



MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTH PERIODS ENDED  
JUNE 30, 2019

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared as at August 8, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Ero Copper Corp. ("Ero", the "Company", or "we") as at, and for the three and six month periods ended June 30, 2019, and related notes thereto, which are prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting as permitted by the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). As well, this MD&A should be read in conjunction with the Company's December 31, 2018 audited consolidated financial statements and MD&A. All dollar amounts are expressed in US dollars ("US") and tabular amounts are expressed in thousands of US dollars, unless otherwise indicated. References to "\$" or "dollars" are to US dollars, references to "C\$" are to Canadian dollars and references to "R\$" are to Brazilian Reals.

This MD&A contains "forward-looking information" that is subject to risk factors set out in a cautionary note contained at the end of this MD&A. The Company cannot assure investors that such information will prove to be accurate, and actual results and future events may differ materially from those anticipated in such information. The results for the periods presented are not necessarily indicative of the results that may be expected for any future period. Investors are cautioned not to place undue reliance on this forward-looking information. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of August 8, 2019, unless otherwise stated.

## BUSINESS OVERVIEW

Ero, headquartered in Vancouver, B.C., is a mining company focused on developing its portfolio of assets in Brazil. The Company's common shares trade on the Toronto Stock Exchange under the symbol "ERO".

The Company's primary asset is a 99.6% interest in the Brazilian copper mining company, Mineração Caraíba S.A. ("MCSA"), 100% owner of the Vale do Curaçá Property with over 39 years of operating history in the region. The Company currently mines copper ore from the Pilar underground mine, the Vermelhos underground mine and the R22W open pit mine. In addition to the Vale do Curaçá Property, MCSA owns 100% of the Boa Esperança development project, an IOCG-type copper project located in Pará, Brazil. The Company also owns, directly and indirectly through MCSA, 97.6% of NX Gold S.A. ("NX Gold"), a producing gold mine in Mato Grosso State, Brazil.

Additional information on the Company and its operations, including technical reports on the Vale do Curaçá Property, the NX Gold Mine and the Boa Esperança Project, can be found on the Company's website ([www.erocopper.com](http://www.erocopper.com)) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

## HIGHLIGHTS

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Operating Information</b>					
<b>Copper (MCSA Operations)</b>					
Ore Processed (tonnes)	717,479	530,133	1,247,612	500,952	817,078
Grade (% Cu)	1.62	2.19	1.86	1.35	1.51
Cu Production (tonnes)	10,473	10,645	21,118	5,684	10,530
Cu Production (lbs)	23,089,363	23,468,419	46,557,782	12,531,922	23,213,703
Cu Sold in Concentrate (tonnes)	10,931	10,033	20,964	6,569	10,665
Cu Sold in Concentrate (lbs)	24,099,753	22,118,394	46,218,147	14,482,149	23,512,272
C1 cash cost of copper produced (per lb) <sup>(1)</sup>	\$ 1.04	\$ 0.91	\$ 0.97	\$ 1.49	\$ 1.55
<b>Gold (NX Gold Operations)</b>					
Au Production (ounces)	9,917	10,119	20,036	10,159	19,577
C1 cash cost of gold produced (per ounce) <sup>(1)</sup>	\$ 517	\$ 486	\$ 501	\$ 519	\$ 537
<b>Financial information (\$millions, except per share amounts)</b>					
Revenues	\$ 76.5	\$ 72.0	\$ 148.5	\$ 61.0	\$ 100.7
Gross profit	\$ 32.1	\$ 32.6	\$ 64.7	\$ 15.9	\$ 24.4
EBITDA <sup>(1)</sup>	\$ 34.9	\$ 37.2	\$ 72.1	\$ 0.1	\$ 13.7
Adjusted EBITDA <sup>(1)</sup>	\$ 36.4	\$ 39.3	\$ 75.7	\$ 27.4	\$ 41.0
Cash flow from operations	\$ 37.3	\$ 25.1	\$ 62.4	\$ 24.7	\$ 27.9
Net income (loss) attributable to owners of the Company	\$ 15.1	\$ 15.3	\$ 30.4	\$ (18.2)	\$ (19.5)
Net income (loss) per share attributable to owners of the Company					
- Basic	\$ 0.18	\$ 0.18	\$ 0.36	\$ (0.22)	\$ (0.23)
- Diluted	\$ 0.17	\$ 0.17	\$ 0.34	\$ (0.22)	\$ (0.23)
Adjusted net income (loss) attributable to owners of the Company <sup>(1)</sup>	\$ 15.3	\$ 15.7	\$ 31.0	\$ 1.3	\$ (0.7)
Adjusted net income (loss) per share attributable to owners of the Company <sup>(1)</sup>					
- Basic	\$ 0.18	\$ 0.19	\$ 0.37	\$ 0.02	\$ (0.01)
- Diluted	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.01	\$ (0.01)
Cash and Cash Equivalents	\$ 33.5	\$ 19.5	\$ 33.5	\$ 17.1	\$ 17.1
Working Capital (Deficit) <sup>(1)</sup>	\$ 5.6	\$ (0.7)	\$ 5.6	\$ (7.3)	\$ (7.3)
Net Debt <sup>(1)</sup>	\$ (121.1)	\$ (133.1)	\$ (121.1)	\$ (110.7)	\$ (110.7)

### Footnote

[1] C1 cash cost of copper produced (per lb), C1 cash cost of gold produced (per ounce), EBITDA, Adjusted EBITDA, Adjusted net income (loss) attributable to owners of the Company, Adjusted net income (loss) per share attributable to owners of the Company, Net Debt, and Working Capital (Deficit), are non-IFRS measures. See section titled "NON-IFRS MEASURES" within this MD&A for a discussion of non-IFRS measures.

## Second Quarter 2019 Highlights

### Outperformance at MCSA Operations and updated 2019 Guidance

- Second quarter production at Company's MCSA operations of 10,473 tonnes of copper in concentrate, resulting in 2019 YTD production of 21,118 tonnes of copper in concentrate, a 101% increase over the corresponding period in 2018.
- Significant increase in tonnes mined and processed compared to the first quarter of 2019, with 717,479 tonnes of ore grading 1.62% copper processed during the period.
- Crystallized benefits of mill improvement projects with average metallurgical recoveries of 90.2% during the period, the second consecutive quarter of above 90% recoveries and approximately 3% to 4% higher than recoveries achieved in 2017 and 2018.
- Second quarter C1 cash cost of \$1.04 per pound of copper produced resulting in 2019 YTD C1 cash costs of \$0.97 per pound of copper produced.

- Full year guidance increased by 2,000 tonnes of copper to between 38,000 to 40,000 tonnes of copper.
- C1 cash costs for 2019 expected to be on the low end of the Company's guidance range between \$1.00 and \$1.10 per pound of copper produced.
- Revised capital cost estimates reflect increased exploration drilling, with the Company now expecting to drill approximately 200,000 meters by year-end, additional development at Pilar and Vermelhos to enhance operational flexibility and production volumes in 2019 and 2020, and the purchase and delivery of a 200,000 tonne per annum ore sorting plant.

#### NX Gold Operations in-line with expectations during H1 2019

- Second quarter gold and silver production at the Company's 97.6% owned high-grade NX Gold Mine of 9,917 ounces of gold and 6,057 ounces of silver.
- Strong operational performance with 41,538 tonnes grading 8.06 grams per tonne gold processed after metallurgical recoveries that averaged 92.1% during the second quarter.
- Second quarter C1 cash cost of \$517 per ounce of gold produced, resulting in 2019 YTD C1 cash costs of \$501 per ounce of gold produced.
- Company expects softer production and higher costs during the second half of 2019 as the mine transitions production activities from the Brás vein to the recently discovered Santo Antonio vein.

