ERO COPPER

2017

ANNUAL **REVIEW**

ERO COPPER

Creating an industry leader in low-cost production growth

CONTENTS

Ero Copper at a Glance 01
By the Numbers 03
2017 Highlights 04
Letter From the Chairman 05
CEO Review 07
Improving Our Communities 11
Company Leadership 13
Reserves and Resources 15
MD&A 17
Audited Financial Statements 45

ERO COPPER AT A GLANCE

WORLD CLASS ASSETS

Located in Bahia State, Brazil, the MCSA Mining Complex consists of mineral licenses extending over 100km of the Curaçá Valley. Our producing assets take advantage of high-grade mineralization present in our land package, and the extent of our holdings provides significant opportunity for organic production growth potential through exploration and development.

VISION & CULTURE

Our vision is to create the industry's leading mid-tier copper producer. Our goal to achieve sustainable and organic growth is underpinned by our efforts to create a productive and safe working environment — the hallmarks of a successful organization. In addition, we are fostering a culture aimed at recognizing high-performing individuals and teams within our organization.

ORGANIC GROWTH

Our core assets in Bahia State include 110,000+ hectares of concessions in the Curaçá Valley. Ero is uniquely positioned to capitalize on this land package through aggressive exploration and mine development initiatives. In 2018, US$20 million will be spent on exploration programs including approximately 86,000 meters of exploration drilling and a 24,000 line-kilometer geophysical survey.

MANAGEMENT & OPERATIONS

The MCSA Mining Complex has been in continuous operation for 37+ years. Our operating teams in Brazil have unrivaled local knowledge of the exploration, mining and processing dynamics of the Curaçá Valley. Our people are the most valued asset of the Company.

BY THE NUMBERS

37+ YEARS
of operations in the Curaçá Valley

2,600+ PEOPLE
employees and third-party contractors

110,000+ HECTARES
concessions within the Curaçá Valley

3.2 MILLION TONNES
processing capacity per annum

8.5 MILLION TONNES
mineral reserves at 2.50% Cu

16 EXPLORATION RIGS
currently drilling on site

86,000 METERS
of exploration drilling planned for 2018

24,000 LINE-KILOMETERS
planned geophysical survey in 2018

2017 HIGHLIGHTS

20,133 TONNES
Copper Produced in Concentrate

86.8%
Average metallurgical recovery

$1.45/lb
C1 Cash Costs

1.31% Cu
Average mill head grade

1,717 METERS
Total completed development at new Vermelhos mine

1.8 MILLION TONNES
Ore processed at the Caraiba Mill

FEBRUARY
Full restart of mining and processing operations at Pilar

MAY
Commenced development activity at the new Vermelhos mine

OCTOBER
Completed initial public offering on Toronto Stock Exchange

DECEMBER
Completed US$25.6 million reduction in total consolidated debt

LETTER FROM THE CHAIRMAN

DEAR SHAREHOLDERS,

We are delighted with the Company's performance during 2017 and the outlook for our business going forward. From the acquisition of Mineração Caraíba S.A. in December 2016, the restart of operations in February 2017 through the Company's successful listing on the Toronto Stock Exchange in October and debt repurchase in December, 2017 was a signficant and highly transformative year and I would like to thank you for your support in achieving these milestones.

As we look back on 2017, it is worth noting that much of the transformation and success achieved is a direct result of the ingenuity, hard work and commitment to a shared vision of MCSA held by our Brazilian management team and local operating partners. I am extremely proud of what all of our employees have achieved together over the last 16 months.

We began developing our newest mine, Vermelhos, in May of 2017. Since the first blast, underground development has progressed well ahead of schedule, and we are on track to reach first production from underground operations during the fourth quarter of 2018, a full quarter in advance of previous plans.

As we move into 2018, we are turning our attention towards stabilizing operations and growing the company through continued new mine development and aggresive exploration. With over US$20 million allocated for exploration this year, we are focused on increasing mineral reserves and resources and in-turn, extending mine life.

On the exploration front, we continue to intercept exceptional copper grades at several near-mine expansion targets. I am pleased to say that while our exploration programs undertaken to date have yielded promising results, we believe we are just scratching the surface of the Curaçá Valley's potential.

Ero has been an extraordinary success story so far and we will continue to work towards our goal of becoming the industry's leading mid-tier copper producer. Our entire team is working diligently to ensure that our Company will continue to achieve even greater successes in the months and years ahead.

Noel Dunn

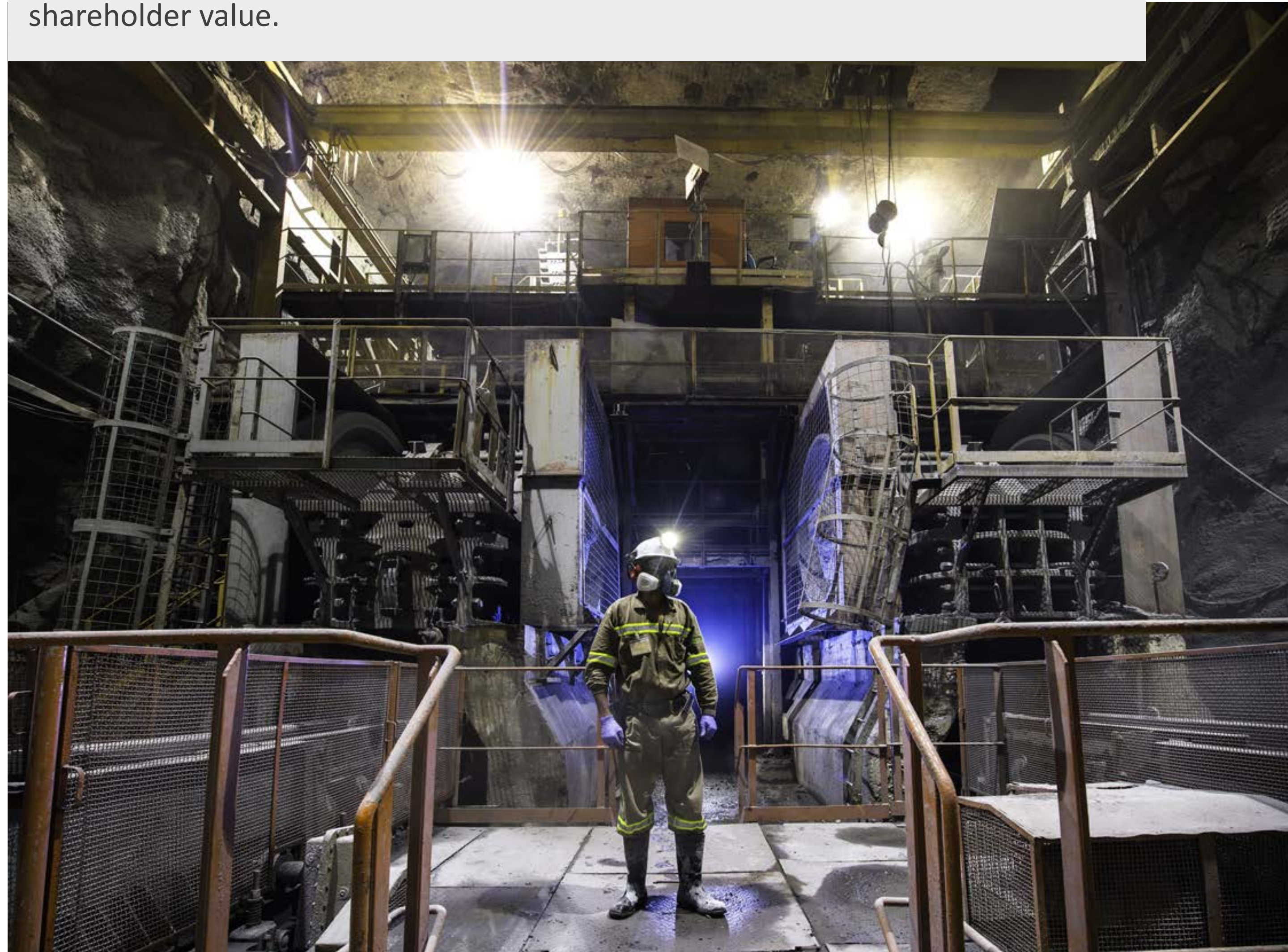
Executive Chairman

May 7, 2018

CEO REVIEW

DEAR SHAREHOLDERS

2017 was a remarkable year for your Company. With many corporate objectives achieved in restarting operations at MCSA, completing the successful initial public offering of the company, and initiating the construction of our new Vermelhos mine, we are transitioning our focus to execute on our business plan and exploration initiatives to extend the operation's life and increase copper production. Our ongoing success is attributable to the quality of our assets and a truly passionate, world class operating team. I am confident that the combination of these two factors will enable us to continue to create and grow shareholder value.



FINANCINGS & IMPROVING BALANCE SHEET

Following the financing and completion of the MCSA acquisition in December of 2016, our team has successfully guided the Company through a safe, and efficient, restart of operations and an acceleration of new mine development and exploration activities. In support of these programs, we completed an initial public offering during the fall of 2017. On October 19th, the Company commenced trading on the Toronto Stock Exchange under the ticker "ERO", issuing a total of 13.5 million shares for total of US$50.9 million, including the over-allotment option (proceeds were subject to a 6% fee payable to the underwriters).

Following the offering, in December 2017 we purchased, at a discount, senior secured notes of MCSA with a face value of US$75.6 million, financed through a US$50.0 million senior secured non-revolving credit facility with the Bank of Nova Scotia. This resulted in a US$25.6 million reduction in total consolidated debt of the Company.

We ended the year, as a result of our corporate initiatives, with a significantly improved net debt position of US$85.9 million.

OPERATIONS

Following full restart of mining and processing operations, our assets performed remarkably well. Total copper production for the year totaled 20,133 tonnes of copper in concentrate at average C1 Cash Costs of US$1.45 per pound of copper. Production exceeded our forecast by 1,100 tonnes of copper.

During 2018 we anticipate our operations will produce between 25,500 and 27,500 tonnes of copper in concentrate at C1 Cash Costs of US$1.30 to US$1.40 per pound of copper. Our guidance for 2018 reflects several optimization projects realized during 2017, including the sustained acceleration of underground development at the Vermelhos Mine.

SAFETY & ENVIRONMENT

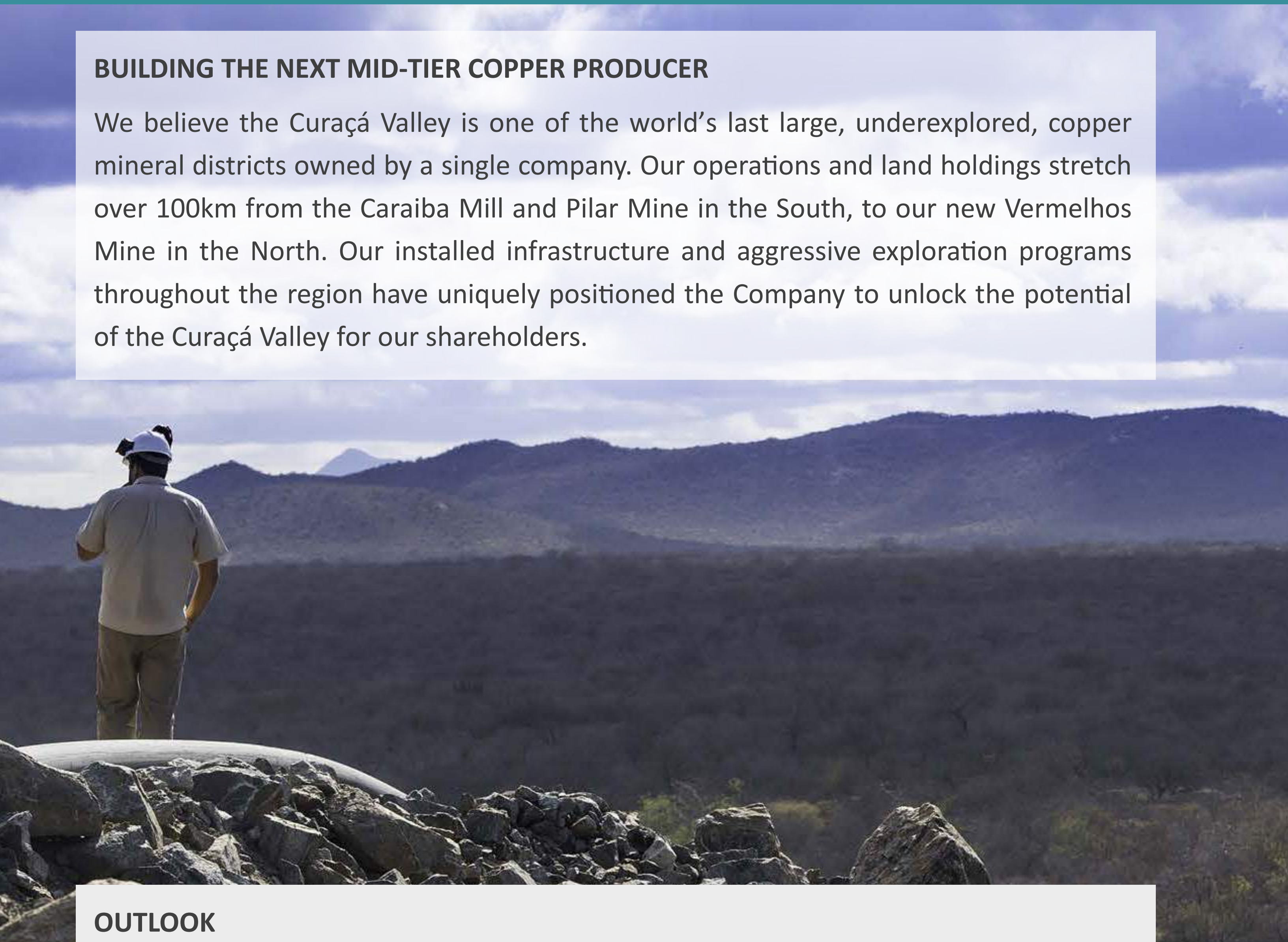
Safety is our core value. We have implemented and grown our programs aimed at risk mitigation, risk assessment and increased our commitment to routine internal audit programs.

During 2017 we had a total of five lost time injuries at our operations and a lost time injury frequency rate of 1.56 for the full year. We are committed to our goal of zero lost time injuries and are working on several additional initiatives to effect this vision.

As it relates to the environment, we are committed to maintaining our outstanding environmental track record. This includes using clean hydroelectric power, as well as initiatives aimed at reducing fresh water consumption through new ways of recycling more water on site. Our operations stretch over 100 kilometers in the Curaçá Valley so we will continue to invest in continuous reclamation programs. These programs are aimed at minimizing our impact to the environment and our local communities and include continued monitoring of fugitive particulates, water discharge, and noise pollution.

Safety is Ero's core value… Our goal is zero lost time injuries

CEO REVIEW CONTINUED



BUILDING THE NEXT MID-TIER COPPER PRODUCER

We believe the Curaçá Valley is one of the world's last large, underexplored, copper mineral districts owned by a single company. Our operations and land holdings stretch over 100km from the Caraiba Mill and Pilar Mine in the South, to our new Vermelhos Mine in the North. Our installed infrastructure and aggressive exploration programs throughout the region have uniquely positioned the Company to unlock the potential of the Curaçá Valley for our shareholders.

OUTLOOK

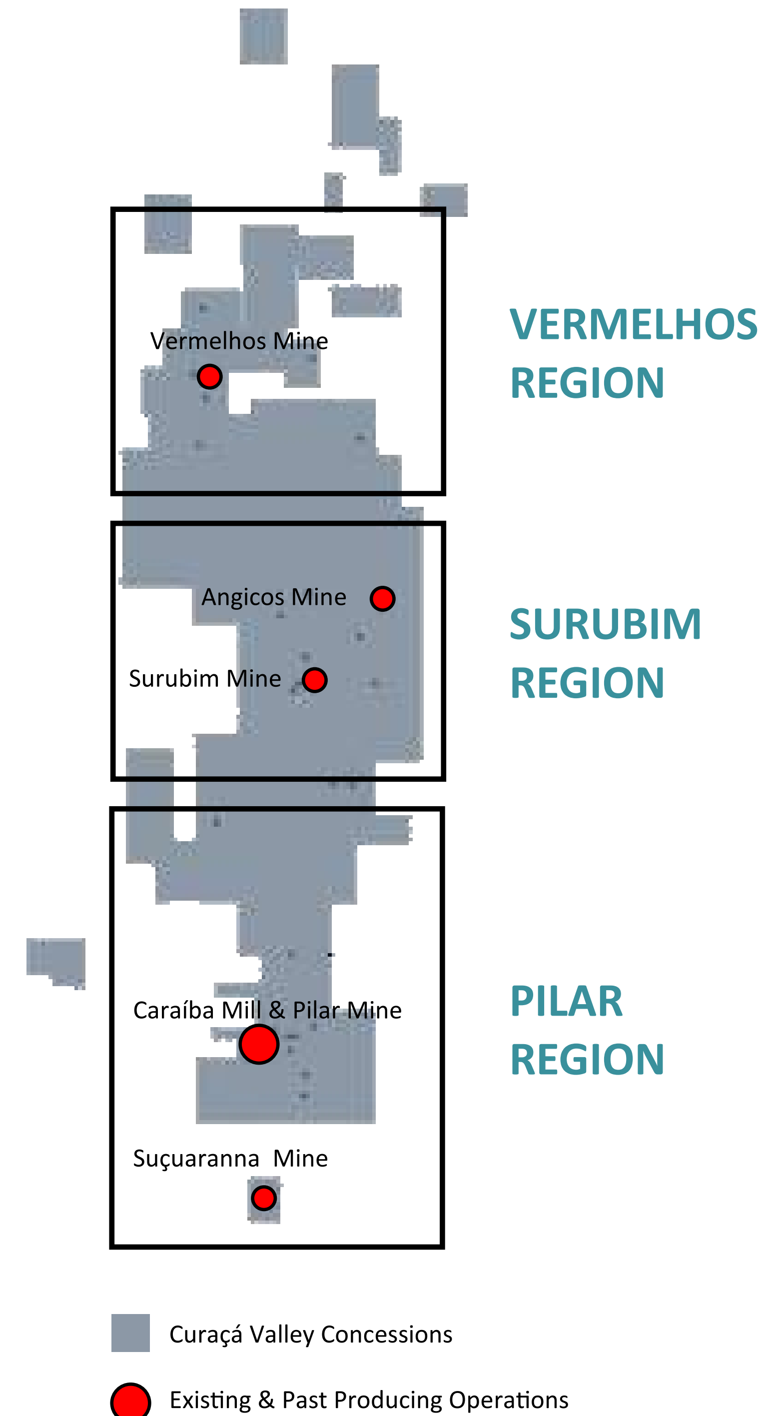
2018 promises to be another transformative year for the Company. We will continue to look at ways to improve our production profile, extend the life of our operations, increase operating efficiencies and continue to strengthen the Company's balance sheet.

This year's exploration program, underpinned by our airborne geophysical survey will help us to focus our efforts on the highest grade and highest return mineral occurrences in the Curaçá Valley.

David Strang

President, CEO, and Director

May 7, 2018



VERMELHOS REGION

SURUBIM REGION

PILAR REGION

NEAR-MINE EXPLORATION

Despite having been in operation for over 37 years, we continue to believe that there is significant exploration potential near, and in some cases adjacent to, our existing mines. Our US$20 million exploration budget for 2018 includes over 80,000 meters of drilling focused on reserve definition and near-mine exploration targets.

At **Vermelhos**, 35,000 meters of drilling will be focused on infill drilling, potential new targets for extension of known ore bodies as well as evaluating oxide resource potential.

At **Surubim**, 7,000 meters of drilling will assess the potential for underground operations below the existing open-pit and new targets in the vicinity of the Surubim and Angicos mines.

At **Pilar**, 39,000 meters of drilling will be focused on increasing reserves and defining new resources. Several exploration targets have been identified to the North, South, and West, and the deposit remains open at depth.

We anticipate the results from the first half of these programs will be reflected in our updated Technical Report and mine plan, which we expect to finalize during the second half of 2018.

DISTRICT EXPLORATION

In addition to the drill programs outlined above, an airborne geophysical survey comprised of gravity and electromagnetic systems will commence during the second quarter of 2018. The survey, one of the largest in the world, has been designed to cover the entirety of our land holdings in the Curaçá Valley – resulting in over 24,000 line -kilometers of survey. The program has been designed to identify high-grade copper mineralization within 200 to 300 meters of surface.

