MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared as at November 14, 2017, for the three and nine month periods ended, September 30, 2017. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Ero Copper Corp. ("Ero" or "the Company") as at, and for the three and nine month periods ended, September 30, 2017, which are prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as permitted by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). As well, this MD&A should be read in conjunction with the Company's December 31, 2016 audited consolidated financial statements and MD&A. All dollar amounts are expressed in United States ("US") dollars 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 statements" that are subject to risk factors set out in a cautionary note contained at the end of this MD&A. The Company cannot assure readers 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. Readers 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 November 14, 2017, unless otherwise stated.

BUSINESS OVERVIEW

Ero 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. Ero is a base metals mining company focused on production and sale of copper from its Vale do Curaçá Property (as defined herein), in Brazil, with gold and silver produced and sold as by-products. On October 19, 2017, the Company completed an initial public offering and its common shares became publicly traded on the Toronto Stock Exchange under the symbol "ERO".

As at September 30, 2017, the Company's principal asset is its 99.5% ownership interest in Mineração Caraiba S.A. ("MCSA"), which holds a 100% interest in the property located within the Curaçá Valley, northeastern Bahia State, Brazil (the "Vale do Curaçá Property"). The Vale do Curaçá Property includes active and past-producing mines, namely the Caraíba Mine (comprised of the underground Pilar Mine, the integrated Caraíba Mill, a conventional three-stage crushing, milling and copper sulphide flotation plant, and the inactive solvent extraction electrowinning SX/EW Plant), the open pit Surubim Mine, the underground Vermelhos Mine currently under construction, the Suçuarana Mine that is nearing the end of its mine life, and the past-producing Angicos Mine and R22W Mine, and the supporting infrastructure. In addition, MCSA holds a 100% interest in the property located within southeastern Pará State, Brazil, consisting of a single mineral concession covering an area of approximately 4,034 ha (the "Boa Esperança Property"). As at September 30, 2017, the Company also holds a 97.6% interest in NX Gold S.A. ("NX Gold"), which holds a 100% interest in the approximately 31,705 ha property located within the southeastern Mato Grosso State, Brazil, consisting of a single mining concession covering an area of 620 ha, where all gold mining and processing activities occur, six mining exploration licenses covering an area of approximately 17,796 ha and two mining exploration licenses under application covering an area of approximately 13,909 ha (the "NX Gold Property").

MCSA's predominant activity is the mining, processing and sale of copper concentrate. In early 2016, due to a decline in copper prices worldwide, as well as a flood event, certain mining activities were suspended and MCSA filed for a court-supervised reorganization in Brazil 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 approximately 85% of MCSA and has since contributed sufficient capital resources that enabled

MCSA to start-up and resume production of copper concentrate at its Vale do Curaçá Property in February 2017. The Company has consolidated MCSA from the acquisition date and net loss of the Company includes the net loss of MCSA from the acquisition date. On June 14, 2017, the Company increased its ownership interest in MCSA to approximately 99.5%, by subscribing to shares issued from treasury for US$34.3 million.

NX Gold originated from a partial spin-off of MCSA on April 2, 2013. Its 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 initiated on February 3, 2016. On December 12, 2016, Ero acquired an approximate 28% interest in NX Gold in conjunction with the acquisition of MCSA. However, by virtue of a shareholders' agreement among the Company and the shareholder vendors of NX Gold, the composition of the NX Gold board of directors, and the Articles of Incorporation of NX Gold, the Company also obtained control over all key operating, financing and investing activities of NX Gold. Accordingly, the Company has consolidated the accounts of NX Gold and net loss of the Company include the net loss of NX Gold from the acquisition date. In order to facilitate a future sale, 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, exercising subscription rights assigned to it by the shareholder vendors of NX Gold and thereby 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. The Company intends to dispose of 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.

