CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2018 AND 2017

Ero Copper Corp.

Condensed Consolidated Statements of Financial Position

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

ASSETS	Notes	As at March 31, 2018	As at December 31, 2017
Current			
Cash and cash equivalents		$ 27,072	$ 51,098
Restricted cash	8(a)	2,200	2,193
Accounts receivable		1,629	2,217
Inventories	3	14,969	8,478
Other current assets	4	5,550	6,243
Assets held for sale	5	24,176	27,663
		75,596	97,892
Non-Current			
Mineral property, plant and equipment	6	266,731	254,383
Exploration and evaluation assets	7	27,607	26,278
Deposits		2,163	1,955
Other non-current assets		937	835
		297,438	283,451
Total Assets		$ 373,034	$ 381,343
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 20,494	$ 20,968
Current portion of loans and borrowings	8	9,773	5,601
Current portion of value added, payroll and other taxes payable		5,340	6,857
Derivatives	15	364	949
Liabilities related to assets held for sale	5	17,470	20,957
		53,441	55,332
Non-Current			
Loans and borrowings	8	130,172	133,565
Provisions		29,840	30,314
Value added, payroll and other taxes		14,871	15,078
Other non-current liabilities		656	653
Deferred income tax liabilities		16,088	16,655
		191,627	196,265
Total Liabilities		245,068	251,597
SHAREHOLDERS' EQUITY			
Share capital	10	117,312	113,050
Equity reserves		1,014	(83)
Convertible debentures	9	-	3,011
Retained earnings		9,406	14,011
Equity attributable to owners of the Company		127,732	129,989
Non-controlling interests		234	(243)
		127,966	129,746
Total Liabilities and Equity		$ 373,034	$ 381,343

Nature of operations (Note 1); Contingencies (Note 18)

APPROVED ON BEHALF OF THE BOARD:

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

Ero Copper Corp.

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	Notes		Three month period ended March 31, 2018		Three month period ended March 31, 2017
Revenue		$	28,155	$	12,119
Cost of product sold	11		(22,755)		(14,660)
Sales expenses			(412)		(250)
Gross profit			**4,988**		(2,791)
Expenses					
General and administrative	12		(6,276)		(4,381)
Share-based compensation	10(a)		(781)		-
Loss before the understated			**(2,069)**		(7,172)
Other income (expenses)					
Finance income			188		184
Finance expense	13		(4,245)		(6,748)
Foreign exchange gain			843		5,881
Other			879		2,400
Loss before income taxes			**(4,404)**		(5,455)
Income tax recovery					
Deferred income tax recovery			604		1
Net Loss from continuing operations			**(3,800)**		(5,454)
Net loss from discontinued operations	5		(296)		(1,607)
Net loss for the period			**(4,096)**		(7,061)
Other comprehensive income (loss)					
Foreign currency translation gain			317		583
Comprehensive loss		$	**(3,779)**	$	(6,478)
Net loss attributable to:					
Owners of the Company		$	(4,086)	$	(4,905)
Non-controlling interests			(10)		(2,156)
		$	(4,096)	$	(7,061)
Comprehensive loss attributable to:					
Owners of the Company		$	(3,770)	$	(4,409)
Non-controlling interests			(9)		(2,069)
		$	(3,779)	$	(6,478)
Loss per share attributable to owners of the Company	10(c)				
Loss per share from continuing operations					
Basic and diluted		$	(0.05)	$	(0.11)
Loss per share from discontinued operations					
Basic and diluted		$	(0.00)	$	(0.01)
Net Loss per share					
Basic and diluted		$	(0.05)	$	(0.12)
Weighted average number of common shares outstanding			81,974,876		40,191,450