IMPROVING OUR COMMUNITIES

Ero and its subsidiaries are proud to be an integral part of the communities in which we operate. As of December 31, 2017, Ero, its subsidiaries, and contractors employed 2,668 people in Brazil. Through local purchasing and procurement, taxes and royalties, job creation, and commitment to social and sustainability programs we are continuing to make meaningful contributions to Bahia and our local communities. Over the **next five years**, we estimate that the Company's contributions will be:

BAHIA, BRAZIL

BRL $625+ million
in taxes and royalties paid to state and federal agencies

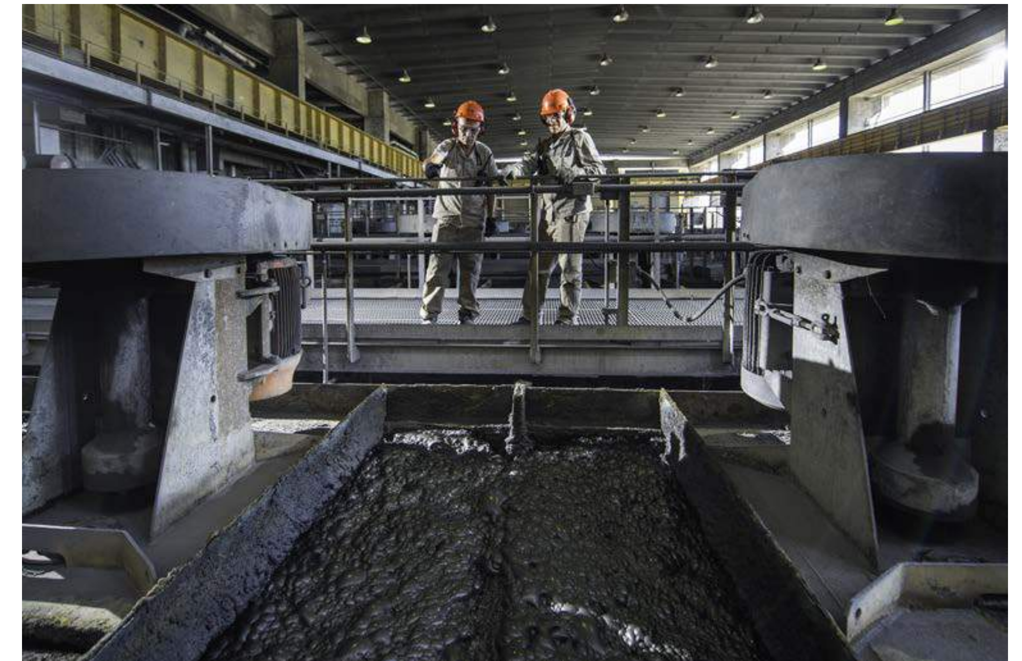
BRL $1.6+ billion
estimated payments to suppliers for services and materials

BRL $2.6+ billion
estimated value of concentrate sold to local Bahian smelter

1,200+ New Direct Jobs
and positions, including local third party contractors

USD $100+ million
spent to-date expanding existing operations

USD $20+ million
committed for regional exploration in 2018 alone



VERMELHOS MINE

USD $50+ million
capital committed for construction

BRL $129+ million
in wages paid to contractors and employees

280+ Direct Jobs
and positions, including local third party contractors

SOCIAL INITIATIVES

Local Cooperatives
encouraging entrepreneurship and sustainable practices

Sustainable Farming
training to improve yields and reduce water consumption

Cultural Projects
preserving local culture and heritage

BOARD OF DIRECTORS

CHRISTOPHER NOEL DUNN Executive Chairman and Director	Mr Dunn co-founded the Company in May 2016 and currently serves as the Executive Chairman and as a director. Mr Dunn has over 25 years of experience in the financial services industry including a number of different capital investment roles. Mr Dunn is a former director of Pan American Silver and Pretivm Resources.
DAVID STRANG President, CEO, and Director	Mr. Strang co-founded the Company in May 2016 and currently serves as the President, Chief Executive Officer and director. Mr. Strang has approximately 20 years of corporate finance experience. Mr. Strang previously served in senior executive roles for all of the Lumina Group of Companies including as Director, CEO and President of Lumina Copper, Lumina Royalty, Global Copper and Lumina Resources. Mr. Strang is also currently a director of Almaden Minerals.
LYLE BRAATEN Director	Mr. Braaten is the President and Chief Executive Officer of Miedzi Copper. He is currently Vice President, Legal and a director of Lumina Gold Corp. Mr. Braaten joined the Lumina Group in 2008 and assisted in the creation of Magma Energy, a green energy company focused on international geothermal energy development. Mr. Braaten received a law degree from the University of British Columbia in 1989 and a Bachelor of Science from the University of Calgary in 1986. Mr. Braaten is a member of the Law Societies of British Columbia and the Yukon.
STEVEN BUSBY Director	Mr. Busby is the Chief Operating Officer of Pan American Silver with over 30 years of experience in the mining industry. As Chief Operating Officer, he is responsible for Pan American's operations, projects, safety, and corporate social responsibility within a large multi mine organization. Mr. Busby previously held positions in a privately owned consulting firm, Coeur d'Alene Mines, Amax Gold, Meridian/FMC Gold, and Nerco Minerals. Mr. Busby holds a Bachelor of Science degree in Mineral Processing Engineering and is a member of the Montana Tech Metallurgical Engineering Department Advisory Board. Mr. Busby is a director of Anfield Gold.
JOHN WRIGHT Director	Mr. Wright is a Metallurgical Engineer with over 35 years of experience in the mining industry. He currently assists Capstone Mining in a Business Development role. Mr. Wright was a co-founder, former President, Chief Operating Officer and director of Pan American Silver. Mr. Wright was also the co-founder of Equinox Resources. Mr. Wright is a former director of Lumina Copper, Northern Peru Copper and Global Copper. He is a director of both Bitterroot Resources and SilverCrest Metals. He is a Member of the Canadian Institute of Mining and Metallurgy and has a P.Eng. designation from the Association of Professional Engineers and Geoscientists of British Columbia.
MATTHEW WUBS Director	Mr. Wubs is the Co-CEO of Westland Insurance Group, one of the largest private insurance brokerage operations in Canada. Westland directly manages over $700 million in premium volume through its brokerage, insurance company and wholesale operations. Mr. Wubs is responsible for oversight of insurance, reinsurance, risk management, finance and M&A. He joined Westland in the role of Controller in 1997. Previous to Westland, he held a consulting role in Management Information Systems at International Forest Products Ltd. and also obtained his Chartered Professional Accountant designation while working at Deloitte LLP.

EXECUTIVE TEAM

CHRISTOPHER NOEL DUNN Executive Chairman and Director	Please refer to the preceding page for Mr. Dunn's complete bio.
DAVID STRANG President, CEO, and Director	Please refer to the preceding page for Mr. Strang's complete bio.
WAYNE DRIER CFO	Mr. Drier is the Chief Financial Officer of the Company. Mr. Drier is a seasoned finance executive with approximately 20 years of corporate finance and capital markets experience within the global mining sector, spanning a wide range of commodities and jurisdictions.
MIKE RICHARD CGO	Mr. Richard is the Chief Geological Officer of the Company. He has 25 years experience in the mining industry specializing in the discovery, evaluation and development of copper, zinc, polymetallic and gold deposits. He was most recently with Lundin Mining as Director of Exploration and New Business, Latin America. Prior to joining the Lundin Group, Mr. Richard served as General Manager for Teck Exploracion Minera Chile.
MAKKO DEFILIPPO VP, CORPORATE DEVELOPMENT	Mr. DeFilippo serves as Vice President, Corporate Development of the Company. He was most recently a Director, Corporate Finance within FTI Consulting's Global Mining Advisory Practice. Prior roles include mining private equity, research and consulting. Mr. DeFilippo holds a M.Sc. in Metallurgical Engineering from the Colorado School of Mines.
DEEPK HUNDAL VP, GENERAL COUNSEL & CORPORATE SECRETARY	Mr. Hundal serves as Vice President, General Counsel and Corporate Secretary of the Company. Previous roles in the sector have included Vice-President, Legal of Elgin Mining Ltd. and Vice-President, Legal and Corporate Secretary of Aura Minerals Inc. Prior thereto, he worked with Fraser Milner Casgrain LLP (now Dentons LLP) and for Borden Ladner Gervais LLP in the areas of corporate and commercial, securities and mining law.
MICHAL ROMANOWSKI VP, EVALUATIONS & PLANNING	Mr. Romanowski serves as Vice President, Evaluations and Planning of the Company. He is specialized in the evaluation and analysis of base metal, precious metal, and industrial mineral projects ranging in stage from exploration to production. Mr. Romanowski holds a Master of Engineering in Mineral Resources and a Bachelor of Science in Geological Engineering, both from the University of Arizona.
JONATHAN SINGH VP, FINANCE	Mr. Singh serves as Vice President, Finance of the Company. Previous roles have included Chief Financial Officer at Aurora Resource Mineral Group of companies (Kaminak Gold Corporation, Kivalliq Energy Corporation, Bluestone Resources Ltd), as well as Corporate Controller for Magma Energy Corp and Silver Standard Resources. Prior thereto, he worked with KPMG LLP and Mackay and Partners Chartered Accountants (now Crowe MacKay) in the areas of tax and audit of public mining companies.
MANOEL VALÉRIO DE BRITO *Co-CEO and COO of MCSA*	Mr. De Brito has served as COO of MCSA since 2014. He previously worked at the MCSA operations from 1984 to 1996 in various capacities including Mine Planning Manager and CSO (Chief of Strategic Office) and held the role of COO previously from 2006 to 2012. Mr. Brito's experience also includes operational and management roles within Votorantim Group from 1997 to 2005.
EDUARDO DE COME *Co-CEO and CFO of MCSA*	Mr. De Come has 30 years of experience in finance management. He has spent the last 15 years working for companies in the commodities sector (biofuels, agribusiness and mining) and has been the CFO of MCSA since 2013.

RESERVES AND RESOURCES

Mineral Reserves: MCSA Mining Complex
Vale do Curaçá, Bahia State Brazil

Deposit	Proven			Probable			Total Proven + Probable		
	Tonnage (kt)	Grade (% Cu)	Copper (kt)	Tonnage (kt)	Grade (% Cu)	Copper (kt)	Tonnage (kt)	Grade (% Cu)	Copper (kt)
Pilar Underground	2,661	1.42%	37.7	3,259	2.27%	74.0	5,921	1.89%	111.7
Vermelhos Underground	1,743	4.84%	84.4	676	2.37%	16.0	2,419	4.15%	100.4
Surubim Open Pit	8	0.54%	0.0	182	0.85%	1.5	191	0.84%	1.6
Total MCSA Complex	**4,413**	**2.77%**	**122.1**	**4,117**	**2.22%**	**91.6**	**8,530**	**2.50%**	**213.7**

Mineral Reserves: Boa Esperança Project
Pará State Brazil

Deposit	Proven			Probable			Total Proven + Probable		
	Tonnage (kt)	Grade (% Cu)	Copper (kt)	Tonnage (kt)	Grade (% Cu)	Copper (kt)	Tonnage (kt)	Grade (% Cu)	Copper (kt)
Boa Esperança	18,528	0.96%	178.1	975	0.72%	7.0	19,503	0.95%	185.1

MCSA Mining Complex Mineral Reserves Notes:

1. Effective Date of December 31, 2017.
2. Mineral Reserves included within stated Mineral Resources. All figures have been rounded to reflect the relative accuracy of the estimates. Summed amounts may not add due to rounding.
3. The Mineral Reserve estimates are prepared in accordance with the CIM Definition Standards on Mineral Resources and Mineral Reserves, and the CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines, using geostatistical and/or classical methods, plus economic and mining parameters appropriate for the deposit. Mineral Reserves are based on a long-term copper price of US$2.75 per pound ("lb"), and a USD:BRL foreign exchange rate of 3.20. Mineral Reserves are the economic portion of the Measured and Indicated Mineral Resources. Mineral Reserve estimates include mining dilution at zero grade. Mining dilution and recovery factors vary for specific reserve sources and are influenced by factors such as deposit type, deposit shape, stope orientation and selected mining method.
4. For additional details, please refer to Ero's filings on www.sedar.com for the Vale do Curaçá Technical Report titled 2017 Updated Mineral Resources and Mineral Reserves Statements of Mineração Caraíba's Vale do Curaçá Mineral Assets, Curaçá Valley, dated September 7, 2017 with an effective date of June 1, 2017, prepared by Rubens Mendonça, MAusIMM, of SRK Brazil, and Porfirio Cabaleiro Rodrigues, MAIG, Mário Conrado Reinhardt, MAIG, Fábio Valério Xavier, MAIG and Bernardo H.C. Viana, MAIG, all of GE21, who are independent qualified persons under NI 43-101.

Boa Esperança Mineral Reserves Notes:

1. Effective Date of December 31, 2017
2. Mineral Reserves included within stated Mineral Resources.
3. Open pit reserves assume full mine recovery.
4. Open pit reserves are diluted along lithological boundaries and assume selective mining unit of 2.5 m x 2.5 m x 5 m.
5. The strip ratio was calculated to be 1.93 (waste to ore).
6. Reserves are based on a price of US$7,000/t LME Cu throughout the life of the mine.
7. Reserves are based on a cut-off grade of 0.28% Cu.
8. Mineral Reserve tonnage and contained metal have been rounded to reflect the accuracy of the estimate. Summed amounts may not add due to rounding.
9. Contained copper is reported as in-situ and does not include process recovery.
10. The Mineral Reserves estimate was calculated by Rubens Mendonça, BSc, MBA, Chartered Professional Member of the AusIMM, Mining Manager of SRK Consultores do Brasil as at the date of the report (currently Director of Planaminas), in accordance with the standards set out in CSA, NI 43-101 and generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines.

Mineral Resources: MCSA Mining Complex
Vale do Curaçá, Bahia State Brazil

Deposit	Measured			Indicated			Total Measured + Indicated			Inferred		
	Tonnage (kt)	Grade (% Cu)	Copper (kt)	Tonnage (kt)	Grade (% Cu)	Copper (kt)	Tonnage (kt)	Grade (% Cu)	Copper (kt)	Tonnage (kt)	Grade (% Cu)	Copper (kt)
Pilar Underground	10,669	1.49%	159.3	6,402	2.66%	170.2	17,071	1.93%	329.5	1,514	2.46%	37.2
Vermelhos Underground	1,341	6.91%	92.7	1,201	2.40%	28.8	2,541	4.78%	121.5	2,189	1.52%	33.3
Surubim Open Pit	13	0.56%	0.1	289	0.94%	2.7	302	0.92%	2.8	79	1.02%	0.8
R22W	306	0.54%	1.7	2	0.79%	0.0	308	0.54%	1.7	-	-	-
Total MCSA Complex	**12,329**	**2.06%**	**253.8**	**7,894**	**2.56%**	**201.7**	**20,222**	**2.25%**	**455.5**	**3,782**	**1.89%**	**71.3**

Mineral Resources: Boa Esperança Project
Pará State Brazil

Deposit	Measured			Indicated			Total Measured + Indicated			Inferred		
	Tonnage (kt)	Grade (% Cu)	Copper (kt)	Tonnage (kt)	Grade (% Cu)	Copper (kt)	Tonnage (kt)	Grade (% Cu)	Copper (kt)	Tonnage (kt)	Grade (% Cu)	Copper (kt)
Sulfide	41,000	0.81%	332.1	26,170	0.62%	162.3	67,170	0.73%	490.3	1,350	0.56%	7.6
Secondary Sulfide	-	-	-	-	-	-	-	-	-	2,050	0.69%	14.1
Total Boa Esperança	**41,000**	**0.81%**	**332.1**	**26,170**	**0.62%**	**162.3**	**67,170**	**0.73%**	**490.3**	**3,400**	**1.88%**	**21.8**

MCSA Mining Complex Mineral Resources Notes:

1. Effective Date of December 31, 2017.
2. Presented Mineral Resources inclusive of Mineral Reserves. All figures have been rounded to reflect the relative accuracy of the estimates. Summed amounts may not add due to rounding.
3. Cut-off value of 0.68% copper for underground resources and 0.18% copper for open pit resources based on 2015 operating costs (last full year of operation).
4. Mineral Resources estimated by ordinary kriging inside varying block sizes by deposit.

Boa Esperança Mineral Resources Notes:

1. Effective Date of December 31, 2017.
2. Presented Mineral Resources inclusive of Mineral Reserves.
3. Mineral Resource tonnage and contained metal have been rounded to reflect the accuracy of the estimate. Summed amounts may not add due to rounding.
4. Resources are stated at a cut-off grade of 0.2% Cu and are fully contained within an optimized pit shell.
5. Resources are based on a copper price of US$4.00/lb.
6. The Mineral Resources estimate was calculated by Rafael Russo Sposito, Senior Geologist of SRK Consultores do Brasil, supervised by SRK Principal Resource Geologist Carlos César Barbosa, in accordance with the standards set out in CSA, NI 43-101 and generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines.
7. For additional details, please refer to Ero's filings on www.sedar.com for the Boa Esperança technical report titled Feasibility Study Technical Report for the Boa Esperança Copper Project, Pará State, Brazil, dated September 7, 2017 with an effective date of June 1, 2017, prepared by Carlos Barbosa, MAusIMM, Rubens Mendonça, MAusIMM, and Giorgio di Tomi MAusIMM of SRK Brazil who are all qualified persons under NI 43-101.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared as at March 28, 2018 for the year ended December 31, 2017. This MD&A should be read in conjunction with the audited consolidated financial statements of Ero Copper Corp. ("Ero" or "the Company") as at, and for the year ended December 31, 2017, and related notes thereto. The Company's audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). All dollar amounts are expressed in US dollars ("US") and tabular amounts are expressed in thousands of US dollars, unless otherwise indicated. References to "$" or "dollars" are to US dollars, references to "C$" are to Canadian dollars and references to "R$" are to Brazilian Reais.

This MD&A contains "forward-looking information" that is subject to risk factors set out in a cautionary note contained at the end of this MD&A. The Company cannot assure investors that such information will prove to be accurate, and actual results and future events may differ materially from those anticipated in such information. The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Investor are cautioned not to place undue reliance on this forward-looking information. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of March 28, 2018, unless otherwise stated.

BUSINESS OVERVIEW

Ero, headquartered in Vancouver, B.C., is a mining company focused on the production and sale of copper from its Vale do Curaçá Property, located in Bahia, Brazil. On October 19, 2017, the Company completed an initial public offering ("IPO") and its common shares became publicly traded on the Toronto Stock Exchange under the symbol "ERO".

The Company's primary asset is a 99.6% interest in the Brazilian copper mining company, Mineração Caraíba S.A. ("MCSA"), 100% owner of the Vale do Curaçá Property with over 37 years of operating history in the region. The Company currently mines copper ore from the Pilar underground and the Surubim open pit mines and is completing the construction of the new high-grade Vermelhos copper mine. In addition to the Vale do Curaçá Property, MCSA owns 100% of the Boa Esperança development project, an IOCG-type copper project located in Pará, Brazil. The Company also owns, directly and indirectly thru MCSA, 97.6% of NX Gold S.A., a small producing gold mine in Mato Grosso State, Brazil.

Additional information on the Company and its operations, including Technical Reports on both the Vale do Curaçá and Boa Esperança properties, can be found on the Company's website (www.erocopper.com) and on SEDAR (www.sedar.com).

HIGHLIGHTS

	3 months ended December 31, 2017	3 months ended December 31, 2016[1]	Year ended December 31, 2017	Period ended December 31, 2016[1]
Operating Information				
Copper (MCSA Operations)				
Ore Processed (tonnes)	452,371	n/a	1,771,209	n/a
Grade (% Cu)	1.36	n/a	1.31	n/a
Cu Production (tonnes)	5,334	n/a	20,133	n/a
Cu Production (lbs)	11,759,857	n/a	44,384,986	n/a
Cu Sold in Concentrate (tonnes)	5,448	n/a	19,719	n/a
Cu Sold in Concentrate (lbs)	12,010,770	n/a	43,472,902	n/a
C1 Cash cost of copper produced (per lb)[2]	1.54	n/a	1.45	n/a
Financial information ($millions, except per share amounts)				
Revenues	$37.8	n/a	$115.4	n/a
Gross profit	$5.8	n/a	$12.9	n/a
EBITDA	$31.4	($2.2)	$52.9	($2.2)
Adjusted EBITDA	$12.0	($5.4)	$28.2	($5.4)
Cash flow from (used in) operations	$11.2	($8.6)	$21.2	($8.7)
Net income (loss) attributable to owners of the Company	$19.5	($2.7)	$22.5	($3.0)
Net income (loss) per share attributable to owners of the Company				
- Basic	$ 0.28	$ (0.19)	$ 0.40	$ (0.44)
- Diluted	$ 0.24	$ (0.19)	$ 0.34	$ (0.44)
Cash and Cash Equivalents	$51.1	$18.3	$51.1	$18.3
Working Capital (Deficit)[2]	$42.6	($129.3)	$42.6	($129.3)
Net Debt[2]	($85.9)	($143.8)	($85.9)	($143.8)

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.
[2] - EBITDA, Adjusted EBITDA, Net Debt, Working capital, and C1 Cash cost of copper produced (per lb) are non-IFRS measures - see page 24 of this MD&A for a discussion of non-IFRS measures.

2017 Annual Highlights

2017 was a highly transformational year for the Company and its shareholders. Notable highlights of 2017 include:

Successful execution of key corporate initiatives

- Completion of the Company's IPO on the Toronto Stock Exchange, raising sufficient funds to effect the Company's growth strategy in the Curaçá Valley.
  - Issued an aggregate of 13.5 million common shares at C$4.75 per common share, for total gross proceeds of approximately $50.9 million including the fully exercised over-allotment option. Proceeds were subject to 6% fee payable to underwriters.
  - Commenced trading under the stock symbol "ERO" on October 19, 2017.

- Reduced consolidated total debt by $25.6 million via the purchase, at a discount, of senior secured notes held by the Company's subsidiary, MCSA, with a face amount of US$75.6 million. The Company financed the purchase with a new $50 million senior secured non-revolving credit facility.

Strong full-year operating & financial performance

- Successful full restart of MCSA's mining and processing operations in February of 2017.
- Mined a total of 1.8 million tonnes of ore grading 1.30% copper, comprised of 804.8 thousand tonnes ("kt") grading 2.16% copper from the Pilar underground mine and 994.8kt grading 0.60% copper from open pit operations.
- Processed a total of 1.8 million tonnes of ore grading 1.31% copper, producing 20,133 tonnes of copper after average metallurgical recoveries of 86.8%.
- Announced accelerated timeline for commissioning the high-grade Vermelhos Mine to fourth quarter of 2018 from the previously forecast start-up during the first quarter of 2019.
    - Completed 1,717 meters of total development at the Vermelhos Mine during 2017, including 841 meters of primary ramp development in support of the accelerated schedule.
- Achieved C1 Cash Costs of $1.45 per lb. of copper generating $52.9 million in EBITDA and $28.2 million in adjusted EBITDA during the twelve month period ended December 31, 2017.
- Total cash flow from operations of $21.2 million and net income attributable to the owners of the Company of $22.5 million ($0.34 per share on a diluted basis).

Significant expansion of exploration efforts

- Staffed and mobilized 13 drill rigs to the Vale do Curaçá Property as of December 31, 2017 in support of our significant and expanding exploration efforts throughout the Curaçá Property (2 additional drill rigs staffed and mobilized to site subsequent to December 31, 2017).