#### Shifting to regional exploration and advancing newly announced discoveries

- 27 drill rigs currently operating in the Curaçá Valley plus an additional seven drill rigs operating at the NX Gold Mine.
- Two new discoveries were announced during the period, including the Company's first regional exploration discovery. Known as Siriema, the new regional discovery is located approximately 1.5 kilometers south of the Vermelhos Mine. To date, mineralization has been interpreted as extending over 450 meters in strike-length, approximately 20 to 50 meters in width and from surface to a depth of approximately 300 meters and remains open to depth. Follow-up drilling is underway with two core rigs continuing to test mineralization at Siriema following down-hole electromagnetic ("EM") anomalies. Additionally, a new mineralized zone at the Pilar Mine, Baraúna, located immediately below the southern portion of the historic open pit, was discovered during the period.
- Elsewhere in the Vermelhos District, where 13 drill rigs are operating, exploration continues to focus on in and near-mine expansion as well as drilling along a north-northeast 5.5 kilometer mineralized trend encompassing the Siriema discovery, the Vermelhos Mine, East Zone, N8 Deposit and several high-priority regional targets located south and to the north of the Vermelhos Mine, including Siriema. Recent drilling beneath the previous known extent of the main Vermelhos orebodies intercepted several mineralized lenses including a significant massive-sulphide intercept approximately 70 meters beneath the Toboggan orebody. While the significance of a single drill hole is limited, the intercept in hole FVS-465 of 13.4 meters grading 5.86% copper including 8.4 meters grading 7.04% copper from 306.3 meters down hole, opens the area immediately beneath the existing infrastructure for future exploration.
- In the Pilar District, where 14 drill rigs are currently operating, exploration activity continues to focus on previously announced discoveries of Baraúna which remains open to the south, the West Limb as well as extensions of the Deepening. In addition, recent drilling has continued to open new areas of the mine for future exploration activity including significant intercepts within the South Extension. New drilling continues to extend the Pilar Mine to depth, where the deepest drill-hole ever drilled at the Pilar Mine encountered high-grade mineralization approximately 350 meters below the current development at the mine.
- At the NX Gold Mine, where seven drill rigs are currently operating, exploration efforts are focused on the recently announced Santo Antonio vein discovery and extensions of the Brás and Buracão veins to increase the life-of-mine ahead of the Company's updated NI 43-101 (as defined herein) compliant technical report and mine plan for NX Gold, expected later this year.

## REVIEW OF OPERATIONS

### Mineração Caraíba S.A. (Vale do Curaçá):

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Operating Information</b>					
<b>Copper (MCSA Operations)</b>					
Ore Processed (tonnes)	717,479	530,133	1,247,612	500,952	817,078
Grade (% Cu)	1.62	2.19	1.86	1.35	1.51
Cu Production (tonnes)	10,473	10,645	21,118	5,684	10,530
Cu Production (lbs)	23,089,363	23,468,419	46,557,782	12,531,922	23,213,703
Concentrate Grade (% Cu)	35.1	35.2	35.1	34.8	34.7
Recovery (%)	90.2	91.8	91.0	84.1	85.6
Concentrate Sales (tonnes)	31,233	28,665	59,898	19,142	30,814
Cu Sold in Concentrate (tonnes)	10,931	10,033	20,964	6,569	10,665
Cu Sold in Concentrate (lbs)	24,099,753	22,118,394	46,218,147	14,482,149	23,512,272
C1 cash cost of copper produced (per lb) <sup>(1)</sup>	\$ 1.04	\$ 0.91	\$ 0.97	\$ 1.49	\$ 1.55

#### Footnote

[1] C1 cash cost of copper produced (per lb) is a non-IFRS measure. See section titled "NON-IFRS MEASURES" within this MD&A for a discussion of non-IFRS measures.

MCSA's operating mines outperformed expectations during the second quarter. Building upon the strong operational performance of the first quarter, notable increases in tonnes mined and processed were realized during the period, contributing to the improved guidance outlook for the balance of the year. Highlighting these performance gains, the Pilar Mine saw quarter-on-quarter increases in tonnes and grades mined relative to the first quarter of 2019. During the second quarter, 331,231 tonnes of ore was mined grading 1.76% copper from Pilar. Quarter-on-quarter grade variability should be expected due to normal stope sequencing of the mine. For full year guidance, the Company expects both tonnes and grades mined to be largely in-line with original guidance.

At the Vermelhos Mine, several new stopes were developed and commenced production during the period as part of the mine's production sequence. Additional stope availability resulted in a 28% quarter-on-quarter improvement in tonnes mined with 176,704 tonnes grading 2.46% copper mined during the second quarter. Total mine production of 315,938 tonnes grading 3.20% copper was achieved during the six month period ended June 30, 2019. While grades mined during the second quarter were lower compared to the prior period (3.71% copper during the first quarter), this was anticipated and there continues to be a positive reconciliation against the production plan and model. A mobile crushing plant used to produce aggregate rock fill was successfully commissioned during the period and the first mined stope was backfilled with excellent operational results. The continued performance of the Vermelhos Mine is a key factor in the Company's improved outlook and full year guidance. The Company now expects higher tonnes and grades mined from the Vermelhos Mine than previously envisioned.

During the second quarter, operations at the R22W open pit mine continued to ramp-up following first production in early 2019. Continuity of the orebody extended well beyond what was originally envisioned resulting in a significant increase in total tonnes mined and processed from R22W. During the period, a total of 268,976 tonnes of ore grading 0.50% copper was mined – a significant increase from the prior quarter. While primary mining operations have been completed at R22W, the remaining stockpile will be processed through the third quarter. In total, R22W is expected to produce approximately 100,000 more tonnes of ore at similar grades when compared to the original mine plan.

At the Company's milling operations, 717,479 tonnes of ore grading 1.62% copper was processed during the second quarter of 2019. Metallurgical recoveries averaged 90.2% during the period – the second consecutive quarter of metallurgical recoveries above 90%. During the first half of the year, a total of 1.25 million tonnes of ore was processed grading 1.86% copper, resulting in the production of 21,118 tonnes after average metallurgical recoveries of 91.0%. This is approximately 75% of all copper produced in 2018 and more than all of the copper produced in 2018 – a remarkable production achievement. Going forward, improved metallurgical performance remains a key focus area of the Company and the benefit of several low-cost milling and flotation improvement initiatives undertaken at the end of 2018 are crystalizing. These gains in performance are expected to continue through the balance of the year, making a significant contribution in the Company's revised copper production outlook for 2019.

The Company's regrind mill project, sanctioned during the first quarter of 2019, remains on-track for equipment delivery during the first quarter of 2020 with commissioning and ramp-up during the second quarter of 2020. A significant improvement in overall metallurgical recoveries and plant performance beyond those already realized are still expected once the new mill is operational.

C1 cash cost averaged \$1.04 and \$0.97 per pound of copper produced during the three and six month period ended June 30, 2019. C1 cash costs during the second quarter, were largely in-line with the prior period when accounting for higher tonnes mined and processed and a lower blended mill head-grade due to the contribution from R22W, resulting in a \$0.13 increase in C1 cash costs compared to the prior quarter. As a result of the Company's improved production outlook and favorable prevailing foreign exchange rates, C1 cash costs are expected to be at the low-end of the Company's guidance range of \$1.00 to \$1.10 per pound of copper produced.

The Company has an extensive exploration program underway at the Vale do Curaçá Property, where 27 exploration drill rigs are currently active, including 13 within the Vermelhos District and 14 within the Pilar District.

Exploration activities within the Vermelhos District, located approximately 80 kilometers to the north of the Caraíba Mill complex and encompasses the high-grade Vermelhos underground mine, continue to focus on increasing the known extent of mineralization of the Vermelhos Mine and District ahead of the Company's updated National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") compliant technical report and mine plan, including through new regional exploration drilling. The Company's recently announced Siriema discovery represents the first regional exploration target drilled by the Company following completion of the Company's regional airborne survey and data-driven targeting work. Siriema is located approximately 1.5 kilometers south of the Vermelhos Mine and to date, has been interpreted as a new mineralized system extending over 450 meters in strike-length, approximately 20 to 50 meters in width and from surface to a depth of approximately 300 meters and remains open to depth. While predominately disseminated to date, drilling has intersected a shallow-plunging east-dipping zone of high grade massive-sulphide mineralization best highlighted by hole FSI-37 that intersected 29.7 meters grading 1.13% copper including 3.0 meters grading 5.25% copper from 261.9 meters down hole. Two drill rigs are continuing to test the extent of mineralization at Siriema where the Company has employed down-hole EM techniques to target additional high grade massive-sulphide mineralization.

In addition to regional success within the broader Vermelhos District, within the Vermelhos Mine's infrastructure, recent drilling intersected some of the highest grades drilled to date at Vermelhos, highlighted by hole FVS-393 that intersected 32.0 meters grading 8.12% copper including 13.0 meters grading 13.35% copper and hole FVS-394 that intersected 28.1 meters grading 12.60% copper including 18.0 meters grading 15.62% copper – the latter representing the highest grade-meter intercept drilled to date in the Curaçá Valley by the Company. Also, within the Vermelhos Mine, the first hole targeting mineralization beneath the previous known extent of the Vermelhos orebodies intercepted several mineralized lenses including a significant massive-sulphide intercept approximately

70 meters beneath the Toboggan orebody. While the significance of a single drill hole is limited, the intercept in hole FVS-465 of 13.4 meters grading 5.86% copper including 8.4 meters grading 7.04% copper from 306.3 meters down hole, opens the area immediately beneath the existing infrastructure of the Vermelhos Mine for potential new zones of high-grade mineralization.

