TRANSCRIPT OF
"Discussion with Russell Hallbauer | Taseko Mines"
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A: Welcome to Smith Weekly Discussions, an occasional program for our readers and listeners of Smith Weekly Research. Please note this program is a private discussion and everything contained herein is for entertainment and educational purposes only. With that, we hope you're in a comfortable position, along with your favorite beverage, to enjoy the discussion. We remind our audience to examine the show notes attached to each of our shows to better understand how our program functions. Before we get into our discussion we want to say thanks for questions coming from our audience of Smith Weekly, including Todd A., Dave V., and Andy J.

On the show today, is Russell Hallbauer, CEO and director of Taseko Mines, an operating copper focused producer with various stage assets in Canada and the United States. Aside from the current and near-term producing assets Taseko holds an impressive pipeline of copper gold assets in development. The company is listed on the New York Stock Exchange under the symbol TGB, and also on the Toronto Stock Exchange under the symbol TKO.

Russell, thank you for coming on the show

R: Thank you for inviting me, Andrew.

A: Well, Russell. I understand you've been with to Taseko for probably near 15 years now. Can you tell the audience about your ventures prior to Taseko, and then tell us why the company really attracted you?

R: Well, I'm a mine engineer by training. I graduated from Colorado School of Mines a long time ago now, if you look at it, back in 1978. I joined Newmont of Canada and worked at the Similkameen copper mine, which is now part of the Copper Mountain stable of operations. I worked there for four or five years and I joined Tech Resources in 1983. Went into the coal business until 19--, what year was that?, probably about 2002, and then ran their, ran the base metal business for them for a number of years before I joined Taseko in 2005.

A: And what did you like about Taseko? What made you come along to the company and take over like you've had for such this period of time?

R: Well, basically, I'm a British Columbia boy. I spent my whole career effectively running mining operations in British Columbia and Western Canada. So I kind of knew the lay of the land with respect to the type of properties that were available, the mining operations. If you look back at our key producing asset, the Gibraltar mine, I knew many of the managers over the years of the operation. I'd been there a number of times over my career. I knew the potential that the ore body had and the asset that was available to the Hunter Dickinson group when they acquired it in 1999. So I thought in 2004, yeah, you know I was 50 years old – 51, I had been with tech for close to 25 years, I thought that I'd take on another challenge and see what we could do with the with the Gibraltar asset. That was the start of that of the past 15-16 years I've been with the organization.

A: And through your experience in the mining business, Russ, and it's expansive in terms of where/what sectors you've been in, within the mining business, what have you found that works well, and how does how does things work, you know how do you approach when we move between the ups and downs of these market cycles?

R: Really it comes down to people. You know? You can take some pretty marginal assets and make them work if you have the right team. And I don't mean just the right corporate team, but I mean the right operational team. Um. You know? I've always maintained that a company our size is never going to get Tier 1 or Tier 2 assets. We're going to be lucky to get a Tier 3 asset. And so, you get a Tier 3 or Tier 4 asset, if you take the intellectual capital that you have in your organization along with, you know, the skill sets that you try and put together, you can take these assets and make them very financially successful and through successes both, you know, both on the ground and for the communities in which they operate in. So, [I] did that with Gibraltar, when I got here in 2005 it was a concentrator and a mine that had been built in the early 1970s. It had old technology. I mean technology has advanced incredibly in the last 25 or 30 years. And we knew, you know, the guys that had come with me and were working with us, we knew that we had to change the whole approach to concentrator performance and throughput to ensure that we survived in the, you know, during the cyclical nature of this business. So these places can do really well when the prices are high and you what you have to do is ensure that you survive and can generate an operating profit when prices cycle back to lower price regimes, like sort of like what they are now.

A: Right. And let's move on. Let's talk about that for a moment. What thoughts do you have on the copper market today, and how does it compare to past cycle lows in regards to price and sentiment?

R: Well, I haven't really done a time-value of money analysis on the price of copper but in real terms it's probably, I don't know, it's probably back in the $1.50 to $1.30 range, so you'd have to have your cost in the, you know, 90 cents or 80 cents US C1 cost range. So now we're, you know, they predict that, you know, everybody's talking about the long-term price of copper, well we're right at the long-term price of copper. The mean is right around -- I think a lot of them, a lot of the analysts are saying it's like $2.75 to 3 bucks. Well, it's a little bit lower than that at this time, but, what you have to do is just look and develop your strategy based on what you think is a reasonable expectation of price, not get too excited about the highs, and not get too excited about the lows. But ensure you have proper operating metrics to ensure that you get by those lows and you really take advantage of the highs. If you look at our company, we are very leveraged to two things; and that's the price of copper and the Canadian-U.S. Dollar exchange rate. So, when things are good, we can generate a lot of cash very quickly. For example, when I was running Highland Valley Copper, responsible for Highland Valley Copper tech, one year we made six million dollars in operating profit. At that time that mine was probably the sixth or seventh largest copper concentrator in the world, producing 3- or 400 million pounds of copper. We made six or seven million dollars operating profit out of it that year. The next year, the price of copper jumped, and we took 500 million. And the following year, we took 900 million dollars of free cash out of the operation. So the sensitivity of being in the right, having the right operating cost structure, and then price, we know, responding accordingly, you generate a lot of cash for the shareholders, very quickly.