Fourth Quarter Highlights

Strong operating performance

- Mined a total of 444.3 kt of ore grading 1.36% copper, comprised of 225.0 kt grading 2.03% copper from the Pilar underground mine and 219.3kt grading 0.68% copper from the Surubim open pit mine.
- Processed 452.4 kt of ore grading 1.36% copper at average metallurgical recoveries of 86.9%.
- Fourth quarter production of 5,334 tonnes of copper at C1 Cash Costs of $1.54 per lb. of copper generating $31.4 million in EBITDA and $12.0 million in adjusted EBITDA during the period.

Reduction in consolidated total debt

- During the fourth quarter, the Company purchased at a discount senior secured notes of the Company's subsidiary, MCSA, with the face amount of $75.6 million. The Company financed the purchase through a $50 million senior secured non-revolving credit facility with The Bank of Nova Scotia and recognized a $25.6 million reduction in total consolidated debt. Please refer to the Company's press release dated December 21, 2017 for additional information.
- A significantly improved net debt position from the previous year, now $85.9 million as result of the debt repurchase and proceeds from the IPO.

Improving operating cash flows, liquidity and working capital positions

- Cash flow from operations of $11.2 million and net income attributable to the owners of $19.5 million ($0.24 net income per share on a diluted basis).
- Ended the fourth quarter with strong liquidity position of $51.1 million in cash and cash equivalents, $2.2 million in restricted cash and working capital of $42.6 million.

BUSINESS ACQUISITIONS

On December 12, 2016, the Company obtained control of MCSA and NX Gold by acquiring an approximately 85% and a 28% interest therein, respectively (collectively, the "Acquisitions") . Although the Company only acquired an approximately 28% economic interest in NX Gold, by virtue of a shareholders' agreement among the Company and the shareholder vendors of NX Gold, the composition of the board of directors of NX Gold, and the Articles of Incorporation of NX Gold, the Company obtained control over all key operating, financing and investing activities of NX Gold. Accordingly, the Company has consolidated the accounts of NX Gold. Since certain vendors of NX Gold were also vendors of MCSA with respect the Company's acquisitions of interests in NX Gold and MCSA on December 12, 2016, and since such acquisitions were contemplated as part of the same transaction, for accounting purposes, the acquisitions are considered as a single acquisition and have been accounted for as a business combination. The Company's acquisition of MCSA is in line with its strategy to become a leading mid-tier copper producer through organic growth and disciplined acquisitions. The cash consideration paid in connection with the acquisitions was nominal and the Company agreed to assume all of the loans and borrowing and other obligations of MCSA and NX Gold in connection therewith.

As at December 31, 2016, the allocation of the purchase price to the fair value of the assets and liabilities was preliminary. During the year ended December 31, 2017, the Company completed the final purchase price allocation, including the valuation of its mineral resources beyond proven and probable reserves and the assessment of certain deferred tax balances. As a result of the final assessments, certain comparative information as at December 31, 2016 has been recast to reflect the final adjustments. The final purchase price allocation, based on estimated fair value of the identifiable assets acquired and liabilities assumed on December 12, 2016, are as follows:

	Final
Cash and cash equivalents	$ 131
Accounts receivable	90
Inventories	4,939
Other current assets	6,145
Mineral property, plant and equipment	230,482
Exploration and evaluation assets	25,745
Deposits	1,975
Other non-current assets	592
Assets held for sale	24,711
Accounts payable and accrued liabilities	(27,616)
Value added, payroll and other taxes	(34,373)
Loans and borrowings	(160,632)
Provisions	(28,135)
Other non-current liabilities	(928)
Deferred income tax liabilities	(18,415)
Liabilities related to assets held for sale	(24,711)
Net	**$ -**

The majority of the fair value of identifiable assets acquired in respect of NX Gold relate to mineral property, plant and equipment and inventory. The majority of the fair value of identifiable liabilities assumed in respect of NX Gold relate to accounts payable and accruals, loans, borrowings and provisions.

The Company intends to dispose of NX Gold as it is not within its core copper business. Accordingly, the assets and liabilities of NX Gold acquired by the Company are presented as assets held for sale and liabilities related to assets held for sale, and subsequent results of operations as discontinued operations.

Mineral properties were valued using a discounted cash flow model using expected future cash flows to be generated by the mine over its remaining life, based on proven and probable mineral reserves. Copper prices used to estimate revenues ranged from US$2.35 per pound to US$2.90 per pound for the forecast period. The cash flows were discounted using a discount rate of 13.9%. Mineral resources were valued based on identified resources and $0.03 per pound of in situ copper based on market transactions for similar properties.

The fair value of the majority of the plant and equipment was determined using the depreciated replacement cost method which estimates the current replacement costs and adjust this amount for physical depreciation and functional and technological obsolescence. Where an active market was available for certain of these assets, the fair market value of these assets in active markets was used.

The fair value of the exploration and evaluation assets acquired was determined based on the identified mineral resources and $0.03 per pound of in situ copper based on market transactions for similar properties.

The fair value of debt facilities and certain other long term liabilities was estimated using the expected cash flows discounted at market rates of interest for comparable instruments adjusted for the estimated credit risk of MCSA. Such discount rates ranged from 7% – 20% depending on the instrument, the term of the debt, security and other factors. Certain of the creditors of MCSA agreed to split amounts outstanding into Class A and B notes (see note 10 of the Company's December 31, 2017 audited consolidated financial statements) with the Class B notes repayable only if, among other things, the Class A notes are not repaid in accordance with the restructured agreements. On the date of the Acquisitions, the Company expected that, based on estimated cash flows, it would be able to repay the Class A notes and meet the other conditions specified in the restructured agreements and no repayment of the Class B notes would be required. Accordingly, the fair value of the Class B notes was determined to be nil.

As the fair value of the net assets and liabilities acquired was nil, no non-controlling interest resulted on the Acquisitions.

In June 2017, the Company acquired an additional 10,952,276,044 shares of MCSA, increasing its ownership interest in MCSA to 99.5%, by subscribing to shares issued from treasury for $34.3 million. In August 2017, MCSA acquired 1,938,143,830 shares of NX Gold, increasing the Company's direct and indirect ownership interest in NX Gold to 97.6%, by converting their intercompany loans into common shares. In December 2017, the Company acquired an additional 2,496,041,356 shares of MCSA, increasing its ownership interest in MCSA to 99.6%, by subscribing to shares issued from treasury for $22.6 million.

REVIEW OF OPERATIONS

Mineração Caraíba S.A.

– Vale do Curaça Property, Brazil:

	3 months ended December 31, 2017	3 months ended December 31, 2016[1]	Year ended December 31, 2017	Period ended December 31, 2016[1]
Operating Information				
Copper (MCSA Operations)				
Ore Processed (tonnes)	452,371	n/a	1,771,209	n/a
Grade (% Cu)	1.36	n/a	1.31	n/a
Cu Production (tonnes)	5,334	n/a	20,133	n/a
Cu Production (lbs)	11,759,857	n/a	44,384,986	n/a
Concentrate Grade (% Cu)	35.2	n/a	35.2	n/a
Recovery (%)	86.9	n/a	86.8	n/a
Concentrate Sales (tonnes)	15,577	n/a	56,341	n/a
Cu Sold in Concentrate (tonnes)	5,448	n/a	19,719	n/a
Cu Sold in Concentrate (lbs)	12,010,770	n/a	43,472,902	n/a
C1 Cash cost of copper produced (per lb)[2]	1.54	n/a	1.45	n/a

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.

[2] - C1 Cash cost of copper produced (per lb) is a non-IFRS measure - see page 24 of this MD&A for a discussion of non-IFRS measures.

Operational Update

At the Vale do Curaçá Property, within the Pilar District, the Pilar Mine has continued to outperform production expectations during the three and twelve-month periods ended December 31, 2017. Copper production for the three and twelve-month periods ended December 31, 2017 were 5,334 and 20,133 tonnes at C1 cash costs of copper produced of $1.54 and $1.45 per lb., respectively. The Company exceeded its 2017 production forecasts by over 1,100 tonnes of copper while keeping costs largely in-line with expectations after accounting for additional open pit material (reducing blended mill grade) and fluctuations in local currencies. Fourth quarter results reflect the third full quarter of production as the mine was re-commissioned during the first quarter of 2017 and only recorded first production in February 2017 (not a full three months).

In the Vermelhos District, also within the Curaçá Property, the development rate of the Vermelhos Mine continued to outpace previously envisioned timelines. Total development during the three-month period ended December 31, 2017 was 821 meters consisting of 306 meters of primary ramp development, 445 meters of secondary development and 71 meters of auxiliary ramp development accessing the UG1 Target. Development has been completed to the top of the first production level of the main Vermelhos ore body. Key milestones remaining prior to first production, consisting predominately of: release of the mining licence, road construction, completion of surface infrastructure and equipment delivery for purchased equipment are all anticipated prior to the fourth quarter of 2018

Exploration drilling throughout 2017 has predominately been focused on known extensions of mineralization within the three primary mineral districts of the Curaçá Valley of Pilar, Surubim and Vermelhos. At the Pilar District, drilling is focused on delineating additional mineral resources within the Deepening Extension and evaluating exploration targets to the north and northwest of current underground mine (the “North Extension”) where several significant intercepts, including a new discovery highlighted by the recently announced intercept

of 43.1 meters grading 1.70% copper including 19.0 meters at 2.49% copper. The newly discovered zone is in close proximity to the current reserves and scheduled mining area of P1P2NE. Drilling at the Surubim district, located approximately 40 kilometers to the north of the Caraíba mill complex and which includes the Surubim open pit mine, is focused on infill and extension drilling adjacent to the Surubim mine.

Exploration activities at the Vermelhos district, located approximately 80 kilometers to the north of the Caraíba mill complex and comprises the high-grade Vermelhos mine currently under construction, is currently focused on upgrading mineral resources and definition drilling for mine planning as well as evaluating copper oxide potential of the district. Infill drilling of the Vermelhos mine has continued to confirm the high-grade nature of the mineral resources with several significant results including 15.8 meters grading 8.84% copper. As the infill drill program of the Vermelhos mine nears completion, drilling will refocus towards exploration of new targets to the immediate east and west of the known mineral resources and reserves as well as down dip extensions of the main Vermelhos ore bodies to the north.

The Company is in the process of initiating a 24,000 line-kilometer airborne geophysical survey of the Curaçá Valley targeting high-grade mineralization. The survey, comprising both electromagnetic and gravity systems, is expected to begin during the first quarter of 2018 and be completed within approximately four months. Data processing will begin with the start of the program.

Please refer to the Company's press releases dated November 9, 2017 and February 22, 2018 for additional information related to the exploration activities of the Company.

Financial Update

During the fourth quarter the Company completed an initial public offering of its common shares, pursuant to which it issued an aggregate of 13,492,317 common shares (including 3,492,317 common shares issued in connection with the full exercise of the over-allotment option by the underwriters of the initial public offering) at C$4.75 per common share, for total gross proceeds of approximately $50.9 million. A fee equal to 6% of the gross proceeds of the initial public offering was paid to the underwriters and other transaction costs were approximately $2.1 million. In addition, a total of 9,116,338 warrants were exercised for an equivalent number of common shares at $1.20 per common share for gross proceeds of $10.9 million during the quarter.

During the fourth quarter, the Company purchased at a discount senior secured notes held by the Company's subsidiary, MCSA, with the face amount of $75.6 million. The Company financed the purchase through a $50 million senior secured non-revolving credit facility with The Bank of Nova Scotia and recognized a $25.6 million reduction in total consolidated debt. Please refer to the Company's press release dated December 21, 2017 for additional information.

Subsequent to December 31, 2017 the Company issued a redemption notice for the $2.75 million convertible notes that were outstanding at year-end. All of the noteholders elected to convert into common shares, resulting in the issuance of 4,059,450 common shares. In addition, 1,014,861 warrants were issued as a result of the conversion and these were exercised for an equivalent number of common shares at $1.20 per common share for gross proceeds of $1.2 million.

2018 Outlook

The Company's production, cash cost and capital expenditure guidance for 2018 is outlined below and detailed in the Company's press release dated January 9, 2018.

	2018[1]
Tonnes Processed Sulphides	2,000,000
Copper Grade (% Cu)	1.50%
Copper Recovery (%)	86.0%
Cu Production Guidance (tonnes)	**25,500 – 27,500**
C1 Cash Cost Guidance (US$/lb)[2]	**$1.30 – $1.40**

Footnotes:

[1] - Guidance is based on certain estimates and assumptions, including but not limited to, mineral reserve estimates, grade and continuity of interpreted geological formations and metallurgical performance. Please refer to the Company's SEDAR filings for complete risk factors.

[2] - C1 Cash Costs of copper produced (per lb.) is a non-IFRS measures – see page 24 of this MD&A for a discussion of non-IFRS measures.

Production for the year is heavily weighted towards the second half of the year in part due to the commissioning of the Vermelhos Mine, currently anticipated during the fourth quarter, as well as Pilar and Surubim mine sequencing. Cash cost guidance for 2018 assumes a USD:BRL foreign exchange rate of 3.20, gold price of US$1,250 per ounce and silver price of US$17.50 per ounce. C1 Cash Cost guidance has been updated to include treatment and refining charges ("TC/RCs"), offsite transportation costs and certain tax benefits that are passed through to customers on invoicing. These adjustments were not included in prior C1 Cash Cost disclosure.

The Company's capital expenditure guidance for 2018 reflect the acceleration of the Vermelhos mine and a significant expansion of the Company's 2017 exploration programs. Additional investments in the Pilar underground mine and supporting infrastructure are being made during 2018 in preparation for a longer mine life than previously envisioned.

($US millions)	**2018**
Pilar Mine	$39.0
Vermelhos	36.0
Exploration & Drilling [1]	20.0
Boa Esperança	1.0
Capital Expenditure Guidance	**$96.0**

Footnotes:

[1] - Exploration & drilling capital expenditure guidance is dependent, in part, on future exploration success and subject to further review and revision

Boa Esperança, Brazil

While no significant expenditures were incurred related to the advancement of the Boa Esperança property during 2017 beyond maintaining permits and licenses in good standing, a full review of the feasibility study is currently being performed with a goal of significantly extending the mine life and increasing copper production among other desktop optimization initiatives.

NX Gold S/A, Brazil

The NX Gold Property, located in Mato Grosso State, Brazil, is comprised of a single mining concession and various exploration concessions from which the Company currently produces gold. The Company intends to dispose of its interest in NX Gold in the next year as it is not within its core copper business. Accordingly, the assets and liabilities of NX Gold are classified as assets and liabilities held for sale.

REVIEW OF FINANCIAL RESULTS

The following table provides a summary of the financial results of the Company for the year ended December 31, 2017 and for the period from incorporation on May 16, 2016 to December 31, 2016. Tabular amounts are in thousands of US dollars, except share and per share amounts.

	Notes	Year ended December 31, 2017	Period ended December 31, 2016[1]
Revenue	1	$ 115,445	$ -
Cost of product sold	2	(100,282)	-
Sales expenses		(2,218)	-
Gross profit		**12,945**	-
Expenses			
General and administrative	3	(20,505)	(1,844)
Care and maintenance	4	-	(3,687)
Loss before the understated		**(7,560)**	**(5,531)**
Other income (expenses)			
Finance income		2,080	37
Finance expense	5	(18,988)	(1,409)
Foreign exchange gain (loss)	6	(4,101)	3,258
Gain on debt settlement	7	28,727	-
Other income		1,788	137
Loss before income taxes		**1,946**	(3,508)
Income tax recovery			
Current income tax		(269)	-
Deferred income tax recovery	8	16,614	121
Net income (loss) from continuing operations		**18,291**	(3,387)
Loss from discontinued operations	9	(807)	(65)
Net income (loss) for the period		**17,484**	(3,452)
Other comprehensive income (loss)			
Foreign currency translation gain (loss)		(973)	8
Comprehensive income (loss)		**$ 16,511**	$ (3,444)
Net income (loss) attributable to:			
Owners of the Company		22,466	(3,046)
Non-controlling interests		(4,982)	(406)
		$ 17,484	$ (3,452)
Comprehensive income (loss) attributable to:			
Owners of the Company		21,497	(3,039)
Non-controlling interests		(4,986)	(405)
		$ 16,511	$ (3,444)
Income (loss) per share attributable to owners of the Company			
Income (loss) per share from continuing operations			
Basic		$ 0.36	$ (0.44)
Diluted		$ 0.31	$ (0.44)
Income per share from discontinued operations			
Basic		$ 0.04	$ -
Diluted		$ 0.03	$ -
Net income (loss) per share			
Basic		$ 0.40	$ (0.44)
Diluted		$ 0.34	$ (0.44)
Weighted average number of common shares outstanding			
Basic		56,252,358	6,932,086
Diluted		66,003,387	6,932,086

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

Notes:

1. Revenues for the year ended December 31, 2017 include the sale of 19,719 copper tonnes in concentrate. Sales commenced in February 2017.
2. Costs of product sold for the year ended December 31, 2017 includes $32.7 million in depreciation and depletion, $28.7 million in salaries and benefits, $11.7 million in contractor services, $11.7 million in materials and consumables, $8.3 million in maintenance costs, $6.5 million in utilities costs, and $0.7 million in other costs.
3. General and administrative expenses for the year ended December 31, 2017 include $14.1 million with respect to MCSA, and $6.4 million with respect to the corporate head office in Vancouver. Costs at MCSA primarily comprised of $3.0 million in salaries, $2.0 million in professional fees, $4.4 million in office and sundry costs and $4.8 million in regards to provisions for legal, tax and labour claims. Corporate head office costs are primarily comprised of $4.3 million in salaries, short term cash incentives and share based compensation, $0.7 million in professional fees and $0.8 million in travel and conferences, and $0.5 million in office and sundry costs.
4. In the comparative period the Company incurred $3.7 million in care and maintenance expenses associated with MCSA's mining operations from the date of acquisition to December 31, 2016. Mining re-commenced in the first quarter of 2017.
5. Finance expense for the year ended December 31, 2017 include $18.1 million with respect to MCSA, and $0.9 million with respect to the corporate head office in Vancouver. MCSA costs are primarily comprised of interest on loans and borrowings of $14.4 million, accretion of purchase price adjustments to the fair value of certain liabilities and accretion of mine closure and rehabilitation provision of $2.7 million, and $1.0 million of other finance related costs. Corporate head office costs consisted of $0.7 million on financing fees, and $0.2 million of interest on loan. Finance expenses for the comparative period was $1.4 million, reflecting less then one months interest.
6. The foreign exchange loss is primarily associated with US dollar denominated loans and borrowing in MCSA, where the functional currency is the Brazilian Real. For the year ended December 31, 2017, the loss was $4.1 million, whereas in the comparative period a gain of $3.3 million was recorded.
7. The gain on settlement of debt for the quarter ended December 2017, resulted when a Canadian financial institution purchased certain of MCSA's secured bank loans with a total carrying value of $76.3 million. The Company then entered into an arrangement with the Canadian financial institution whereby the Company acquired the rights to any and all payments of interest and principal that MCSA makes to the Canadian financial institution over the term of the loans acquired by the Canadian financial institution. These rights that the Company acquired constitute settlement of certain of MCSA's secured bank loans. The Company acquired these rights for $47.6 million, resulting in a gain on debt settlement of $28.7 million.
8. The deferred income tax recovery of $16.6 million is primarily the result of a tax amnesty program in Brazil that MCSA gained approval to participate in which allowed MCSA to offset part of certain previous accrued taxes payable with the use of non-capital loss carry-forward balances. As the income tax loss carry forwards utilized were not previously recognized, the Company recognized a deferred tax recovery of $16.2 million in the year related to the losses used.
9. Loss from discontinued operations for the year ended December 31, 2017 was $0.8 million from NX Gold, compared to a loss of $0.1 million in the prior year.

The following table provides a summary of the financial results of the Company for the three-month periods ended December 31, 2017 and 2016. Tabular amounts are in thousands of US dollars, except share and per share amounts.

	Three Months ended December 31, 2017		Three Months ended December 31, 2016
Revenue	$ 37,818	(1)	$ -
Cost of goods sold	(31,453)	(2)	-
Sales expenses	(583)		-
Gross Profit	**5,782**		**-**
Expenses			
General and administrative	(9,044)	(3)	(1,502)
Care and maintenance	-		(3,687)
Loss before the understated	(3,262)		(5,189)
Other income (expenses)			
Finance income	696		37
Finance expense	(1,743)	(4)	(1,409)
Foreign exchange	(9,292)	(5)	3,258
Gain on debt settlement	28,727	(6)	-
Other income	416		137
Income (loss) before income taxes	**15,542**		(3,166)
Current income tax	(269)		-
Deferred income tax recovery	862		121
Net income (loss) from continuing operations	16,135		(3,045)
Income (loss) from discontinued operations	3,346	(7)	(65)
Net Income (loss) for the period	**$ 19,481**		$ (3,110)
Net Income (loss) attributable:			
Owners of the Company	**$ 19,539**		$ (2,704)
Non-controlling interests	**(58)**		(406)
	$ 19,481		$ (3,110)
Loss per share attributable to owners of the Company			
Income (loss) per share from continuing operations			
Basic	**$ 0.23**		$ (0.19)
Diluted	**$ 0.20**		$ (0.19)
Income per share from discontinued operations			
Basic	**$ 0.05**		$ -
Diluted	**$ 0.05**		$ -
Net Income (loss) per share			
Basic	**$ 0.28**		$ (0.19)
Diluted	**$ 0.24**		$ (0.19)
Weighted average number of common shares outstanding			
Basic	**70,929,120**		14,211,385
Diluted	**81,448,095**		14,211,385
Cash and cash equivalents	**$ 51,098**		**$ 18,318**
Total assets	**$ 381,343**		**$ 319,035**
Non-current liabilities	**$ 196,265**		**$ 110,905**

Notes:

1. Revenues for the quarter ended December 31, 2017 include the sale of 5,448 copper tonnes in concentrate.
2. Costs of goods sold for the quarter ended December 31, 2017 includes $10.8 million in depreciation and depletion, $8.7 million in salaries and benefits, $3.7 million in contractor services, $3.6 million in materials and consumables, $3.0 million in maintenance costs, $2.0 million in utilities, and $0.2 in other costs.
3. General and administrative expenses for the quarter ended December 31, 2017 include $5.7 million with respect to MCSA for salaries, professional fees, office and sundry and provisions for tax, legal and labour claims, and $3.3 million with respect to the corporate head office in Vancouver. Corporate head office costs are primarily comprised of $2.5 million in salaries, short term cash incentives and share based compensation, $0.2 million in professional fees, $0.3 million in office and sundry costs and $0.2 million in travel-related costs.
4. Finance expense for the quarter ended December 31, 2017 was $1.7 million and is primarily comprised of interest on loans and borrowings.
5. The foreign exchange loss is primarily associated with US dollar-denominated loans and borrowings in MCSA, where the functional currency is the Brazilian Real. For the three months ended December 31, 2017, the loss was $9.3 million which is the result of the strengthing of the US dollar relative to the Brazilian Real in the quarter.
6. The gain on settlement of debt for the quarter ended December 2017, resulted when a Canadian financial institution purchased certain of MCSA's secured bank loans with a total carrying value of $76.3 million. The Company then entered into an arrangement with the Canadian financial institution whereby the Company acquired the rights to any and all payments of interest and principal that MCSA makes to the Canadian financial institution over the term of the loans acquired by the Canadian financial institution. These rights that the Company acquired constitute settlement of certain of MCSA's secured bank loans. The Company acquired these rights for $47.6 million, resulting in a gain on debt settlement of $28.7 million.
7. Income from discontinued operations in the quarter ended December 31, 2017 of $3.3 million is from NX Gold.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for each of the most recent eight quarters. Tabular amounts are in millions of US Dollars, except share and per share amounts.

