management personnel compensation

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

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

(Cdn$ in thousands)

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-month to 12-month's 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-month 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 (note 21).

Compensation for key management personnel (including directors) is as follows:

	Year ended December 31, 2014	2013
Salaries and benefits	4,357	5,188
Post-employment benefits	1,471	1,643
Share-based compensation	3,426	1,736
	9,254	8,567

(c) Other related party transactions

	Transaction value for the year end December 31, 2014	2013	Due from (to) related parties as at December 31, 2014	2013
Hunter Dickinson Services Inc.:				
General and administrative expenses	2,739	2,468		
Exploration and evaluation expenses	612	1,139		
	3,351	3,607	(91)	(94)
Gibraltar joint venture:				
Management fee income	1,125	966		
Reimbursable compensation expenses and third party costs	339	427		
	1,464	1,393	268	62

Hunter Dickinson Services Inc. (HDSI) is a private company, which employs some members of the executive management of the Company and invoices the Company for their executive services as well as geological, engineering, corporate development, administrative, and financial management services.

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.

During 2013, the Company invested $2,400 in subscription receipts of a private company with directors in common which holds mineral property interests. The subscription receipts will be convertible into units comprised of shares, or shares and warrants (note 13).

During the first quarter of 2014, the Company invested $5,000 (2013 - $2,000) in Curis Resources Ltd, a related company with a director in common. Subsequent to this investment, the Company completed the acquisition of Curis in November 2014 (note 4).