…(6:44)

A: Right. And how do you feel right now with where Taseko is, the position of Taseko today versus what it looked like late 2015, in terms of share price and sentiment?

R: Well, it's always, you know, we're a far better company overall then we were back in those years. I mean, we’ve progressively grown the asset base of this company without risking the company on any downturns. And you see a lot of a lot of companies at times will, you know, roll the dice and the next thing, you know, acquire a property at the wrong time, things go against them, and that's the end of the company. So we've tried to stay between our means. We’ve invested. We’ve raised capital back. We’ve expanded Gibraltar. Gibraltar became the key, you know, the cornerstone asset for the company -- generating cash, allowing us to move forward and undertake both the expansion of Gibraltar but also to acquire a few other assets and have cash available to invest in them. So if you look at the size of the company, irrespective of the market cap, which is a real, obviously, a concern for us because, certainly, our equity is one of the things that allows us to grow the company, and when you have poor equity value can't do any equity financings or you can't use both data and equity to grow the company, [you] just have to use your cash flow and conservative debt profile -- but you have to look at what we how we’ve grown the company. I think, exclusive of new prosperity, we have over eight billion pounds of copper in reserves. 400- or 500,000 ounces of gold in reserve in our newer Yellowhead property, and over 12 million pounds of molybdenum at Gibraltar in reserve. So, we have this huge asset base that allows us a lot of flexibility in terms of what we can do moving forward without having to do equity dilutions. We can sell portions of our assets, we can sell joint ventures and that money can go into advancing these projects. We've been fortunate so far that we've been able to fund all of our work on **Florence** out of the cash we generate out of Gibraltar. Having said that, that can be a challenge when copper prices are where we are right now. But, nonetheless we've been able to do it because we can generate, you know, for our portion of Gibraltar, you know, $150-$200 million of operating profits. Keeps the company moving forward.

A: Well let's talk about a few company specifics, now that we are getting into it. Can you, first, tell us, give us a highlight or overview of the management team there at Taseko, and then tell us a little bit about the capital structure?

R: Yeah. Well, the management team -- we're pretty, we've got a pretty thin corporate office. We have, we've really prided ourselves on our technical expertise and also we have most of our senior staff are mining engineers. I'm a mining engineer. Our CEO is a mining engineer. Our vice-president of engineering's a mining engineer. Vice President of Projects is a metallurgical engineer, and he's a very good mat engineer, and he was the one that was responsible for capital projects and expansion of Gibraltar on time and on budget, and then we have a full cadre of metallurgical engineers. So, we've got a -- and that's not taking away from any of the professional people on the finance side, which we're having a very excellent group there. But we're a pretty small corporate office, but we're pretty focused on the things that we -- the strengths we bring, which is financial discipline and engineering expertise and just taking our time ensuring that we evaluate projects properly with the proper due diligence, so that we don't go into trying to build something that is going to fail or that we can't bring in on time and on budget. So, most of the fellows I've worked with, either at Tech in the old days or the new fellows we brought on board -- folks we know and have personal relationships with – so, we've got an excellent team and continue to move the company forward.

A: And tell us a little bit about the shares outstanding and also the cash and debt position.

R: We've got around $300 million dollars debt and 230-240 million shares outstanding and our equity -- I don't know where our equity is trading at. Putting that at like 50 or 60 cents. Yeah. So, we probably got a market cap of, you know, $130 million Canadian dollars, somewhere in that neighborhood -- $100 million U.S. -- Which is, basically, if you look at it, if you work back and did the long range price of copper analysis on Gibraltar, that's probably, or 75% of it, it's probably worth close to $1 billion dollars pre-tax. So, there's, you know, we're trading at a fraction of the value of Gibraltar, irrespective of what the value of the reserves are with the rest of our development projects. So, to say it's a little frustrating, from our perspective as the senior executive team, in terms of what our equity is worth -- over time, that takes care of itself if we execute properly. There's, you know, not a lot we can do, at times, on that matter. But sooner or later it gets recognized in the market. Perfect example was way back in about 2009-2010, just after the financial crisis, our equity was trading about $350 million bucks. I ended up selling 25 percent of Gibraltar to a Japanese consortium of a major trading company, and two smelter companies, for 25 percent for just under $190 million that that equated, you know. So, that was a third-party validation of what the value of Gibraltar was, independently, and our equity moved from $350MM to over close to $600 million dollars just like that, once we had that third-party valuation. So what we see in the market today the kava marks today is not indicative of the value of the underlying assets. I mean, even if you give 8 billion pounds of reserves, these aren't resources -- these aren't, you know, etheric things in the ground. These are reserves that have feasibility studies on them have NPVs, and even if you take that those reserves and give them a nominal value of pennies on the pound, it still is far in excess of our equity value today. So, certainty that these this value will be unlocked in the not-too-distant future.