2017 THIRD QUARTER HIGHLIGHTS

	3 months ended September 30, 2017	3 months ended September 30, 2016[1]	9 months ended September 30, 2017	Period ended September 30, 2016[1]
Operating Information				
Copper (MCSA Operations)				
Ore Processed (tonnes)	540,882	n/a	1,318,838	n/a
Grade (% Cu)	1.23	n/a	1.29	n/a
Cu Production (tonnes)	5,793	n/a	14,799	n/a
Cu Production (lbs)	12,770,807	n/a	32,625,130	n/a
Concentrate Grade (% Cu)	35.0	n/a	35.2	n/a
Recovery (%)	87.1	n/a	86.8	n/a
Concentrate Sales (tonnes)	16,118	n/a	40,774	n/a
Cu Sold in Concentrate (tonnes)	5,642	n/a	14,271	n/a
Cu Sold in Concentrate (lbs)	12,438,466	n/a	31,462,132	n/a
C1 Cash cost of copper produced (per lb)[2]	1.37	n/a	1.42	n/a
Financial information ($millions, except per share amounts)				
Revenues	$33.0	n/a	$77.6	n/a
Gross profit (loss)	$6.4	n/a	$9.3	n/a
Net income (loss) attributable to owners of the Company	$18.3	($0.2)	$2.9	($0.3)
Net income (loss) per share attributable to owners of the Company				
- Basic	$ 0.32	$ (0.08)	$ 0.06	$ (0.17)
- Diluted	$ 0.29	$ (0.08)	$ 0.05	$ (0.17)
Cash and Cash Equivalents	$14.9	$18.6	$14.9	$18.6
Working Capital (Deficit)[2]	($4.1)	($0.2)	($4.1)	($0.2)

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] - Working capital and C1 Cash cost of copper produced (per lb) are non-IFRS measures - see page 22 of this MD&A for a discussion of non-IFRS measures.

- During the three month period ended September 30, 2017, MCSA's mine produced 533,978 tonnes of ore grading a combined 1.23% copper (comprised of 306,342 tonnes from open pit at a copper grade of 0.60% and 227,636 tonnes from underground grading 2.08% copper). Tonnes processed totaled 540,882 tonnes of copper at combined grade of approximately 1.23% with an average recovery rate of 87.1%.
- C1 Cash cost of copper produced (per lb), for the three months period ended September 30, 2017 was $1.37. The increase from the three month ended June 30, 2017 of $1.25 was, in-part, driven by lower copper grades processed relative to the three month period ended June 30, 2017.
- Revenue for the three months ended September 30, 2017 was $33.0 million, based on 12.4 million pounds of copper sold.
- Gross profit was $6.4 million for the three month period ended September 30, 2017.
- Cash flow provided by operating activities for the three month period ended September 30, 2017 was $6.9 million.

- Net income attributable to owners of the Company for the three month period ended September 30, 2017 was $18.3 million (net income per common share attributable to owners of the Company of $0.29 on a diluted basis).
- As at September 30, 2017, the Company had $14.9 million in cash and cash equivalents and a $4.1 million working capital deficiency. The working capital deficit was reduced by $19.0 million from June 30, 2017 primarily as a result of a tax amnesty program in Brazil that allows for the deferral of certain taxes payable, which has resulted in the classification of certain value added, payroll and other taxes payable from current to long-term liabilities. In addition, the government program allows MCSA to offset a portion of certain non-income based taxes payable from prior years with the use of non-capital income tax loss carry-forward balances. As MCSA's application was approved during the quarter ended September 30, 2017, loss carryforwards have been utilized to reduce taxes payable accrued in prior periods, resulting in a reduction in certain tax liabilities and an income tax recovery of $14.8 million in the quarter.

BUSINESS ACQUISITIONS

On December 12, 2016, the Company obtained control of MCSA and NX Gold by acquiring an approximate 85% and a 28% interest therein, respectively. Although the Company only acquired an approximate 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 such entities 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.

The preliminary purchase price allocation of the Company's acquisitions of interests in MCSA and NX Gold on December 12, 2016, which is subject to final adjustments, based on estimated fair value of the identifiable assets acquired and liabilities assumed on December 12, 2016 is as follows:

Cash and cash equivalents	$ 131
Accounts receivable	90
Inventories	4,939
Other current assets	6,145
Mineral property, plant and equipment	212,067
Exploration and evaluation assets	25,745
Deposits	1,975
Other non-current assets	592
Goodwill	17,369
Assets held for sale	24,711
Accounts payable and accrued liabilities	(38,577)
Value added, payroll and other taxes	(23,412)
Loans and borrowings	(160,632)
Provisions	(28,135)
Other non-current liabilities	(928)
Deferred income tax liabilities	(17,369)
Liabilities related to assets held for sale	(24,711)
Net	**$ -**

The above purchase price allocation is preliminary as the Company is still in the process of determining the fair value of certain assets and liabilities. Specifically, the Company is in the process of determining the fair value of its mineral properties, plant and equipment, exploration and evaluation assets, deferred income tax liabilities and amounts allocated to goodwill, and the amounts set out above may change when the purchase price allocation is finalized.