Condensed Consolidated Statement of Changes in Shareholders' Equity

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

	Share Capital		Equity Reserves						
	Number of shares	Amount	Contributed surplus	Foreign exchange	Convertible debentures	Retained earnings (deficit)	Total	Non-controlling interest	Total equity
Balance, December 31, 2017	**79,381,339**	**$ 113,050**	**$ 879**	**$ (962)**	**$ 3,011**	**$ 14,011**	**$ 129,989**	**$ (243)**	**$ 129,746**
Income for the period	-	-	-	-	-	(4,086)	(4,086)	(10)	(4,096)
Other comprehensive income for the period	-	-	-	316	-	-	316	1	317
Total comprehensive income for the period	**-**	**-**	**-**	**316**	**-**	**(4,086)**	**(3,770)**	**(9)**	**(3,779)**
Shares issued for:									
Exercise of warrants (note 9)	1,014,861	1,218	-	-	-	-	1,218	-	1,218
Share-based compensation (note 10(a))	-	-	781	-	-	-	781	-	781
Accrued interest on convertible debentures	-	-	-	-	33	(33)	-	-	-
Convertible debentures (note 9)	4,059,450	3,044	-	-	(3,044)	-	-	-	-
Reclassification of non-controlling interest allocation	-	-	-	-	-	(486)	(486)	486	-
Balance, March 31, 2018	**84,455,650**	**$ 117,312**	**$ 1,660**	**$ (646)**	**$ -**	**$ 9,406**	**$ 127,732**	**$ 234**	**$ 127,966**
Balance, December 31, 2016	38,349,091	$ 27,817	$ -	$ 7	$ -	$ (3,046)	$ 24,778	$ (405)	$ 24,373
Loss for the period	-	-	-	-	-	(4,905)	(4,905)	(2,156)	(7,061)
Other comprehensive loss for the period	-	-	-	496	-	-	496	87	583
Total comprehensive loss for the period	-	-	-	496	-	(4,905)	(4,409)	(2,069)	(6,478)
Shares issued for:									
Private placements	18,423,593	27,635	-	-	-	-	27,635	-	27,635
Convertible debentures			-	-	2,750	-	2,750	-	2,750
Share issuance costs	-	(633)	-	-	-	-	(633)	-	(633)
Balance, March 31, 2017	56,772,684	54,819	-	503	2,750	(7,951)	50,121	(2,474)	47,647

Condensed Consolidated Statements of Cash Flows

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

		Three month period ended March 31, 2018	Three month period ended March 31, 2017
Cash Flows from (used in) Operating Activities			
Net loss from continuing operations	$	**(3,800)**	(5,454)
Adjustments for:			
Amortization and depreciation		**7,539**	4,642
Deferred income tax recovery		**(604)**	(1)
Write-off of inventory		**284**	-
Provisions		**16**	1,764
Share-based compensation		**781**	-
Finance income		**(188)**	(184)
Finance expenses		**4,245**	6,748
Unrealized foreign exchange		**(843)**	(5,881)
Changes in:			
Accounts receivable		**603**	(43)
Inventories		**(5,298)**	(3,982)
Other assets		**406**	161
Accounts payable and accrued liabilities		**(486)**	34
Value added, payroll and other taxes		**(1,998)**	1,079
Other liabilities		**(2)**	(399)
		655	(1,516)
Cash Flows used in Investing Activities			
Additions to mineral property, plant and equipment, net		**(20,996)**	(8,786)
Additions to exploration and evaluation assets		**(1,413)**	(131)
Interest received		**117**	79
Advances to NX Gold		**-**	(1,572)
		(22,292)	(10,410)
Cash Flows (used in) from Financing Activities			
Convertible debentures		**-**	2,750
Convertible debentures - facility fee		**-**	(250)
Restricted cash		**(7)**	-
Loans and borrowings paid		**(1,347)**	(1,975)
Interest paid on loans and borrowings		**(1,752)**	(757)
Other finance expenses		**(565)**	(565)
Issuance of share capital, net of issuance costs		**1,218**	27,002
		(2,453)	26,205
Effect of exchange rate changes on cash and cash equivalents		**64**	(222)
Net (decrease) increase in cash and cash equivalents		**(24,026)**	14,057
Cash and cash equivalents - beginning of period		**51,098**	18,318
Cash and cash equivalents - end of period		**27,072**	32,375

The accompanying notes are an integral part of these condensed consolidated interim 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 a 97.6% ownership interest in NX Gold S.A. ("NX Gold").