(12:45)

A: Well. Yeah, Russ. And that really is, truly, a pennies on the dollar situation, which adds to the attractiveness on it. Can you, can you tell us just a little bit? Is there some key shareholders you want to highlight, and is there anything that management's doing at these current share levels to align themselves further with shareholders?

(13:06)

R: Yeah. We have a number of shareholders that vary between, oh I don't know, 2- or 3- or 4%, the equity up to maybe 8-10%. We're widely held. There's no controlling shareholder, per se, but there's a lot of shareholders -- you know, we have a lot of aligned shareholders that understand, you know, the company is in better shape. Like, you know, 24 months ago our stock price was $3.00 per share and today it's, you know, 50 or 60 cents (talking Canadian dollars). So, there's lots of people that see the inherent value in the company. And it's like what's gone on with the Western Canadian oil patch -- there's no reflection of the value of the assets in the ground versus what the equities trading for. But sooner or later, that takes care of itself.

A: Absolutely. No. I think that there'll be some future respect for what's being done over there at Taseko. So how are things -- let's move to a project-by-project here -- how are things going at Gibraltar? Can you give us an update on how things are operating there?

(14:02)

R: Well. Gibraltar is very stable. You know, after we did the expansion and started running at eighty-five thousand tons a day, you know, it's a big operation. You know, we're going to produce between 130 and 145 million pounds of copper. You know, 65 to 70 thousand tons of metal a year for the next 20 years, in reserves. We probably have another 15 years of resources beyond that and we still haven't finished drilling. Though we don't need 50 years of resources. So we still have plenty of, you know, runway on that ore body. And, you know, and it's such a great ore body. I mean, sure the grade is a little lower than lots of places, but you have to look at what your costs are in reverse as to what your rock value is. And, you know, we've been maintaining our costs between 10 and 11 bucks per ton milled and the gross metal value of the rock can go from anywhere from 15 to 20 dollars a ton. So if it is at $20 per ton, we got nearly 100 percent margin on our cost side. So, we're very comfortable with that. We're training our people. We have a very stable senior workforce up there. We bring in new engineers and new managers, and, yeah, it's going as well as we can come to expect and it'll continue to generate good operating profit even at these copper prices. So it bodes well for the future, when copper prices -- I mean the lever, just so you know, copper prices go up 10 or 15 or 30 cents per pound (or 10 %), that all flows right to the bottom line because of our cost structure. Then that obviously allows us to use that cash and most technical expertise we have at the mine site to move on our other projects, as well.

A: And based on current operations, can you share with us what you're seeing for all-in cost per pound copper and are there any optimization efforts ongoing or [is] Gibraltar really running about as lean as it gets?

(15:57)

R: There are always things you can do, you know? New technology, you know, advancements we're looking at. We're always looking at, we're looking at things all the time in terms of, you know, increasing throughput, you know. If you can increase throughput by 3- or 4- or 5,000 tons a day, well that equates to probably 10 to 15 to 20 million tons in extra copper a year, which would also flow to the bottom line. You look at how we do our pit designs and we're constantly refining their haulage route trying to shorten the hauls. Just a whole slew of activities that are never-ending. You're just, when you're mining the mine like Gibraltar, or running that remaining ore body like Gibraltar, you always have to be looking for opportunities to take advantage of flowing value to the bottom line. So we do that steady. Steady. We always assign a certain amount of our budget yearly for cost improvement initiatives and other things that will enhance the productivity of the mine. Specifically, I mean, you know, when I started we had 240-ton trucks now we've got 330-ton trucks. So, that's a huge difference in terms of capacity unit cost reductions. Engines are getting, you know, we're running 3,000-horsepower engines now. And they're probably getting the same fuel economy as the older generation 2,200-horsepower engines. So we're saving on that. We're just, like I said, it's just ongoing, Andrew.

(17:20)

A: And going forward, I think you already covered it, so I guess I won’t ask too much more, but it sounds like you guys have plenty of mine life expansion ahead of you. So, there's not really any need at this point to expend capital [or] doing anything on that front. Is that correct?

(17:34)

R: Yes. Yeah. We stick some holes around. See what we can, you know, find some more mineralization that would be closer to inherent pits, right now, that we could expand on. But, generally speaking, yeah, we've got the runway set for a while and then we'll just look at what we want to do longer-term. I guess, we could always, and we have talked about this -- when we built the second concentrator, we always looked as it was a bolt-on. So, the SAG mill is big enough, has big enough power to run more throughput. All we have to do is bolt on another ball mill and we can increase the throughput considerably. But we always look at that. You're going to have to look at how your mining sequences work, how you release ore. You don't want to screw up [and] say “Okay. Well we're going to expand.” but then you find out your costs go up by 20% because you can't release your ore properly. So, it's a fine balance between throughput, you know, mine design [and] mine efficiencies.

