CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2019 AND 2018

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, 2019		As at December 31, 2018
Current					
Cash and cash equivalents		$	19,488	$	18,941
Restricted cash	8(b)		2,622		3,000
Accounts receivable			18,693		7,219
Inventories	4		18,826		14,645
Derivatives	16		-		254
Other current assets	5		7,699		6,895
			67,328		50,954
Non-Current					
Mineral, property, plant and equipment	6		292,812		280,804
Exploration and evaluation assets	7		25,481		25,563
Deposits			1,401		1,334
Other non-current assets			838		1,784
			320,532		309,485
Total Assets		$	387,860	$	360,439
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	29,890	$	36,390
Deferred revenue			6,216		1,916
Current portion of loans and borrowings	8		11,255		10,602
Current portion of value added, payroll and other taxes payable			16,330		11,357
Derivatives	16		849		-
Current portion of lease liabilities	2(b)		3,536		-
			68,076		60,265
Non-Current					
Loans and borrowings	8		143,979		141,632
Provisions			32,620		31,509
Value added, payroll and other taxes			6,370		6,593
Lease liabilities	2(b)		1,325		-
Other non-current liabilities			980		807
Deferred income tax liabilities			14,232		15,811
			199,506		196,352
Total Liabilities			267,582		256,617
SHAREHOLDERS' EQUITY					
Share capital	9		118,626		117,944
Equity reserves			(24,458)		(24,755)
Retained earnings			25,660		10,337
Equity attributable to owners of the Company			119,828		103,526
Non-controlling interests			450		296
			120,278		103,822
Total Liabilities and Equity		$	387,860	$	360,439

Nature of operations (Note 1); Contingencies (Note 18); Subsequent events (Note 9(a))

APPROVED ON BEHALF OF THE BOARD:

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

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

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, 2019		Three month period ended March 31, 2018 (Recast - Note 3)
Revenue	10	$	**72,041**	$	39,672
Cost of product sold	11		**(38,140)**		(30,775)
Sales expenses			**(1,307)**		(412)
Gross profit			**32,594**		8,485
Expenses					
General and administrative	12		**(6,623)**		(6,532)
Share-based compensation	9(a)(b)		**(1,843)**		(781)
Income before the undernoted			**24,128**		1,172
Other income (expenses)					
Finance income			**136**		210
Finance expense	13		**(6,810)**		(4,531)
Foreign exchange gain (loss)	14		**(288)**		809
Other income			**1,048**		890
Income (loss) before income taxes			**18,214**		(1,450)
Income tax recovery (expense)					
Current			**(4,218)**		(467)
Deferred			**1,487**		604
			(2,731)		137
Net income (loss) for the period			**15,483**		(1,313)
Other comprehensive income (loss)					
Foreign currency translation income (loss)			**(1,413)**		317
Comprehensive income (loss)		$	**14,070**	$	(996)
Net income (loss) attributable to:					
Owners of the Company			**15,323**		(1,369)
Non-controlling interests			**160**		56
		$	**15,483**	$	(1,313)
Comprehensive income (loss) attributable to:					
Owners of the Company			**13,916**		(1,053)
Non-controlling interests			**154**		57
		$	**14,070**	$	(996)
Income (loss) per share attributable to owners of the Company	9(d)				
Net income (loss) per share					
Basic		$	**0.18**	$	(0.02)
Diluted		$	**0.17**	$	(0.02)
Weighted average number of common shares outstanding					
Basic			**84,804,389**		81,974,876
Diluted			**89,917,828**		81,974,876

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

Ero Copper Corp.