Exploration activities within the Pilar District, which encompasses the Pilar underground mine and Caraíba Mill continues to focus on extension and infill drilling within the previously announced West Limb, South Extension and in the Deepening Extension zones ahead of the Company's updated NI 43-101 compliant technical report and mine plan. Ongoing analysis of historical data identified a new zone of mineralization extending from below the southern portion of the historic Pilar open pit mine. The new zone, called Baraúna, consists of a historic database of over 75 drill holes. During the period, six confirmatory holes were drilled into the newly discovered zone, which to-date has been delineated over a north-south strike length of approximately 450 meters, varying thickness of up to 30 meters and has been interpreted as extending from outcrop at the bottom of the open pit and connecting to mineralization at depth in the Pilar Mine. Current drilling is focused on mineralization above level -157, or approximately 110 meters from the bottom of the open pit. Drill results during the period were highlighted by hole FC2218 that intersected 51.6 meters grading 1.33% copper and hole FC2019 that intersected 46.0 meters grading 1.18% copper. Additionally, at the Pilar Mine, new drilling of the South Extension from a newly accessed drill station located on level -174, delineated a wide zone of mineralization previously modeled as narrow lenses at the southern edge of the orebody. Drilling during the period resulted in a significant expansion of this zone in both thickness and grade in the immediate area of these results, and was highlighted by hole FC3264 that intersected 21.0 meters grading 1.41% copper including 4.0 meters grading 3.54% copper and 31.9 meters grading 2.78% copper including 3.0 meters grading 5.63% copper.

Drilling in the Deepening Extension zone, also located in the Pilar Mine, continues to extend mineralization beyond what was previously believed to be the southern limits of the mine's mineral resources at depth. Recent results are highlighted by hole FC4885 that intersected 8.4 meters grading 4.02% copper and 6.9 meters grading 3.15% copper approximately 40 meters below the previously known deepest intercept and continues to demonstrate that the Pilar Mine remains open to depth and to the south.

## NX Gold S.A.

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Operating Information</b>					
<b>Gold (NX Gold Operations)</b>					
Ore mined (tonnes)	41,446	38,771	80,217	23,579	50,800
Ore milled (tonnes)	41,538	38,717	80,255	22,649	47,481
Head grade (grams per tonne Au)	8.06	8.76	8.40	15.52	14.29
Recovery (%)	92.1%	92.8%	92.3%	91.5%	91.0%
Gold ounces produced (oz)	9,917	10,119	20,036	10,159	19,577
Silver ounces produced (oz)	6,057	6,359	12,416	6,289	11,956
Gold sold (oz)	9,343	10,023	19,366	10,401	19,398
Silver sold (oz)	5,672	6,224	11,896	6,258	11,746
C1 cash cost of gold produced (per ounce) <sup>(1)</sup>	\$ 517	\$ 486	\$ 501	\$ 519	\$ 537

Footnote

[1] C1 cash cost of gold produced (per ounce) is a non-IFRS measure. See section titled "NON-IFRS MEASURES" within this MD&A for a discussion of non-IFRS measures.

At the NX Gold Mine, mining and processing operations continued to perform well. The operational performance gains realized during 2018, and during the first half of 2019, are a continuation of improvement initiatives that commenced during 2017 in an effort to focus production and development activities on the highest grade zones within the Brás Vein and the application of a more selective manual mining method currently being employed in the Buracão Vein. Mining and processing operations during the second quarter resulted in the production of 9,917 ounces of gold and 6,057 ounces of silver (as by-product) produced from total mill feed of 41,538 tonnes grading 8.06 grams per tonne gold after average recoveries of 92.1%. C1 cash costs averaged \$517 per ounce of gold produced during the second quarter. Higher tonnes and slightly lower grades and recoveries as compared to the first quarter contributed to a higher C1 cash cost per ounce of gold produced, but are in-line with expected quarter-on-quarter variability given the relatively small production volumes of the mine. The Company is currently in the process of transitioning mining operations from the Brás vein into the Santo Antonio vein and making deeper development drives into Brás. As a result of these production changes, the Company expects production to soften during the second-half of 2019 as compared to the first half.

Exploration at the NX Gold Mine continues to focus on extensions of the Bras and Buracão veins and the new Santo Antonio vein discovery – a new zone of mineralization located between and on-trend of the Bras and Buracão veins – ahead of the Company's updated NI 43-101 compliant technical report and mine plan for the NX Gold Mine. To-date, mineralization at Santo Antonio has been delineated over approximately 400 meters in strike-length and approximately 200 meters down-dip and remains open to depth. Development into this new vein continues while drilling to confirm the extent of mineralization remains ongoing. Drilling at Santo Antonio during the period was highlighted by drill hole SA49 that intersected 2.9 meters grading 30.33 grams per tonne gold. There are currently seven drill rigs operating at the NX Gold Mine.

Please refer to the Company's press releases dated September 5, 2018, September 25, 2018, December 11, 2018, April 18, 2019, June 20, 2019 and July 30, 2019 for additional detail on the Company's 2018 updated mineral reserve and resource estimates and ongoing exploration activities, including new discoveries outlined.

## Financial Update

Consolidated revenue for the second quarter of 2019 totalled \$76.5 million while gross profit for the quarter was \$32.1 million.

At MCSA, revenue from copper sales for the second quarter of 2019 totalled \$64.7 million. A total of 10,931 tonnes of copper in concentrate was sold during the quarter. Gross profit from mining operations for the quarter from MCSA was \$26.9 million.

At NX Gold, revenue from gold and silver sales for the second quarter totalled \$11.8 million based on sales of 9,343 ounces of gold and 5,672 ounces of silver. Gross profit from mining operations for the quarter from NX Gold was \$5.2 million.

The Company generated overall net income for the quarter ended June 30, 2019 of \$15.3 million.

Refer to the section titled "Review of Financial Results" for further discussion.

The Company ended the quarter with \$35.7 million in total cash (including \$2.3 million of restricted cash) and a working capital position of \$5.6 million, compared with a working capital deficit of \$0.7 million as at March 31, 2019.

During the first quarter of 2019, the Company's subsidiary, MCSA, increased its unsecured line of credit with a Brazilian bank from R\$35 million to R\$40 million (approximately \$10.4 million), and entered into credit agreements for a total of R\$20 million (approximately \$5.2 million) lines of credit with another Brazilian bank.



During the second quarter of 2019, the Company refinanced a loan held by the Company's subsidiary, MCSA, by extending its existing credit facility. The credit limit of the revolving credit facility was increased by \$20 million to \$70 million. As at the end of the quarter, the Company had a remaining \$14.0 million undrawn on its secured, revolving credit facility in Canada, plus an additional R\$60 million in available undrawn lines of credit in Brazil.

## 2019 Guidance/Outlook

### Mineração Caraíba S.A.

The Company's revised production outlook for 2019 still anticipates a slight weighting towards the first half of the year, in-part, due to stope sequencing at both the Pilar and Vermelhos underground mines during the first half of the year as well as incremental production from the R22W open pit mine. Extensions of the R22W orebody resulted in an improved production profile, mostly realized during the first half of the year (contributing approximately 326,000 tonnes of ore grading 0.48% copper), although stockpile processing will continue during the second half of the year for an expected additional 10,000 tonnes grading 0.30% copper from R22W. Underground production from the Pilar Mine is expected to contribute a total of approximately 1.35 million tonnes grading 1.75% copper while underground production from the Vermelhos Mine is expected to contribute a total of approximately 550,000 tonnes grading 3.25% copper, resulting in a blended head grade of approximately 1.95% copper for 2019. Improvements in metallurgical performance realized during the first half of the year are expected to continue through the balance of 2019 resulting in improved full-year recoveries of approximately 90.0%, and increase of 2.0% over previous guidance.

	Previous Guidance <sup>[1]</sup>	Revised Guidance <sup>[2]</sup>
Tonnes Processed Sulphides	2,050,000	2,250,000
Copper Grade (% Cu)	2.00%	1.95%
Copper Recovery (%)	88.0%	90.0%
Cu Production (000 tonnes)	36.0 – 38.0	38.0 – 40.0

<sup>(1)(2)</sup> Guidance is based on certain estimates and assumptions, including but not limited to, mineral reserve estimates, grade and continuity of interpreted geological formations and metallurgical performance. Please refer to the Company's SEDAR filings for complete risk factors.

The Company's revised guidance for 2019 assumes a USD:BRL foreign exchange rate of 3.80, gold price of \$1,200 per ounce and silver price of \$14.50 per ounce. Based on operational performance during the first half of 2019, improved production guidance and favorable prevailing USD:BRL foreign exchange rates, the Company expects 2019 results to be at the low-end of the guidance range.