(18:28)

A: And tell us a little bit about the 25% Japanese partner at Gibraltar. What is the importance of this partner, and do you see them with further involvement at other Taseko projects going forward?

R: The trading house company's name is called Sojitz. It's a private -- it's a publicly-listed company in Japan. It's probably the fourth- or fifth-largest trading house, behind Mitsubishi and Sumitomo, or some of those other ones. I've known a lot of the senior executives for well over 20 years. So that's one of the reasons that we came to an early agreement on Gibraltar, and, as a partner. Generally speaking, you always want to have a smelter group that's buying your concentrate as opposed to selling it all on the spot market or to traders. So, that partnership is good. We know that they're picking up X number of tons every month or every two months. We have a good working relationship with them. They help fund capital expenditures. And, yeah, I'm not sure about their strategic direction as an organization. I don't know whether they're more or less interested in and carrying on copper business or lead zinc business or any of those other businesses, because they ebb and flow, in and out of those businesses as, you know, Japanese trading companies. So, we'll see whether we have opportunities that they're interested in, and if they're interested in them, then they would make a very good partner.

(19:46)

A: Well. I appreciate the insights on that. Let's move over to **Florence** Copper in Arizona. Tell us a little bit about the project, why it attracted Taseko, and how is the advancement work going on the ground there?

R: We knew about **Florence** for a long time. Our technical group had had some discussions with them way back when, about maybe joint venturing with them. They were a public company, you know, [and] it was floated they had purchased the property from a land developer a number of years ago, god it' got to be getting pretty close to 10-12 years ago now. And it always struck us as a very interesting concept. But being a 'risk-averse technical group' we were a little bit uncertain at the time whether it [was] something that fit in our bailiwick, so to speak. And at that time, we were looking at projects all over Western North American into South America and trying to find one that would fit with our capabilities, but also fit financially with -- you know, we didn't want a 2- or $3 billion project. We didn't want to have to go out, try and raise a whole bunch of money and find partners and stuff. And those ones are -- they're harder to acquire at a reasonable cost. So when the time came that we thought that the equity was well enough priced, that they had advanced the project far enough, then we did due diligence on it – it probably took over a year for us to do the due diligence on it, checking all the, you know, the legal issues, checking the technical work that had been done by BHP and Conoco, and the other owners prior to Curis acquiring it. We spent a lot of time and came to a conclusion that this the property would fit into our, you know, financial framework. It had lots of opportunity to be a low-cost producer, and we felt that the technology was there and the componentry of the ore body was there that would allow it to be successful. Having said that, we had a few challenges from the local community, who felt that the watershed or the, you know, the aquifer was not going to be protected. We worked diligently with the EPA and the Arizona Department of Environmental Quality. We've worked through all those issues. You know, well over a year ago we completed our production test facility, drilled the well, filled the production test well field. And we've been actively injecting solution into the ore body, this area of the ore body, and it's been leeching fantastic. We're really happy with the advancements we've seen. And this production test facility is actually a commercial-scale facility. So lots of times when you build something, you know -- let's say it's an open-pit mine, you do all the metallurgical-based test work, you know, at bench scale. And then you go and build the mine and then it takes you a year or two to de-bottleneck it. Well, we're actually doing a lot of the de-bottlenecking right now with this test facility, where we're learning how the copper will electrowin. We're producing close to 2,000 ppm of pregnant solution coming out of the ground, which is commercial grade solutions. Our main well that we're recovering copper from is producing roughly, on an annualized basis, nearly 700,000 pounds of copper right now. Yeah. Things are going -- we had some setbacks and we've had to regroup. But that's all part of the learning process. You know? We have these deep wells. This hasn't been done too many times in the world with this kind of configuration. And so we're learning how you disperse the acid solution inside the ore body, how you move it up, how you control the water gradient, and how you recover the pregnant solution. So it's a complex technical issue. But our guys are doing a great job in understanding that. And our knowledge of what we have to do is just increasing every single day. So we'll be providing in the market an update on this shortly. So we're pretty excited of how it's going. And with respect to, you know, the final operational permits. We're dealing with the Environmental Protection Agency and the Arizona Department of Environment

Quality right now, taking the temporary operating permits and converting them into amendments so we get our final operating permits. And we expect by sometime next summer, early spring-summer, that will be complete and then my Board can make a production decision to spend money to build the facility.

(24:11)

A: And so, yeah, **Florence** is supposed to be one of the least capital-intensive major copper projects. Can you tell us, if you can share with us, what do you see is costs out there per pound of copper, once optimal production is reached? And can you share with us your plan for the financing package?