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	Total	Non-controlling interest	Total equity
Balance, December 31, 2018	84,738,650	$ 117,944	$ 3,897	$ (28,652)	$ -	$ 10,337	$ 103,526	$ 296	$ 103,822
Income for the period	-	-	-	-	-	15,323	15,323	160	15,483
Other comprehensive loss for the period	-	-	-	(1,407)	-	-	(1,407)	(6)	(1,413)
Total comprehensive income (loss) for the period	**-**	**-**	**-**	**(1,407)**	**-**	**15,323**	**13,916**	**154**	**14,070**
Shares issued for:									
Exercise of options and warrants	233,331	682	(139)	-	-	-	543	-	543
Share-based compensation	-	-	1,843	-	-	-	1,843	-	1,843
Balance, March 31, 2019	**84,971,981**	**$ 118,626**	**$ 5,601**	**$ (30,059)**	**$ -**	**$ 25,660**	**$ 119,828**	**$ 450**	**$ 120,278**
Balance, December 31, 2017	79,381,339	$ 113,050	$ 879	$ (962)	$ 3,011	$ 14,011	$ 129,989	$ (243)	$ 129,746
Income (loss) for the period	-	-	-	-	-	(1,369)	(1,369)	56	(1,313)
Other comprehensive income for the period	-	-	-	316	-	-	316	1	317
Total comprehensive income (loss) for the period	-	-	879	316	-	(1,369)	(1,053)	57	(996)
Shares issued for:									
Exercise of warrants	1,014,861	1,218	-	-	-	-	1,218	-	1,218
Convertible debentures	4,059,450	3,044	-	-	(3,044)	-	-	-	-
Accrued interest on convertible debentures	-	-	-	-	33	(33)	-	-	-
Stock-based compensation	-	-	781	-	-	-	781	-	781
Reclassification of non-controlling interest allocation	-	-	-	-	-	(486)	(486)	486	-
Balance, March 31, 2018	84,455,650	$ 117,312	$ 2,539	$ (646)	$ -	$ 12,123	$ 130,449	$ 300	$ 130,749

Ero Copper Corp.

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, 2019	Three month period ended March 31, 2018 (Recast - Note 3)
Cash Flows from Operating Activities		
Net income (loss) for the period	**$ 15,483**	$ (1,313)
Adjustments for:		
Amortization and depreciation	**12,139**	10,552
Income tax expense (recovery)	**2,731**	(137)
Write-off of assets	**328**	284
Provisions	**160**	159
Share-based compensation	**1,843**	781
Finance income	**(136)**	(210)
Finance expenses	**6,810**	4,531
Foreign exchange loss (gain)	**288**	(809)
Derivative contract settlements	**723**	-
Changes in:		
Accounts receivable	**(11,901)**	1,381
Inventories	**(6,759)**	(5,658)
Other assets	**18**	(569)
Accounts payable and accrued liabilities	**(4,481)**	(3,955)
Deferred revenue	**4,311**	-
Value added, payroll and other taxes	**3,626**	(1,612)
Other liabilities	**(116)**	(62)
	25,067	3,363
Income taxes paid	**-**	(467)
	25,067	2,896
Cash Flows used in Investing Activities		
Additions to mineral property, plant and equipment	**(21,951)**	(22,634)
Additions to exploration and evaluation assets	**(175)**	(1,413)
Interest received	**17**	117
	(22,109)	(23,930)
Cash Flows (used in) from Financing Activities		
Restricted cash	**378**	(7)
Lease liability payments	**(902)**	-
New loans and borrowings, net of finance costs	**4,674**	-
Loans and borrowings paid	**(2,984)**	(1,938)
Interest paid on loans and borrowings	**(2,820)**	(1,811)
Other finance expenses	**(863)**	(557)
Issuance of share capital, net of issuance costs	**543**	1,218
	(1,974)	(3,095)
Effect of exchange rate changes on cash and cash equivalents	**(437)**	94
Net increase (decrease) in cash and cash equivalents	**547**	(24,035)
Cash and cash equivalents - beginning of period	**18,941**	51,147
Cash and cash equivalents - end of period	**$ 19,488**	$ 27,112

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. The Company’s shares are 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 Company currently mines copper ore from the Pilar underground mine (“Pilar UG Mine”), its newly constructed Vermelhos underground mine (“Vermelhos UG Mine”) and the R22W open pit mine (“R22W”). 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 (“ha”).

NX Gold is a Brazilian gold mining company focused on the exploration and commercialization of gold as its main product and silver as its sub-product. NX Gold wholly owns a 31,730 ha property, located approximately 18 kilometers west of the town of Nova Xavantina, 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.

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. Taking into consideration the expected cash flow from existing operations, the commissioning of the Vermelhos UG Mine in October 2018 and lines of credit in place at MCSA (see note 8(d)), management believes that the Company has sufficient working capital and financial resources 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 NX Gold 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 maintain profitable production.

2. Basis of Preparation

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, 2018. 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 year ended December 31, 2018, 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, 2019.