MCSA is a Brazilian company which holds a 100% interest in the Vale do Curaçá Property and the Boa Esperança Property (Note 7). 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 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. 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.

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 Company intends 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 has guaranteed 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.

These condensed consolidated interim 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 at least the next twelve months. 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.

2. Significant Accounting Policies

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting* and, except as disclosed in note 2(b) below, follow the same accounting policies and methods of application as the Company's most recent annual consolidated financial statements for the year ended December 31, 2017. These condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the period ended December 31, 2017, 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 condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 7, 2018.

b) **New Accounting Standards Adopted in the Current Period**

The following new and amended IFRS pronouncements were adopted effective January 1, 2018:

i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces 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*.

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.

Adoption of IFRS 15 did not have a material impact on our condensed consolidated interim financial statements.

The following is the Company's new accounting policy for revenue recognition under IFRS 15:

Revenue is generated from the sale of sale of metals in concentrate. The Company's performance obligations relate primarily to the delivery of the concentrate to customers, with each shipment representing a separate performance obligation.

Revenue from the sale of metals in concentrate is recognized at the point the customer obtains control of the product. Control is transferred when title has passed to the purchaser, the product is physically delivered to the customer, the customer controls the risks and rewards of ownership and the Company has a present right to payment for the product.

The sales amount is typically based on quoted market and contractual prices which are fixed at the time the shipment is received at the customers' premises. In certain circumstances the sales price may be determined in a period subsequent to the date of sale (provisionally priced sales) based on the terms of specific copper concentrate contracts. 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. The settlement receivable 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.

ii) IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39, Financial Instruments: Recognition & Measurement and 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, amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment and introduces a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

The adoption of IFRS 9 did not have a material impact on the measurement of the Company's financial instruments in the condensed consolidated interim financial statements. However, additional disclosures have been provided.

The following are new accounting policies for financial instruments under IFRS 9.

Non-derivative financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to the Company's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. See Note 15 to these condensed consolidated interim financial statements for the classifications of our financial instruments under IFRS 9.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. Gains and losses on derecognition of financial assets classified amortized cost are recognized in profit or loss.

Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs incurred and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Derivative instruments

Derivative instruments, including embedded derivatives in executory contracts or financial liability contracts, are classified as at FVTPL and, accordingly, are recorded in the statement of financial position at fair value. Unrealized gains and losses on derivatives not designated in a hedging relationship are recorded as part of other operating income (expense) or non-operating income (expense) in profit depending on the nature of the derivative. Fair values for derivative instruments are determined using inputs based on market conditions existing at the balance sheet date or settlement date of the derivative. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract.

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

Expected credit losses

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. The Company is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

c) **Changes in Accounting Standards Not Yet Adopted**

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective as at March 31, 2018:

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.

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

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 condensed consolidated interim financial statements.

d) **Use of Judgments and Estimates**

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ. Significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied in the most recent annual audited consolidated financial statements for the year ended December 31, 2017.

3. Inventories

		March 31, 2018		December 31, 2017
Supplies and consumables	**$**	**9,391**	$	7,117
Stockpile		**47**		127
Work in progress		**259**		253
Finished goods		**5,272**		981
	$	**14,969**	$	8,478

4. Other Current Assets

		March 31, 2018		December 31, 2017
Advance to suppliers	**$**	**339**	$	1,447
Prepaid expenses		**2,599**		3,099
Advances to employees (a)		**552**		554
Value added federal taxes recoverable		**2,060**		1,143
	$	**5,550**	$	6,243

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

5. Assets and Liabilities Held for Sale

As at March 31, 2018, 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. 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 March 31, 2018, given that it is a subsidiary that was classified as a disposal group held for sale.

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

	March 31, 2018	December 31, 2017
Assets held for sale	$ 24,176	$ 27,663
Liabilities held for sale	(17,470)	(20,957)
	$ 6,706	$ 6,706

Assets held for sale are held at the lower of carrying value and fair value.