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 in the next year 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 reserves. Copper prices used to estimate revenues ranged from $2.35 per pound to $2.90 per pound for the forecast period. The cash flows were discounted using a discount rate of 13.5%.

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 adjusts this amount for physical depreciation and functional and technological obsolescence. Where an active market was available for 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 a price per pound of copper identified in precedent 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% to 20% depending on the instrument, the term of the debt, security and other factors. Certain creditors of MCSA agreed to split amounts outstanding into Class A and B notes (see Note 9 of the September 30, 2017 condensed consolidated interim 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 December 12, 2016, 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.

Goodwill arose primarily as a result of the recognition of a deferred tax liability on temporary differences between the fair value of the assets and liabilities acquired and the tax values of these assets and liabilities. Goodwill is not deductible for tax purposes.

As the fair value of the net assets and liabilities acquired was nil, no non-controlling interest resulted from Ero's acquisitions of interests in MCSA and NX Gold on December 12, 2016.

In June 2017, the Company purchased an additional 10,952,276,044 common shares of MCSA from treasury for $34.3 million in connection with capital call transactions, increasing its ownership interest in MCSA to approximately 99.5%. In August 2017, MCSA acquired 1,938,143,830 shares of NX Gold, increasing the Company's ownership interest in NX Gold to 97.6%, by converting its intercompany loans of $5.9 million into common shares.

REVIEW OF OPERATIONS

Mineração Caraíba S/A

– Vale do Curaça Property, Brazil:

MCSA is a Brazilian copper mining company that holds, among other things, a 100% interest in the Vale do Curaçá Property which has been operating since 1979. The Vale do Curaçá Property, located in northeastern Bahia State, Brazil, includes the MCSA Mining Complex which refers to the active and past-producing mines of the Vale do Curaçá Property, namely the Caraíba Mine (comprised of the underground Pilar Mine and the integrated Caraíba Mill), the open pit Surubim Mine, the underground Vermelhos Mine currently under construction, the Sucarana Mine that is nearing the end of its mine life, and the past-producing Agnicos Mine and R22W Mine, and the supporting infrastructure. MCSA has rights, including mining and exploration licenses under application, to over 100,000 ha of mineral permits within the Curaçá Valley mineral district. Currently, the fully integrated Caraíba Mill has a nominal capacity to process 3.2 million tonnes of copper bearing ore per annum. In addition to the Caraíba Mill, MCSA's integrated processing operations include an inactive SX/EW Plant with installed capacity of approximately 5,000 tonnes of copper cathode per annum.

Since the acquisition of MCSA, Ero has contributed sufficient capital resources to enable MCSA to resume its previously-halted operations and production of copper concentrate in February 2017. At the time of the Company's acquisition of MCSA, it's mines were in care and maintenance. Underground and open pit mining operations of MCSA re-commenced in January 2017 and, beginning in February 2017, MCSA re-commenced processing operations. The first copper concentrate shipment occurred on February 19, 2017. Waste stripping and stockpiling operations commenced at the Surubim mine in Q3 2017 in preparation for mining in Q4 2017. During this time, open pit mining operations and ore transport continued at the Suçuarana Mine as a result of mineralization below the previously envisioned open pit limit. Suçuarana operations are expected to conclude in Q4 2017 at which point the fleet will move to Surubim.

Ero has identified three primary mineral districts within the Curaçá Valley. The focus of the Company's 2017 exploration program is to develop mineral resources and mineral reserves through multiple concurrent drill programs at the Pilar, Vermelhos and Surubim Districts.

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Cu Sold in Concentrate (lbs)	12,438,466	n/a	31,462,132	n/a
C1 Cash cost of copper produced (per lb)[2]	1.37	n/a	1.42	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 22 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 the budget during the three months ended September 30, 2017 and year-to-date. Copper production from the Pilar Mine was 5,793 tonnes for the three month period ended September 30, 2017 and 14,799 tonnes for the nine month period ended September 30, 2017. The C1 cash cost of copper produced (per lb) for the three months ended September 30, 2017 was $1.37, which reflects the second full quarter of production (3 months) as the mine was re-commissioned during the first quarter of 2017 and only recorded production in February 2017 (not a full 3 months of production).