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

The following new and amended IFRS pronouncements were adopted effective January 1, 2019:

IFRS 16 Leases

The Company has adopted IFRS 16 *Leases* ("IFRS 16") from January 1, 2019.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months, which election is made by underlying class of assets to which the right of use asset relates, or leases where the underlying asset is of low value, which election is made on an asset by asset basis. Lessor accounting remains similar to previous accounting policies.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4, *Determining Whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Transition

The Company adopted IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, IFRS 16 was applied only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. However, the Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets (e.g. information technology equipment). The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company leases various assets including equipment, offices and properties that had previously been classified as operating leases under IAS 17. On transition lease liabilities for these leases were measured at the present value of remaining lease payments, discounted at the Company's incremental borrowing rate as of January 1, 2019. The average incremental borrowing rate at January 1, 2019 was 10%. The Company elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

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

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Company did not have any leases classified as finance leases under IAS 17 on the adoption date.

The Company presents right-of-use assets in mineral, property, plant and equipment in the statement of financial position, the same line item as it presents underlying assets of the same nature that it owns. The Company presents lease liabilities as a separate line item on the statement of financial position.

The impact on transition is summarized below:

	December 31, 2018	IFRS 16 adjustments	January 1, 2019
Mineral, property, plant and equipment	$ 280,804	$ 4,708	$ 285,512
Current portion of lease liabilities	-	3,383	3,383
Lease liabilities	-	1,325	1,325

	January 1, 2019
Operating lease commitments at December 31, 2018	$ 221
Arrangements reassessed as leases	4,914
Effect of discounting using the incremental borrowing rate at January 1, 2019	(427)
Lease liabilities recognized as IFRS 16 adjustment at January 1, 2019	$ 4,708

Significant accounting policies

The following is the new accounting policy for leases under IFRS 16:

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The cost of the right of use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Impact on financial statements

As a result of applying IFRS 16, the Company recognized right-of-use assets of $4.7 million and lease liabilities of $4.9 million as at March 31, 2019.

Also, during the three month period ended March 31, 2019, the Company recognized $0.9 million of depreciation charges and $0.1 million of interest costs.

IFRIC 23 – Uncertainty over Income Tax Treatments

The Company has adopted IFRIC Interpretation 23 (“Interpretation 23”) – *Uncertainty over Income Tax Treatments* from January 1, 2019. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. There is no material impact on the financial statements from the adoption of Interpretation 23.

c) **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, 2018, except for those applied for leases as described above.

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

3. NX Gold

From the date of acquisition on December 12, 2016, the Company intended to sell its interest in NX Gold. Accordingly, the assets and liabilities of NX Gold were classified as assets and liabilities held for sale and its results from operations were presented as net income from discontinued operations. During the fourth quarter of 2018, the Company decided not to sell its interest in NX Gold and, instead, continue to own and operate the assets due to encouraging preliminary exploration work and weak capital markets for junior listed gold producers. As such, the assets and liabilities of NX Gold are no longer presented as assets and liabilities held for sale and its results from operations are no longer reflected as income from discontinued operations. The prior year statements of operations and comprehensive income (loss) and cash flow have been adjusted to reflect NX Gold as a continuing operation.

	Three month period ended March 31, 2018 as originally presented	NX Gold Adjustments	Three month period ended March 31, 2018 as adjusted
Revenue	$ 28,155	$ 11,517	$ 39,672
Cost of product sold	(22,755)	(8,020)	(30,775)
Sales expenses	(412)	-	(412)
Gross profit	**4,988**	**3,497**	**8,485**
Expenses			
General and administrative	(6,276)	(256)	(6,532)
Share-based compensation	(781)	-	(781)
Income (loss) before the understated	**(2,069)**	**3,241**	**1,172**
Other income (expenses)			
Finance income	188	22	210
Finance expense	(4,245)	(286)	(4,531)
Foreign exchange gain	843	(34)	809
Other income	879	11	890
Income (loss) before income taxes	**(4,404)**	**2,954**	**(1,450)**
Income tax recovery			
Current income tax	-	(467)	(467)
Deferred income tax recovery	604	-	604
	604	(467)	137
Net income (loss) from continuing operations	**(3,800)**	**2,487**	**(1,313)**
Net loss from discontinued operations	(296)	296	-
Net income (loss) for the period	**$ (4,096)**	**$ 2,783**	**$ (1,313)**
Other comprehensive income			
Foreign currency translation gain	317	-	317
Comprehensive income (loss)	**$ (3,779)**	**$ 2,783**	**$ (996)**
Net income (loss) attributable to:			
Owners of the Company	(4,086)	2,717	$ (1,369)
Non-controlling interests	(10)	66	56
	$ (4,096)	$ 2,783	$ (1,313)
Comprehensive income (loss) attributable to:			
Owners of the Company	(3,770)	2,717	$ (1,053)
Non-controlling interests	(9)	66	57
	$ (3,779)	$ 2,783	$ (996)
Income (loss) per share attributable to owners of the Company			
Net income (loss) per share			
Basic and diluted	$ (0.05)		$ (0.02)
Weighted average number of common shares outstanding	81,974,876		81,974,876