R: I think from the feasibility study, it was $1.10 per pound, all-in costs C1, but we're producing actually capital copper so that will be updated as we gather more information from this test facility. But, you know, let's say $1.10 to $1.20 per pound, give or take a nickel [is] probably reasonable to expect. So when that comes on stream, that will help lower our overall cost from Gibraltar to a weighted average cost and for the whole corporate entity, as we're probably down in the $1.40 - $1.50 per pound range, and so that will be good path forward for the organization to develop our rest of our assets. How we finance that, again, I spoke a little earlier about because we have these reserves and resources, we're able to, you know, attract investors. So, we're working on either straight debt financing at some point, you know, or bringing on a partner. So, we'll decide what cost of capital is best for us and how our balance sheet looks with respect to that. I mean, it's not a big nut in terms of the total capital costs so we're probably looking a little over $200 million dollars (U.S.) and with the cost profile that is predicted, I'm sure when banks hire independent engineers to look at it, we'll fit into the risk profile in terms of being able to borrow money at conventional debt rates. And/or we sell 10- or 15- or 20% of it to help ensure their balance sheet stays in good shape. So, we have lots of irons in the fire with respect to that.

(26:04)

A: And Russ, do you think you can-- how much do you think you can strip off of Gibraltar['s] cash flow to help carry this along?

R: Well, that's a good question. If it's like four bucks a pound, it's a lot of cash flow. If it's—well, we're funding everything right now—we probably have a break-even budget right now of funding about $30 million of operating expenditures at **Florence** out of the out of the cash we generate at [Gibraltar]. So, we're, you know, we're paying our debt, paying our interest, we're paying that and got an extra $30- or $40 million to invest into **Florence**. You know, if the price goes up a buck per pound, and we got another $110 million net to our account. So, in this business, six months is an eternity, you know? So, anything can change. We saw it happen before. Copper can run very quickly, and when that happens we can generate a lot of operating profit that can go towards these projects.

(27:02)

A: And, Russ, you're not seeing any issues with your current schedule to finance and build this out and convert the permits? There's no foreseeable issues with meeting your schedule [that] you guys have laid out?

R: No. I don't think so. I mean, other than normal course-of-business, and other than what happens with the copper price or, you know, what happens with world economies. But I think steady-state, yeah. We're not seeing any cumbrance. We're just moving forward steadily, working on everything that's involved. And it's a lot.

(27:32)

A: Once this comes on, Russ, once **Florence** comes online and is up at nameplate, do you really see that stage-- is that milestone really a pretty big game-changer for Taseko?

R: So, let's say we were able to do it ourselves. You know? A hundred percent. That's 80 million pounds of copper, then Gibraltar's you know to our accounts 100-110 million. So now, suddenly, we['ve] got nearly 200 million pounds of annual copper production. And then that would say segue us right into building Yellowhead, which will be another big open-pit development – 80-90,000 tons a day. Generating, I think our new plans, probably close to 180-190 million pounds of copper annually at a very decent C1 cost. So, yeah, it's a progression, you know? These things take a long time to get to where they should be, but that's why my thesis has always been 'you have to have long term reserves.' You can't have a five or six-year mine life to build a company. You need years of reserves. You need at least two decades. And then have in your pipeline mines that have decades beyond those, to go. So that you can actually build that wealth. These places that have six or seven years, it just turned around and you're looking where we going to get the next reserves from.

A: Right. And, Russ. We expect you're not going anywhere anytime soon, correct?

R: Well. I am 65, so I'm 66 at Christmas time. So. But we are running out the rope-- out to its end, here. But, yeah. We got this and that. No investor should be ever worried about this because one of the things that we have here is a very strong secession plan. The guys that are coming behind, you know, the older guys, it's a very strong group and there'll be no shortcomings with any of those fellows in terms of the operational and the technical side of the business. We have a strong financial group now with our new President/CFO, who's a strong Chartered Accountant and lots of business acumen. Dropping down through our ranks, you know, our new Vice President of Operations and all the new guys that we brought into the office to fill the void behind us is pretty impressive. So I'm pretty happy with what we've done in the last year.

A: Well, with the stubbornness of yourself and management, I suspect you guys will keep moving along here quite steadily. So once **Florence** is nailed down, all efforts are going over to Yellowhead. So, tell us about Yellowhead. Tell us what's going on there.