Also at the Vale do Curaçá Property, in the Vermelhos District, the development rate of the Vermelhos Mine continues to outpace the planned metres per month average. Total development during the three month period ended September 30, 2017 was 645 m consisting of 310 m of primary ramp development, 253 m of secondary development and 83 m of auxiliary ramp development accessing the UG1 Target. The 28 km powerline for the Vermelhos Mine has been completed and is currently being tied into the site infrastructure.

Exploration drilling has been focused primarily on extensions within the Pilar Mine and further infill drilling at the Vermelhos Mine. At Vermelhos, infill drilling has continued to confirm the high-grade nature of the mineral resource, with several significant intercepts including 20.0 m grading 12.21% copper and 22.0 m grading 9.60% copper. Please refer to Ero's press release dated November 9, 2017 for additional information related to the Vermelhos Mine infill drill program results.

Financing Update

Subsequent to September 30, 2017 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 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. Transaction costs are estimated at approximately $1.4 million. In addition, subsequent to September 30, 2017, 4,333,027 warrants were exercised for an equivalent number of common shares at $1.20 per common share for gross proceeds of $5.2 million.

Outlook

The Pilar Mine operations are expected to exceed the 2017 annual forecast production of 19,022 tonnes of copper production. The development of the Vermelhos Mine has continued to exceed expectations and continued performance at development rates achieved to-date may result in production from the Vermelhos Mine (currently expected in the fourth quarter of 2018) commencing earlier than forecast. Upon completion of the Vermelhos Mine infill program, drilling will focus on continued delineation of mineralization identified at the UG1 and UG2 target areas. Additionally, the Company plans to commence with a district-wide electromagnetic survey focused on identifying high-grade exploration targets that will be drill tested as part of its 2018 exploration program.

– Boa Esperança Property, Brazil

The Boa Esperança Property is held by MCSA, and is comprised of a single mineral concession covering an area of 4,034 ha.

The Boa Esperança Property is a “turn key” copper project with a feasibility study that was completed by SRK Brazil in October 2015 and subsequently updated in June 2017. The feasibility study demonstrates an after-tax net present value of approximately $195 million at an 8% discount rate, and an internal rate of return of 32.7% based on certain assumptions, including:

- Average copper price of $6,614/t;
- Life of mine of seven years;
- Total mill feed of 19.5 million tonnes grading 0.95% Cu;
- Total recovered copper of 163.4 kt;
- Upfront capital cost: R$599.7 million; and
- Opportunity to extend mine life to a total of 10 years.

With the Company currently focusing on the development of the Vermelhos Mine and exploration programs throughout the Curaçá Valley, the Boa Esperança property is not a priority during 2017 beyond maintaining permits and licenses in good standing.

NX Gold S.A., Brazil

The NX Gold Property is located in Mato Grosso State, Brazil, and covers approximately 31,705 ha. It is comprised of a single mining concession covering an area of 620 ha where all gold mining and processing activities occur, six exploration concessions covering an area of approximately 17,796 ha, and two exploration concessions under application covering an area of approximately 13,909 ha. On December 12, 2016, in connection with the Company’s acquisition of an interest in MCSA, the Company also acquired approximately 28% of NX Gold. In August 2017, MCSA acquired 1,938,143,830 shares of NX Gold, increasing the Company’s ownership interest in NX Gold to 97.6%, by converting its intercompany loans of $5.9 million into common shares. The Company intends to dispose of 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 three month periods ended September 30, 2017 and September 30, 2016. Tabular amounts are in thousands of US dollars, except share and per share amounts.

		Three Months ended September 30, 2017			Three Months ended September 30, 2016
Revenue	$	33,004	(1)	$	-
Cost of goods sold		(26,556)	(2)		-
Gross Profit		**6,448**			**-**
General and administrative expenses		(4,933)	(3)		(235)
Income (loss) before the understated		**1,515**			(235)
Other income (expenses)					
Finance income		1,206			-
Finance expense		(5,822)	(4)		-
Foreign exchange		6,915	(5)		(1)
Other income		(133)			-
Income (loss) before income taxes		**3,681**			(236)
Deferred income tax recovery		15,007	(6)		-
Net income (loss) from continuing operations		18,688			(236)
Loss from discontinued operations		(905)	(7)		-
Net Income (loss) for the period	**$**	**17,783**		$	(236)
Net Income (loss) attributable:					
Owners of the Company	**$**	**18,332**		$	(236)
Non-controlling interests		**(549)**			-
	$	**17,783**		$	(236)
Loss per share attibutable to owners of the Company					
Income (loss) per share from continuing operations					
Basic	**$**	**0.33**		$	(0.08)
Diluted	**$**	**0.29**		$	(0.08)
Loss per share from discontinued operations					
Basic and diluted	**$**	**-**		$	-
Net Income (loss) per share					
Basic	**$**	**0.32**		$	(0.08)
Diluted	**$**	**0.29**		$	(0.08)
Weighted average number of common shares outstanding					
Basic		**56,772,684**			3,043,480
Diluted		**63,112,617**			3,043,480
Cash and cash equivalents	**$**	**14,916**		**$**	**18,591**
Total assets	**$**	**345,328**		**$**	**18,592**
Non-current liabilities	**$**	**225,543**		**$**	**-**