	2017				2016			
Selected Financial Information	Dec 31 (1)	Sept 30 (2)	June 30 (3)	March 31 (4)	Dec 31 (5)	Sep 30 (6)	Jun 30 (6)	March 31 (6)
Revenue	$ 37.8	$ 33.0	$ 32.5	$ 12.1	n/a	n/a	n/a	n/a
Cost of sales	$ (31.5)	$ (26.6)	$ (27.2)	$ (14.7)	n/a	n/a	n/a	n/a
Gross profit (loss)	$ 5.8	$ 5.5	$ 4.4	$ (2.8)	n/a	n/a	n/a	n/a
Net income (loss) from continuing operations	$ 16.1	$ 18.7	$ 5.2	$ (21.8)	$ (3.0)	$ (0.2)	$ (0.1)	n/a
Net income (loss) from discontinued operations	$ 3.3	$ (0.9)	$ (1.6)	$ (1.6)	$ (0.1)	$ -	$ -	n/a
Net income (loss) for period	$ 19.5	$ 17.8	$ 3.6	$ (23.4)	$ (3.1)	$ (0.2)	$ (0.1)	n/a
Income (loss) per share from continuing operations attributable to owners of the Company								
- Basic	$ 0.23	$ 0.33	$ 0.08	$ (0.48)	$ (0.19)	$ (0.08)	$ (53,500)	n/a
- Diluted	$ 0.20	$ 0.29	$ 0.07	$ (0.48)	$ (0.19)	$ (0.08)	$ (53,500)	n/a
Income (loss) per share attributable to owners of the Company								
- Basic	$ 0.28	$ 0.32	$ 0.07	$ (0.49)	$ (0.19)	$ (0.08)	$ (53,500)	n/a
- Diluted	$ 0.24	$ 0.29	$ 0.06	$ (0.49)	$ (0.19)	$ (0.08)	$ (53,500)	n/a
Weighted average number of common shares outstanding	70,929,120	56,772,684	56,772,684	40,191,450	14,211,385	3,043,480	2	n/a

1. During the three month period ended December 31, 2017, the Company experienced gross profit of approximately $5.8 million from mining operations. MCSA experienced their third straight full quarter of concentrate sales from operations. Net income from continuing operations for the period was $16.1 million, which included the gross profit of $5.8 million, a $28.7 million gain on the successful settlement of certain MCSA debt balances, and $0.6

million on net income tax recovery. These income items where partially offset by $9.3 million in foreign exchange loss on US dollar denominated debt as the US dollar strengthened compared to the Brazilian Real, $1.7 million of finance expense, and $9.0 million in general and administrative expenses.

2. During the three month period ended September 30, 2017, the Company experienced gross profit of approximately $5.5 million from mining operations. MCSA experienced a second full quarter of concentrate sales as operations continued to ramp up. Net income from continuing operations for the period was $18.7 million, which included the gross profit of $5.5 million, $6.9 million in foreign exchange gains on US dollar denominated debt as the US dollar weakened compared to the Brazilian Real, and a $15.0 million deferred income tax recovery primarily resulting from receipt of approval of MCSA's inclusion in a tax amnesty program previously discussed in this MD&A. These income items were partially offset by $5.8 million of finance expense and $4.0 million in general and administrative expenses.
3. During the three month period ended June 30, 2017, the Company experienced gross profit of approximately $4.4 million from mining operations. MCSA experienced a full quarter of concentrate sales as operations continue to ramp up. Net income from continuing operations for the period was $5.2 million, which included the gross profit of $4.4 million and $8.3 million in foreign exchange gains on US dollar denominated debt as the US dollar weakened compared to the Brazilian Real, and a $0.8 million deferred income tax recovery partially offset by $6.7 million of finance expense and $2.5 million in general and administrative expenses.
4. During the three month period ended March 31, 2017, the Company experienced a loss of approximately $2.8 million from mining operations. MCSA's operations at its Vale do Curaçá Property resumed in January of 2017 but sales of copper concentrate sales did not commence until the latter portion of February 2017. Net loss from continuing operations for the period was $21.8 million, which included the $2.8 million loss from mining operations, $6.7 million of finance expense, $10.4 million foreign exchange loss on US dollar denominated debt as the US dollar strengthened compared to the Brazilian Real, and $4.3 million in general and administrative expenses, partially offset by $2.6 million in finance and other income.
5. On December 12, 2016, the Company acquired an approximate 85% interest in MCSA and an approximate 28% interest in NX Gold. In connection with such acquisitions, MCSA and NX Gold withdrew from judicial reorganization proceedings. The loss for the quarter ended December 31, 2016 includes $2.4 million associated with MCSA from the date of acquisition.
6. The Company was incorporated on May 16, 2016, and consequently, did not have any operations prior to such time.

LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

Liquidity

As at December 31, 2017, the Company held cash and cash equivalents of $51.1 million. Cash and cash equivalents are primarily comprised of cash held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of three months or less. The funds are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

Cash and cash equivalents increased by $32.8 million during the financial year ended December 31, 2017. The Company's cash flows from operating, investing and financing activities during the year are summarized as follows:

- Cash flows from financing activities of approximately $72.3 million, including:
    - $83.7 million proceeds from issuance of share capital;
    - $47.8 million proceeds from new loans and borrowings, net of finance costs; and
    - $2.8 million net proceeds on issuance of convertible debentures,

  net of:
    - $47.3 million on purchase of participation agreement;
    - $8.9 million on repayment on loans and borrowings and associated interest;
    - $3.2 million of other finance related costs; and
    - $2.2 million move to restricted cash

- Cash from operating activities of $21.2 million;

Offset by:

- Cash used in investing activities of $62.3 million, principally related to additions to mineral property, plant and equipment;

As at December 31, 2017, the Company had a working capital surplus of $42.6 million. During the year ended December 31, 2017, the Company raised gross proceeds of approximately $30.4 million by way of a private placement offering of an aggregate principal amount of $2.75 million of convertible debentures and a private placement offering of common shares for gross proceeds of approximately $27.6 million. In addition, the Company issued 13,492,317 common shares at C$4.75 per common share (the "Treasury Offering") pursuant to the IPO for total gross proceeds of approximately $50.9 million. A fee equal to 6% of the gross proceeds of the offering was paid to underwriters and related transaction costs were approximately $2.1 million. 9,116,338 warrants with an exercise price of $1.20 per common share were exercised for an equivalent number of common shares for gross proceeds of $10.9 million.

The Company does not expect to have any issues with respect to its ability to service its debt obligations. The Company has restructured its core debt such that there are no significant principal repayments in the next 12 months, at which time the Company anticipates that the Vermelhos Mine will have reached commercial production. The restructured debt repayment obligations are repayable over an eight-year period commencing at the earliest of the date of commercial production at the Vermelhos Mine or, at the latest, 29 months following the signing of its restructured loan agreements (May 2019). The Company expects, based on estimated cash flows, that the risk to the Company of being unable to service its debt obligations is largely limited to a significant drop in the underlying commodity price and certain other factors that may cause a delay with respect to the commencement of commercial production at the Vermelhos Mine.

With the net proceeds from the Treasury Offering and the warrant exercise added to the Company's estimated future cash flows, the Company will have adequate ability to service its ongoing obligations and cover anticipated development, exploration, and corporate costs associated with its existing operations for the next 12 months.

Capital Resources

The Company's primary sources of capital resources are comprised of cash and cash equivalents and debt facilities. The Company will continuously monitor its capital structure and, based on changes in operations and economic conditions, may adjust such structure by issuing new common shares or new debt as necessary. While the Company has been successful in securing financing to date, there are no guarantees that it will be able to secure such financing in the future on terms acceptable to the Company, if at all. As noted above, management believes that following the October 2017 Treasury Offering, the Company has sufficient working capital to maintain its planned operations and activities for the next fiscal year.

Certain loan agreements contain operating and financial covenants that could restrict the ability of the Company and its subsidiary, MCSA, to, among other things, incur additional indebtedness needed to fund its respective operations, pay dividends or make other distributions, make investments, create liens, sell or transfer assets or enter into transactions with affiliates. There are no other restrictions or externally imposed capital requirements of the Company.

Contractual Obligations and Commitments

As at December 31, 2017, the Company's contractual obligations and commitments are summarized as follows:

The Company has entered into agreements for the rental of office space that require minimum payments as follows:

2018	$	68
2019		70
2020		71
2021		71
2022		30
Total Commitments	**$**	**310**

MANAGEMENT OF RISKS AND UNCERTAINTIES

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, commodity price risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board.

(a) Management of financial risks

The Company is exposed to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

Credit risk

Credit risk is the risk of the Company incurring losses from a financial instrument arising from a counterparty's failure to comply with its contractual obligations.

With regards to the financial investments, the Company aims to invest cash and cash equivalents with financial institutions that are financially sound based on their credit ratings.

The carrying value of the financial assets below represents the maximum credit risk exposure as at December 31, 2017 and 2016:

		December 31, 2017		December 31, 2016
Cash and cash equivalents	**$**	**51,098**	$	18,318
Restricted cash		**2,193**	$	-
Accounts receivable		**2,217**		76
Deposits		**1,955**		2,021
Financal investments		**753**		598
	$	**58,216**	$	21,013

The Company invests cash and cash equivalents and restricted cash with financial institutions that are financially sound based on their credit rating. The Company's exposure to credit risk associated with accounts receivable is influenced mainly by the individual characteristics of each customer. The Company currently has only two customers, one of which is considered low risk as it is one of the largest independent commodity trading companies in the world. To limit its exposure to credit risk from the other customer, the Company established a credit term of payment due one day after delivery of goods. The Company has not incurred a significant credit loss during the year ended December 31, 2017 nor does it have an allowance for doubtful accounts.

Liquidity risk

Liquidity risk is the risk associated with the difficulties that the Company may have meeting the obligations associated with financial liabilities that are settled with cash payments or with another financial asset. The Company's approach to liquidity risk management is to ensure as much as possible that sufficient liquidity exists to meet its maturity obligations on the expiration dates, under normal and stressful conditions, without causing unacceptable losses or with the risk of undermining the normal operation of the Company.

The table below shows the Company's maturity of financial liabilities as at December 31, 2017:

Non-derivative Financial Liabilities	**Carrying value**	**Contractual cash flows**	**Up to 12 months**	**1-2 years**	**3-5 years**	**More than 5 years**
Loans and borrowings	$ 139,166	$ 145,687	$ 5,601	$ 26,938	$ 70,865	$ 42,283
Interest on loans and borrowings	-	53,278	11,931	12,616	21,518	7,213
Accounts payable and accrued liabilities	20,968	20,968	20,968	-	-	-
Value added, payroll and other taxes	21,935	29,861	6,857	8,238	5,819	8,947
	$ 182,069	**$ 249,794**	**$ 45,357**	**$ 47,792**	**$ 98,202**	**$ 58,443**

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices. The purpose of market risk management is to manage and control exposures to market risks, within acceptable parameters, while optimizing return.

The Company may use derivatives, including forward contracts and swap contracts, to manage market risks. At December 31, 2017, the Company has entered into foreign exchange swap contracts to sell $57.0 million U.S. dollars into Brazilian Real at rates ranging from 3.2673 to 3.3307. The maturity dates of these contracts range from January 10, 2018 to June 25, 2018. The fair value of these contracts at December 31, 2017 was a $0.9 million liability, which has been included in Derivatives in the statement of financial position.

(a) Foreign exchange currency risk

The Company's subsidiaries in Brazil are exposed to exchange risks related to the US dollars. In order to minimize currency mismatches, the Company monitors its cash flow projections considering future sales expectations indexed to US dollar variation in relation to the cash requirement to settle the existing financings. The Company's exposure to foreign exchange currency risk at December 31, 2017 relates primarily to $73.2 million (December 31, 2016 – $142.5 million) in loans and borrowings of MCSA denominated in US dollars. Strengthening (weakening) in the Brazilian Real against the US dollar by 10% and 20%, would have reduced (increased) net loss by $7.3 million and $14.6 million, respectively (December 31, 2016 – reduced (increased) net loss by $14.3 million and $28.5 million). This analysis is based on the foreign currency exchange variation

rate that the Company considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, especially interest rates, are held constant.

(b) Interest rate risk

The Company is exposed to the variation in interest rates on loans and borrowings with variable rates of interest. Management reduces interest rate risk exposure by entering into loans and borrowings with fixed rates of interest or by entering into derivative instruments that fix the ultimate interest rate paid.

A majority of the Company's loans and borrowings are fixed rate. However, the Company is exposed to interest rate risk through its senior non-revolving credit facility of $47.8 million and one Brazilian Real denominated bank loan of $8.0 million. The Company currently does not engage in any hedging or derivative transactions to manage interest rate risk. Based on the Company's net exposure at December 31, 2017, a reasonably possible change in the Certificate of Interbank Deposit ("CDI") rate and the Canada Base Rate ("CBR") would not have a material impact on profit or equity.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices related to copper concentrate sales. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors copper and gold prices to determine the appropriate course of action to be taken by the Company. The Company's primary exposure related to commodity price risk relates to its sales of copper concentrate, which may be subject to provisional pricing. Accordingly, the related receivables are marked to market on each balance sheet date based on forward price curves until such time as the sales price is fixed. Changes in the forward prices affect the amount of revenue recognized. As at December 31, 2017, the Company had no sales or receivables subject to provisional pricing.

For a discussion of additional risks applicable to the Company and its business and operations, including risks related to the Company's foreign operations, the environment and legal proceedings, see "*Risk Factors*" in the the Company's Annual Information Form for the year ended December 31, 2017 and dated March 28, 2018 (the "AIF").

OTHER FINANCIAL INFORMATION

Off-Balance Sheet Arrangements

As at December 31, 2017, the Company had no material off-balance sheet arrangements.

Contingencies

With the acquisition of MCSA, the Company inherited certain liabilities and MCSA has been subject to a number of claims (including claims related to tax, labour and social security matters and civil action) in the course of its business which individually are not material and have not been accrued for in the Company's financial statements as it is not probable that a cash outflow will occur. While the Company believes that a significant number of these claims are unlikely to be successful, if all such existing claims were decided against it, the Company could be exposed to liability of up to approximately $20.2 million, which could have an adverse impact on the Company's business, financial condition, results of operations, cash flows or prospects.

Outstanding Share Data

At March 28, 2018, the Company had 84,455,650 common shares; 3,678,000 stock options, and 3,333,328 warrants issued and outstanding.

Related Party Disclosures

For the year ended December 31, 2017, amounts paid to related parties were incurred in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to non-related parties.

Key management personnel consist of the Company's directors and officers and their compensation includes management and consulting fees paid to these individuals, or companies controlled by these individuals, and share based compensation. The aggregate value of compensation paid to key management personnel for the year ended December 31, 2017 was $3.3 million ($0.02 million for period from May 16, 2016 to December 31, 2016). In addition, 2,453,000 stock options were issued to key management personnel with $0.6 million recognized in share-based compensation for the year ended December 31, 2017 ($nil for period from May 16, 2016 to December 31, 2016).

Key management personnel participated in certain financing activities by purchasing 233,333 common shares of the Company for total proceeds of $0.4 million and by subscribing to $1.0 million of the convertible debentures (Note 13(b)) during the year ended December 31, 2017. In addition, key management personnel exercised a combined total of 919,996 warrants for common shares. Key management personnel participated in certain financing activities by purchasing 11,710,000 units of the Company for total proceeds of $2,800,000 during the year ended December 31, 2016.

As at December 31, 2017, no amounts payable to related parties were included in the consolidated financial statements. As at December 31, 2016, included in accounts payable and accrued liabilities and loans and borrowings were amounts payable to related parties totalling $60,000 and $325,000, respectively. Such amounts were unsecured, non-interest bearing and were repaid under normal trade terms.

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Critical Accounting Judgments and Estimates

The preparation of condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

The Company's significant accounting policies and accounting estimates are contained in the Company's December 31, 2017 consolidated financial statements. Certain of these policies, such as, capitalization and depreciation of property, plant and equipment and mining interests, derivative instruments, decommissioning liabilities provisions, and business combinations involve critical accounting estimates because they require management of the Company to make subjective or complex judgments about matters that are inherently uncertain, and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

In preparing its financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of the assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Critical Judgments

Going concern

The preparation of these consolidated financial statements requires management to make judgments regarding its ability to continue as a going concern as discussed in Note 1 of the audited consolidated financial statements as at December 31, 2017.

Functional currency

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the entities operate. The Company has determined that the functional currency for the Company is the US dollar while the functional currency for MCSA and NX Gold is the Brazilian Real. Assessment of functional currency involves certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Key Sources of Estimation Uncertainty

Business Combinations

Accounting for business combinations requires estimates with respect to the fair value of the assets and liabilities acquired. Such estimates require valuation methods including discounted cash flows, depreciated replacement costs and other methods. These models use forecasted cash flows, discount rates, current replacement costs and other assumptions. Changes in these assumptions changes the value assigned to the acquired assets and liabilities and goodwill, if any.

Significant assumptions related to the acquisition of MCSA and NX Gold are disclosed in Note 3 of the audited consolidated financial statements as at December 31, 2017.

Impairment of property, plant and equipment

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, production budgets and forecasts, and life-of-mine estimates.

When required, the determination of fair value and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral reserves, operating costs, closure and rehabilitation costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying

value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of operations and comprehensive income (loss).

Mineral reserve estimates including life of mine plan

The Company estimates its mineral reserves and mineral resources based on information compiled by competent individuals. Mineral reserves are used in the calculation of depreciation, impairment assessments and for forecasting the timing of payment of mine closure and rehabilitation costs.

There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the estimation methodology, forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of mineral reserves and may, ultimately, result in changes in the mineral reserves.

The carrying amounts of the Company's mineral properties, plant and equipment are depleted based on recoverable mineral reserve tonnes processed, depending on the use of the asset. Changes to estimates of recoverable quantities of base metals, mineral reserve tonnes and depletable costs, including changes resulting from revisions to the Company's mine plans and changes in metals prices forecasts, can result in a change to future depreciation and depletion rates and may result in impairment charges.

Mine closure and rehabilitation costs

Significant estimates and assumptions are made in determining the provision for mine closure and 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 also impacted by changes in discount rates; inflation rate; and regulatory requirements.

Changes in the above factors can result in a change to the provision recognized by the Company. Changes to mine closure and rehabilitation costs are recorded with a corresponding change to the carrying amounts of related mineral properties, plant and equipment. Adjustments to the carrying amounts of related mineral properties, plant and equipment can result in a change to future depreciation and depletion expense.

Significant assumptions used to determine mine closure and rehabilitation costs are included in Note 12(a) of the audited consolidated financial statements as at December 31, 2017.

Inventory

The net recoverable value of production in work in progress inventory is based on the quantity of recoverable metal inventory which is an estimate based on the tons of ore added and removed from the process, expected grade and recovery rates. The quantity of recoverable metal in concentrate inventory is an estimate based on initial weights and assay results.

Fair value of embedded derivatives

The value of trade receivables from the sale of copper concentrate is measured using quoted forward market prices as at the balance sheet date that correspond to the settlement date of the provisional pricing period for the estimated metals contained within the concentrate. Fluctuations in the underlying market prices of copper, silver and gold, metal content and concentrate weight can cause significant changes to the ultimate final

settlement value of the receivables and the final revenue recorded can vary significantly as a result.

Measurement of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses observable market data, as much as possible. Fair values are classified into different levels in a hierarchy based on the inputs used in the valuation techniques, as follows:

- **Level 1**: quoted prices (without adjustments) in active markets for identical assets or liabilities.
- **Level 2**: inputs other than Level 1 quoted prices, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3**: inputs, for assets or liabilities, that are not based on observable market information (non-observable inputs).

The Company recognizes transfers between levels of the hierarchy of fair value at the end of the reporting period during which the change occurred.

When applicable, additional information on the assumptions used in the fair value calculations are disclosed in the specific notes of the corresponding asset or liability.

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2017

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018. The standards that may have a significant impact on the consolidated financial statements are as follows:

I) IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for the Company on January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15.

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 new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS standards.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the standard to licenses of intellectual property.

While the Company is currently completing its evaluation of the new standard, the Company does not expect any significant impact on the consolidated financial statements from the adoption of IFRS 15.

ii) IFRS 9 Financial Instruments

On July 24, 2014, the IASB issued the complete IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 is effective for the Company on January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new" expected credit loss" model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

While the Company is currently completing its evaluation of the new standard, the Company does not expect any significant impact on the consolidated financial statements from the adoption of IFRS 9

iii) IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"). The new standard is effective for the Company on January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

While the Company is currently completing its evaluation of the new standard, the Company does not expect any significant impact on the consolidated financial statements from the adoption of IFRS 16.