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

3. NX Gold (continued)

	Three month period ended March 31, 2018 as originally presented	NX Gold Adjustments	Three month period ended March 31, 2018 as adjusted
Cash Flows from (used in) Operating Activities			
Net loss from continuing operations	**$ (3,800)**	$ 2,487	**$ (1,313)**
Adjustments for:			
Amortization and depreciation	**7,539**	3,013	**10,552**
Deferred income tax recovery	**(604)**	467	**(137)**
Write-off of inventory	**284**	-	**284**
Provisions	**16**	143	**159**
Share-based compensation	**781**	-	**781**
Finance income	**(188)**	(22)	**(210)**
Finance expenses	**4,245**	286	**4,531**
Foreign exchange	**(843)**	34	**(809)**
Changes in:			
Accounts receivable	**603**	778	**1,381**
Inventories	**(5,298)**	(360)	**(5,658)**
Other assets	**406**	(975)	**(569)**
Accounts payable and accrued liabilities	**(486)**	(3,469)	**(3,955)**
Value added, payroll and other taxes	**(1,998)**	386	**(1,612)**
Other liabilities	**(2)**	(60)	**(62)**
	655	2,708	**3,363**
Income taxes paid	**-**	(467)	**(467)**
	655	2,241	**2,896**
Cash Flows used in Investing Activities			
Additions to mineral property, plant and equipment, net	**(20,996)**	(1,638)	**(22,634)**
Additions to exploration and evaluation assets	**(1,413)**	-	**(1,413)**
Interest received	**117**	-	**117**
	(22,292)	(1,638)	**(23,930)**
Cash Flows used in Financing Activities			
Restricted cash	**(7)**	-	**(7)**
Loans and borrowings paid	**(1,347)**	(591)	**(1,938)**
Interest paid on loans and borrowings	**(1,752)**	(59)	**(1,811)**
Other finance costs paid	**(565)**	8	**(557)**
Issuance of share capital, net of issuance costs	**1,218**	-	**1,218**
	(2,453)	(642)	**(3,095)**
Effect of exchange rate changes on cash and cash equivalents	**64**	30	**94**
Net decrease in cash and cash equivalents	**(24,026)**	(9)	**(24,035)**
Cash and cash equivalents - beginning of period	**51,098**	49	**51,147**
Cash and cash equivalents - end of period	**$27,072**	$40	**$27,112**

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

4. Inventories

	March 31, 2019	December 31, 2018
Supplies and consumables	$ **13,586**	$ 11,641
Stockpile	**757**	1,116
Work in progress	**1,607**	543
Finished goods	**2,876**	1,345
	$ **18,826**	$ 14,645

5. Other Current Assets

	March 31, 2019	December 31, 2018
Advances to suppliers	$ **1,692**	$ 766
Prepaid expenses	**3,081**	2,188
Advances to employees (a)	**1,136**	1,349
Value added federal taxes recoverable	**1,790**	2,592
	$ **7,699**	$ 6,895

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

6. Mineral, Property, Plant and Equipment

Additions to mineral, property, plant and equipment totaled $27.2 million consisting of $21.5 million in mineral, property, plant and equipment purchases (three month period ended March 31, 2018 - $22.4 million), $4.7 million due to the adoption of IFRS 16 (note 2(b)) and $1.0 million due to acquisition of new right of use assets. Of the $21.5 million in mineral, property, plant and equipment purchases, $1.4 million was obtained through financing arrangements directly from equipment suppliers.

Buildings and equipment have been pledged as security for a certain secured bank loan and certain equipment is secured for the equipment finance loans (note 8).

Included in mineral, property, plant and equipment is $10.2 million (December 31, 2018 - $10.4 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 prospective copper/gold property is in advanced stages of exploration with various geological mineral resource studies and a completed feasibility study.