6. Mineral Property, Plant and Equipment

Additions to mineral, property, plant and equipment totaled $20.9 million consisting of $18.3 million in continued underground development and construction of the Vermelhos mine project and $2.6 million on underground development and expenditures on plant and equipment at the Pilar UG Mine and the integrated Caraíba Mill during the three month period ended March 31, 2018 (three month period ended March 31, 2017 - $9.5 million, $9.0 million and $0.5 million, respectively).

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 8).

Included in Mineral Properties is $22.4 million (December 31, 2017 - $22.4 million) related to the value of mineral resources beyond proven and probable reserves not currently being amortized.

7. Exploration and Evaluation Assets

Exploration and evaluation assets related to the 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 8).

8. Loans and Borrowings

Description	Denomination	Security	Time to Maturity	Coupon rate	Principal to be repaid	Carrying value March 31, 2018	Carrying value December 31, 2017
Bank loans	USD	Secured	105 months	8.83%	$ 53,395	$ 55,287	$ 54,301
Bank loans	USD	Unsecured	13-105 months	7.50%	17,373	17,911	18,811
Bank loan	BRL R$	Secured	105 months	7.50%	12,550	9,771	9,656
Bank loan	BRL R$	Unsecured	105 months	CDI + 0.5%	9,675	8,079	8,004
Equipment finance loans	BRL R$	Secured	9-14 months	6.00%	436	415	514
Equipment finance loan	EURO	Secured	5 months	7.00%	579	579	-
Senior non-revolving credit facility	USD	Secured	57 months	LIBOR + 7%	50,000	47,812	47,790
Other	USD	Unsecured	3 months	0%-5.19%	91	91	90
Total					**$ 144,099**	**$ 139,945**	**$ 139,166**
Current portion:						**$ 9,773**	**$ 5,601**
Non-current portion:						**$ 130,172**	**$ 133,565**

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.

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

	March 31, 2018	March 31, 2017
Balance, beginning of period	**$ 139,166**	$ 162,124
New equipment finance loan	**654**	-
Principal and interest payments	**(3,099)**	(2,732)
Interest accretion	**3,484**	3,856
Foreign exchange	**(260)**	248
Balance, end of period	**$ 139,945**	$ 163,496

(a) Senior non-revolving credit facility

In December 2017, the Company entered into a $50 million senior secured non-revolving credit facility (the "Facility") with a Canadian financial institution. The 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 bears interest at LIBOR + 7%, which rate will be in effect until December 21, 2018. Subsequently, and subject to the completion of the Vermelhos UG Mine, 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, as defined in the Facility, 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 $2.3 million which have been included in the carrying value of the Facility and are being amortized using an effective interest rate of 10.4%. 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 condensed consolidated interim 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 March 31, 2018, $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 date of acquisition of MCSA 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 and the Boa Esperança Property. 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).

On December 2, 2016, MCSA restructured certain loan agreements to and the lenders agreed to split these loans into Class A and Class B notes. The Class A notes, which have a carrying value of $55.3 at March 31, 2018, 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 Class B notes, with a principal amount of $83.0 million, are repayable only if, among other things, the Class A notes are not repaid in accordance with the restructured agreements. As at March 31, 2018, 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 are not included in the loans and borrowings as at March 31, 2018.

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 condensed consolidated interim financial statements, MCSA was in compliance with these covenants.

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

9. Convertible Debentures

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 had the right to 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 had the right to 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 Company had the ability to settle the debentures with a fixed number of the Company's own equity instruments, the convertible debentures were classified as equity instruments. In February 2018, all of the convertible debenture holders elected to convert the debentures into units, resulting in the issuance of 4,059,450 common shares and 1,014,861 common share purchase warrants. These warrants were subsequently exercised for an equivalent number of common shares for gross proceeds received by the Company of $1.2 million.

10. Share Capital

As at March 31, 2018, the Company's authorized share capital consists of an unlimited number of common shares without par value. As at March 31, 2018, 84,455,650 common shares were outstanding.

(a) Options

In January 2018, 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 in 3 equal installments on each annual anniversary date from the date of grant. The total fair value of options issued was $0.5 million.