Notes:

1. Revenues for the quarter ended September 30, 2017 include the sale of 5,642 copper tonnes in concentrate.
2. Costs of goods sold for the quarter ended September 30, 2017 includes $9.0 million in depreciation and depletion, $7.0 million in salaries and benefits, $3.0 million in materials and consumables, $3.1 million in contracted services to third parties, and $4.5 million in other costs, which primarily consisted of maintenance costs of $2.4 million and utilities costs of $1.9 million.
3. General and administrative expenses for the quarter ended September 30, 2017 include $3.6 million in salaries, professional fees, office and sundry costs with respect to MCSA, and $1.3 million with respect to the corporate head office in Vancouver. Corporate head office costs are primarily comprised of $0.8 million in salaries and share based compensation, $0.2 million in professional fees and $0.2 million in travel-related costs. During the three month period ended September 30, 2016, general and administrative expenses were $0.2 million and primarily comprised of legal fees associated with potential acquisitions.
4. Finance expense for the quarter ended September 30, 2017 was $5.8 million and is primarily comprised of interest on loans and borrowings of $3.2 million, interest on taxes and amounts owing to suppliers of $0.2 million, accretion of purchase price adjustments and asset retirement obligation liability of $0.6 million, financing fees of $0.2 million, and $1.6 million of other finance costs.
5. The foreign exchange gain 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 September 30, 2017, the gain was $6.9 million.
6. Deferred income tax recovery in the quarter ended September 30, 2017 was $15.0 million, and primarily resulted from a new tax amnesty program in Brazil that allowed the Company to offset part of certain previously accrued commodity, payroll and other taxes payable with the use of non-capital income tax loss carry-forward balances. Approval of MCSA's ability to participate in the amnesty program was obtained in the third quarter of 2017. As the income tax loss carry forwards utilized were not previously recognized, the Company recognized a deferred income tax recovery of $14.8 million for the three month period ended September 30, 2017 related to the losses used.
7. Loss from discontinued operations is the loss of NX Gold for the period.

The following table provides a summary of the financial results of the Company for the nine month period ended September 30, 2017 and the period from incorporation on May 16, 2016 to September 30, 2016. Tabular amounts are in thousands of US dollars, except share and per share amounts.

		Nine Months ended September 30, 2017			Period ended September 30, 2016[1]
Revenue	$	77,627	(1)	$	-
Cost of goods sold		(68,357)	(2)		-
Gross Profit		**9,270**			-
General and administrative expenses		(13,096)	(3)		(343)
Loss from operations		**(3,826)**			(343)
Other income (expenses)					
Finance income		2,029			-
Finance expense		(19,124)	(4)		-
Foreign exchange		4,795	(5)		-
Other income		2,530	(6)		-
Loss before income taxes		**(13,596)**			(343)
Deferred income tax recovery		15,752	(7)		-
Net income (loss) from continuing operations		2,156			(343)
Loss from discontinued operations		(4,153)	(8)		-
Net loss for the period	**$**	**(1,997)**		$	(343)
Net loss attributable to:					
Owners of the Company	$	2,927		$	(343)
Non-controlling interests		(4,924)			-
	$	**(1,997)**		$	(343)
Loss per share attibutable to owners of the Company					
Income (loss) per share from continuing operations					
Basic	**$**	**0.08**		$	(0.17)
Diluted	**$**	**0.07**		$	(0.17)
Loss per share from discontinued operations					
Basic and diluted	**$**	**(0.02)**		$	-
Net income (loss) per share					
Basic	**$**	**0.06**		$	(0.17)
Diluted	**$**	**0.05**		$	(0.17)
Weighted average number of common shares outstanding					
Basic		**51,306,343**			2,043,798
Diluted		**57,392,430**			2,043,798

(1) Period ended September 30, 2016 covers May 16, 2016, the Company's date of inception, to September 30, 2016

Cash and cash equivalents	**$**	**14,916**	**$**	**18,591**
Total assets	**$**	**345,328**	**$**	**18,592**
Non-current liabilities	**$**	**225,543**	**$**	**-**

Notes:

1. Revenues for the nine months ended September 30, 2017 includes sales of copper concentrate, which commenced in February 2017. During such period, the Company sold a total of 14,271 copper tonnes in concentrate.