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

8. Loans and Borrowings

Description	Denomination	Security	Time to Maturity	Coupon rate	Principal to be repaid	Carrying value March 31, 2019[1]	Carrying value December 31, 2018
Bank loan	USD	Unsecured	-	7.50%	$ -	$ -	$ 558
Bank loan	BRL R$	Secured	93 months	7.50%	10,452	8,648	8,607
Bank loan	BRL R$	Unsecured	92 months	CDI + 0.5%	7,722	6,733	6,969
Bank loan (NX Gold)	BRL R$	Unsecured	-	95% CDI	-	-	106
Bank loan	USD	Unsecured	21 months	4.43%	2,625	2,631	3,000
Bank loan	BRL R$	Unsecured	11 months	CDI + 3.7%	1,158	1,159	1,484
Equipment finance loans	BRL R$	Secured	2 - 59 months	6%-21.6%	3,647	3,740	1,346
Equipment finance loans	EURO	Secured	17-30 months	7.00%	4,405	4,485	3,645
Equipment finance loans	USD	Secured	38-47 months	7%-7.95%	4,353	4,366	2,994
Senior non-revolving credit facility	USD	Secured	57 months	LIBOR + 2.75%-4.75%	80,000	79,022	79,056
Senior revolving credit facility	USD	Secured	45 months	LIBOR + 2.75%-4.75%	45,000	44,450	44,469
Total					**$ 159,362**	**$ 155,234**	**$ 152,234**
Current portion:						**$ 11,255**	**$ 10,602**
Non-current portion:						**$ 143,979**	**$ 141,632**

(1) Carrying value includes accrued interest

	March 31, 2019	March 31, 2018[2]
Balance, beginning of year	**$ 152,234**	$ 139,166
New equipment finance loans	**6,070**	654
Principal and interest payments	**(5,804)**	(3,099)
Interest accretion	**3,115**	3,484
Effect of foreign exchange rate changes	**(381)**	(260)
Balance, end of period	**$ 155,234**	$ 139,945

(2) Balance and transactions exclude NX Gold as it was considered a discontinued operation at that time.

(a) Senior non-revolving credit facility

In December 2018, the Company replaced the $50 million senior secured non-revolving credit facility completed on December 29, 2017 with a new $130 million facility from a syndicate of Canadian financial institutions. The facility is comprised of an $80 million senior secured amortizing non-revolving credit facility ("Term Facility") and a $50 million senior secured revolving term credit facility ("Revolving Credit Facility") (collectively the "Facilities"). The Term Facility has a 5-year term with equal quarterly principal payments of $6.2 million beginning on December 13, 2020, while the Revolving Credit Facility is payable at maturity on December 13, 2022. The Facilities bear interest on a sliding scale at a rate of LIBOR plus 2.75% to 4.75% depending on the Company's consolidated leverage ratio at the time.

During the three month period ended March 31, 2019, the Company entered into an interest rate swap transaction with a Canadian financial institution whereby the floating interest on a notional amount of $65 million of the Term Facility was swapped for a fixed interest rate of 2.69%. This interest rate swap transaction is in effect for the term of the Term Facility, with the notional amount reduced as principal payments are made. Interest payments are being made on a quarterly basis.

The Facilities are secured by pledges of shares of MCSA and NX Gold. The Company is required to comply with certain financial covenants. As of the date of these consolidated financial statements, the Company is in compliance with these covenants.

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

(b) Bank loans

The bank loans relate to the Company's subsidiaries and were recognized at the date of acquisition at fair value and have subsequently been recognized at amortized cost, net of settlements. Interest is being recognized using the effective interest rate method at interest rates ranging from 7.8% - 14.5%.

As per the terms of one of MCSA's bank loans, the Company is required to maintain a separate bank account with sufficient funds to cover scheduled principal payments. At March 31, 2019, $2.6 million was on deposit in a designated debt service account and is presented as restricted cash in the statement of financial position.

The secured bank loans are secured by buildings and equipment. MCSA is required to comply with certain financial covenants. As of the date of these consolidated financial statements, MCSA was in compliance with these covenants.

(c) Line of Credit

MCSA entered into a credit agreement for a line of credit of up to BRL$35 million at an interest rate of CDI + 7% per annum. The Company and NX Gold provide unsecured guarantees for this credit agreement. During the three month period ended March 31, 2019, this credit agreement was amended to increase the line of credit to BRL$40 million. In addition, MCSA has also entered into a second credit agreement for a total line of credit of up to BRL$20 million. MCSA may drawdown on these lines of credits at any time until December 31, 2019. As at March 31, 2019, no amounts had been drawn on these facilities.

9. Share Capital

As at March 31, 2019, the Company's authorized share capital consists of an unlimited number of common shares without par value. As at March 31, 2019, 84,971,981 common shares were outstanding.