	2019 Guidance
C1 cash cost Guidance <sup>[1]</sup>	\$1.00 - \$1.10

<sup>(1)</sup> C1 cash costs are non-IFRS measures. See section titled "NON-IFRS MEASURES" within this MD&A for a discussion of non-IFRS measures.

The Company's revised capital expenditure guidance for 2019 assumes a USD:BRL foreign exchange rate of 3.80 (previous guidance assumed a USD:BRL foreign exchange rate of 3.70) and has been presented below in USD millions.

Revised capital expenditure guidance reflects increased exploration drilling, with the Company now expecting to drill approximately 200,000 meters by year-end, as well as on additional development at Pilar and Vermelhos to enhance operational flexibility and production volumes in 2019 and 2020. In addition, the Company recently entered into an agreement for the purchase and delivery of a 200,000 tonne per annum ore sorting plant that is expected to be commissioned during the fourth quarter of 2019.

	2019 Guidance <sup>[1]</sup>	Revised Guidance <sup>[2]</sup>
Pilar Mine	42.0	44.0
Vermelhos	18.0	19.0
Boa Esperança	2.0	1.0
Capital Expenditure Guidance	62.0	64.0
Exploration <sup>[1]</sup>	20.0	26.0

<sup>(1)(2)</sup> Exploration capital expenditure guidance is dependent, in part, on future exploration success and subject to further review and revision.

## NX Gold S.A.

For the balance of 2019, the Company expects gold production to soften as it transitions mining operations from the Brás vein into the Santo Antonio vein. Strong operational and financial results in H1 2019 have allowed the Company to re-invest cash into expanded exploration activities focused on extending mineral resources and reserves as well as new discoveries, such as Santo Antonio. Going forward, drilling activities (seven exploration drill rigs currently operating on site) will focus on upgrading known mineral resources into reserves, extend the known mineralization to depth and along strike, as well as advance the Santo Antônio discovery. The Company expects to provide an updated NI 43-101 technical report and mine plan later this year.

## Boa Esperança

A full review of the Boa Esperança Feasibility Study<sup>1</sup> is ongoing with the goal of extending the potential mine life and increasing copper production among other desktop optimization initiatives. The Company expects to provide an update on these initiatives later this year.

1. As defined herein under "NOTE REGARDING SCIENTIFIC AND TECHNICAL INFORMATION".

## REVIEW OF FINANCIAL RESULTS

The following table provides a summary of the financial results of the Company for the three month periods ended June 30, 2019 and 2018. Tabular amounts are in thousands of US dollars, except share and per share amounts.

	Notes	Three month period ended June 30, 2019	Three month period ended June 30, 2018 <sup>(1)</sup>
Revenue	2	\$ 76,474	\$ 61,045
Cost of product sold	3	(43,282)	(44,230)
Sales expenses		(1,107)	(914)
Gross profit		32,085	15,901
Expenses			
General and administrative	4	(7,127)	(6,127)
Share-based compensation		(1,292)	(834)
Income before the undernoted		23,666	8,940
Other income (expenses)			
Finance income		106	130
Finance expense	5	(6,398)	(4,804)
Foreign exchange gain (loss)	6	1,583	(26,456)
Loss on debt settlement	7	(1,783)	-
Other income		109	2,875
Income (loss) before income taxes		17,283	(19,315)
Income tax recovery (expense)			
Current	8	(2,678)	(383)
Deferred	8	651	1,491
		(2,027)	1,108
Net income (loss) for the period		15,256	(18,207)
Other comprehensive income (loss)			
Foreign currency translation income (loss)		2,701	(21,067)
Comprehensive income (loss)		\$ 17,957	\$ (39,274)
Net income (loss) attributable to:			
Owners of the Company		\$ 15,111	\$ (18,174)
Non-controlling interests		145	(33)
		\$ 15,256	\$ (18,207)
Comprehensive income (loss) attributable to:			
Owners of the Company		\$ 17,801	\$ (39,158)
Non-controlling interests		156	(116)
		\$ 17,957	\$ (39,274)
Income (loss) per share attributable to owners of the Company			
Net income (loss) per share			
Basic		\$ 0.18	\$ (0.22)
Diluted		\$ 0.17	\$ (0.22)
Weighted average number of common shares outstanding			
Basic		85,032,841	84,458,914
Diluted		90,696,926	84,458,914
Cash and cash equivalents		\$ 33,481	\$ 17,092
Total assets		\$ 408,005	\$ 333,086
Non-current liabilities		\$ 202,530	\$ 175,121

Notes:

1. The comparative income statement has been recast to present NX Gold as a continuing operation, as disclosed in the 2018 annual financial statements.
2. Revenues for the quarter ended June 30, 2019 from copper sales was \$64.7 million (2018 - \$47.3 million), which included the sale of 10,931 copper tonnes in concentrate as compared to 6,569 copper tonnes for the quarter ended June 30, 2018. The increase in revenue in the current quarter as compared to the prior year quarter includes production from the Vermelhos mine which commenced production in October 2018. The Company processed 43% more ore at a higher ore grade than in the previous year quarter. In addition, revenues for the quarter ended June 30, 2019 included \$11.8 million (2018 - \$13.8 million) from the sale of 9,343 (2018 - 10,401) ounces of gold from NX Gold operations.
3. Cost of products sold for the quarter ended June 30, 2019 from copper sales was \$36.7 million (2018 - \$34.7 million) which consisted of \$9.6 million (2018 - \$11.0 million) in depreciation and depletion, \$9.4 million (2018 - \$8.9 million) in salaries and benefits, \$6.4 million (2018 - \$4.4 million) in contracted services, \$5.1 million (2018 - \$4.3 million) in materials and consumables, \$3.7 million (2018 - \$3.7 million) in maintenance costs, \$2.4 million (2018 - \$2.2 million) in utilities, and \$0.1 million (2018 - \$0.2 million) in other costs. Cost of products sold for the three month period ended June 30, 2019 was only up 6% as compared to the prior year quarter. Higher recoveries, higher ore grade and efficiencies helped keep costs down relative to the increase in production over the prior year quarter. Cost of product sold for the quarter ended June 30, 2019 from gold sales was \$6.5 million (2018 - \$9.5 million) which comprised of \$1.6 million (2018- \$3.6 million) in depreciation and depletion, \$1.6 million (2018 - \$1.8 million) in salaries and benefits, \$0.7 million (2018 - \$0.9 million) in contracted services, \$0.9 million (2018 - \$1.2 million) in materials and consumables, \$1.0 million (2018 - \$1.5 million) in maintenance costs, \$0.6 million (2018 - \$0.5 million) in utilities, and \$0.1 million (2018 - nil) in other costs. Cost of products sold for the three month period ended June 30, 2019 decreased relative to the same period in 2018 due to less gold produced and sold than the comparative quarter in 2018.
4. General and administrative expenses for the quarter ended June 30, 2019 include \$3.7 million (2018 - \$3.8 million) with respect to MCSA for salaries and incentive payments, professional fees, office and sundry and provisions for tax, legal and labour claims, \$0.8 million (2018 - \$0.9 million) with respect to NX Gold for salaries and incentive payments, professional fees, office and sundry and provisions for tax, legal and labour claims and \$2.6 million (2018 - \$1.4 million) with respect to the corporate head office in Vancouver. Corporate head office costs are primarily comprised of \$1.9 million (2018 - \$0.8 million) in salaries, incentive payments, and consulting fees, \$0.1 million (2017 - \$0.1 million) in professional fees, \$0.3 million (2018 - \$0.2 million) in office and sundry costs and \$0.3 million (2018 - \$0.2 million) in travel-related costs. Current quarter amounts are higher than the comparative quarter due to the growth of operations at corporate head office, which included the hiring of more individuals. The current year also reflects accruals for head office incentive payments of \$0.6 million for 2019.
5. Finance expense for the quarter ended June 30, 2019 was \$6.4 million (2018 - \$4.8 million) and is primarily comprised of interest on loans and borrowings at MCSA and NX Gold of \$0.8 million (2018 - \$2.4 million), the accretion of the asset retirement obligations of \$1.4 million (2018 - nil) and other finance expenses of \$1.0 million (2018 - \$0.5 million), and interest on loans at the corporate head office of \$3.0 million (2018 - \$1.3 million). Interest on loans and borrowings at MCSA and NX Gold decreased due to the repayments of certain MCSA loans during 2018 and 2019 year-to-date, while interest on loans at the corporate head office increased due to the senior secured non-revolving credit facility entered into in December 2018. Proceeds of this loan were used to repay or settle MCSA's loans.