R: Well. Yellowhead was a great acquisition for this company. I originally invested-- I put a private investment into the company because I knew the folks that were running it. They were a little tight for cash. I think it was about six or seven years ago. I bought about 10% of the company. We put about $5-6 million dollars [into it]. We weren't sure exactly on the ore reserves, whether they had done enough drilling. Remember, it was a junior company. Remember, I talked about our guys being risk averse, you know? I took that little stick the toe in the water and did an investment and part of that investment was they had to put most of the money into drilling. So, they drilled out some gaps in their ore body and we were pretty comfortable with it. And then we just sat there and watched. Because we had other things on the goal; we had **Florence** on the goal, we had Gibraltar work. Dadadada [sic]. And we watched how they unfolded their business plan and they didn't have much success. You know, the market cap originally started about $120 million. Went to $60 million. Went to $20 million. And ended up about $2-3 million bucks. And it was mostly controlled by a private investor out of out of Calgary. And I'd known the gentleman for a number of years and we decided to come to agreement and we acquired the property and put it in our stable. And right now we're working on doing an updated feasibility. There was a feasibility done on it. It was 20-year mine life. It's got a big ore body, almost 700-750 million tons. We knew from our early engineering work that we could decrease the cutoff a bit, increase the throughput, and have a heck of a good mine. And we're right in the process of doing an updated feasibility study and an updated 43-101, as we speak. And I'm not sure when we'll have that report out, but we've definitely increased the NPV considerably, and we're pretty excited about what it's going to entail. So, sequentially, it's going to fall, you know, after **Florence**. We get **Florence** commissioned and running and during that interim period we will have our business done on Yellowhead, so that we're ready to go with that once everything comes together on **Florence**. So, it's a nice segue here down the road.

(32:11) ...

A: Yeah. No. It's well placed. The pieces of the puzzle are quite well aligned. And if you have **Florence** on, this is going to only make Yellowhead even easier. What do you see is the main challenge at Yellowhead? Is it the build-out? Is it the permitting? The community relations? What do you see here is a challenge?

R: Well. You know, over the years, like in most jurisdictions in the world-- it's all about government relations/community relations. Particularly in Western Canada. Here. Now it's about First Nations relations. So, all those things, as it's not the technical side of the equation anymore. Before, it used to be the technical side and those were the afterthoughts. Now those are the forefront thought, and the afterthoughts are the ore body. We know the ore body is going to perform well. We know we can make a mine out of it. Just have to have everybody from provincial government, the federal government, to the First Nations, to the local communities all aligned. Certainly, there's always challenges there, but I think people start to recognize that amazing impact that one big base metal mine can have, not just on a local community, but a whole region. You know? If you look at what Gibraltar has done in the central Caribou – we're the largest employer from Prince George to 100 Mile House. And, you know, that economic outflow is tremendous. You know? When we're spending $300 million a year in parts and services and other, that has a big outflow into the communities and that's the same kind of thing that will happen with Yellowhead. So, the challenges will be no greater or less than we've ever experienced. It'll just be there. And now and we'll just have to knock them off and deal with them as we go through the process.

A: Right. And then, how does 2025 still look in your schedule book for Yellowhead? Is that something that, obviously,--

R: I would think that's probably a reasonable expectation that would we start moving on at 2024-2025. Somewhere in that neighborhood.

A: Okay. That sounds good. And then I think that we could probably figure that copper prices will be doing well by then. Well let's move on. So, let's assume that this continues on here, and you also have other things going on at the same time here. Let's move on to the next monster in the room, and that's New Prosperity. Can you tell the audience about this project and what you guys are working on here?

R: Well, New Prosperity was discovered in the 50s. [It has] kind of gone back normally from discovery to direction and operation for major porphyries in the world. It's about 18-20 years somewhere in that neighborhood. So, we've kind of stretched past that limit. Some of-- a lot of our issues have been First Nations relations in the context of First Nations politics in the area. We are diligently just working through some of the courts, some of the court process, discussions with government about how to move the thing forward. Discussions at some point we hope with First Nations. One of the important things that we have to realize is that over time, when we first started this process 12-, 13-, 14 years ago on New Prosperity moving, that the copper -- our reserves were down at a $1.60 copper and $600 per ounce gold. And the NPV was like $350 or $400 million. Well. Right now, if you use $2.75 copper and $1,400 gold, the NPV is probably north of-- close to $4 billion. So, the mere fact that we haven't built a mine that has not [and] should not take away from the fact that the NPV and the value of the inherent asset hasn't increased. So, our plan is just to stick with it and to keep doing what we need to do and hopefully everyone will see that value developing. And building New Prosperity is-- it will flow to everyone. There's a flow to the First Nations communities. It will flow to the local inhabitants of the Caribou. It'll flow to the provincial government, and it will flow to this company. So, it takes some time, but it is what it is.

A: And, Russ. How important is this asset for Taseko? Because from what I can tell, there's literally zero value reflected in the share price for this asset. Can you tell us about the importance, and can you share with us a bit on the strategy going forward, especially considering that the gold price will probably cooperate to support more efforts on getting this project momentum going?