(a) Options

As at March 31, 2019, 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	1,332,000	1.50	USD	255,331	3.13
July 10, 2022	100,000	1.50	USD	33,333	3.28
November 24, 2022	318,000	6.48	CAD	106,000	3.65
December 7, 2022	1,393,335	6.74	CAD	499,997	3.69
January 18, 2023	60,000	7.95	CAD	20,000	3.81
January 23, 2023	125,000	7.76	CAD	41,666	3.82
June 19, 2023	174,000	10.25	CAD	24,000	4.22
July 16, 2023	200,000	9.01	CAD	-	4.30
December 31, 2023	1,155,519	9.76	CAD	-	4.76
January 2, 2024	125,000	9.80	CAD	125,000	4.76
	4,982,854	4.78	USD	1,105,327	3.85

In determining the weighted average exercise price of all outstanding options, the CAD prices were converted to USD at the March 31, 2019 exchange rate of 1.3364.

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

	Number of Stock Options	Weighted Average Exercise Price
Outstanding stock options, December 31, 2018	4,924,519	$ 4.64
Issued	125,000	7.33
Exercised	(66,665)	5.04
Outstanding stock options, March 31, 2019	4,982,854	$ 4.78

Subsequent to March 31, 2019, 41,666 options were exercised for gross proceeds of $0.2 million.

The fair value of options granted in the three month period ended March 31, 2019 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 for the three month period ended March 31, 2019:

Expected term (years)	3.0
Forfeiture rate	0%
Volatility	61.0%
Dividend yield	0%
Risk-free interest rate	1.86%
Weighted-average fair value per option	$ 4.02

For the three month period ended March 31, 2019, the Company recorded share-based compensation of $1.5 million (three month period ended March 31, 2018 - $0.8 million) with respect to its outstanding stock options.

(b) Share Unit Plan

As at March 31, 2019, 215,288 Share Units have been issued to certain officers and employees of the Company pursuant to the Company's Share Unit Plan and are outstanding. These Share Units will vest three years from the date they were approved for granting by the Board of Directors (December 31, 2021) and the number of Share Units that will vest may range from 0% to 200% of the number granted, subject to the satisfaction of certain market and non-market performance conditions. Each vested Share Unit entitles the holder thereof to receive on or about the applicable date of vesting of such Share Unit (i) one common share; (ii) a cash amount equal to the Fair Market Value of one common share as at the applicable date of vesting; or (iii) a combination of (i) and (ii), as determined by the Board in its sole discretion. The Company currently intends to settle these Share Units using common shares. Accordingly, they are classified as equity settled instruments.

For the Share Units with non-market performance conditions, the fair value of the Share Units granted was determined using the share price at the date of grant.

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

For the Share Units with market performance conditions, the fair value of the Share Units granted was determined using a Geometric Brownian Motion model. Expected volatility is estimated by considering historic share price information. The inputs used in the measurement of fair values at grant date of the Share Units are the following:

Expected term (years)		3.0
Forfeiture rate		0%
Volatility		45.4%
Dividend yield		0%
Risk-free interest rate		1.95%
Weighted-average fair value per Share Unit	$	17.75

During the three month period ended March 31, 2019, the Company recorded share-based compensation of $0.3 million with respect to the Share Units.

(c) Warrants

As at March 31, 2019, 3,166,662 (December 31, 2018 – 3,333,328) warrants were outstanding with a weighted average exercise price of $1.20 and a weighted average remaining contractual life of 2.70 years.

During the three month period ended March 31, 2019, 166,666 warrants were exercised for gross proceeds of $0.2 million.

(d) Net Income (Loss) per Share

	Three month period ended March 31, 2019	Three month period ended March 31, 2018
Weighted average number of common shares outstanding	**84,804,389**	81,974,876
Dilutive effect of warrants	**2,802,871**	-
Dilutive effect of share options	**2,310,568**	-
Weighted average number of diluted common shares outstanding	**89,917,828**	81,974,876
Net income attributable to owners of the Company	**$ 15,323**	$ (1,369)
Basic net income per share attributable to owners of the Company	**0.18**	(0.02)
Diluted net income per share attributable to owners of the Company	**0.17**	(0.02)

For the three month period ended March 31, 2018, the potentially dilutive effect of warrants and share options are excluded from the dilutive net income (loss) per share calculation as the Company incurred a loss for the period.