As at March 31, 2018, 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	-	4.13
July 15, 2022	100,000	1.50	USD	-	4.29
November 24, 2022	318,000	6.48	CAD	-	4.65
December 7, 2022	1,460,000	6.74	CAD	120,000	4.69
January 18, 2023	60,000	7.95	CAD	-	4.81
January 23, 2023	125,000	7.76	CAD	-	4.82
	3,678,000	3.52	USD	120,000	4.43

In determining the weighted average exercise price of all outstanding options, the CAD prices were converted to USD at the March 31, 2018 exchange rate of 1.2894.

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

The fair value of options granted in the three months ended March 31, 2018 was determined using 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		60.2%
Dividend yield		0%
Risk-free interest rate		1.96%
Weighted-average fair value per option	$	2.52

For the three months ended March 31, 2018, the Company recorded share-based compensation of $0.8 million with respect to its outstanding stock options.

(b) Warrants

As at March 31, 2018, 3,333,328 (December 31, 2017 – 3,333,328) warrants were outstanding with a weighted average exercise price of $1.20 and a weighted average remaining contractual life of 3.70 years.

(c) Loss per share

	Three month period ended March 31, 2018	Three month period ended March 31, 2017
Weighted average number of common shares outstanding	**81,974,876**	40,191,450
Net loss attributable to owners of the Company	**$ (4,086)**	$ (4,905)
Basic and diluted net loss per share attributable to owners of the Company	**(0.05)**	(0.12)
Net loss from discontinued operations attributable to owners of the Company	**(289)**	(450)
Basic and diluted net loss from discontinued operations per share attributable to owners of the Company	**(0.00)**	(0.01)
Net loss from continuing operations attributable to owners of the Company	**(3,797)**	(4,455)
Basic and diluted net loss from continuing operations per share attributable to owners of the Company	**(0.05)**	(0.11)

As the Company has a net loss for the three months ended March 31, 2018 and 2017, dilutive loss per share is the same as basic loss per share as the effect of all outstanding options and warrants is anti-dilutive.

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

11. Cost of Product Sold

	Three month period ended March 31, 2018	Three month period ended March 31, 2017
Materials	$ 2,498	$ 1,715
Salaries and benefits	6,301	4,747
Depreciation and depletion	7,511	4,642
Contracted services	2,998	1,544
Maintenance costs	2,188	1,072
Utilities	1,133	859
Other costs	126	81
	$ 22,755	$ 14,660

12. General and Administrative Expenses

	Three month period ended March 31, 2018	Three month period ended March 31, 2017
Accounting and legal	$ 369	$ 740
Amortization and depreciation	28	-
Office and sundry	1,995	380
Provisions	113	1,764
Salaries and consulting fees	3,459	1,319
Transfer agent and filing fees	78	9
Travel and conference	234	169
	$ 6,276	$ 4,381

13. Finance Expense

	Three month period ended March 31, 2018	Three month period ended March 31, 2017
Interest on loans and borrowings	$ 3,484	$ 3,856
Accretion of purchase price adjustments	197	1,308
Convertible debenture facility fees	-	303
Other	564	1,281
	$ 4,245	$ 6,748

14. 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 three month period ended March 31, 2018 was $0.6 million ($0.4 million for the three month period ended March 31, 2017). In addition, $0.5 million was recognized in share-based compensation for the three month period ended March 31, 2018 for options previously issued to key management personnel ($nil for the three month period ended March 31, 2017).

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

Key management personnel held certain convertible debentures (note 9) which were converted in the three months ended March 31, 2018 into 1,476,164 common shares and 369,040 common share purchase warrants. The warrants were subsequently exercised into 369,040 common shares. During the three month period ended March 31, 2017, 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.

(b) Related party balances

As at March 31, 2018, and December 31, 2017, no amounts payable to related parties were included in the condensed consolidated interim financial statements.

15. Financial Instruments

Overview of Changes in IFRS

We adopted IFRS 9 on January 1, 2018 in accordance with the transitional provisions of the standard and as described in note 2(b).