2. Costs of goods sold for the nine months ended September 30, 2017 includes $21.9 million in depreciation and depletion, $20.0 million in salaries and benefits, $8.0 million in materials and consumables, $8.1 million in contracted services to third parties, and $10.4 million in other costs, which primarily consisted of maintenance costs of $5.5 million, and utilities costs of $4.4 million.
3. General and administrative expenses for the nine months ended September 30, 2017 include $10.0 million in salaries, professional fees, office and sundry costs with respect to MCSA, and $3.1 million with respect to the corporate head office in Vancouver. Corporate head office costs are primarily comprised of $1.8 million in salaries and share based compensation, $0.5 million in professional fees and $0.6 million in travel.
4. Finance expense for the nine months ended September 30, 2017 was $19.1 million and is comprised of interest on loans and borrowings of $10.6 million, accretion of purchase price adjustments to the fair value of certain liabilities of $3.5M, interest on taxes and suppliers of $1.6 million, financing fees of $0.8 million, and $2.6 million of other finance costs.
5. The foreign exchange gain is primarily associated with US dollar-denominated loans and borrowings in MCSA, where the functional currency is the Brazilian Real. For the nine months ended September 30, 2017, the gain was $4.8 million.
6. Other income during the nine months ended September 30, 2017 consisted primarily of insurance proceeds received in connection with the flood of, and resulting cessation of operations at, the Pilar Mine that occurred in 2016.
7. Deferred income tax recovery for the nine months ended September 30, 2017 was $15.7 million, and primarily resulted from a new tax amnesty program in Brazil that allowed the Company to offset part of certain previous accrued taxes payable with the use of non-capital loss carry-forward balances. Approval of MCSA's ability to participate in the amnesty program was obtained in the third quarter of 2017. As the income tax loss carry forwards utilized were not previously recognized, the Company recognized a deferred income tax recovery of $14.8 million for the nine month period ended September 30, 2017 related to the losses used. The remaining $0.9 million in deferred income tax recovery was primarily attributable to changes in the temporary taxable differences associated with the US dollar denominated debt of MCSA.
8. Loss from discontinued operations is the loss of NX Gold for the period.

SUMMARY OF QUARTERLY RESULTS

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

	2017			2016				2015
Selected Financial Information	**Sept 30 [1]**	**June 30[2]**	**March 31[3]**	**Dec 31[4]**	**Sep 30[4]**	**Jun 30[4]**	**March 31[5]**	**Dec 31[5]**
Revenue	$ 33.0	$ 32.5	$ 12.1	n/a	n/a	n/a	n/a	n/a
Cost of sales	$ (26.6)	$ (27.2)	$ (14.7)	n/a	n/a	n/a	n/a	n/a
Gross profit (loss)	$ 6.4	$ 5.4	$ (2.5)	n/a	n/a	n/a	n/a	n/a
Net income (loss) from continuing operations	$ 18.7	$ 5.2	$ (21.8)	$ (3.0)	$ (0.2)	$ (0.1)	n/a	n/a
Net loss from discontinued operations	$ (0.9)	$ (1.6)	$ (1.6)	$ (0.1)	$ -	$ -	n/a	n/a
Net income (loss) for period	$ 17.8	$ 3.6	$ (23.4)	$ (3.1)	$ (0.2)	$ (0.1)	n/a	n/a
Income (loss) per share from continuing operations attributable to owners of the Company								
- Basic	$ 0.33	$ 0.08	$ (0.48)	$ (0.19)	$ (0.08)	$ (53,500)	n/a	n/a
- Diluted	$ 0.29	$ 0.07	$ (0.48)	$ (0.19)	$ (0.08)	$ (53,500)	n/a	n/a
Income (loss) per share attributable to owners of the Company								
- Basic	$ 0.32	$ 0.07	$ (0.49)	$ (0.19)	$ (0.08)	$ (53,500)	n/a	n/a
- Diluted	$ 0.29	$ 0.06	$ (0.49)	$ (0.19)	$ (0.08)	$ (53,500)	n/a	n/a
Weighted average number of common shares outstanding	56,772,684	56,772,684	40,191,450	14,211,385	3,043,480	2	n/a	n/a

Notes:

1. During the three month period ended September 30, 2017, the Company experienced gross profit of approximately $6.4 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 $6.4 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 $4.9 million in general and administrative expenses.