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

10. Revenue

	Three months ended March 31, 2019	Three months ended March 31, 2018
Copper concentrate		
- sales within Brazil	**$ 48,232**	$ 28,156
- export sales	**8,978**	-
- price adjustments on provisionally priced sales	**2,285**	-
Gold		
- export sales	**12,546**	11,516
	$ 72,041	$ 39,672

Under the current terms of the Company's contract with its primary customer, sales are provisionally priced on the date of sale based on the previous month's average copper price. The final sales price for all shipments in a month is determined at the end of the month in which the sale is recognized. Accordingly, as at March 31, 2019, there are no sales subject to provisional pricing. During the three month period ended March 31, 2019, the Company recognized $2.3 million related to provisional price adjustments related to such provisionally priced sales.

11. Cost of Product Sold

	Three months ended March 31, 2019	Three months ended March 31, 2018
Materials	**$ 4,617**	$ 3,638
Salaries and benefits	**9,113**	7,740
Depreciation and depletion	**12,098**	10,524
Contracted services	**5,702**	3,858
Maintenance costs	**4,094**	3,255
Utilities	**2,313**	1,568
Other costs	**203**	192
	$ 38,140	$ 30,775

12. General and Administrative Expenses

	Three months ended March 31, 2019	Three months ended March 31, 2018
Accounting and legal	**$ 337**	$ 267
Amortization and depreciation	**41**	28
Office and sundry	**1,313**	2,282
Provisions	**173**	256
Salaries and consulting fees	**3,574**	3,387
Incentive payments	**567**	-
Transfer agent and filing fees	**85**	78
Travel and conference	**533**	234
	$ 6,623	$ 6,532

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

13. Finance Expense

	Three months ended March 31, 2019	Three months ended March 31, 2018
Interest on loans and borrowings	**$ 3,969**	$ 3,585
Accretion of purchase price adjustments	**195**	197
Accretion of mine closure and rehabilitation provision	**1,291**	-
Other	**1,355**	749
	$ 6,810	$ 4,531

14. Foreign Exchange Loss

The following foreign exchange gains (losses) arise as a result of balances and transactions in the Company's Brazilian subsidiaries that are denominated in currencies other than the Brazilian Reais (BRL$), which is their functional currency.

	Three months ended March 31, 2019	Three months ended March 31, 2018
Foreign exchange on USD denominated debt	**$ (136)**	$ (18)
Foreign exchange on realized derivative contracts	**723**	310
Foreign exchange on unrealized derivative contracts	**(265)**	599
Other	**(610)**	(82)
	$ (288)	$ 809

15. Related Party Transactions

Key management personnel consist of the Company's directors and officers and their compensation includes director retainer fees and management salaries paid to these individuals, as well as share based compensation. The aggregate value of compensation paid to key management personnel for the three month period ended March 31, 2019 was $1.4 million ($0.6 million for the three month period ended March 31, 2018). In addition, 125,000 options were issued to directors with $1.4 million recognized in share-based compensation expense for the three month period ended March 31, 2019 for options and Share Units previously issued ($0.5 million for the three month period ended March 31, 2018).

16. Financial Instruments

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, 2019, derivatives were measured at fair value based on Level 2 inputs.

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

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, deposits, financial investments and accounts payable and accrued liabilities approximate their fair 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, 2019, the carrying value of loans and borrowings is $155.2 million while the fair value is approximately $156.7 million. The effective interest rates used to amortize these loans are a close approximation of market rates of interest at March 31, 2019 (level 2 of the fair value hierarchy).

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, 2019 and December 31, 2018:

		March 31, 2019		December 31, 2018
Cash and cash equivalents	**$**	**19,488**	$	18,941
Restricted cash		**2,622**		3,000
Accounts receivable		**18,693**		7,219
Deposits		**1,401**		1,334
Other non-current assets - term deposits		**692**		686
	$	**42,896**	$	31,180

The Company invests cash and cash equivalents as well as 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 three significant customers, all of which have no history of credit default with the Company. The Company has not incurred significant credit losses during the three month period ended March 31, 2019 nor has a provision for credit losses been recognized.

(i) Foreign exchange risk

The Company may use derivatives, including forward contracts, collars and swap contracts, to manage market risks. At March 31, 2019, the Company has entered into foreign exchange collar contracts at zero cost for notional amounts of $164.2 million with an average floor rate of 3.67 BRL to US Dollar and an average cap rate of 4.03 BRL to US Dollar (December 31, 2018 - $21.5 million in foreign exchange forward contracts). The maturity dates of these contracts are from April 15, 2019 to December 27, 2019 and are financially settled on a net basis. The fair value of these contracts at March 31, 2019 was nominal, (December 31, 2018 – an asset of $0.3 million, which was included in Derivatives in the statement of financial position). The change in fair value of foreign currency contracts was a loss of $0.3 million for the three month period ended March 31, 2019 (three month ended March 31, 2018 – a gain of $0.6 million) has been recognized in foreign exchange loss. In addition, in the three month period ended March 31, 2019, the Company recognized a realized gain of $0.7 million (three month ended March 31, 2018 – a gain of $0.3 million) related to the settlement of foreign currency forward contracts held at December 31, 2018.