6. Foreign exchange gain for the quarter ended June 30, 2019 was \$1.6 million (2018 - \$26.5 million loss). This amount is primarily comprised of a foreign exchange gain on USD denominated debt of \$1.6 million (2018 - \$12.2 million loss) in MCSA where the functional currency is the Brazilian Real. For the quarter ended June 30, 2018, there was a foreign exchange loss on unrealized forward contracts of \$7.4 million, a foreign exchange loss on realized forward contracts of \$4.0 million, and a loss on other foreign exchange transactions of \$2.9 million. The decrease in foreign exchange losses was primarily a result of the foreign exchange rate between the Brazilian Reals and the US dollar not fluctuating significantly during the current quarter.
7. Loss on debt settlement during the quarter ended June 30, 2019 was \$1.8 million, representing the difference between the accounting fair value made to legally extinguish a bank loan held by MCSA and the carrying value of the loan at the time.
8. Income tax expense in the quarter ended June 30, 2019 increased over the comparative quarter primarily due to increases in income.

The following table provides a summary of the financial results of the Company for the six month periods ended June 30, 2019 and 2018. Tabular amounts are in thousands of US dollars, except share and per share amounts.

	Notes	Six month period ended June 30, 2019	Six month period ended June 30, 2018 <sup>(1)</sup>
Revenue	2	\$ 148,515	\$ 100,717
Cost of product sold	3	(81,422)	(75,005)
Sales expenses		(2,414)	(1,326)
Gross profit		64,679	24,386
Expenses			
General and administrative	4	(13,750)	(12,659)
Share-based compensation		(3,135)	(1,615)
Income before the undernoted		47,794	10,112
Other income (expenses)			
Finance income		242	340
Finance expense	5	(13,208)	(9,335)
Foreign exchange gain (loss)	6	1,295	(25,647)
Loss on debt settlement	7	(1,783)	-
Other income	8	1,157	3,765
Income (loss) before income taxes		35,497	(20,765)
Income tax recovery (expense)			
Current	9	(6,896)	(850)
Deferred	9	2,138	2,095
		(4,758)	1,245
Net income (loss) for the period		30,739	(19,520)
Other comprehensive income (loss)			
Foreign currency translation income (loss)		1,288	(20,750)
Comprehensive income (loss)		\$ 32,027	\$ (40,270)
Net income (loss) attributable to:			
Owners of the Company		\$ 30,434	\$ (19,543)
Non-controlling interests		305	23
		\$ 30,739	\$ (19,520)
Comprehensive income (loss) attributable to:			
Owners of the Company		\$ 31,717	\$ (40,211)
Non-controlling interests		310	(59)
		\$ 32,027	\$ (40,270)
Income (loss) per share attributable to owners of the Company			
Net income (loss) per share			
Basic		\$ 0.36	\$ (0.23)
Diluted		\$ 0.34	\$ (0.23)
Weighted average number of common shares outstanding			
Basic		84,920,351	83,223,757
Diluted		90,401,277	83,223,757

Notes:

1. The comparative income statement has been recast to present NX Gold as a continuing operation, as disclosed in the 2018 annual financial statements.
2. Revenues for the six month period ended June 30, 2019 from copper sales was \$124.2 million (2018 - \$75.4 million) which included the sale of 20,964 copper tonnes in concentrate as compared to 10,665 copper tonnes for the prior year comparative period. The increase in revenue in the current six month period as compared to the prior year six month period includes production from the Vermelhos mine which commenced commercial production in October 2018. The company processed 53% more ore at a higher ore grade than in the previous six month period of the prior year. In addition, revenues for the six month period ended June 30, 2019 included \$24.3 million (2018 - \$25.3 million) from the sale of 19,366 (2018 - 19,398) ounces of gold from NX Gold operations.
3. Cost of products sold for the six month period ended June 30, 2019 from copper sales was \$67.6 million (2018 - \$57.5 million), which consisted of \$19.3 million (2018 - \$18.5 million) in depreciation and depletion, \$16.9 million (2018 - \$15.2 million) in salaries and benefits, \$11.5 million (2018 - \$7.5 million) in contracted services, \$8.7 million (2018 - \$6.8 million) in materials and consumables, \$6.7 million (2018 - \$5.9 million) in maintenance costs, \$4.1 million (2018 - \$3.3 million) in utilities, and \$0.4 million (2018 - \$0.3 million) in other costs. Cost of products sold for the six month period ended June 30, 2019 increased 4% as compared to the prior year six month period. Higher recoveries, higher ore grade, and efficiencies contributed towards cost containment relative to the increase in production volume. The increase in cost of products sold compared to the same period in 2018 was primarily due to more copper being produced and sold as a result of the commencement of production at the Vermelhos underground mine in October 2018. Cost of product sold for the six month period ended June 30, 2019 from gold sales was \$13.8 million (2018 - \$17.5 million), which comprised of \$4.0 million (2018 - \$6.6 million) in depreciation and depletion, \$3.3 million (2018 - \$3.2 million) in salaries and benefits, \$1.2 million (2018 - \$1.8 million) in contracted services, \$1.9 million (2018 - \$2.3 million) in materials and consumables, \$2.1 million (2018 - \$2.6 million) in maintenance costs, \$1.1 million (2018 - \$0.9 million) in utilities, and \$0.2 million (2018 - \$0.1 million) in other costs.
4. General and administrative expenses for the six month period ended June 30, 2019 include \$7.2 million (2018 - \$8.7 million) with respect to MCSA for salaries and incentive payments, professional fees, office and sundry and provisions for tax, legal and labour claims, \$1.3 million (2018 - \$1.2 million) with respect to NX Gold for salaries and incentive payments, professional fees, office and sundry and provisions for tax, legal and labour claims and \$5.3 million (2018 - \$2.8 million) with respect to the corporate head office in Vancouver. Corporate head office costs are primarily comprised of \$3.6 million (2018 - \$1.5 million) in salaries, incentive payments, and consulting fees, \$0.3 million (2017 - \$0.4 million) in professional fees, \$0.5 million (2018 - \$0.4 million) in office and sundry costs and \$0.7 million (2018 - \$0.5 million) in travel-related costs. Current six month period amounts are higher than the prior year comparative period due to the growth of operations at corporate head office, which included the hiring of more individuals. The current year also reflects accruals for head office incentive payments of \$1.1 million for 2019.
5. Finance expense for the six month period ended June 30, 2019 was \$13.2 million (2018 - \$9.3 million) and is primarily comprised of interest on loans and borrowings at MCSA and NX Gold of \$1.7 million (2018 - \$4.8 million), the accretion of the asset retirement obligations of \$2.7 million (2018 - \$nil) and other finance expenses of \$2.4 million (2018 - \$1.3 million), and interest on loans at the corporate head office of \$6.0 million (2018 - \$2.6 million). Interest on loans and borrowings at MCSA and NX Gold decreased due to the repayments of certain MCSA loans during 2018 and 2019 year-to-date, while interest on loans at the corporate head office increased due to the senior secured non-revolving credit facility entered into in December 2018, the proceeds of which were used to repay or settle debt at MCSA.

6. Foreign exchange gain for the six month period ended June 30, 2019 was \$1.3 million (2018 - \$25.6 million loss). This amount is comprised of a foreign exchange gain on US denominated debt of \$1.4 million (2018 - \$12.2 million loss) in MCSA where the functional currency is the Brazilian Real, and a foreign exchange gain on realized forward contracts of \$0.7 million (2018 - \$3.7 million loss), partially offset by a foreign exchange loss on unrealized forward contracts of \$0.3 million (2018 - \$6.8 million) and a loss on other foreign exchange transactions of \$0.6 million (2018 - \$3.0 million). The decrease in foreign exchange losses in the current period was primarily due to the foreign exchange rate between the Brazilian Reals and the US dollar not fluctuating significantly during the current period.
7. Loss on debt settlement during the six month period ended June 30, 2019 was \$1.8 million, representing the difference between the accounting fair value made to legally extinguish a bank loan held by MCSA during the second quarter of 2019 and the carrying value of the loan at the time.
8. Other income for the six month period ended June 30, 2019 of \$1.2 million (2018 - \$3.8 million) primarily consisted of state tax credits received that were deemed not recoverable in the past.
9. Income tax expense in the six month period ended June 30, 2019 increased over the prior year comparative period primarily due to increases in income.