2. During the three month period ended June 30, 2017, the Company experienced gross profit of approximately $5.4 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 $5.4 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 $3.5 million in general and administrative expenses.
3. During the three month period ended March 31, 2017, the Company experienced a loss of approximately $2.5 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 $2.5 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 $4.6 million in general and administrative expenses, partially offset by $2.6 million in finance and other income.
4. 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.
5. 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 September 30, 2017, the Company held cash and cash equivalents of $14.9 million compared to $18.3 million as at December 31, 2016. 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 decreased by $3.4 million during the nine months ended September 30, 2017. The Company's cash flows from operating, investing and financing activities during the period are summarized as follows:

- Cash used in investing activities of $34.5 million, primarily related to:
    - $31.4 million spent on additions to mineral property, plant and equipment; and
    - $3.4 million in advances to NX Gold;
- Cash from financing activities of $21.0 million, including primarily:
    - $27.0 million net proceeds of common share issuances; and
    - $2.8 million net proceeds on issuance of convertible debentures,

  net of:
    - $6.5 million on repayment on loans and borrowings and associated interest; and $2.2 million of other finance related costs.
- Cash provided from operating activities of $10.1 million.

As at September 30, 2017, the Company had a working capital deficit of $4.1 million, due in part to various debt facilities and liabilities assumed as part of its acquisition of MCSA. During the nine month period ended September

30, 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.

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 18 to 24 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.

Subsequent to September 30, 2017, the Company issued 13,492,317 common shares at C$4.75 per common share (the "Treasury Offering") pursuant to an initial public offering of common shares for total proceeds of approximately $50.9 million. A fee equal to 6% of the gross proceeds of the offering was paid to underwriters. Transaction costs are estimated at approximately $1.4 million. Also subsequent to September 30, 2017, 4,333,027 warrants with an exercise price of $1.20 per common share were exercised for an equivalent number of common shares for gross proceeds of $5.2 million.

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 twelve 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. 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 Mine to meet its long-term 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 MCSA, and achieving profitable production.

Certain loan agreements contain operating and financial covenants that could restrict the ability of the Company's 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 September 30, 2017, the Company's contractual obligations and commitments are summarized as follows:

2017	$	14
2018		54
2019		55
2020		56
2021		56
2022		24
Total Commitments	**$**	**259**

See also the following section, "Financial Instruments" for a discussion of the maturity dates of financial liabilities.

FINANCIAL INSTRUMENTS

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 of directors of the Company.

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 set out in the below table represents the maximum credit risk exposure as at September 30, 2017:

		September 30, 2017
Cash and cash equivalents	**$**	**14,916**
Accounts receivable		**4,147**
Deposits		**2,831**
Financal investments		**778**
Total	**$**	**22,672**

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 September 30, 2017:

Non-derivative Financial Liabilities	**Carrying value**	**Contractual cash flows**	**Up to 12 months**	**1-2 years**	**2-5 years**	**More than 5 years**
Loans and borrowings	$ 166,211	$ 171,572	$ 4,513	$ 18,248	$ 66,904	$ 81,907
Interest on loans and borrowings	-	64,306	7,073	14,308	28,270	14,654
Accounts payable and accrued liabilities	26,175	26,175	26,175	-	-	-
Derivatives	597	594	594	-	-	-
Value added, payroll and other taxes	25,360	32,975	9,329	8,632	5,489	9,525
	$ 218,343	**$ 295,622**	**$ 47,684**	**$ 41,188**	**$ 100,663**	**$ 106,086**

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. As at September 30, 2017, the Company had an insignificant short-term derivative with respect to the copper price which expired in early October.

(a) Foreign exchange currency risk

The Company is exposed to exchange rate risks related to the sale of products that are quoted in US dollars and loans and borrowings that are denominated in a currency other than the functional currency of the Company or its subsidiaries. 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 as at September 30, 2017 primarily relates to $147.5 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 $14.8 million and $29.5 million, respectively. 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, including 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 manages 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.

As a majority of the Company's loans and borrowings are fixed rate, the Company does not believe interest rate risk is significant.