Local Currency Operating Metrics – Presented in Brazilian reais

		3 months ended December 31, 2017	3 months ended December 31, 2016[1]		Year ended December 31, 2017	Period ended December 31, 2016[1]
Costs						
Mining - UG	R$	39,109	n/a	R$	120,701	n/a
- OP		10,504	n/a		44,496	
Processing		15,483	n/a		54,860	n/a
Indirect		5,001	n/a		19,680	n/a
Production costs		70,098	n/a		239,738	n/a
Capex development		(7,598)	n/a		(21,032)	n/a
By-product credits		(3,802)	n/a		(13,265)	n/a
C1 Cash Costs	**R$**	**58,698**	**n/a**	**R$**	**205,441**	**n/a**
Breakdown Mined and Processed (tonnes)						
UG Mined		292,558	n/a		965,626	n/a
OP Mined		1,130,505	n/a		3,508,430	n/a
Total Mined (t):		**1,423,063**	**n/a**		**4,474,056**	**n/a**
Total Processed (t)		**452,371**	**n/a**		**1,771,209**	**n/a**
Cu Production (t)		**5,334**	**n/a**		**20,133**	**n/a**
UG Mining - R$/tonne mined		133.68	n/a		125.00	n/a
OP Mining - R$/tonne mined		9.29	n/a		12.68	n/a
Processing -R$/S tonne processed		34.23	n/a		30.97	n/a
Indirect -R$/S tonne processed		11.06	n/a		11.11	n/a
Cash Cost of Copper produced (t)	**R$**	**11,004**	**n/a**	**R$**	**10,204**	**n/a**

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.

NON-IFRS MEASURES

Financial results of the Company are prepared in accordance with IFRS. The Company utilizes certain non-IFRS measures, including C1 cash cost of copper produced (per lb), EBITDA, net debt and working capital, which are not measures recognized under IFRS. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The tables below provide a reconciliation of these non-IFRS measures to the most directly comparable IFRS measures as contained in the Company's financial statements.

The non-IFRS measures presented below have been calculated on a consistent basis for the periods presented.

C1 Cash Cost of Copper Produced (per lb)

C1 Cash cost of copper produced (per lb) is the sum of production costs, net of capital expenditure development costs and by-product credits, divided by the copper pounds produced. C1 cash costs reported by the Company exclude treatment, refining charges and offsite costs. By-product credits are calculated based

on actual precious metal sales (net of treatment costs) during the period divided by the total pounds of copper produced during the period. C1 cash cost of copper produced per pound is a non-IFRS measure used by the Company to manage and evaluate operating performance of the Company's operating mining unit, and is widely reported in the mining industry as benchmarks for performance, but does not have a standardized meaning and is disclosed in addition to IFRS measures.

	3 months ended December 31, 2017	3 months ended December 31, 2016[1]	Year ended December 31, 2017	Period ended December 31, 2016[1]
Costs				
Mining	$ 15,165	n/a	$ 51,756	n/a
Processing	5,540	n/a	17,188	n/a
Indirect	927	n/a	6,166	n/a
Production costs	21,632	n/a	75,110	n/a
Capex development	(2,374)	n/a	(6,589)	n/a
By-product credits	(1,173)	n/a	(4,156)	n/a
C1 Cash Costs	**$ 18,085**	n/a	**$ 64,365**	n/a
Costs per pound				
Payable copper produced (lb)	**11,760**	**n/a**	**44,385**	**n/a**
Mining	1.29	n/a	1.17	n/a
Processing	0.47	n/a	0.39	n/a
Indirect	0.08	n/a	0.14	n/a
Capex development	(0.20)	n/a	(0.15)	n/a
By-product credits	(0.10)	n/a	(0.09)	n/a
C1 Cash Cost of Copper produced (per lb)	**1.54**	**n/a**	**1.45**	**n/a**

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.

The following table provides a reconciliation of C1 cash cost of copper produced per pound to cost of goods sold, its most directly comparable IFRS measure.

	3 months ended December 31, 2017	3 months ended December 31, 2016[1]	Year ended December 31, 2017	Period ended December 31, 2016[1]
Reconciliation:				
Cost of Product Sold	$ 31,453	n/a	$ 100,282	n/a
Add (less):				
Depreciation/amortization/depletion	(10,763)	n/a	(32,672)	n/a
Net Change in Inventory	(424)	n/a	1,009	n/a
Transportation costs & other	356	n/a	1,738	n/a
By-product credits	(1,173)	n/a	(4,156)	n/a
Foreign exchange translation adjustments	(1,364)	n/a	(1,836)	n/a
C1 Cash costs	**$ 18,085**	**n/a**	**64,365**	**n/a**

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.

Earnings before interest, taxes, depreciation, and amortization ('EBITDA')

EBITDA represents earnings before interest expense, income taxes, depreciation, and amortization. Adjusted EBITDA includes further adjustments for non-recurring items and items not indicative to the future operating performance of the Company. The Company believes EBIDTA and adjusted EBIDTA are appropriate supplemental measures of debt service capacity and performance of its operations.

Adjusted EBIDTA is calculated by removing the following income statement items:

- Gain on debt settlement
- Foreign exchange gain (loss)

	3 months ended December 31, 2017	3 months ended December 31, 2016[1]	Year ended December 31, 2017	Period ended December 31, 2016[1]
Reconciliation:				
Net Income (loss)	$ 19,481	$ (3,110)	$ 17,484	$ (3,452)
Adjustments:				
Finance expenses	1,743	1,041	18,988	1,409
Taxes	(593)	(121)	(16,345)	(121)
Depreciation/amortization/depletion	10,793	-	32,727	-
EBITDA	**31,424**	**(2,190)**	**52,854**	**(2,164)**
Gain on debt settlement	(28,727)	-	(28,727)	-
Foreign exchange loss (gain)	9,292	(3,258)	4,101	(3,258)
Adjusted EBITDA	**$ 11,989**	**$ (5,448)**	**$ 28,228**	**$ (5,422)**

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.

Net Debt

Net debt is determined based on cash and cash equivalents, restricted cash and loans and borrowings as reported in the Company's consolidated financial statements. The Company uses net debt as a measure of the Company's ability to pay down it's debt. The following table provides a calculation of net debtl based on amounts presented in the Company's consolidated financial statements as at December 31, 2017 and 2016.

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 51,098	$ 18,318
Restricted cash	2,193	$ -
Less: Current portion of loans and borrowings	(5,601)	(108,137)
Long-term portion of loans and borrowings	(133,565)	(53,987)
Net Debt	**$ (85,875)**	**$ (143,806)**

Working Capital

Working capital is determined based on current assets and current liabilities as reported in the Company's consolidated financial statements. The Company uses working capital as a measure of the Company's short-term financial health and operating efficiency. The following table provides a calculation of working capital based on amounts presented in the Company's consolidated financial statements as at December 31, 2017 and 2016.

		December 31, 2017		December 31, 2016
Current Assets	$	97,892	$	54,408
Less: Current Liabilities		(55,332)		(183,757)
Working Capital (Deficit)	**$**	**42,560**	**$**	**(129,349)**

NOTE REGARDING SCIENTIFIC AND TECHNICAL INFORMATION

Unless otherwise indicated, Ero has prepared the technical information in this MD&A ("Interim Technical Information") based on information contained in the report entitled "2017 Updated Mineral Resources and Mineral Reserves Statements of Mineração Caraíba's Vale do Curaçá Mineral Assets, Curaçá Valley", dated September 7, 2017 with an effective date of June 1, 2017, prepared by Rubens Mendonça, MAusIMM, formerly of SRK Consultores do Brasil Ltda. (now with Planminas – Projecctos e Consultoria em Mineração Ltda.), and Porfirio Cabaleiro Rodrigues, MAIG, Mário Conrado Reinhardt, MAIG, Fábio Valério Xavier, MAIG, and Bernardo H.C. Viana, MAIG, all of GE21 Consultoria Mineral (the "Vale do Curaçá Technical Report"). The Vale do Curaçá Technical Report was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101").

The disclosure of Interim Technical Information in this MD&A, including sampling procedures and monthly mass balance data underlying the information contained therein, was reviewed and approved by Rubens Mendonça, a Qualified Person under NI 43-101.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 and 2016

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Ero Copper Corp.

We have audited the accompanying consolidated financial statements of Ero Copper Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the year ended December 31, 2017 and the period from May 16, 2016 to December 31, 2016, 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, 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ero Copper Corp. as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and consolidated cash flows or the year ended December 31, 2017 and the period from May 16, 2016 to December 31 2016 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

March 28, 2018
Vancouver, Canada

Ero Copper Corp.

Consolidated Statements of Financial Position

As at December 31

(Amounts in thousands of US Dollars, except share and per share amounts)

ASSETS	**Notes**		**As at December 31, 2017**		**As at December 31, 2016**
Current					**(Recast - Note 3)**
Cash and cash equivalents		$	51,098	$	18,318
Restricted cash	10(a)		2,193		-
Accounts receivable			2,217		76
Inventories	4		8,478		5,181
Other current assets	5		6,243		5,987
Assets held for sale	6		27,663		24,846
			97,892		54,408
Non-Current					
Mineral property, plant and equipment	7		254,383		235,144
Exploration and evaluation assets	8		26,278		26,351
Deposits	12(b)		1,955		2,021
Other non-current assets			835		1,111
			283,451		264,627
Total Assets		$	381,343	$	319,035
LIABILITIES					
Current					
Accounts payable and accrued liabilities	9	$	20,968	$	20,054
Current portion of loans and borrowings	10		5,601		108,137
Current portion of value added, payroll and other taxes payable	11		6,857		30,720
Derivatives	21(b)		949		-
Liabilities related to assets held for sale	6		20,957		24,846
			55,332		183,757
Non-Current					
Loans and borrowings	10		133,565		53,987
Provisions	12		30,314		28,805
Value added, payroll and other taxes	11		15,078		8,706
Other non-current liabilities			653		681
Deferred income tax liabilities	19		16,655		18,726
			196,265		110,905
Total Liabilities			251,597		294,662
SHAREHOLDERS' EQUITY					
Share capital	14		113,050		27,817
Equity reserves			(83)		7
Convertible debentures	13(b)		3,011		-
Retained earnings (deficit)			14,011		(3,046)
Equity attributable to owners of the Company			129,989		24,778
Non-controlling interests			(243)		(405)
			129,746		24,373
Total Liabilities and Equity		$	381,343	$	319,035

Nature of operations (Note 1); Commitments (Note 23); Subsequent events (Notes 13(b) and Note 14(c))

APPROVED ON BEHALF OF THE BOARD:

"David Strang", CEO & Director *"Matthew Wubs"*, Director

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

Ero Copper Corp.

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Amounts in thousands of US Dollars, except share and per share amounts)

	Notes	Year ended December 31, 2017	Period ended December 31, 2016[1]
Revenue		$ 115,445	$ -
Cost of product sold	15	(100,282)	-
Sales expenses		(2,218)	-
Gross profit		12,945	-
Expenses			
General and administrative	16	(20,505)	(1,844)
Care and maintenance	17	-	(3,687)
Loss before the understated		(7,560)	(5,531)
Other income (expenses)			
Finance income		2,080	37
Finance expense	18	(18,988)	(1,409)
Foreign exchange gain (loss)		(4,101)	3,258
Gain on debt settlement	10(c)	28,727	-
Other		1,788	137
Income (loss) before income taxes		1,946	(3,508)
Income tax recovery			
Current income tax	19	(269)	-
Deferred income tax recovery	19	16,614	121
		16,345	121
Net income (loss) from continuing operations		18,291	(3,387)
Net loss from discontinued operations	6	(807)	(65)
Net income (loss) for the period		17,484	(3,452)
Other comprehensive income (loss)			
Foreign currency translation gain (loss)		(973)	8
Comprehensive income (loss)		$ 16,511	$ (3,444)
Net income (loss) attributable to:			
Owners of the Company		$ 22,466	$ (3,046)
Non-controlling interests		(4,982)	(406)
		$ 17,484	$ (3,452)
Comprehensive income (loss) attributable to:			
Owners of the Company		$ 21,497	$ (3,039)
Non-controlling interests		(4,986)	(405)
		$ 16,511	$ (3,444)
Income (loss) per share attributable to owners of the Company (Note 14(f))			
Income (loss) per share from continuing operations			
Basic		$ 0.36	$ (0.44)
Diluted		$ 0.31	$ (0.44)
Income per share from discontinued operations			
Basic		$ 0.04	$ -
Diluted		$ 0.03	$ -
Net income (loss) per share			
Basic		$ 0.40	$ (0.44)
Diluted		$ 0.34	$ (0.44)
Weighted average number of common shares outstanding			
Basic		56,252,358	6,932,086
Diluted		66,003,387	6,932,086

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

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

Ero Copper Corp.

Consolidated Statement of Changes in Shareholders' Equity

(Amounts in thousands of US Dollars, except share and per share amounts)

	Share Capital		Equity Reserves						
	Number of shares	**Amount**	**Contributed surplus**	**Foreign exchange**	**Convertible debentures**	**Retained earnings (deficit)**	**Total**	**Non-controlling interest**	**Total equity**
Balance, May 16, 2016	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loss for the period	-	-	-	-	-	(3,046)	(3,046)	(406)	(3,452)
Other comprehensive loss for the period	-	-	-	7	-	-	7	1	8
Total comprehensive loss for the period	-	-	-	7	-	(3,046)	(3,039)	(405)	(3,444)
Shares issued for:									
Private placements	37,849,091	27,949	-	-	-	-	27,949	-	27,949
Convertible debenture fee (note 13(a))	500,000	500	-	-	-	-	500	-	500
Share issuance costs	-	(632)	-	-	-	-	(632)	-	(632)
Balance, December 31, 2016[1]	**38,349,091**	**27,817**	**-**	**7**	**-**	**(3,046)**	**24,778**	**(405)**	**24,373**
Income (loss) for the year	-	-	-	-	-	22,466	22,466	(4,982)	17,484
Other comprehensive income for the year	-	-	-	(969)	-	-	(969)	(4)	(973)
Total comprehensive income for the year	**-**	**-**	**-**	**(969)**	**-**	**22,466**	**21,497**	**(4,986)**	**16,511**
Shares issued for:									
Private placements	18,423,593	27,635	-	-	-	-	27,635	-	27,635
Initial Public Offering	13,492,317	50,941	-	-	-	-	50,941	-	50,941
Exercise of warrants	9,116,338	10,949	-	-	-	-	10,949	-	10,949
Share issuance costs	-	(5,825)	-	-	-	-	(5,825)	-	(5,825)
Deferred taxes on share issuance costs	-	1,533	-	-	-	-	1,533	-	1,533
Stock-based compensation (note 14(c))	-	-	879	-	-	-	879	-	879
Convertible debentures (note 13(b))	-	-	-	-	2,750	-	2,750	-	2,750
Accrued interest on convertible debentures	-	-	-	-	261	(261)	-	-	-
Step-up acquisition of MCSA from 85% to 99.6% and NX Gold from 28% to 97.6%	-	-	-	-	-	(5,148)	(5,148)	5,148	-
Balance, December 31, 2017	**79,381,339**	**$ 113,050**	**$ 879**	**$ (962)**	**$ 3,011**	**$ 14,011**	**$ 129,989**	**$ (243)**	**$ 129,746**

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

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

Ero Copper Corp.

Consolidated Statements of Cash Flows

(Amounts in thousands of US Dollars, except share and per share amounts)

		Year ended December 31, 2017	Period ended December 31, 2016[1]
Cash Flows from (used in) Operating Activities			
Net income (loss) from continuing operations	$	**18,291**	(3,387)
Adjustments for:			
Amortization and depreciation		**32,727**	816
Deferred income tax recovery		**(16,614)**	(121)
Gain on debt settlement		**(28,727)**	-
Provisions		**4,803**	29
Share-based compensation		**879**	-
Finance income		**(2,080)**	(37)
Finance expenses		**18,988**	1,409
Foreign exchange		**4,101**	(3,258)
Other		**2,643**	-
Changes in:			
Accounts receivable		**(2,283)**	15
Inventories		**(2,400)**	(124)
Other assets		**(1,512)**	291
Accounts payable and accrued liabilities		**(5,103)**	(4,416)
Value added, payroll and other taxes		**(1,937)**	338
Other liabilities		**(539)**	(275)
		21,237	(8,720)
Cash Flows used in Investing Activities			
Additions to mineral property, plant and equipment, net		**(57,390)**	(202)
Additions to exploration and evaluation assets		**(798)**	-
Cash acquired on acquisition		**-**	131
Interest received		**832**	-
Advances to NX Gold		**(4,960)**	-
		(62,316)	(71)
Cash Flows from Financing Activities			
Convertible debentures		**2,750**	-
Convertible debentures - facility fee		**(250)**	-
Restricted cash		**(2,193)**	-
Purchase of participation agreement (Note 10(c))		**(47,328)**	-
New loans and borrowings, net of finance costs		**47,773**	325
Loans and borrowings paid		**(5,016)**	-
Interest paid on loans and borrowings		**(3,919)**	(472)
Other finance costs paid		**(3,182)**	-
Issuance of share capital, net of issuance costs		**83,700**	27,317
		72,335	27,170
Effect of exchange rate changes on cash and cash equivalents		**1,524**	(61)
Net increase in cash and cash equivalents		**32,780**	18,318
Cash and cash equivalents - beginning of period		**18,318**	-
Cash and cash equivalents - end of period		**51,098**	18,318

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

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

1. Nature of Operations and Going Concern

Ero Copper Corp. ("Ero" or the "Company") was incorporated on May 16, 2016 under the Business Corporations Act (British Columbia) and maintains its head office at Suite 1050, 625 Howe Street, Vancouver, BC, V6C 2T6. On October 19, 2017, the Company's shares became publicly traded on the Toronto Stock Exchange under the symbol "ERO".

The Company's principal asset is its 99.6% ownership interest in Mineração Caraíba S.A. ("MCSA"). The Company also currently owns, directly and indirectly, a 97.6% ownership interest in NX Gold S.A. ("NX Gold"). A controlling interest in both of these entities was acquired on December 12, 2016 (Note 3), with a further equity interest in MCSA acquired in June and December 2017 and a further equity interest in NX Gold acquired in August 2017.

MCSA is a Brazilian company which holds a 100% interest in the Vale do Curaçá Property and the Boa Esperança Property (Note 8). The Vale do Curaçá Property is located in the Curaçá Valley near the municipality of Jaguarai, in northeastern part of the state of Bahai, Brazil, and includes fully integrated processing operations, three active mines (including one under construction), and three past producing mines located within the Curaçá Valley. The active operations include the Caraíba Mine, comprised of the underground Pilar Mine ("Pilar UG Mine") and integrated Caraíba Mill, the open pit Surubim Mine ("Surubim OP Mine") and the underground Vermelhos Mine ("Vermelhos UG Mine"), currently under construction. The past producing operations include the historic open pit mines of R22W ("R22W Mine"), the Angicos ("Angicos Mine"), and the Suçuarana ("Suçuarana Mine"). The Boa Esperança Property is located within the municipality of Tucumã in the southeastern part of the state of Pará, Brazil, and consists of a single mineral concession covering an area of 4,033.81 hectares.

MCSA's predominant activity is the production and sale of copper concentrate from the Vale do Curaçá Property, with gold and silver produced and sold as by-products. The persistence of lower London Metal Exchange benchmark copper prices in 2016, coupled with the flooding of MCSA's Pilar UG Mine on January 22, 2016, led MCSA to commence a Judicial Reorganization process on February 3, 2016. During most of 2016, MCSA operated at a reduced capacity and, unable to obtain the necessary funds from its shareholders and creditors, initiated negotiations with potential investors to obtain the funds necessary to resume its operations. On December 12, 2016, Ero acquired an 85% interest in MCSA and has since contributed capital resources that enabled MCSA to resume the production of copper concentrate at its Vale do Curaçá Property in February 2017. In June and December 2017, the Company acquired an additional 14.6% interest in MCSA by subscribing to shares issued from MCSA's treasury. The Company has consolidated MCSA from the acquisition date and net income (loss) of the Company includes the net income (loss) of MCSA from the acquisition date.

NX Gold is a Brazilian company whose main operational activity is the mining, processing and sale of gold and, as a by-product, silver. The assets of NX Gold are pledged as a guarantee of the debts of MCSA. Accordingly, NX Gold was also part of the court-supervised reorganization granted on February 3, 2016. On December 12, 2016, Ero acquired a 28% economic interest in NX Gold in conjunction with the acquisition of MCSA. However, pursuant to a shareholders' agreement among the Company and the significant shareholders of NX Gold, the Articles of Incorporation of NX Gold and the composition of the Board of Directors, the Company had control over all key operating, financing and investing activities of NX Gold. Accordingly, the Company consolidated the accounts of NX Gold and net income (loss) of the Company includes the net income (loss) of NX Gold from the acquisition date. In August 2017, the Company increased its ownership interest in NX Gold to approximately 97.6% by way of a capital increase transaction. Such capital increase transaction involved the Company's subsidiary, MCSA, through two of the shareholders' subscription rights assigned to it under the NX Gold Investment Agreement, subscribing for R$19.4 million of common shares of NX Gold in exchange for partial repayment and forgiveness of an intercompany loan provided to NX Gold by MCSA. From the date of acquisition, the Company intended to sell its interest in NX Gold. Accordingly, the assets and liabilities of NX Gold are classified as assets and liabilities held for sale. NX Gold continues to guarantee some of the debts of MCSA, but

an agreement is in place with the banks which allows NX Gold to be sold. The agreement stipulates that should NX Gold be sold, 50% of the sales price will be applied toward the payment of MCSA's debts.

As at December 31, 2017, the Company has working capital totaling $42.6 million (December 31, 2016 – working capital deficiency $129.3 million). During the year ended December 31, 2017, the Company raised gross financing of $30.4 million in the form of convertible debentures and the private placement issuance of common shares (Notes 13 and 14) and reclassified $104.2 million of its current portion of loans and borrowings to non-current loans and borrowings following satisfaction of certain conditions precedent related to the debt restructuring (note 10). In addition, the Company raised a further $45.7 million (net of $5.2 million in share issuance costs) through a public share offering and $10.9 million through the exercise of warrants (note 14).