R: Well. Obviously if this had-- if we had been able to build a mine and been operating in today's environment, you know, we'd be producing over 300,000 ounces of gold a year and 150 million pounds of copper. This thing would be generating well over $1 billion a year in operating profit. It would have a huge impact on this company. It would have a huge impact on *any* company, not just this company. I mean, it's the 10th largest undeveloped copper/gold porphyry in the world, so it's not-- you know, I think there's 13 million ounces of gold in the resource and 6 billion pounds of copper, so it's a huge asset for the people of British Columbia and for this company. So, yeah. But when you get diving and trying to advance some of these things and you see them in other parts of the world, as well, the companies have to have irons in the fire to do other things to continue to build the company. And, as you can see, yeah. We were really optimistic that we were going to get the opportunity to build New Prosperity. When it didn't happen, we just moved on to other-- onto these other assets that would give us an opportunity, and keep looking for other ones that add the pipeline for us, out, for 20-, 30-, or 40 years. Because sooner or later New Prosperity will be a mine. And sooner or later I believe that the First Nations in the area will recognize how important it is to their ultimate well-being and their cultural abilities, to maintain their culture and move forward with what everything they want to do, with respect to, you know, what kind of contributions they will get from the mine. From it being operating. So, there's all these trade-offs. So, I think we'll see something in the coming future. It's not like we don't talk about it all the time with the government.

A: Well, no. And I just think that Taseko is demonstrating operational ability, those corporate responsibility relations, the whole mess. I mean, it's not like you guys are [just] there in BC. You guys are doing multiple things in BC. You're working out of **Arizona**. There's a lot to it. And what do you see there? I mean, we talked about Yellowhead earlier. About challenges. What do you see as really, kind of, key challenges? You guys are no longer concerned about the operational ability, is it really just, kind of, getting the federal government and provincial governments and the First Nations on board?

R: Yeah. I think, you know, well, you see it in general resource development today, there's a lot of people are involved with the decision making process. It’s just not the companies. I mean, if you look in Western Canada the pipeline issues-- whether it's LNG in Western Canada, you look at anything with resources on the ground. [The] parties are the companies, First Nations, and the two levels of government. And maybe more levels of government, whether it be regional districts or local communities. So, once you add that into [it], you know, it's just not going out there [and saying] ‘Okay. We’ve got an ore body and we can build a mine’ [and] everybody's happy. You have to bring all these various communities together, of like mind, and say ‘Okay. What's the best for society, as a whole?’ You know? We've been pillarized a bit because of what appears to be our position with respect to the First Nations issue in the Caribou. But, what people don't understand is we have 1-, 2-, 3-, or 4 different First Nations agreements, ranging from our Niobium Project in northern BC, to the relationships with First Nations around Gibraltar. And we're working on the relationship with the one on Yellowhead. So, you know, it's just like life. Sometimes you don't get along with your neighbors because your neighbor wants to build a 100-foot fence, and you don't want to have that interfere with your view. So, you know, everybody's got their own opinions at times and you just have to try and work through it to find out what mutually works for everybody.

A: And what are you guys doing there, as far as community relations on the project? Are you guys-- what's kind of the approach? I know, Russ, you guys know this stuff. I mean. There [are] other companies and Alaska doing this. There [are] plenty [of] efforts here. What is a few specifics you can share with the audience?

R: I can't share a lot of specifics because some of the discussions are confidential. But, certainly, the regional communities know the importance of New Prosperity up there. And our ongoing relationships with the Ministry of Mines and the Ministry of Environment and the First Nations Ministry in British Columbia are ongoing. So, things just take time to work through.

A: Right. And you guys are demonstrating that ability through your other operations. So how about the other assets? You mentioned them just a little bit. Harmony and Aley. What is the plan for these assets?

R: A company our size, we can just take on so many opportunities. Harmony is a very different-- south of the archipelago at Haida Gwaii, quite a different First Nations dynamics out there with the Haida. We just have too much on our plate at this time to worry too much about that. So we just keep keeping our claims in good standing. As far as Aley is concerned, it’s the third largest Niobium deposit in the world. We're trying to find an off-take partner. It's very hard on these special metal developments to just say ‘Okay. I'm going to build a mine, and I'm going to sell the product.’ It's not like copper where there's a market. You have to have an end user. So, we have to try and find somebody that would take 50% of our material, and that way we could market the other 50%. So, you have to have almost a take-or-pay arrangement. And there's lots of steel mills in the world. I was just reading the Roskill Report today, where, obviously, niobium consumption has increased dramatically. For any number of reasons. A lot of them have to do with, particularly in China, have to do with the reduction of-- not the total reduction of—steel, but they could make with high-strength low-alloy steels. And [with] niobium you can reduce the amount of steel you have to produce. because one ton of niobium-type steel will replace about two tons of just normal, conventional steel. It's using other hardening and then strengthening product. So, it can have a very-- there could be potentially a huge market out there, Chinese or not, as niobium intensifies. As the more mature economies of Europe, and the United States, in terms of using niobium. But, it will in turn come. So, we just, you know, we're ready in the process. We're doing a big bench test now in making metal. Again, it's not the technical side. We've got a path on the metallurgy now. Because each of these ore bodies is distinct. And you have to work through your metallurgy, you know? Frankly, if you look back 4-5 years we didn't even think it was going to be a mine because the metallurgy was so complex. But, we made some major breaks. So, it takes years to work through these things [and] to come up with the solutions on how you develop concentrate and then how you reduce it into a metal form. And, we have some patents on those and we know that works. So, now we're making metal in the test facility back east. And we'll have a marketable product now. So, we're continuing to work on that and looking for an either a joint venture partner, primarily a steel mill, or some other third party that's prepared to invest in the project. So, we're just pecking along on that, as well.