(ii) Interest rate risk

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

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

The Company is principally exposed to interest rate risk through its Term Facilities of $123.5 million and Brazilian Real denominated bank loans of $7.9 million. Based on the Company's net exposure at March 31, 2019, a 1% change in the variable rates would have an impact of $1.3 million on pre-tax net income, without consideration of the effects of the swap contracts below.

In order to mitigate the above volatility due to variable rates on loans, as at March 31, 2019, the Company has entered into an interest rate swap contract to manage interest rate risk (see note 8). The floating interest on a notional amount of $65 million of the Term Facility was swapped for a fixed interest rate of 2.69%. The fair value of this contract at March 31, 2019 was a liability of $0.8 million and was included in Derivatives in the statement of financial position.

17. Segment Disclosure

The Company's operations are segmented by entity between MCSA, NX Gold and corporate head office, which is consistent with internal reporting purposes. The Company monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The accounting policies used in the operating segments are the same as those contained in Note 2.

Total revenue from MCSA is from two customers while total revenue from NX Gold is from one customer.

Segmented information is as follows:

Three months ended March 31, 2019	**MCSA (Brazil)**	**NX Gold (Brazil)**	**Corporate (Canada)**	**Consolidated**
Revenue	$ 59,495	$ 12,546	$ -	**$ 72,041**
Cost of product sold	(30,851)	(7,289)	-	**(38,140)**
Sales expenses	(1,307)	-	-	**(1,307)**
Gross profit	27,337	5,257	-	**32,594**
Expenses				
General and administrative	(3,495)	(507)	(2,621)	**(6,623)**
Share-based compensation	-	-	(1,843)	**(1,843)**
Finance income	17	110	9	**136**
Finance expenses	(3,459)	(285)	(3,066)	**(6,810)**
Foreign exchange loss	(292)	-	4	**(288)**
Other income	682	366	-	**1,048**
Income (loss) before taxes	20,790	4,941	(7,517)	**18,214**
Current taxes	(3,026)	(1,192)	-	**(4,218)**
Deferred taxes	1,277	210	-	**1,487**
Net Income (Loss)	$ 19,041	$ 3,959	$ (7,517)	**$ 15,483**
Assets				
Current	$ 54,019	$ 8,178	$ 5,131	**$ 67,328**
Non-current	300,228	17,406	2,898	**320,532**
Total Assets	$ 354,247	$ 25,584	$ 8,029	**$ 387,860**
Total Liabilities	$ 125,377	$ 14,193	$ 128,012	**$ 267,582**

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

Three months ended March 31, 2018	**MCSA (Brazil)**	**NX Gold (Brazil)**	**Corporate (Canada)**	**Consolidated**
Revenue	$ 28,156	$ 11,516	$ -	**$ 39,672**
Cost of product sold	(22,755)	(8,020)	-	**(30,775)**
Sales expenses	(412)	-	-	**(412)**
Gross profit	4,989	3,496	-	**8,485**
Expenses				
General and administrative	(4,830)	(256)	(1,446)	**(6,532)**
Share-based compensation	-	-	(781)	**(781)**
Finance income	93	22	95	**210**
Finance expenses	(3,013)	(287)	(1,231)	**(4,531)**
Foreign exchange loss	1,026	(34)	(183)	**809**
Other income	879	11	-	**890**
Income (loss) before taxes	(856)	2,952	(3,546)	**(1,450)**
Current taxes	-	(467)	-	**(467)**
Deferred taxes	252	-	352	**604**
Net Income (Loss)	$ (604)	$ 2,485	$ (3,194)	**$ (1,313)**

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 $25.2 million (December 31, 2018 - $21.9 million), which could have an adverse impact on the Company's business, financial condition, results of operations, cash flows or prospects.

At the end of March 2019, MCSA provided a guarantee to the lender of one of its customers to facilitate an extension of their working capital lines by BRL$25 million. The funds were used by the customer to accelerate payment for already invoiced concentrate sales to this customer. On April 10, 2019 MCSA was released of its guarantee obligations.