## SUMMARY OF QUARTERLY RESULTS

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

Selected Financial Information	2019			2018			2017		
	June 30	March 31	Dec 31 <sup>(2)</sup>	Sept 30	June 30 <sup>(3)</sup>	March 31	Dec 31 <sup>(4)</sup>	Sept 30	
Revenue	\$ 76.5	\$ 72.0	\$ 85.1	\$ 47.3	\$ 61.0	\$ 39.7	\$ 49.4	\$ 40.9	
Cost of product sold	\$ (43.3)	\$ (38.1)	\$ (44.7)	\$ (27.9)	\$ (44.2)	\$ (30.8)	\$ (38.5)	\$ (34.1)	
Gross profit (loss) <sup>(1)</sup>	\$ 32.1	\$ 32.6	\$ 39.0	\$ 18.8	\$ 15.9	\$ 8.5	\$ 10.3	\$ 6.0	
Net income (loss) for period	\$ 15.3	\$ 15.5	\$ 11.3	\$ 5.2	\$ (18.2)	\$ (1.3)	\$ 19.5	\$ 17.9	
Net income (loss) per share attributable to owners of the Company									
- Basic	\$ 0.18	\$ 0.18	\$ 0.13	\$ 0.05	\$ (0.22)	\$ (0.02)	\$ 0.28	\$ 0.32	
- Diluted	\$ 0.17	\$ 0.17	\$ 0.13	\$ 0.05	\$ (0.22)	\$ (0.02)	\$ 0.24	\$ 0.29	
Weighted average number of common shares outstanding									
- Basic	85,032,841	84,804,389	84,736,476	84,504,954	84,458,914	81,974,876	70,929,120	56,772,684	
- Diluted	90,696,926	89,917,828	89,191,707	88,638,656	84,458,914	81,974,876	81,448,095	63,112,617	

1. Gross profit as a percentage of revenue has increased over the past eight quarters as grades have increased and production efficiencies improved.
2. During the quarter ended December 31, 2018, MCSA began commercial production of the Vermelhos mine. This resulted in increased sales this quarter, generating higher net income for the period.
3. During the quarter ended June 30, 2018, the Company had an overall net loss of \$18.2 million, which included \$26.4 million in foreign exchange losses. The foreign exchange losses were comprised of a \$12.2 million loss associated with US dollar denominated debt held by MCSA, whose functional currency is the Brazilian Real, \$11.4 million loss on foreign exchange forward contracts and \$2.8 million related to other operational exchange losses. The foreign exchange losses were unusually high this quarter due to volatility in the foreign exchange rates between the US dollar and the Brazilian Real.
4. During the quarter ended December 31, 2017, a gain on debt settlement of \$28.7 million was recognized from the settlement of debt in MCSA.



## LIQUIDITY, CAPITAL RESOURCES, AND CONTRACTUAL OBLIGATIONS

### Liquidity

As at June 30, 2019, the Company held cash and cash equivalents of \$33.5 million. Cash and cash equivalents are primarily comprised of cash held with reputable financial institutions and are invested in highly liquid short-term investments with maturities of three months or less. The funds are not exposed to liquidity risk and there are no restrictions on the ability of the Company to use these funds to meet its obligations.

Cash and cash equivalents increased by \$14.5 million during the six month period ended June 30, 2019. The Company's cash flows from operating, investing and financing activities during the six month period ended June 30, 2019 are summarized as follows:

- Cash from operating activities of \$62.4 million.

Partially offset by:

- Cash used in investing activities of \$41.6 million, including:
  - \$41.0 million on additions to mineral property, plant and equipment;
  - \$0.6 million of additions to exploration and evaluation assets;
- Cash flows used in financing activities of approximately \$6.8 million, including:
  - \$17.4 million of repayment on loans and borrowings;
  - \$5.4 million of payment of interest on loans and borrowings;
  - \$1.8 million of lease payments;
  - \$1.6 million of other finance expenses

net of:

- \$17.5 million proceeds from new loans and borrowings, \$11.0 million of which was drawn on the senior credit facility and used to repay a loan MCSA held with a financial institution;
- \$1.1 million proceeds from exercise of stock options and warrants;
- \$0.8 million released from restricted cash

As at June 30, 2019, the Company had working capital of \$5.6 million.

### Capital Resources

The Company's primary sources of capital are comprised of cash from operations, cash and cash equivalents on hand and undrawn debt facilities. The Company will continuously monitor its capital structure and, based on changes in operations and economic conditions, may adjust such structure by issuing new common shares or new debt as necessary. While the Company has been successful in securing financing to date, there are no guarantees that it will be able to secure such financing in the future on terms acceptable to the Company, if at all. Taking into consideration cash flow from existing operations, the commissioning of the Vermelhos underground mine in October 2018, and the existing undrawn revolving credit facility of \$14 million in Canada and undrawn lines of credit totalling R\$ 60 million in MCSA, management believes that the Company has sufficient working capital and financial resources to maintain its planned operations and activities for the foreseeable future.

### Contractual Obligations

Certain loan agreements contain operating and financial covenants that could restrict the ability of the Company and its subsidiary, MCSA, to, among other things, incur additional indebtedness needed to fund its respective operations, pay dividends or make other distributions, make investments, create liens, sell or transfer assets or

enter into transactions with affiliates. There are no other restrictions or externally imposed capital requirements of the Company.

## MANAGEMENT OF RISKS AND UNCERTAINTIES

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

### 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 June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 33,481	\$ 18,941
Restricted cash	\$ 2,250	\$ 3,000
Accounts receivable	\$ 7,632	\$ 7,219
Deposits	\$ 1,427	\$ 1,334
Other non-current assets - term deposits	\$ 714	\$ 686
	<u>\$ 45,504</u>	<u>\$ 31,180</u>

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 six month period ended June 30, 2019 nor has a provision for credit losses been recognized.

### Foreign exchange currency risk

The Company may use derivatives, including forward contracts, collars and swap contracts, to manage market risks. At June 30, 2019, the Company has entered into foreign exchange collar contracts at zero cost for notional amounts of \$317.4 million with an average floor rate of 3.74 BRL to US Dollar and an average cap rate of 4.19 BRL to US Dollar (December 31, 2018 - \$21.5 million in foreign exchange forward contracts). The maturity dates of these contracts are from July 15, 2019 to January 21, 2021 and are financially settled on a net basis. The fair value of these contracts at June 30, 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 exchange collar contracts was a nominal gain and a loss of \$0.3 million for the three and six month periods ended June 30, 2019, respectively, (a loss of \$7.4 million and \$6.8 million for the three and six month periods ended June 30, 2018, respectively) has been recognized in foreign exchange loss. In addition, in the three and six month periods ended June 30, 2019, the Company recognized a realized nominal loss and a realized gain of \$0.7 million, respectively, (a loss of \$4.0 million and \$3.7 million for the three and six month periods ended June 30, 2018, respectively) related to the settlement of foreign currency forward contracts.

## 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.

The Company is principally exposed to interest rate risk through its Term Facilities of \$136.0 million and Brazilian Real denominated bank loans of \$8.5 million. Based on the Company's net exposure at June 30, 2019, a 1% change in the variable rates would have an impact of \$1.4 million on pre-tax annual 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 June 30, 2019, the Company has entered into an interest rate swap contract to manage interest rate risk. The floating interest on a notional amount of \$65 million was swapped for a fixed interest rate of 2.69%. The fair value of this contract at June 30, 2019 was a liability of \$1.8 million and was included in Derivatives in the statement of financial position.

## Price risk

The Company may use derivatives, including forward contracts, collars and swap contracts, to manage commodity price risks. At June 30, 2019, the Company has entered into commodity swap collar contracts for notional amounts of 12,000 ounces of gold with an average floor rate of 1,280.00 USD/oz and an average cap rate of 1,375.50 USD/oz. The maturity dates of these contracts are from July 31, 2019 to December 31, 2019 and are financially settled on a net basis. The fair value of these contracts at June 30, 2019 was nil. The realized and unrealized change in fair value of the commodity swap collar contracts was nil for the three and six month periods ended June 30, 2019.

For a discussion of additional risks applicable to the Company and its business and operations, including risks related to the Company's foreign operations, the environment and legal proceedings, see "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2018 and dated March 14, 2019 (the "AIF").

## OTHER FINANCIAL INFORMATION

### Off-Balance Sheet Arrangements

As at June 30, 2019, the Company had no material off-balance sheet arrangements.

### Contingencies

With the acquisition of MCSA, the Company inherited certain liabilities and MCSA has been subject to a number of claims (including claims related to tax, labour and social security matters and civil action) in the course of its business which individually are not material and have not been accrued for in the Company's financial statements as it is not probable that a cash outflow will occur. While the Company believes that these claims are unlikely to be successful, if all such existing claims were decided against it, the Company could be exposed to liability of up to approximately \$31.6 million, which could have an adverse impact on the Company's business, financial condition, results of operations, cash flows or prospects.