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Management believes that the Company has sufficient working capital to maintain its planned operations and activities for the next fiscal year. In the long-term, the Company's ability to continue as a going concern is dependent upon profitable operations at MCSA and the successful development of the Vermelhos UG Mine to meet its long-term debt obligations. The recoverability of the carrying values of the Company's assets is dependent upon the ability of the Company to successfully complete the development of the Vermelhos UG Mine, and maintaining profitable production.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company was not considered to be a going concern. These adjustments could be material.

2. Significant Accounting Policies

a) 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 ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements were authorized for issue by the Board of Directors on March 28, 2018.

b) Basis of Presentation and Principles of Consolidation

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 include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control over a subsidiary is defined to exist when the Company is exposed to variable returns from involvement with an investee and has the ability to affect the returns through power over the investee. All intercompany balances and transactions are eliminated upon consolidation.

The Company applies the acquisition method to account 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 assumed 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 arising from acquisitions, if any, 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.

Since the Company does not own 100% of its interests in MCSA and NX Gold, the interest attributable to non-controlling shareholders is reflected in non-controlling interests. Adjustments to non-controlling interests that do not involve the loss of control are accounted for as equity transactions and adjustments and are based on a proportionate amount of the net assets of the subsidiary.

c) **Foreign Currency Translation**

The functional currency and presentation currency of the Company is the US dollar. The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

The functional currency of MCSA and NX Gold is the Brazilian Real. The assets and liabilities of MCSA and NX Gold are translated into the US dollar presentation currency using the rate of exchange at the statement of financial position date while revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in a separate component of equity.

d) **Use of Estimates and Judgments**

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of the assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Critical Judgments

Going concern

The preparation of these consolidated financial statements requires management to make judgments regarding its ability to continue as a going concern as discussed in Note 1.

Functional currency

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the entities operate. The Company has determined that the functional currency for the Company is the US dollar while the functional currency for MCSA and NX Gold is the Brazilian Real. Assessment of functional currency involves certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the consolidated financial statements include:

Business Combinations

Accounting for business combinations requires estimates with respect to the fair value of the assets and liabilities acquired. Such estimates require valuation methods including discounted cash flows, depreciated replacement costs and other methods. These models use forecasted cash flows, discount rates, current replacement costs and other assumptions. Changes in these assumptions changes the value assigned to the acquired assets and liabilities and goodwill, if any.

Significant assumptions related to the acquisition of MCSA and NX Gold are disclosed in Note 3.

Impairment of property, plant and equipment

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, production budgets and forecasts, and life-of-mine estimates.

When required, the determination of fair value and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral reserves, operating costs, closure and rehabilitation costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of operations and comprehensive income (loss).

Mineral reserve estimates including life of mine plan

The Company estimates its mineral reserves and mineral resources based on information compiled by competent individuals. Mineral reserves are used in the calculation of depreciation, impairment assessments and for forecasting the timing of payment of mine closure and rehabilitation costs.
There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the estimation methodology, forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of mineral reserves and may, ultimately, result in changes in the mineral reserves.

The carrying amounts of the Company's mineral properties, plant and equipment are depleted based on recoverable mineral reserve tonnes processed, depending on the use of the asset. Changes to estimates of recoverable quantities of base metals, mineral reserve tonnes and depletable costs, including changes resulting from revisions to the Company's mine plans and changes in metals prices forecasts, can result in a change to future depreciation and depletion rates and may result in impairment charges.

Mine closure and rehabilitation costs

Significant estimates and assumptions are made in determining the provision for mine closure and 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 also impacted by changes in discount rates; inflation rate; and regulatory requirements.

Changes in the above factors can result in a change to the provision recognized by the Company. Changes to mine closure and rehabilitation costs are recorded with a corresponding change to the carrying amounts of related mineral properties, plant and equipment. Adjustments to the carrying amounts of related mineral properties, plant and equipment can result in a change to future depreciation and depletion expense.

Significant assumptions used to determine mine closure and rehabilitation costs are included in Note 12(a).

Inventory

The net recoverable value of stockpile inventory and production in work in progress inventory is based on the quantity of recoverable metal inventory which is an estimate based on the tons of ore added and removed from the process, expected grade and recovery rates. The quantity of recoverable metal in finished concentrate inventory is an estimate based on initial weights and assay results. The net recoverable value of these inventories also requires estimates of expected selling prices and, where applicable, costs to complete and selling expenses.

Fair value of embedded derivatives

The value of trade receivables from the sale of copper concentrate is measured using quoted forward market prices as at the balance sheet date that correspond to the settlement date of the provisional pricing period for the estimated metals contained within the concentrate. Fluctuations in the underlying market prices of copper, silver and gold, metal content and concentrate weight can cause significant changes to the ultimate final settlement value of the receivables and the final revenue recorded can vary significantly as a result.

Measurement of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses observable market data, as much as possible. Fair values are classified into different levels in a hierarchy based on the inputs used in the valuation techniques, as follows:

- **Level 1**: quoted prices (without adjustments) in active markets for identical assets or liabilities.
- **Level 2**: inputs other than Level 1 quoted prices, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3**: inputs, for assets or liabilities, that are not based on observable market information (non-observable inputs).

The Company recognizes transfers between levels of the hierarchy of fair value at the end of the reporting period during which the change occurred.

When applicable, additional information on the assumptions used in the fair value calculations are disclosed in the specific notes of the corresponding asset or liability.

e) **Revenue**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, there is no continuing management involvement with the goods and the amount of revenue to be recognized can be measured reliably.

The sales amount is based on quoted market prices which may be fixed at the time the shipment is received at the customers' premises or may be determined in a period subsequent to the date of sale (provisionally priced sales) based on the terms of specific copper concentrate contracts. Revenues for sales are recorded at the time the shipment is received at the customers' premises, which is also when the risks and rewards of ownership transfer to the customer. Provisionally priced sales are recognized based on an estimate of metal contained using forward market prices corresponding with 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.

f) **Tax Incentives**

The Company receives certain tax incentives in Brazil. These tax incentives are recognized in profit or loss in the period the incentives are received or receivable and recorded against the expenditure that they are intended to compensate.

g) **Finance Income and Finance Expense**

Finance income includes interest on cash and cash equivalents and restricted cash and financial investments and gains related to changes in the fair value of financial assets measured at fair value through profit. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expense comprise interest expense on loans and borrowings, unwinding of the discount on provisions and losses related to changes in the fair value of financial assets measured at fair value through profit or loss. 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.

h) **Employee Benefits**

Short-term employee benefit obligations are recognized as personnel expenses as the corresponding service is provided. Liabilities are recognized at the amount that is expected to be paid if the Company has a present legal or constructive obligation to pay that amount based on past services rendered by the employee, and the obligation can be estimated reliably. There are no long-term employee benefits.

i) **Taxation**

Income tax expense comprises current and deferred tax. Current income tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. Deferred income tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable income or loss, differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and taxable differences arising from the initial recognition of goodwill.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) **Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of consumable inventory is determined on a weighted average acquisition cost basis. Cost of stockpile inventory, products in progress and finished goods is determined based on a weighted average production cost basis and includes the cost of mining and processing ore including direct labour and materials; depreciation and amortization; and an appropriate share of production overheads based on normal operating capacity.

Net realizable value of stockpile inventory, products in progress and finished goods is the estimated selling price in the ordinary course of business, less estimated completion costs and selling expenses.

Provisions for low turnover or obsolete supplies and consumables inventory are established by management as deemed necessary.

k) **Mineral Property, Plant and Equipment**

Mineral property, plant and equipment is measured at acquisition or construction cost, including capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

i) Acquisition and disposal

The cost of mineral property, plant and equipment include expenditures directly attributable to an asset's acquisition. The cost of assets constructed by Company includes the cost of materials and direct labor, any other costs to bring the asset in the place and conditions required to be operated in the manner intended by management, costs of disassembly and restoration of the site and borrowing costs on qualifying assets. When parts of mineral property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of mineral property, plant and equipment.

Gains and losses on disposal of mineral property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment, and are recognized net within other income on the statement of operations and comprehensive income (loss).

ii) Subsequent costs

The cost of replacing plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced item is derecognized. The costs of the day-to-day servicing of equipment are expensed.

iii) Development and construction in progress

When economically viable mineral reserves have been determined and the decision to proceed with development has been approved, exploration and evaluation assets are first assessed for impairment, then reclassified to construction-in-progress or mineral properties. The expenditures related to development and construction are capitalized as construction-in-progress and are included within mineral property, plant and equipment. Costs associated with the commissioning of new assets incurred before they are operating in the way intended by management, including directly attributable costs of testing, are capitalized. 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 including advances on long-lead items. Construction in progress is not depreciated.

Once the asset is operating in the way intended by management, construction-in-progress costs are reclassified to mineral properties or plant and equipment.

Pre-production costs of removing overburden to access ore in the open pit mines and developing access headings in the underground mines are capitalized as pre-production stripping or development costs respectively and are included within mineral properties, plant and equipment.

iv) Mineral properties

Mineral properties consist of the cost of acquiring and 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.

v) *Stripping costs and development in the production phase*

Where open pit production stripping or underground development activities do not result in inventory produced, but does provide improved access to the ore body, the costs are classified as mineral properties when these activities meet all of the following criteria: (1) it is probable that the future economic benefit associated with the activity will flow to the Company; (2) the Company can estimate the mineral reserve of the ore body for which access has been improved; and (3) the costs relating to the activity associated with that mineral reserve can be measured reliably.

For underground mines, costs incurred to access a mineral reserve of the ore body are capitalized to mineral properties or construction-in-progress and are depreciated on a units-of-production basis over the expected useful life of the identified mineral reserve of the ore body to which access has been improved as a result of the development activity. For open pit mines, stripping costs are capitalized to mineral properties or construction-in-progress until an average stripping ratio is achieved (waste/ore) for the mine. After the stripping ratio is achieved, all stripping costs are classified as production costs. The capitalized stripping costs are depreciated over the related mineral reserves accessed by the stripping activity.

vi) Environmental recovery and decommissioning costs

The Company's provision for decommissioning liabilities represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of a mine's life. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

vii) Depreciation

Items of mineral property, plant and equipment are depreciated on a straight-line method based on the estimated economic useful life of each component as follows:

Buildings	Up to 25 years
Mining equipment	4 years
Mobile equipment & other assets	5 years
Mineral properties	Units of production
Mine Closure and rehabilitation costs	Units of production
Leasehold improvements	Term of lease

The depletion of mineral properties and mine closure and rehabilitation costs is determined based on the ratio of tons of copper contained in the ore mined and total proven and probable mineral reserve tonnes of contained copper.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

l) **Exploration and Evaluation Assets**

Exploration and evaluation costs relate to the initial search for a mineral deposit, the cost of acquisition of a mineral property interest or exploration rights 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 and subsequently exploration and evaluation expenses

are capitalized as exploration and evaluation assets. Costs incurred prior to the Company obtaining the legal rights are expensed.

When the exploration and evaluation of a mineral property indicates that development of the mineral property is technically and commercially feasible, the future economic benefits are probable, and the Company has the intention and sufficient resources to complete the development and use or sell the asset, the related costs are transferred from exploration and evaluation assets to mineral property, plant and equipment.

Management reviews the carrying value of capitalized exploration costs for indicators that the carrying value is impaired at least annually. The review is based on the Company's intentions for further exploration and development of the undeveloped property, results of drilling, commodity prices and other economic and geological factors. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a property does not prove viable, all non-recoverable costs associated with the project, net of any previous impairment provisions, are written off.

m) **Financial Instruments**

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Company classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

i) Non-derivative financial assets and liabilities – recognition and derecognition

The Company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged, or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

ii) Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch, the Company manages such investments

and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy or the financial asset contains one or more embedded derivatives. Upon initial recognition, these financial assets are recognized at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Company does not currently have financial assets designated as at fair value through profit or loss.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Financial investments have been classified as held to maturity as they are directly related to loan agreements with a Brazilian financial institution which requires the establishment of a reserve fund. Redemptions of financial investment are conditional on the Company making the scheduled loan repayments.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables include cash and cash equivalents, restricted cash, deposits and accounts receivable.

Cash is comprised of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. They are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented within equity in accumulated other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company does not currently have any financial assets classified as available for sale.

iii) Non-derivative financial liabilities - measurement

Financial liabilities at fair value through profit or loss

A financial liability is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes

therein, including any interest expense, are recognized in profit or loss. The Company does not currently have any liabilities classified as fair value through profit or loss.

Other financial liabilities

Other non-derivative financial liabilities are recognized initially at fair value less any directly attributable transaction costs on the trade date on which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method.

The Company's non-derivative financial liabilities include accounts payable and accrued liabilities, other non-current liabilities, and loans and borrowings.

iv) Derivative financial instruments

From time to time, the Company holds derivative financial instruments to mitigate risks related to changes in commodity prices, interest rates of its loans and borrowings and foreign currencies. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially recognized at their fair value and the attributable transaction costs are recognized in profit or loss when incurred. After initial recognition, derivatives are measured at fair value and changes in fair value are recorded in profit or loss.

Trade receivables may include embedded derivatives related to provisionally priced sales and are measured at fair value with changes recognized in profit or loss.

v) Compound instruments

Equity components of compound instruments, such as convertible debt, are separated from the debt host contract using the residual method. The Company determines the fair value of the debt component by discounting the expected principal and interest payments using an appropriate discount rate reflective of debt instruments with similar risks but without the equity component. The difference between the proceeds received and the amount assigned to the debt component is allocated to the equity component.

vi) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects. The Company includes the value of share purchase warrants included in the issuance of equity units, which consist of a common shares and warrants, in share capital.

n) **Impairment**

i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the

asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income (loss).

ii) Non-Financial assets

At each reporting date the carrying amounts of the Company's mineral properties, plant and equipment and exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Goodwill is tested annually regardless of whether there is an indicator of impairment. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized. An impairment loss for goodwill is not reversed.

o) **Provisions**

i) Mine closure and rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations related to mine closure and rehabilitation in the period in which the obligation occurs. Mine closure and 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 is adjusted each period for new disturbances, and changes in regulatory requirements, the estimated amount of future cash flows required to discharge the obligation, the timing of such cash flows and the pre-tax discount rate specific to the liability. The unwinding of the discount is recognized in profit or loss as a finance expense.

When the provision is initially recognized, the corresponding cost is capitalized by increasing the carrying amount of the related asset, and is amortized to profit or loss on a unit-of-production basis.

ii) Other provisions

Other provisions are recognized, based on a past event, when the Company has a legal or constructive obligation that can be estimated reliably, and it is probable that an economic mineral resource will be required to settle the obligation. Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks for the liability. The discount is unwound over the period over which the cash flows are expected to be incurred with the related expense included in finance expense.

p) **Share-Based Compensation**

The grant date fair value of share-based payment awards granted to employees and consultants, including directors and officers, is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be performed or satisfied such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

q) **Leases**

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease term. Lease incentives received, if any, are included in the total lease expense to be recognized over the term of the lease. At the reporting date the Company has no arrangements that contain a finance lease.

r) **Income (Loss) per Share**

Basic income (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share is calculated by adjusting the weighted average number of common shares outstanding for the effect of conversion of all potentially dilutive share equivalents, such as stock options and warrants, and assumes that the receipt of proceeds upon exercise of the options are used to repurchase common shares at the average market price during the period. The net effect of the shares issued less the shares assumed to be repurchased is added to the basic weighted average shares outstanding. For convertible instruments, the common shares to be included in the diluted per share calculation assumes that that the instrument is converted at the beginning of the period (or the issue date if later). The profit or loss attributable to common shareholders is adjusted to eliminate related interest costs recognized in profit or loss for the period.

s) **Comparative Figures**

Certain of the comparative figures in the statement of financial position have been recast to reflect final adjustments to the purchase price allocation and to conform with the current period presentation (see Note 3).

t) **Changes in Current and Future Accounting Standards**

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018. The standards that may have a significant impact on the consolidated financial statements are as follows:

i) IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for the Company on January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15.

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 new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

While the Company is currently completing its evaluation of the new standard, the Company does not expect any significant impact on the consolidated financial statements from the adoption of IFRS 15, however does anticipate additional disclosure requirements.

ii) IFRS 9 Financial Instruments

On July 24, 2014, the IASB issued the complete IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 is effective for the Company on January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

While the Company is currently completing its evaluation of the new standard, the Company does not expect any significant impact on the consolidated financial statements from the adoption of IFRS 9.

iii) IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"). The new standard is effective for the Company on January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company is currently evaluating the impact that IFRS 16 will have on the consolidated financial statements.

3. Business Combination

On December 12, 2016, the Company obtained control of MCSA and NX Gold by acquiring an 85% and a 28% interest in each entity, respectively. Although the Company only acquired a 28% economic interest in NX Gold, by virtue of a shareholders' agreement with the shareholder vendors of NX Gold, the Articles of Incorporation of NX Gold and the composition of the Board of Directors of NX Gold, the Company had control over all key operating, financing and investing activities. Accordingly, the Company consolidated the accounts of NX Gold. As the Company's 28% interest in NX Gold was acquired from one of the same shareholders as MCSA and was contemplated as part of the MSCA acquisition, for accounting purposes the acquisitions are considered a single acquisition. The acquisition of MCSA is in line with the Company's strategy to become a leading mid-tier copper producer though organic growth and disciplined acquisitions. The acquisition has been accounted for as a business combination. The cash consideration paid was nominal and the Company agreed to assume all of the loans and borrowing and other obligations of MCSA and NX Gold.

As at December 31, 2016, the allocation of the purchase price to the fair value of the assets and liabilities was preliminary. During the year ended December 31, 2017, the Company completed the final purchase price allocation including the valuation of its mineral resources beyond proven and probable reserves and the assessment of certain deferred tax balances. As a result of the final assessments, certain comparative information as at December 31, 2016 has been recast to reflect the final adjustments. The final purchase price allocation, based on estimated fair value of the identifiable assets acquired and liabilities assumed on December 12, 2016, and the adjustment made to the preliminary purchase price allocation are as follows:

	As Reported	Adjustments	Reclassifications	Final
Cash and cash equivalents	$ 131	$ -	$ -	$ 131
Accounts receivable	90	-	-	90
Inventories	4,939	-	-	4,939
Other current assets	6,145	-	-	6,145
Mineral property, plant and equipment	212,067	18,415	-	230,482
Exploration and evaluation assets	25,745	-	-	25,745
Deposits	1,975	-	-	1,975
Other non-current assets	592	-	-	592
Goodwill	17,369	(17,369)	-	-
Assets held for sale	24,711	-	-	24,711
Accounts payable and accrued liabilities	(35,839)	-	8,223	(27,616)
Value added, payroll and other taxes	(17,566)	-	(16,807)	(34,373)
Loans and borrowings	(160,632)	-	-	(160,632)
Provisions	(28,135)	-	-	(28,135)
Other non-current liabilities	(9,512)	-	8,584	(928)
Deferred income tax liabilities	(17,369)	(1,046)	-	(18,415)
Liabilities related to assets held for sale	(24,711)	-	-	(24,711)
Net	**$ -**	**$ -**	**$ -**	**$ -**

The impact of the above noted adjustments was to increase mineral property, plant and equipment by $18.4 million, eliminate goodwill of $17.4 million and increase the deferred income tax liability by $1.0 million. The impact of the reclassifications was to decrease accounts payable and accrued liabilities by $8.2 million and to increase value added, payroll and other taxes by $8.2 million. The non-current portion of the value added, payroll and other taxes of $8.7 million at December 31, 2016 has now been presented separately in the statement of financial position, resulting in a reduction to other non-current liabilities previously reported. There was no impact to net loss, comprehensive loss or cash flows for the period ended December 31, 2016 as a result of finalizing the purchase price allocation.

Mineral properties were valued using a discounted cash flow model using expected future cash flows to be generated by the mine over its remaining life, based on proven and probable mineral reserves. Copper prices used to estimate revenues ranged from US$2.35 per pound to US$2.90 per pound for the forecast period. The cash flows were discounted using a discount rate of 13.9%. Mineral resources were valued based on identified resources and $0.03 per pound of in situ copper based on market transactions for similar properties.

The fair value of the majority of the plant and equipment was determined using the depreciated replacement cost method which estimates the current replacement costs and adjust this amount for physical depreciation and functional and technological obsolescence. Where an active market was available for certain of these assets, the fair market value of these assets in active markets was used.

The fair value of the exploration and evaluation assets acquired was determined based on the identified mineral resources and $0.03 per pound of in situ copper based on market transactions for similar properties.

The fair value of debt facilities and certain other long-term liabilities was estimated using the expected cash flows discounted at market rates of interest for comparable instruments adjusted for the estimated credit risk of MCSA. Such discount rates ranged from 7% – 20% depending on the instrument, the term of the debt, security and other factors. Certain of the creditors of MCSA agreed to split amounts outstanding into Class A and B notes (Note 10) with the Class B notes repayable only if, among other things, the Class A notes are not repaid in accordance with the restructured agreements. On the acquisition date, the Company expected that, based on estimated cash flows, it would be able to repay the Class A notes and meet the other conditions specified in the restructured agreements

and no repayment of the Class B notes would be required. Accordingly, the fair value of the Class B notes was determined to be Nil.

The majority of the fair value of identifiable assets acquired in respect of NX Gold relate to mineral property, plant and equipment and inventory. The majority of the fair value of identifiable liabilities assumed in respect of NX Gold relate to accounts payable and accruals, loans, borrowings and provisions.

The Company intends to dispose of its interest in NX Gold as it is not within its core copper business. Accordingly, the assets and liabilities of NX Gold acquired by the Company are presented as assets held for sale and liabilities related to assets held for sale, and subsequent results of operations as discontinued operations.

As the fair value of the net assets and liabilities acquired was Nil, no non-controlling interest results on acquisition.