A: Also a substantial-- a lot of assets, and you've got a lot on your plate are those are those last two Harmony and Aley. Are those two assets, if the right buyer came along and the right deal, are those assets that you guys would like to monetize to focus on the core assets?

R: Yes. We could do that, for sure. And we always evaluate that. But we haven't had many people show interest at this juncture. But that doesn't mean that that's not going to change or change just like that.

A: Tell us about the long-term view of Taseko. Is the company really just going to continue as an operating company and build bigger and bigger, or is there a thought in the back of management's mind about takeover offers? Is that anything that you guys want to do, or you just want to keep being operators?

R: Yeah. Well, you want to be operator, but you also want to have your equity. I mean, I'm a large shareholder in this company, as well as everybody else-- with lots of other folks. And, you know, the shareholders speak with respect to opportunities to sell, you know? Either to be taken over, bought out, or whatever you want to look at. But it's got to be off the base that recognizes the inherent value of the assets not off of the equity in the market. Because everybody says ‘Well, geez. The market is efficient.’ Well. It's not that efficient, as you can see. So, it doesn't seem to be many buyers out there that actually are recognizing it. They'd rather buy the FANG stocks, I guess, or something else. Or Shopify, or something. I don't know. But, you know, yeah. I just have to look. I'm a mining engineer, but I'm pragmatic about the fact that, you know, if this entity isn't a larger company, but it would be good for the employees—yes, probably. But would it be good for the shareholders? Well, not if our equity is trading at 0.2 of our NAV of

Gibraltar, and let alone not having anything to do with any of the other assets that we've worked for the last 15 years to acquire. So, that's it, basically in a nutshell. We're an operator until we're not, I guess.

A: Yes. And there's some tremendous value that's the sitting here in the market. So, I'm struggling to come up with producers in the Taseko peer group with similar market capitalization. Maybe a Copper Mountain. Maybe an Arrow Copper. Why is Taseko superior at these levels? And why should investors get involved now? What would you say to potential investors listening?

R: Well it's a very good question, Andrew, because that's what you have to look at. Everybody we get capsulated into these groups, you know? Copper Mountain. Capstone. Us. Imperial. Arrow is kind of on its own, there, because of their high-quality asset in Brazil, which has kind of taken the market sentiment for a ride, there. And they've done very well. But, if you compare us to those other entities, then I go back and you have to look at the core assets that those folks have in their portfolio of assets. They don't have the quality of assets. They don't have—so, they have no segue on how to move forward in terms of monetizing any of those assets. What? Could we ultimately we get a First Nations agreement on Yellowhead? We know that we have this huge ore body. How much is a 30% asset sale worth, in that kind of context, for a copper project that has, you know, a 750 to 800-million-ton ore body and it's going to produce 3-4 billion pounds of copper over its life. Well. We see what happens, you know? Sumitomo bought into Quebrada Blanca for well over-- close to $2 billion for 30%. And you see it time and time again. Companies-- look at what the Koreans had in Cobra Panama. So, once you have the asset, you have the feasibility study, and you have the agreements with governments and First Nations, and you have the EA. Just think about what you can sell portions of these assets for in a competitive market. You see it all the time. And that, then, gives you the equity to build the mine or do whatever you need to do with respect to increasing shareholder value.

A: Absolutely. I agree. And there's some good stuff coming, in my view. Well, Russell. How can interested investors reach out to the company if they seek more information?

R: There's a lot of information obviously on our websites. Pretty good stuff. Most of the salient information that you need to understand, with respect to reserves and resources. And I think it's good for folks to, you know, compare those. I mean, if you're going to invest in this sort of intermediate market, you got to compare what we have versus what Copper Mountain has versus what Imperial has [versus] 'whoever you want to say' has. I mean, we have the kind of reserves and resources that none of those companies have. And I-- actually, we have some of the reserves and resources that go into larger companies, into the second-tier type category, and just not sort of lower-tier companies like us. So, people have to look at that, and then understand that, and then reach out to Vice President of Investor Relations, Brian Bergot. He's up to speed on all these and he can walk folks [through them], if they're interested on the various projects, and where we're at.

A: Well, Russ. We've covered a lot of ground here. We appreciate you taking the time to share your insights with us about Taseko and really the tremendous opportunity that we have before us. Good luck, and we look forward to having you back for future updates.

R: Well. Thanks very much for your inviting me on, and I really appreciate the questions. They were interesting and well thought-out. And good luck with your program going forward.