### Outstanding Share Data

At August 8, 2019, the Company had 85,506,980 common shares, 4,747,855 stock options, 2,866,662 warrants, and 211,804 performance share units issued and outstanding.

## Related Party Disclosures

For the three and six month periods ended June 30, 2019, amounts paid to related parties were incurred in the normal course of business and measured at the exchange amount, which is the amount agreed upon by the transacting parties and on terms and conditions similar to non-related parties.

Key management personnel consist of the Company's directors and officers and their compensation includes 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 and six month periods ended June 30, 2019 was \$1.5 million and \$2.9 million, respectively (\$0.6 million and \$1.2 million for the three and six month periods ended June 30, 2018, respectively). In addition, 125,000 options were issued to directors on January 2, 2019. \$1.3 million and \$3.1 million was recognized in share-based compensation expense for the three and six month periods ended June 30, 2019 for options and Share Units previously issued (\$0.6 million and \$1.1 million for the three and six month periods ended June 30, 2018). During the three and six month periods ended June 30, 2019, key management personnel exercised 110,000 options for cash proceeds to the Company of \$0.2 million.

## ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

### Critical Accounting Judgments and Estimates

The Company's December 31, 2018 consolidated financial statements are prepared in accordance with IFRS as issued by IASB. The significant policies applied and recent accounting pronouncements are described in Note 3 of the Company's 2018 annual consolidated financial statements, respectively, except as discussed below.

In preparing the condensed consolidated interim financial statements in accordance with IAS 34, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control. Actual results could differ from those estimates. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. Revisions to estimates and the resulting effects on the carrying values of the Company's assets and liabilities are accounted for prospectively. For a description of the critical judgements in application of the accounting policies and information about assumptions and estimations uncertainties, refer to the Company's MD&A for the year ended December 31, 2018, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### New Accounting Standards Adopted in the Current Period

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

i) 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.

The Company adopted IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated. The impact of adoption of IFRS 16 is disclosed in note 2(b) of the June 30, 2019 condensed consolidated interim financial statements.

As a result of applying IFRS 16, the Company recognized right-of-use assets of \$4.1 million and lease liabilities of \$4.2 million as at June 30, 2019.

Also, during the three and six month periods ended June 30, 2019, the Company recognized \$0.9 million and \$1.8 million, respectively, of depreciation charges related to right-of-use assets and \$0.1 million and \$0.2 million, respectively, of interest costs related to lease liabilities.

## ii) 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.

## Local Currency Operating Metrics – Presented in Brazilian Real

		2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Costs (MCSA Operations)</b>						
Mining - UG (Pilar)	R\$	55,963	51,887	107,850	46,465	86,662
- UG (Vermelhos)		32,256	29,052	61,308	-	-
- OP		5,452	2,279	7,731	15,884	28,869
Processing		20,937	18,546	39,483	14,670	27,992
Indirect		10,917	12,363	23,280	6,689	11,859
Production costs		125,525	114,127	239,652	83,708	155,382
Capex development		(20,129)	(24,671)	(44,800)	(13,206)	(23,887)
By-product credits		(11,487)	(9,740)	(21,227)	(3,857)	(7,215)
Treatment, refining and other		238	603	841	1,446	904
C1 cash costs	R\$	94,147	80,319	174,466	68,091	125,184
<b>Breakdown Mined and Processed (tonnes)</b>						
UG Mined		632,716	541,877	1,174,593	367,342	642,345
OP Mined		478,108	234,211	712,319	1,098,434	2,445,969
Total Mined (t):		1,110,824	776,088	1,886,912	1,465,776	3,088,314
Total Processed (t)		717,479	530,133	1,247,612	500,952	817,078
Cu Production (t)		10,473	10,645	21,118	5,684	10,530
UG Mining Total - R\$/tonne mined		107.62	103.84	105.87	126.49	134.91
Pilar - R\$/tonne mined <sup>(2)</sup>		102.04	99.14	100.64	n/a	n/a
Vermelhos - R\$/tonne mined <sup>(2)</sup>		117.40	114.63	116.24	n/a	n/a
OP Mining - R\$/tonne mined		11.40	9.73	10.85	14.46	11.80
Processing - R\$/tonne processed		29.18	34.98	31.65	29.28	34.26
Indirect - R\$/tonne processed		15.22	23.32	18.66	13.35	14.51

### Footnotes

[1] Above only includes amounts from MCSA. NX Gold operations are excluded.

[2] Starting 2019, the company breaks out the cost metrics for underground mining between Pilar and Vermelhos.

## NON-IFRS MEASURES

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

Unless otherwise noted, the non-IFRS measures presented below have been calculated on a consistent basis for the periods presented.

## C1 Cash Cost of Copper Produced (per lb)

C1 cash cost of copper produced (per lb) is the sum of production costs, net of capital expenditure development costs and by-product credits, divided by the copper pounds produced. C1 cash costs reported by the Company include treatment, refining charges, offsite costs, and certain tax credits relating to sales invoiced to the Company's Brazilian customer on sales. By-product credits are calculated based on actual precious metal sales (net of treatment costs) during the period divided by the total pounds of copper produced during the period. C1 cash cost of copper produced per pound is a non-IFRS measure used by the Company to manage and evaluate operating performance of the Company's operating mining unit and is widely reported in the mining industry as benchmarks for performance but does not have a standardized meaning and is disclosed in addition to IFRS measures.

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

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Reconciliation:</b>					
Cost of Product Sold	\$ 36,740	\$ 30,851	\$ 67,591	\$ 34,757	\$ 57,512
Add (less):					
Depreciation/amortization/depletion	(9,542)	(9,762)	(19,304)	(11,013)	(18,524)
Net Change in Inventory	(1,201)	1,397	196	(3,598)	(463)
Transportation costs & other	979	1,238	2,217	857	1,186
By-product credits	(2,936)	(2,583)	(5,519)	(1,285)	(2,215)
Treatment, refining, and other	82	165	247	401	(28)
Foreign exchange translation adjustments	(72)	5	(67)	(1,448)	(1,434)
C1 cash costs	\$ 24,050	\$ 21,311	\$ 45,361	\$ 18,671	\$ 36,034

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Costs</b>					
Mining	\$ 23,913	\$ 22,313	\$ 46,226	\$ 17,294	\$ 33,690
Processing	5,345	4,921	10,266	4,069	8,177
Indirect	2,789	3,032	5,821	1,855	3,366
Production costs	32,047	30,266	62,313	23,218	45,233
Capex development	(5,143)	(6,537)	(11,680)	(3,663)	(6,956)
By-product credits	(2,936)	(2,583)	(5,519)	(1,285)	(2,215)
Treatment, refining and other	82	165	247	401	(28)
C1 cash costs	\$ 24,050	\$ 21,311	\$ 45,361	\$ 18,671	\$ 36,034

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Costs per pound</b>					
Payable copper produced (lb) <sup>(1)</sup>	23,089	23,468	46,558	12,532	23,214
Mining	\$ 1.04	\$ 0.95	\$ 0.99	\$ 1.38	\$ 1.45
Processing	\$ 0.23	\$ 0.21	\$ 0.22	\$ 0.32	\$ 0.35
Indirect	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.15	\$ 0.14
Capex development	\$ (0.22)	\$ (0.28)	\$ (0.25)	\$ (0.29)	\$ (0.30)
By-product credits	\$ (0.13)	\$ (0.11)	\$ (0.12)	\$ (0.10)	\$ (0.08)
Treatment, refining and other	\$ 0.00	\$ 0.01	\$ (0.00)	\$ 0.03	\$ (0.00)
C1 cash cost of copper produced (per lb)	\$ 1.04	\$ 0.91	\$ 0.97	\$ 1.49	\$ 1.55

Footnote

[1] Total includes amount produced from the newly constructed Vermelhos underground mine as of 2018 Q4 and pre-production ore.

## C1 Cash Cost of Gold produced (per ounce)

C1 cash cost of gold produced (per ounce) is the sum of production costs, net of capital expenditure development costs and silver by-product credits, divided by the gold ounces produced. By-product credits are calculated based on actual precious metal sales during the period divided by the total ounces of gold produced during the period. C1 cash cost of gold produced per pound is a non-IFRS measure used by the Company to manage and evaluate operating performance of the Company's operating mining unit and is widely reported in the mining industry as benchmarks for performance but does not have a standardized meaning and is disclosed in addition to IFRS measures.