In June 2017, the Company acquired an additional 10,952,276,044 shares of MCSA, increasing its ownership interest in MCSA to 99.5%, by subscribing to shares issued from treasury for $34.3 million. In August 2017, MCSA acquired 1,938,143,830 shares of NX Gold, increasing the Company's direct and indirect ownership interest in NX Gold to 97.6%, by converting intercompany loans owing by NX Gold to MCSA into common shares. In December 2017, the Company acquired an additional 2,496,041,356 shares of MCSA, increasing its ownership interest in MCSA to 99.6%, by subscribing to shares issued from treasury for $22.6 million. The resulting reductions in the non-controlling interest have been recorded as a reclassification within equity between accumulated deficit and non-controlling interests.

4. Inventories

	December 31, 2017	December 31, 2016
Supplies and consumables	**$ 7,117**	$ 5,071
Stockpile	**127**	-
Work in progress	**253**	110
Finished goods	**981**	-
	$ 8,478	$ 5,181

5. Other Current Assets

	December 31, 2017	December 31, 2016
Advance to suppliers	**$ 1,447**	$ 2,657
Prepaid expenses	**3,099**	2,179
Advances to employees (a)	**554**	723
Value added federal taxes recoverable	**1,143**	428
	$ 6,243	$ 5,987

(a) Advances to employees include short term advances of salary, vacation and other benefits granted to employees of the Company's subsidiary MCSA.

6. Assets and Liabilities Held for Sale

As at December 31, 2017, the Company holds a 97.6% interest in NX Gold. The Company intends to dispose of its interest in NX Gold as it is not within its core copper business. The Company's interest in NX Gold has been measured at fair value less costs to sell at the acquisition date and was classified as a disposal group held for sale. Therefore, all its assets are grouped together in assets held for sale and all its liabilities are grouped together in liabilities related to assets held for sale.

NX Gold is classified as a discontinued operation as at December 31, 2017, given that it is a subsidiary that was classified as a disposal group and acquired exclusively for resale purposes.

	December 31, 2017	December 31, 2016
Assets held for sale	**$ 27,663**	$ 24,846
Liabilities held for sale	**(20,957)**	(24,846)
	$ 6,706	**$ -**

Assets held for sale are held at the lower of carrying value and fair value. The increase in the value of the net assets held for sale is the result of investments made by the Company to pay down liabilities and provide working capital to NX Gold.

7. Mineral Property, Plant and Equipment

	Buildings	Mining equipment	Mineral Properties	Projects in Progress	Mobile equipment & other assets	Mine Closure Costs	Total
Cost:							
Balance at May 16, 2016	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Acquisition (note 3)	15,802	38,492	138,043	15,680	10,009	12,456	230,482
Additions	-	-	-	192	10	-	202
Disposals	-	-	-	(448)	(32)	-	(480)
Transfers	82	3,139	5,122	(8,464)	121	-	-
Foreign exchange	374	946	3,685	222	236	293	5,756
Balance at December 31, 2016	16,258	42,577	146,850	7,182	10,344	12,749	235,960
Additions	169	5,041	-	51,600	784	34	57,628
Disposals	-	(38)	-	-	-	-	(38)
Transfers	-	1,793	8,680	(10,477)	4	-	-
Foreign exchange	(204)	(522)	(1,775)	(2,664)	(76)	(172)	(5,413)
Balance at December 31, 2017	16,223	48,851	153,755	45,641	11,056	12,611	288,137
Accumulated depreciation:							
Balance at May 16, 2016	-	-	-	-	-	-	-
Depreciation expense	(13)	(745)	-	-	(11)	(47)	(816)
Transfers	-	-	-	-	-	-	-
Balance at December 31, 2016	(13)	(745)	-	-	(11)	(47)	(816)
Depreciation expense	(1,141)	(8,895)	(20,308)	-	(1,851)	(611)	(32,806)
Disposals	-	35	-	-	-	-	35
Foreign exchange	(6)	(45)	(104)	-	(9)	(3)	(167)
Balance at December 31, 2017	(1,160)	(9,650)	(20,412)	-	(1,871)	(661)	(33,754)
Net book value December 31, 2016	$ 16,245	$ 41,832	$ 146,850	$ 7,182	$ 10,333	$ 12,702	$ 235,144
Net book value December 31, 2017	$ 15,063	$ 39,201	$ 133,343	$ 45,641	$ 9,185	$ 11,950	$ 254,383

Buildings, equipment and mining rights for the Pilar UG Mine and the integrated Caraíba Mill, the R22W Mine and the Vermelhos UG Mine, which comprise mineral properties in the table above, have been pledged as security for loans and borrowings (Note 10).

Included in Mineral Properties is $22.4 million related to the value of mineral resources beyond proven and probable reserves not currently being amortized.

8. Exploration and Evaluation Assets

On October 26, 2007, MCSA acquired the copper/gold Boa Esperança Property located in the Municipality of Tucumã, in the state of Pará, Brazil which consists of a single mineral concession. This property is in the early stages of exploration with various geological mineral resource studies and a completed feasibility study.

The mining rights of the Boa Esperança Property are pledged as security for certain of the Company's loans (Note 10).

9. Accounts Payable and Accrued Liabilities

	December 31, 2017	December 31, 2016
Suppliers	**$ 13,331**	$ 15,276
Payroll and related charges	**6,870**	4,449
Other accrued liabilities	**767**	329
	$ 20,968	$ 20,054

10. Loans and Borrowings

Description	Denomination	Security	Time to Maturity	Coupon rate	Principal to be repaid	Carrying value December 31, 2017	Carrying value December 31, 2016
Bank loans	USD	Secured	108 months	8.83%	$ 53,397	$ 54,301	$ 89,438
Bank loan	USD	Secured	108 months	7.50%	-	-	31,950
Bank loans	USD	Unsecured	16-108 months	7.50%	18,418	18,811	20,720
Bank loan	BRL R$	Secured	108 months	7.50%	13,104	9,656	9,457
Bank loan	BRL R$	Unsecured	108 months	CDI + 0.5%	10,102	8,004	8,036
Equipment finance loans	BRL R$	Secured	24 months	6.00%	576	514	1,005
Senior non-revolving credit facility	USD	Secured	60 months	CBR + 6%	50,000	47,790	-
Other	USD	Unsecured	3 months	0%-5.19%	90	90	1,518
Total					**$ 145,687**	**$ 139,166**	**$ 162,124**
Current portion:						**$ 5,601**	**$ 108,137**
Non-current portion:						**$ 133,565**	**$ 53,987**

The carrying values of the loans and borrowings in the schedule above includes accrued interest, while the principal to be repaid does not include accrued interest.

Changes in loans and borrowings are as follows:

	2017	2016
Balance, beginning of period	**$ 162,124**	$ -
Loans acquired	**-**	160,632
New senior non-revolving credit facility (Note 10(a))	**47,773**	-
New equipment finance loan	**261**	325
Debt extinguishment (Note 10(c))	**(76,282)**	-
Principal and interest payments	**(8,935)**	(472)
Interest accretion	**14,503**	760
Foreign exchange	**(278)**	879
Balance, end of period	**$ 139,166**	$ 162,124

(a) Senior non-revolving credit facility

In December 2017, the Company entered into a new $50 million senior secured non-revolving credit facility (the “Facility”) with a Canadian financial institution. The new Facility matures on December 21, 2022 and requires equal quarterly principal payments of $3.1 million commencing on December 31, 2019. The Company may prepay all or part of the facility at any time without penalty. The Facility bore an interest rate equal to the base rate + 6.0% from the inception of the Facility to December 31, 2017. The base rate is defined in the Facility as the greater of (a) the aggregate of (i) weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System as published by the Federal Reserve Bank of New York and (ii) 0.5% per annum and (b) the base rate for United States dollar loans as determined by the lender. At December 31, 2017 the aggregate interest rate was 11%. Subsequent to December 31, 2017, the Company elected to use an interest rate of LIBOR + 7% and will pay interest using this rate until the later of December 31, 2018 or commencement of production at the Vermelhos UG Mine. Subsequent to that, the interest rate will be reduced to a rate of between LIBOR + 4.5% and LIBOR + 5.5%, depending on the Company’s leverage ratio at that time. The applicable margins are also subject to annual increases as defined in the Facility. The Company incurred transaction costs associated with the Facility of $2.2 million which have been included in the carrying value of the Facility and are being amortized using an effective interest rate of 12.8%. The Facility is secured by pledges of mineral rights relating to the Pilar UG Mine, the Vermelhos UG Mine, and the Boa Esperança Property. The Company is required to comply with certain financial covenants. As of the date of these consolidated financial statements, the Company is in compliance with these covenants.

As per the requirements of the Facility, the Company is required to maintain a separate bank account with sufficient funds to cover scheduled principal payments, interest and fees for the next two fiscal quarters. At December 31, 2017, $2.2 million was on deposit in the designated debt service account and is presented as restricted cash in the statement of financial position.

(b) Bank loans

The banks loans relate to the Company’s subsidiary MCSA and were recognized at the acquisition date (note 3) at fair value and have subsequently been recognized at amortized cost. Interest is being recognized using the effective interest rate method at interest rates ranging from 7% - 20%.

The secured bank loans are secured by buildings and equipment, deposits, and the mining rights of the Pilar UG Mine and the integrated Caraíba Mill, the R22W Mine, the Vermelhos UG Mine (Note 7) and the Boa Esperança Property (Note 8). In addition, some of the loans are endorsed by NX Gold, which means that in the event that MCSA defaults on the loan, the banks are legally able to request payment from NX Gold (Note 1).

At the acquisition date MCSA had loans and borrowings totaling $211.8 million which, in accordance with the terms of the original loan agreements, were due in installments over a four-year period. However, the agreements contained covenants regarding financial ratios and MCSA was not in compliance with such covenants related to certain of the debt agreements during 2016 and on the acquisition date nor had waivers been obtained from the lenders.

On December 2, 2016, MCSA restructured these arrangements. Pursuant to the restructuring agreements, the lenders agreed to split these loans into Class A and Class B notes. The principal amount of the Class A notes totaled $127.9 million and are repayable over an eight-year period commencing at the earliest of the date of commercial production of copper concentrates from the Vermelhos UG Mine or May 2019. The principal amount of the Class B notes on the acquisition date totaled $83.9 million and are repayable only if, among other things, the Class A notes are not repaid in accordance with the restructured agreements. On the acquisition date, the Company expected that based on estimated cash flows, it would be able to repay the Class A notes and meet the other conditions specified in the restructured agreements and no repayment of the Class B notes would be required. Accordingly, the Class B notes totaling $83.9 million were determined to have a $Nil fair value at the acquisition

date. As at December 31, 2017, the Company continues to expect that it will repay the Class A notes in accordance with the restructured agreement and the remaining principal amount of the Class B notes totaling $35.3 million are not included in the loans and borrowings as at December 31, 2017. The reduction in the principal amount of the Class B notes is the result of the Company's settlement of certain loans as disclosed in Note 10(c).

Although the debt restructuring agreements were signed on December 2, 2016, they came into effect in May 2017 following the satisfaction of certain conditions precedent by the Company and MCSA. As the conditions precedent were not satisfied by December 31, 2016, the fair value of those loans totaling $104.2 million, was classified as a current liability in the December 31, 2016 consolidated financial statements. Upon satisfaction of the conditions in May 2017, the restructured agreements became effective and the carrying value of these loans are included in the long-term portion of loans and borrowings as at December 31, 2017.

Pursuant to the restructured agreements and agreements with other lenders, MCSA is required to comply with certain financial covenants. As of the date of these consolidated financial statements, MCSA was in compliance with these covenants.

(c) Participation agreement

In December 2017, a Canadian financial institution purchased certain of MCSA's secured bank loans with a total carrying value of $76.3 million. The Company then entered into an arrangement with the Canadian financial institution whereby the Company acquired the rights to any and all payments of interest and principal that MCSA makes to the Canadian financial institution over the term of the loans acquired by the Canadian financial institution. These rights that the Company acquired constitute settlement of certain of MCSA's secured bank loans. The Company acquired these rights for $47.6 million, resulting in a gain on debt settlement of $28.7 million.

(d) Debt repayments

Repayments of the principal portion of loans and borrowings is as follows:

2018	$	5,601
2019		26,938
2020		24,985
2021		22,896
2022		22,984
Beyond 2022		42,283
	$	**145,687**

The debt repayments are based on the restructured agreements which came into effect in May 2017 (Note 10(a) above).

11. Value Added, Payroll and Other Taxes

	December 31, 2017	December 31, 2016
Value-added taxes payable (a)	**$ 11,324**	$ 11,350
Tax based on net sales of copper and gold	**1,228**	1,235
Federal sales tax	**604**	3,213
Social security installments (b)	**7,271**	17,810
Other taxes	**1,508**	1,702
Total value added, payroll and other taxes	**21,935**	35,310
Less: current portion of value added, payroll and other taxes	**6,857**	30,720
Non-current value added, payroll and other taxes	**$ 15,078**	$ 4,590

(a) Pursuant to the Tax Incentive Program of the state of Bahia, the Company's subsidiary MCSA is able to defer payment of $9.9 million of these taxes for two years with repayment over a nine-month period beginning in March 2019.
(b) The Company's subsidiary MCSA has an agreement with the National Institute of Social Security in Brazil to pay outstanding social security contributions in installments over a period to 2024.

12. Provisions and Contingent Liabilities

	Mine Closure and Rehabilitation	**Legal Claims**	**Total**
Balance at May 16, 2016	**$ -**	**$ -**	**$ -**
Provisions acquired	**22,463**	**5,672**	**28,135**
Additions due to change in estimated cash flows	**-**	**8**	**8**
Foreign exchange	**529**	**133**	**662**
Balance at December 31, 2016	**22,992**	**5,813**	**28,805**
Additions due to change in estimated cash flows	**233**	**4,803**	**5,036**
Unwinding of the discount	**370**	**-**	**370**
Settled	**(520)**	**(2,767)**	**(3,287)**
Foreign exchange	**(387)**	**(223)**	**(610)**
Balance at December 31, 2017	**$ 22,688**	**$ 7,626**	**$ 30,314**

(a) Mine closure and rehabilitation

The Company's provision for mine closure and rehabilitation consists of costs accrued based on the current best estimate of mine closure and reclamation activities that will be required upon completion of mining. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and cost estimates prepared by a third-party specialist.

Management used a pre-tax discount rate of 8% (2016 – 9%) and an inflation factor of 4.0% (2016 – 4.5%) in preparing the Company's provision for mine closure and rehabilitation. Although the ultimate amount to be incurred is uncertain, based on development, legal requirements and estimated costs as at December 31, 2017, the undiscounted inflation-adjusted liability for provision for mine closure and rehabilitation is estimated to be approximately $42.0 million. The cash expenditures are expected to occur over a period of time extending several years after the projected closure, which for the Vale do Curaçá Property is currently 2026.

(b) Legal claims

There are various legal actions that are in process against MCSA related to labor, civil and tax matters. Based on an analysis of individual judicial and administrative legal claims against MCSA, the following provision has been made for probable losses associated with these claims:

		December 31, 2017		December 31, 2016
Labour claims (i)	**$**	**4,424**	$	4,088
Tax claims (ii)		**3,121**		1,435
Other claims		**81**		290
	$	**7,626**	$	5,813

(i) Labor claims

The labor claims related primarily to claims made by existing and former employees for alleged travel time reimbursements, overtime and severance payments. Of the claims made, MCSA has assessed, with the assistance of its legal counsel, that the probable loss on such claims is $4.4 million and such amount has been accrued. No amount has been accrued for $2.9 million in additional labour claims for which a loss is not considered probable (Note 12 (c)).

(ii) Tax claims

The provisions for tax claims relate to tax assessments, interest and penalties resulting from unpaid income and social contribution taxes by MCSA.

In relation to the above-mentioned claims and those discussed in Note 12(c) below, MCSA was required to place a total of $2.0 million in trust as of December 31, 2017 and 2016, which is included in non-current assets on the statement of financial position.

(c) Contingent liabilities

As of December 31, 2017, MCSA, based on the opinion of its legal advisers, has not recognized a provision for the following claims of MCSA as it is not probable that a cash outflow will occur.

		December 31, 2017		December 31, 2016
Social security tax (i)	**$**	**4,226**	$	4,019
Taxes (ii)		**13,089**		9,242
Labour and other (refer to note 12(b)(i))		**2,858**		6,441
	$	**20,173**	$	19,702

(i) Social security tax

Social security claims relate to potential social security tax payments related to past payments to employees, including profit sharing, and payments made to external contractors. The Company strongly believes that part of the claim will be cancelled after administrative and judicial discussions. The estimated portion of the claim expected to be cancelled of $4.2 million is included in the table above. This understanding is based on precedent court case rulings.

(ii) Tax

There are 60 tax claims against MCSA which were evaluated as possible losses by external legal counsel. The main subjects under discussion for the tax claims involve the validity of tax credits used to offset federal taxes.

13. Convertible Debentures

(a) In December 2016, the Company issued 500,000 common shares with a fair value of $500,000 as a facility fee in order to secure a convertible debenture facility of up to $15 million at an interest rate of 10% over a period of 2 years. The conversion price of any debentures drawn was $0.75 per unit, with each unit consisting of one common share and one-quarter of one common share purchase warrant. In July 2017, the convertible debenture facility was terminated with no amounts having been drawn.

(b) In January 2017, the Company issued $2.75 million of convertible debentures with an interest rate of 10% to be repaid within two years or to be converted to units, at the option of the holder, at a conversion price of $0.75 per unit. Each unit consisted of one common share and one-quarter of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.20 per common share until December 12, 2021. The Company may accelerate the expiry of any warrants issued in relation to these convertible debentures if the closing share price on a recognized exchange reaches or exceeds $1.70 for 20 consecutive trading days. On maturity of the convertible debentures, the Company may repay the principal amount and the accrued and unpaid interest thereon by way of cash, issuance of units at a price of US$0.75 per unit, or a combination thereof, such determination being at the discretion of the Company. As the debentures can be settled at the discretion of the Company in a fixed number of the Company's own equity instruments, the convertible debentures have been classified as equity instruments. Subsequent to December 31, 2017, the Company issued a redemption notice for the $2.75 million convertible debentures. All of the convertible debenture holders elected to convert into common shares, resulting in the issuance of 4,059,450 common shares. In addition, 1,014,861 common share purchase warrants were issued as a result of the conversion and these were exercised for an equivalent number of common shares for gross proceeds received by the Company of $1.2 million.

(c) In March 2017, the Company paid $250,000 as a facility fee in order to secure a convertible debenture facility of up to $5 million at an interest rate of 10% available for draw down until the earlier of March 21, 2018 or the date of the Company's initial public offering. If during this period, the Company had made a drawdown on the debenture, the outstanding amount would have been convertible at the option of the holder into common shares at a conversion price of $1.75 per common share, subject to certain adjustments. In October 2017, the convertible debenture facility was terminated with no amounts having been drawn. The unamortized facility fee was expensed during the year ended December 31, 2017.

14. Share Capital

As at December 31, 2017, the Company's authorized share capital consists of an unlimited number of common shares without par value. As at December 31, 2017, 79,381,339 common shares were outstanding.

(a) Private placements

In September 2016, the Company issued 10,000,000 founder units at a price of $0.01 per founder unit, for gross proceeds of $100,000. Each founder unit consisted of one common share of the Company and one-third of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price equal to $1.20 per common share until December 12, 2021.

In September 2016, the Company issued 18,400,000 subscription receipts at a price of $1.00 per subscription receipt, for gross proceeds of $18,400,000. Each subscription receipt was converted into units in December 2016, with each unit consisting of one common share of the Company and one-third of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of $1.20 per common share until December 12, 2021. The Company may accelerate the expiry of the warrants if the closing share price on a recognized exchange reaches or exceeds $1.70 for 20 consecutive trading days.

In December 2016, the Company issued 500,000 common shares at a deemed price of $1.00 per common share as a facility fee in order to secure a convertible debenture facility of up to $15 million at an interest rate of 10% over a period of 2 years. The related cost was deferred and is being amortized over the two-year term that the debt facility is available to the Company. Subsequent to December 31, 2016, the convertible debenture facility was cancelled with no amounts having been drawn, and all remaining deferred fees were written off.

In December 2016, the Company issued 8,949,089 units at a price of $1.00 per unit, for gross proceeds of $8,949,089. Each unit consisted of one common share of the Company and one-third of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of $1.20 per common share until December 12, 2021. In connection with the offering, the Company may accelerate the expiry of the Warrants if the closing share price on a recognized exchange reaches or exceeds $1.70 for 20 consecutive trading days. In addition, the Company issued 500,000 common shares at a price of $0.01 per common share for gross proceeds of $5,000. These shares have been recognized at their fair valued of $1.00 per common share with the difference recognized as share issuance costs.

In March 2017, the Company issued 18,423,593 common shares at a price of $1.50 per common share for gross proceeds of $27,635,390. In connection with this financing, the Company paid $574,000 in finders' fees and incurred $59,000 in other share issue costs. Key management personnel participated in this financing by purchasing 233,333 common shares of the Company for total proceeds of $0.4 million.

(b) Initial Public Offering and exercise of warrants

On October 19, 2017, the Company issued 13,492,317 common shares at CAD $4.75 per common share (the "Offering Price") in a public share offering for gross proceeds of approximately $50.9 million. A fee equal to 6% of the gross proceeds of the offering was paid to underwriters and the Company incurred other transaction costs of approximately $2.1 million. Concurrent with the public share offering, 4,333,027 general warrants were exercised for an equivalent number of common shares at $1.20 per common share for gross proceeds of approximately $5.2 million.

In December 2017, the closing share price of the Company's stock on the TSX exceeded $1.70 for 20 consecutive trading dates, which allowed the Company to exercise its right to accelerate the expiry of all applicable outstanding warrants. 4,783,311 general warrants were exercised for an equivalent number of common shares at $1.20 per common share for gross proceeds to the Company of approximately $5.7 million.