Classification and Measurement Changes

We have assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Category	
	Original (IAS 39)	**New (IFRS 9)**
Financial Assets:		
Cash, cash equivalents and restricted cash	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Other non-current assets - term deposits	Amortized cost	Amortized cost
Financial Liabilities:		
Trade payables	Amortized cost	Amortized cost
Loans and borrowings	Amortized cost	Amortized cost
Derivatives	Fair value through profit or loss	Fair value through profit or loss

There has been no change in the carrying value of our financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above.

Cash and cash equivalents, restricted cash and deposits

Cash is comprised of cash on hand and demand deposits. Cash equivalents, restricted cash and deposits 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.

Trade receivables

Trade receivables relate to amounts receivable from sales with fixed or determinable payments that are not quoted in an active market. These receivables are non-interest bearing and are recognized at face amount, except when fair value is materially different, and are subsequently measured at amortized cost. Trade receivables recorded are net of lifetime expected credit losses.

Other non-current assets – term deposits

Term deposits are directly related to loan agreements with a Brazilian financial institution which requires the establishment of a reserve fund. Redemptions of financial investments are conditional on the Company making the scheduled loan repayments. These term deposits are classified as, and subsequently measured at, amortized cost. These term deposits are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

Trade payables

Trade payables are non-interest bearing if paid when due and are recognized at their face amount, except when fair value is materially different. Trade payables are subsequently measured at amortized cost.

Loans and borrowings

Loans and borrowings are initially recorded at fair value, less transaction costs. Loans and borrowings are subsequently measured at amortized cost, calculated using the effective interest rate method.

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 March 31, 2018, 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 March 31, 2018, the carrying value of loans and borrowings is $140 million while the fair value is approximately $142 million. The effective interest rates used to amortize these loans are a close approximation of market rates of interest at March 31, 2018 (level 2 of the fair value hierarchy).

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

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 March 31, 2018 and December 31, 2017:

		March 31, 2018		December 31, 2017
Cash and cash equivalents	**$**	**27,072**	$	51,098
Restricted cash		**2,200**		2,193
Accounts receivable		**1,629**		2,217
Deposits		**2,163**		1,955
Other non-current assets - term deposits		**766**		753
	$	**33,830**	$	58,216

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 one customer. To limit its exposure to credit risk, 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 three month period ended March 31, 2018 nor does it have an allowance for doubtful accounts.

Expected credit losses

We have reviewed our expected credit losses on our trade receivables on transition to IFRS 9. We have also implemented a process for managing and estimating provisions relating to trade receivables going forward under IFRS 9. For our trade receivables, we apply the simplified approach for determining expected credit losses which requires us to determine the lifetime expected losses for all our trade receivables. The expected lifetime credit loss provision for our trade receivables is based on historical counterparty default rates and adjusted for relevant forward looking information, when required. As our only customer is considered to have low default, historical default rates are low and the lifetime expected credit loss allowance for trade receivables is nominal as at January 1, 2018 and March 31, 2018. Accordingly, we did not record an adjustment relating to the implementation of the expected credit loss model for our trade receivables.

Derivatives

The Company may use derivatives, including forward contracts and swap contracts, to manage market risks. At March 31, 2018, the Company has entered into foreign exchange swap contracts for a notional amount of $27.0 million to sell U.S. dollars into Brazilian Real at rates ranging from 3.2705 to 3.3307. The maturity dates of these contracts range from April 10, 2018 to June 25, 2018 and are financially settled on a net basis. The fair value of these contracts at March 31, 2018 was a $0.4 million liability, (December 31, 2017 - $0.9 million) which has been included in Derivatives in the statement of financial position.

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

17. 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	**March 31, 2018**	December 31, 2017
Brazil	**$ 2,809**	2,483
Canada	**24,263**	48,615
	$ 27,072	51,098

Non-current assets	**March 31, 2018**	December 31, 2017
Brazil	**$ 295,820**	283,110
Canada	**1,618**	341
	$ 297,438	283,451

During the three month period ended March 31, 2018, all of the Company's sales were with one customer in Brazil.

18. 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 these claims are unlikely to be successful, if all such existing claims were decided against it, the Company could be exposed to a liability of up to approximately $21.9 million (December 31, 2017 - $20.2 million), which could have an adverse impact on the Company's business, financial condition, results of operations, cash flows or prospects.