(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 September 30, 2017, the Company had no sales or receivables subject to provisional pricing. In addition, at September 30, 2017, the Company was party to a short-term derivative contract with respect to the price of copper that had a fair value of $0.6 million at September 30, 2017. This contract expired on October 2, 2017.

OTHER FINANCIAL INFORMATION

Off-Balance Sheet Arrangements

At September 30, 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 $23 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 November 14, 2017, the Company had 74,598,028 common shares; 1,715,000 stock options, and 8,116,639 warrants issued and outstanding.

Risks and Risk Management

For a detailed discussion of the risks and trends that could affect our financial performance, see "Risk Factors" in the Company's long form prospectus dated October 11, 2017 (the "Prospectus"), a copy of which is available under the Company's profile on the System for Electronic Document Analysis and Retrieval at www.sedar.com.

Related Party Disclosures

For the three and nine month periods ended September 30, 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 three and nine month periods ended September 30, 2017 was $0.5 million and $1.4 million, respectively. In addition, 100,000 options and 990,000 options were issued to key management personnel with $0.1 million and $0.2 million recognized in share-based compensation for the three and nine month periods ended September 30, 2017, respectively.

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 during the nine month period ended September 30, 2017. The terms of the convertible debentures are disclosed in Note 10 of the September 30, 2017 unaudited condensed consolidated interim financial statements for the three and nine month periods ended September 30, 2017.

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, 2016 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 condensed consolidated interim financial statements as at September 30, 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 unaudited condensed consolidated interim financial statements as at September 30, 2017 and the audited consolidated financial statements as at December 31, 2016.

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, 2016.

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 September 30, 2017

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2017. The standards and amendments that may have a significant impact on the consolidated financial statements of the Company are as follows:

i) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company does not expect these amendments to have any significant impact on its consolidated financial statements as it does not account for any debt instruments at fair value.

ii) 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.

The Company is currently evaluating the impact that IFRS 15 will have on its consolidated financial statements.

iii) 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.

The Company is currently evaluating the impact that IFRS 9 will have on its consolidated financial statements.

iv) 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 extent of the impact of adoption of the standard on the Company's consolidated financial statements has not yet been determined. The Company does not intend to adopt IFRS 16 prior to its effective date.

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) 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 September 30, 2017	3 months ended September 30, 2016[1]	9 months ended September 30, 2017	Period ended September 30, 2016[1]
Costs				
Mining	$ 13,424	n/a	$ 36,601	n/a
Processing	4,937	n/a	11,643	n/a
Indirect	2,253	n/a	5,235	n/a
Production costs	20,614	n/a	53,479	n/a
Capex development	(1,787)	n/a	(4,215)	n/a
By-product credits	(1,279)	n/a	(2,983)	n/a
C1 Cash Costs	**$ 17,548**	**n/a**	**$ 46,281**	**n/a**
Costs per pound				
Payable copper produced (lb)	**12,771**	**n/a**	**32,625**	**n/a**
Mining	1.05	n/a	1.12	n/a
Processing	0.39	n/a	0.36	n/a
Indirect	0.18	n/a	0.16	n/a
Capex development	(0.14)	n/a	(0.13)	n/a
By-product credits	(0.10)	n/a	(0.09)	n/a
C1 Cash Cost of Copper produced (per lb)	**1.37**	**n/a**	**1.42**	**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 September 30, 2017	3 months ended September 30, 2016[1]	9 months ended September 30, 2017	Period ended September 30, 2016[1]
Reconciliation:				
Cost of Goods Sold	$ 26,556	n/a	$ 68,357	n/a
Add (less):				
Depreciation/amortization/depletion	(8,980)	n/a	(21,909)	n/a
Net Change in Inventory	454	n/a	1,433	n/a
Transportation costs & other	797	n/a	1,383	n/a
By-product credits	(1,279)	n/a	(2,983)	n/a
C1 Cash costs	**$ 17,548**	**n/a**	**$ 46,281**	**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.

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 September 30, 2017 and December 31, 2016.

		September 30, 2017		December 31, 2016
Current Assets	$	62,933	$	54,408
Less: Current Liabilities		(67,033)		(185,125)
Working Capital Deficit	**$**	**(4,100)**	**$**	**(130,717)**

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, of SRK Consultores do Brasil 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.

Cautionary Note Regarding Forward-Looking Statements

This MD&A 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 MD&A 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 Prospectus.

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 MD&A 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 is available under the Company's profile at www.sedar.com.