(c) Options

In May 2017, the Company adopted a stock option plan (the "Stock Option Plan"). Pursuant to the Stock Option Plan, the Board, at the recommendation of the compensation committee, may grant stock options to any director, officer, employee, consultant or other personnel of the Company (including any subsidiary of the Company). The vesting and exercise period of a stock option will be determined by the Board at the time of its grant; however, the expiry date of a stock option shall be no later than five years from the date of grant. The total number of common shares issuable pursuant to the Stock Option Plan (subject to adjustments under the Stock Option Plan) together with all other security based compensation arrangements of the Company (including the Share Unit Plan, defined in Note 14(e)) shall not exceed 10% of the Company's issued and outstanding common shares at the time of the grant.

In May 2017, the Company granted 1,615,000 options to certain officers and employees of the Company at an exercise price of $1.50 per share with a term to expiry of five years. The stock options vest on a 1/3 basis at the end of each year from the grant date and will be fully vested three years from the grant date. The total fair value of options issued was $1.2 million with $0.5 million recognized as an expense during the year ended December 31, 2017.

In July 2017, the Company granted 100,000 options to an officer of the Company at an exercise price of $1.50 per share with a term to expiry of five years. The stock options vest on a 1/3 basis at the end of each year from the grant date and will be fully vested three years from the grant date. The total fair value of options issued was $0.1 million with $0.02 million recognized as an expense during the year ended December 31, 2017.

In November 2017, the Company granted 318,000 options to certain officers of the Company at an exercise price of CAD$6.48 per share with a term to expiry of five years. The stock options vest on a 1/3 basis at the end of each year from the grant date and will be fully vested three years from the grant date. The total fair value of options issued was $0.7 million with $0.04 million recognized as an expense during the year ended December 31, 2017.

In December 2017, the Company granted 1,460,000 options to certain officers, directors and employees of the Company at an exercise price of CAD$6.74 per share with a term to expiry of five years. 1,340,000 of the options granted vest on a 1/3 basis at the end of each year from the grant date and will be fully vested three years from the grant date. 120,000 of the options granted vested immediately. The total fair value of options issued was $3.0 million with $0.4 million recognized as an expense during the year ended December 31, 2017.

As at December 31, 2017, the following stock options were outstanding:

Expiry Date	Number of Stock Options	Weighted Average Exercise Price		Vested and Exercisable Number of Stock Options	Weighted Average Remaining Life in Years
May 15, 2022	1,615,000	1.50	USD	-	4.37
July 15, 2022	100,000	1.50	USD	-	4.54
November 24, 2022	318,000	6.48	CAD	-	4.90
December 7, 2022	1,460,000	6.74	CAD	120,000	4.94
	3,493,000	3.45	USD	120,000	4.66

In determining the weighted average exercise price of all outstanding options, the CAD prices were converted to USD at the year-end exchange rate of 1.2545.

The fair value on the grant date is measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility of comparable companies. The weighted average inputs used in the measurement of fair values at grant date of the options are the following:

Expected term (years)		3.0
Forfeiture rate		0%
Volatility		67.2%
Dividend yield		0%
Risk-free interest rate		1.27%
Weighted-average fair value per option	$	1.43

Subsequent to December 31, 2017, the Company granted 60,000 options to an employee of the Company at an exercise price of CAD$7.95 per share with a term to expiry of five years. In addition, the Company granted 125,000 options to an employee of the Company at an exercise price of CAD$7.76 per share with a term to expiry of five

years. These stock options vest on a 1/3 basis at the end of each year from the grant date and will be fully vested three years from the grant date.

(d) Warrants

Details of warrant activity are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding warrants, May 16, 2016	-	$ -
Issued	12,449,666	1.20
Outstanding warrants, December 31, 2016	12,449,666	1.20
Exercised	(9,116,338)	1.20
Outstanding warrants, December 31, 2017	3,333,328	$ 1.20

The weighted average remaining contractual life of all warrants outstanding as at December 31, 2017 was 3.95 years.

(e) Share Unit Plan

In September 2017, the Company adopted a share unit plan (the “Share Unit Plan”). Pursuant to the Share Unit Plan, the Board, at the compensation committee’s recommendation, may grant share units (“Share Units”) to any director, officer, employee, or consultant of the Company or its subsidiaries. At the time of grant of a Share Unit, the Board, at the compensation committee’s recommendations, may establish performance conditions for the vesting of the Share Units. The performance conditions may be graduated such that different percentages (which may be greater or lesser than 100%) of the Share Units in a grant become vested depending on the satisfaction of one or more performance conditions. The Board may, in its discretion, subsequent to the grant of a Share Unit, waive any such performance condition or determine that it has been satisfied subject to applicable law. Each Share Unit entitles the holder thereof to receive one common share, without payment of additional consideration, on the redemption date selected by the Board following the date of vesting of such Share Unit, which will be within 30 days of the date of vesting, or at a later deferred date, subject to certain exception and restrictions. The Share Unit Plan was approved at the October 10, 2017 annual general meeting. No Share Units have been granted.

(f) Income (loss) per share

		Year ended December 31, 2017		Period ended December 31, 2016(1)
Weighted average number of common shares outstanding		**56,252,358**		6,932,086
Dilutive effect of warrants		**5,603,732**		-
Dilutive effect of share options		**262,400**		-
Dilutive effect of convertible debentures		**3,884,897**		-
Weighted average number of diluted common shares outstanding		**66,003,387**		6,932,086
Net income (loss) attributable to owners of the Company	**$**	**22,466**	$	(3,046)
Basic net income (loss) per share attributable to owners of the Company		**0.40**		(0.44)
Diluted net income (loss) per share attributable to owners of the Company		**0.34**		(0.44)
Net income (loss) from discontinued operations attributable to owners of the Company		**2,161**		(18)
Basic net income (loss) from discontinued operations per share attributable to owners of the Company		**0.04**		(0.00)
Diluted net income (loss) from discontinued operations per share attributable to owners of the Company		**0.03**		(0.00)
Net income (loss) from continuing operations attributable to owners of the Company		**20,305**		(3,028)
Basic net income (loss) from continuing operations per share attributable to owners of the Company		**0.36**		(0.44)
Diluted net income (loss) from continuing operations per share attributable to owners of the Company		**0.31**		(0.44)

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

15. Cost of Product Sold

		Year Ended December 31, 2017		Period Ended December 31, 2016(1)
Materials	**$**	**11,709**	$	-
Salaries and benefits		**28,727**		-
Depreciation and depletion		**32,672**		-
Contracted services		**11,736**		-
Maintenance costs		**8,284**		-
Utilities		**6,456**		-
Other costs		**698**		-
	$	**100,282**	$	-

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

16. General and Administrative Expenses

	Year Ended December 31, 2017	Period Ended December 31, 2016[(1)]
Accounting and legal	**$ 2,652**	$ 774
Amortization and depreciation	**55**	-
Office and sundry	**4,801**	805
Provisions	**4,803**	29
Salaries and consulting fees	**6,463**	84
Share-based compensation	**879**	-
Transfer agent and filing fees	**43**	14
Travel and conference	**809**	138
	$ 20,505	$ 1,844

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

17. Care and Maintenance Expenses

MCSA's mining operations (underground mine and open pit mine) were not operational for the period since acquisition to December 31, 2016. During this period, the following costs were incurred by MCSA to operate the mine on a care and maintenance basis:

	Period Ended December 31, 2016[(1)]
Materials	132
Personnel	1,967
Depreciation and amortization	854
Services from third parties	565
Other	169
	3,687

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

18. Finance Expense

	Year Ended December 31, 2017	Period Ended December 31, 2016[(1)]
Interest on loans and borrowings (note 10)	**$ 14,503**	$ 1,041
Accretion of purchase price adjustments	**2,335**	-
Convertible debenture facility fees (note 13)	**750**	-
Accretion of mine closure and rehabilitation provision	**370**	-
Other	**1,030**	368
	$ 18,988	$ 1,409

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

19. Income Taxes

(a) Reconciliation of income taxes

A reconciliation of the income tax expense to the amount calculated using the Company's combined federal and provincial statutory income tax rate of 26% is as follows:

	Year Ended December 31, 2017	Period Ended December 31, 2016[1]
Net income (loss) in the period before tax	$ 1,946	$ (3,508)
Tax rate	26%	26%
Income tax expense (recovery) at statutory rate	$ 506	$ (912)
Tax effect of:		
Difference in rate of foreign jurisdictions	1,193	277
Non-deductible items	(971)	(1,507)
Change in temporary differences not recognized	572	1,309
Utilization of tax losses against other liabilities	(16,248)	-
Other	(1,397)	712
Income tax recovery	$ (16,345)	$ (121)

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

The general movement in the deferred income tax liability is as follows:

	Year Ended December 31, 2017	Period Ended December 31, 2016[1]
At the beginning of the year/period	$ (18,726)	$ -
Recognized on business combination	-	(18,415)
Deferred income tax recovery	366	121
Amounts recognized in equity	1,533	-
Foreign exchange	172	(432)
At the end of the year/period	$ (16,655)	$ (18,726)

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

(b) Deferred income tax liabilities

Recognized deferred tax and assets and liabilities consist of the following:

		December 31, 2017		December 31, 2016
Deferred tax assets:				
Non-capital losses - Brazil	**$**	**6,859**	$	7,483
Non-capital losses - Canada		**2,081**		-
Financing fees and other - Canada		**2,046**		-
		10,986		7,483
Deferred tax liabilities				
Mineral property, plant and equipment - Brazil		**(8,289)**		(10,015)
Loans and borrowings - Brazil		**(14,575)**		(15,596)
Other - Brazil		**(298)**		(598)
Loans and borrowings - Canada		**(4,479)**		-
		(27,641)		(26,209)
Net deferred income tax liabilities	**$**	**(16,655)**	$	(18,726)

Deferred tax assets of $22.2 million (December 31, 2016 - $34.0 million) have not been recognized for the following deductible temporary differences as it is not probable that the benefits of these temporary differences will be realized:

	Year Ended December 31, 2017		Period Ended December 31, 2016[1]	
	Brazil	**Canada**	Brazil	Canada
Exploration and evaluation assets	$ 58,372	$ -	$ 59,358	$ -
Mineral property, plant and equipment	13,862	-	13,566	-
Share issuance/Financing costs	-	-	-	545
Non-capital losses	71,136	-	144,477	242
Other	47	2,763	4,078	163
	$ 143,417	$ 2,763	$ 221,479	$ 950

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

The Company has loss carry forwards in Brazil totalling $116.1 million (December 31, 2016 - $164.0 million) which may be carried forward indefinitely to offset future taxable income in Brazil. Use of these losses is limited to 30% of taxable income annually. The Company also has loss carry forwards in Canada totalling $7.7 million (December 31, 2016 - $0.2 million) which may be carried forward for 20 years to offset future taxable income.

During the year ended December 31, 2017, the Company applied for and received approval of an amnesty tax program in Brazil covering certain commodity, payroll and other taxes owing. Among other things, the Company was permitted to settle certain non-income tax based taxes with existing non-capital loss carry forwards. As these loss carry forwards were not previously recognized, the Company recognized a deferred income tax recovery of $16.2 million for the year ended December 31, 2017 related to the losses used.

In addition, the payment of approximately $10.3 million in value added taxes payable were deferred for a period of two years. Accordingly, these amounts were reclassified to non-current value added, payroll and other taxes.

20. Related Party Transactions

(a) Key management compensation

Key management personnel consist of the Company's directors and officers and their compensation includes management and consulting fees paid to these individuals, or companies controlled by these individuals, and share based compensation. The aggregate value of compensation paid to key management personnel for the year ended December 31, 2017 was $3.3 million ($0.02 million for period from May 16, 2016 to December 31, 2016). In addition, 2,453,000 options were issued to key management personnel with $0.6 million recognized in share-based compensation for the year ended December 31, 2017 ($nil for period from May 16, 2016 to December 31, 2016).

Key management personnel participated in certain financing activities by purchasing 233,333 common shares of the Company for total proceeds of $0.4 million and by subscribing to $1.0 million of the convertible debentures (Note 13(b)) during the year ended December 31, 2017. In addition, key management personnel exercised a combined total of 919,996 warrants for common shares. Key management personnel participated in certain financing activities by purchasing 11,710,000 units of the Company for total proceeds of $2,800,000 during the year ended December 31, 2016.

(b) Related party balances

As at December 31, 2017, no amounts payable to related parties were included in the consolidated financial statements. As at December 31, 2016, included in accounts payable and accrued liabilities and loans and borrowings were amounts payable to related parties totalling $60,000 and $325,000, respectively. Such amounts were unsecured, non-interest bearing and were repaid under normal trade terms.

21. Financial Instruments

(a) Fair value

Fair values of financial assets and liabilities are determined based on available market information and valuation methodologies appropriate to each situation. However, some judgments are required in the interpretation of the market data to produce the most appropriate realization value estimate. As a consequence, the estimates presented herein do not necessarily indicate the amounts that could be realized in the current exchange market. The use of different market information and/or evaluation methodologies may have a material effect on the market value amount.

As at December 31, 2017, derivatives were measured at fair value based on Level 2 inputs. The Company has no sales or receivables subject to provisional pricing.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, deposits, financial investments and accounts payable and accrued liabilities approximate their carrying values due to their short terms to maturity or market rates of interest used to discount amounts. The carrying value of value added, payroll and other taxes approximate fair value based on the discount rate applied. At December 31, 2017, the carrying value of loans and borrowings is $139 million while the fair value is approximately $141 million. The effective interest rates used to amortize these loans are a close approximation of market rates of interest at December 31, 2017 (level 2 of the fair value hierarchy).

(b) Management of financial risks

The Company is exposed to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of the financial assets below represents the maximum credit risk exposure as at December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	**$ 51,098**	$ 18,318
Restricted cash	**2,193**	$ -
Accounts receivable	**2,217**	76
Deposits	**1,955**	2,021
Financal investments	**753**	598
	$ 58,216	$ 21,013

The Company invests cash and cash equivalents and restricted cash with financial institutions that are financially sound based on their credit rating. The Company's exposure to credit risk associated with accounts receivable is influenced mainly by the individual characteristics of each customer. The Company currently has only two customers, one of which is considered low risk as it is one of the largest independent commodity trading companies in the world. To limit its exposure to credit risk from the other customer, the Company established a credit term of payment due one day after delivery of goods. The Company has not incurred a significant credit loss during the year ended December 31, 2017 nor does it have an allowance for doubtful accounts.

Liquidity risk

Liquidity risk is the risk associated with the difficulties that the Company may have meeting the obligations associated with financial liabilities that are settled with cash payments or with another financial asset. The Company's approach to liquidity management is to ensure as much as possible that sufficient liquidity exists to meet their maturity obligations on the expiration dates, under normal and stressful conditions, without causing unacceptable losses or with risk of undermining the normal operation of the Company.

The table below shows the Company's maturity of financial liabilities on December 31, 2017:

Non-derivative Financial Liabilities	**Carrying value**	**Contractual cash flows**	**Up to 12 months**	**1-2 years**	**3-5 years**	**More than 5 years**
Loans and borrowings	$ 139,166	$ 145,687	$ 5,601	$ 26,938	$ 70,865	$ 42,283
Interest on loans and borrowings	-	53,278	11,931	12,616	21,518	7,213
Accounts payable and accrued liabilities	20,968	20,968	20,968	-	-	-
Value added, payroll and other taxes	21,935	29,861	6,857	8,238	5,819	8,947
	$ 182,069	**$ 249,794**	**$ 45,357**	**$ 47,792**	**$ 98,202**	**$ 58,443**

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices. The purpose of market risk management is to manage and control exposures to market risks, within acceptable parameters, while optimizing return.

The Company may use derivatives, including forward contracts and swap contracts, to manage market risks. At December 31, 2017, the Company has entered into foreign exchange swap contracts to sell $57.0 million U.S. dollars into Brazilian Real at rates ranging from 3.2673 to 3.3307. The maturity dates of these contracts range from January 10, 2018 to June 25, 2018. The fair value of these contracts at December 31, 2017 was a $0.9 million liability, which has been included in Derivatives in the statement of financial position.

(i) Foreign exchange currency risk

The Company's subsidiaries in Brazil are exposed to exchange risks related to the US dollars. In order to minimize currency mismatches, the Company monitors its cash flow projections considering future sales expectations indexed to US dollar variation in relation to the cash requirement to settle the existing financings.

The Company's exposure to foreign exchange currency risk at December 31, 2017 relates primarily to $73.2 million (December 31, 2016 – $142.5 million) in loans and borrowings of MCSA denominated in US dollars. Strengthening (weakening) in the Brazilian Real against the US dollar by 10% and 20%, would have reduced (increased) net loss by $7.3 million and $14.6 million, respectively (December 31, 2016 – reduced (increased) net loss by $14.3 million and $28.5 million). This analysis is based on the foreign currency exchange variation rate that the Company considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, especially interest rates, are held constant.

(ii) Interest rate risk

The Company is exposed to the variation in interest rates on loans and borrowings with variable rates of interest. Management reduces interest rate risk exposure by entering into loans and borrowings with fixed rates of interest or by entering into derivative instruments that fix the ultimate interest rate paid.

A majority of the Company's loans and borrowings are fixed rate. However, the Company is exposed to interest rate risk through its senior non-revolving credit facility of $47.8 million and one Brazilian Real denominated bank loan of $8.0 million. The Company currently does not engage in any hedging or derivative transactions to manage interest rate risk. Based on the Company's net exposure at December 31, 2017, a reasonably possible change in the Certificate of Interbank Deposit ("CDI") rate and the Canada Base Rate ("CBR") would not have a material impact on profit or equity.

(iii) Price risk

The Company is exposed to price risk with respect to commodity prices related to copper concentrate sales. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors copper and gold prices to determine the appropriate course of action to be taken by the Company. The Company's primary exposure related to commodity price risk relates to its sales of copper concentrate, which may be subject to provisional pricing. Accordingly, the related receivables are marked to market on each balance sheet date based on forward price curves until such time as the sales price is fixed. Changes in the forward prices affect the amount of revenue recognized. As at December 31, 2017, the Company had no sales or receivables subject to provisional pricing.

22. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and production of its mine properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders' equity and debt facilities.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new loans and borrowings, common shares, or acquire or dispose of assets.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met.

Certain loan agreements contain operating and financial covenants that could restrict the ability of the Company and its subsidiary, MCSA, to, among other things, incur additional indebtedness needed to fund its respective operations, pay dividends or make other distributions, make investments, create liens, sell or transfer assets or enter into transactions with affiliates. There are no other restrictions or externally imposed capital requirements of the Company.

23. Other Commitments

The Company has entered into agreements for the rental of office space that require minimum payments as follows:

2018	$	68
2019		70
2020		71
2021		71
2022		30
Total Commitments	**$**	**310**

24. Segment Disclosure

The Company is currently organized into one reportable operating segment, being that of the exploration, development and mining of mineral properties in Brazil.

Information about geographic areas of operation is as follows:

Cash and cash equivalents		December 31, 2017	December 31, 2016
Brazil	$	**2,483**	8,515
Canada		**48,615**	9,803
	$	**51,098**	18,318

Non-current assets		December 31, 2017	December 31, 2016
Brazil	$	**283,110**	264,127
Canada		**341**	500
	$	**283,451**	264,627

During the year ended December 31, 2017, all of the Company's sales were with two customers, one of which accounted for 81% of total sales.

Cautionary Note Regarding Forward-Looking Statements

This annual review contains “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking information includes statements that use forward-looking terminology such as “may”, “could”, “would”, “will”, “should”, “intend”, “target”, “plan”, “expect”, “budget”, “estimate”, “forecast”, “schedule”, “anticipate”, “believe”, “continue”, “potential”, “view” or the negative or grammatical variation thereof or other variations thereof or comparable terminology. Such forward-looking information includes, without limitation, statements with respect to the Company’s intention to dispose of NX Gold in the next year, expected operations at the Pilar Mine, timing of production at the Vermelhos Mine, drilling plans, plans for the Company’s electromagnetic survey, the Company’s ability to service its ongoing obligations, the Company’s future capital resources and the impact of new accounting standards and amendments on the Company’s financial statements.

Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management’s experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, as of the date of this annual review including, without limitation, assumptions about: favourable equity and debt capital markets; the ability to raise any necessary additional capital on reasonable terms to advance the production, development and exploration of the Company’s properties and assets; future prices of copper and other metal prices; the timing and results of exploration and drilling programs; the accuracy of any mineral reserve and mineral resource estimates; the geology of the Vale do Curaçá Property and the Boa Esperança Property being as described in the technical reports for these properties; production costs; the accuracy of budgeted exploration and development costs and expenditures; the price of other commodities such as fuel; future currency exchange rates and interest rates; operating conditions being favourable such that the Company is able to operate in a safe, efficient and effective manner; political and regulatory stability; the receipt of governmental, regulatory and third party approvals, licenses and permits on favourable terms; obtaining required renewals for existing approvals, licenses and permits on favourable terms; requirements under applicable laws; sustained labour stability; stability in financial and capital goods markets; availability of equipment; positive relations with local groups and the Company’s ability to meet its obligations under its agreements with such groups; and satisfying the terms and conditions of the Company’s current loan arrangements. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information. Such risks include, without limitation the risk factors listed under the heading “Risk Factors” in the Annual Information Form (AIF).

Although the Company has attempted to identify important factors that could cause actual actions, events, conditions, results, performance or achievements to differ materially from those described in forward-looking information, there may be other factors that cause actions, events, conditions, results, performance or achievements to differ from those anticipated, estimated or intended.

The Company cautions that the foregoing lists of important assumptions and factors are not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information contained herein. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

Forward-looking information contained herein is made as of the date of this annual review and the Company disclaims any obligation to update or revise any forward-looking information, whether as a result of new information, future events or results or otherwise, except as and to the extent required by applicable securities laws.

ADDITIONAL INFORMATION

Additional information about Ero and its business activities, including the AIF, is available under the Company's profile at www.sedar.com.

CONTACT

CORPORATE OFFICE (CANADA)

Ero Copper Corp.

Suite 1050 –625 Howe Street

Vancouver, British Columbia

Canada, V6C 2T6

Email: info@erocopper.com

Telephone: +1.604.449.9244

Facsimile: +1.604.398.3767