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

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Reconciliation:</b>					
Cost of Product Sold	\$ 6,542	\$ 7,289	\$ 13,831	\$ 9,473	\$ 17,493
Add (less):					
Depreciation/amortization/depletion	(1,639)	(2,336)	(3,975)	(3,569)	(6,581)
Net Change in Inventory	306	49	355	(118)	118
By-product credits	(78)	(89)	(167)	(94)	(179)
Foreign exchange translation adjustments	(7)	-	(7)	(408)	(343)
<b>C1 cash costs</b>	<b>\$ 5,124</b>	<b>\$ 4,913</b>	<b>\$ 10,037</b>	<b>\$ 5,284</b>	<b>\$ 10,508</b>

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Costs</b>					
Mining	\$ 2,700	\$ 2,667	\$ 5,367	\$ 3,243	\$ 6,130
Processing	1,826	1,667	3,493	1,697	3,699
Indirect	818	816	1,634	620	1,249
Production costs	5,344	5,150	10,494	5,560	11,078
Capex development	(142)	(148)	(290)	(182)	(391)
By-product credits	(78)	(89)	(167)	(94)	(179)
<b>C1 cash costs</b>	<b>\$ 5,124</b>	<b>\$ 4,913</b>	<b>\$ 10,037</b>	<b>\$ 5,284</b>	<b>\$ 10,508</b>

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Costs per ounce</b>					
<b>Payable gold produced (ounces)</b>	<b>9,917</b>	<b>10,119</b>	<b>20,036</b>	<b>10,159</b>	<b>19,577</b>
Mining	\$ 272	\$ 264	\$ 268	\$ 319	\$ 313
Processing	\$ 184	\$ 165	\$ 174	\$ 167	\$ 189
Indirect	\$ 82	\$ 81	\$ 82	\$ 61	\$ 64
Capex development	\$ (14)	\$ (15)	\$ (14)	\$ (18)	\$ (20)
By-product credits	\$ (8)	\$ (9)	\$ (8)	\$ (9)	\$ (9)
<b>C1 cash cost of gold produced (per ounce)</b>	<b>\$ 517</b>	<b>\$ 486</b>	<b>\$ 501</b>	<b>\$ 519</b>	<b>\$ 537</b>



## Earnings before interest, taxes, depreciation, and amortization (“EBITDA”) and Adjusted EBITDA

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

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

- Foreign exchange loss (gain)
- Loss on debt settlement
- Share based compensation

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Reconciliation:</b>					
Net income (loss)	\$ 15,256	\$ 15,483	\$ 30,739	\$ (18,207)	\$ (19,520)
<b>Adjustments:</b>					
Finance expenses	6,398	6,810	13,208	4,804	9,335
Taxes	2,027	2,731	4,758	(1,108)	(1,245)
Depreciation/amortization/depletion	11,222	12,139	23,361	14,608	25,160
<b>EBITDA</b>	<b>34,903</b>	<b>37,163</b>	<b>72,066</b>	<b>97</b>	<b>13,730</b>
Foreign exchange loss (gain)	(1,583)	288	(1,295)	26,456	25,647
Loss on debt settlement	1,783	-	1,783	-	-
Share based compensation	1,292	1,843	3,135	834	1,615
<b>Adjusted EBITDA</b>	<b>\$ 36,395</b>	<b>\$ 39,294</b>	<b>\$ 75,689</b>	<b>\$ 27,387</b>	<b>\$ 40,992</b>

## Adjusted net income (loss) attributable to owners of the Company and Adjusted net income (loss) per share attributable to owners of the Company

The Company uses the financial measure “Adjusted net income (loss) attributable to owners of the Company” and “Adjusted net income (loss) per share attributable to owners of the Company” (“Adjusted EPS”) to supplement information in its consolidated financial statements. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investor and analysts use this information to evaluate the Company’s performance. The Company excludes certain unrealized foreign exchange gains or losses from net earnings to provide a measure which allows the Company and investors to evaluate the operating results of the underlying core operations. The presentation of Adjusted EPS is not meant to substitute the net income (loss) per share attributable to owners of the Company (“EPS”) presented in accordance with IFRS, but rather it should be evaluated in conjunction with such IFRS measures.

The following table provides a detailed reconciliation of net income (loss) attributable to owners of the Company as reported in the Company’s consolidated financial statements to adjusted net income (loss) attributable to owners of the Company and Adjusted EPS.

	2019 - Q2	2019 - Q1	2019 - YTD	2018 - Q2	2018 - YTD
<b>Reconciliation:</b>					
Net net income (loss) as reported attributable to the owners of the Company	\$ 15,111	\$ 15,323	\$ 30,434	\$ (18,174)	\$ (19,543)
<b>Adjustments for:</b>					
Unrealized foreign exchange loss (gain) on USD denominated debt in MCSA	(1,568)	135	(1,432)	12,115	12,133
Unrealized foreign exchange loss (gain) on unrealized derivative contracts	(9)	264	255	7,327	6,730
Loss on debt settlement	1,776	-	1,776	-	-
<b>Adjusted net income (loss) attributed to owners of the Company</b>	<b>\$ 15,310</b>	<b>\$ 15,722</b>	<b>\$ 31,033</b>	<b>\$ 1,268</b>	<b>\$ (680)</b>
Weighted average number of common shares - basic	85,032,841	84,804,389	84,920,351	84,458,914	83,223,757
Weighted average number of common shares - diluted	90,696,926	89,917,828	90,401,277	88,458,395	83,223,757
Adjusted EPS - basic	\$ 0.18	\$ 0.19	\$ 0.37	\$ 0.02	\$ (0.01)
Adjusted EPS - diluted	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.01	\$ (0.01)

## Net Debt

Net debt is determined based on cash and cash equivalents, restricted cash and loans and borrowings as reported in the Company's consolidated financial statements. The Company uses net debt as a measure of the Company's ability to pay down its debt. The following table provides a calculation of net debt based on amounts presented in the Company's consolidated financial statements as at June 30, 2019 and December 31, 2018.

		June 30, 2019		December 31, 2018
Cash and cash equivalents	\$	33,481	\$	18,941
Restricted cash		2,250		3,000
Less: Current portion of loans and borrowings		(10,481)		(10,602)
Long-term portion of loans and borrowings		(146,379)		(141,632)
Net Debt	\$	(121,129)	\$	(130,293)

## Working Capital and Available Liquidity

Working capital is determined based on current assets and current liabilities as reported in the Company's consolidated financial statements. The Company uses working capital as a measure of the Company's short-term financial health and operating efficiency. Available liquidity includes the Company's working capital and undrawn revolving credit facilities in place. The following table provides a calculation for these based on amounts presented in the Company's consolidated financial statements as at June 30, 2019 and December 31, 2018.

		June 30, 2019		December 31, 2018
Current Assets	\$	70,944	\$	50,954
Less: Current Liabilities		(65,358)		(60,265)
Working Capital (Deficit)	\$	5,586	\$	(9,311)
Available undrawn revolving credit facilities		29,600		14,000
Available Liquidity	\$	35,186	\$	4,689

## Internal Control over Financial Reporting

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Any system of ICFR, no matter how well designed, has inherent limitations and cannot provide absolute assurance that all misstatements and instances of fraud, if any, within the Company have been prevented or detected. The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company uses the 2013 Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no changes in the Company's ICFR that materially affected, or are reasonably likely to materially affect, ICFR during the six month period ended June 30, 2019.

## NOTE REGARDING SCIENTIFIC AND TECHNICAL INFORMATION

Unless otherwise indicated, scientific and technical information in this MD&A relating to Ero's properties ("Technical Information") is based on information contained in the following reports:

The report prepared in accordance with NI 43-101 and entitled "2018 Updated Mineral Resources and Mineral Reserves Statements of Mineração Caraíba's Vale do Curaçá Mineral Assets, Curaçá Valley", dated October 17, 2018 with an effective date of August 1, 2018, prepared by Rubens Jose De Mendonça, MAusIMM, of Planminas – Projectos e Consultoria em Mineração Ltd. ("Planminas"), and Porfirio Cabaleiro Rodrigues, MAIG, Fábio Valério Câmara Xavier, MAIG, and Bernardo Horta de Cerqueira Viana, MAIG, all of GE21 Consultoria Mineral ("GE21"), and each a "qualified person" and "independent" of the Company within the meanings of NI 43-101 (the "Vale do Curaçá Technical Report").

The report prepared in accordance with NI 43-101 and entitled "Mineral Resource and Mineral Reserve Estimate of the NX Gold Mine, Nova Xavantina", dated January 21, 2019 with an effective date of August 31, 2018, prepared by Porfirio Cabaleiro Rodrigues, MAIG, Leonardo Apparicio da Silva, MAIG, and Leonardo de Moraes Soares, MAIG, each of GE21 and a "qualified person" and "independent" of the Company within the meanings of NI 43-101 (the "NX Gold Technical Report").

The report prepared in accordance with NI 43-101 and entitled "Feasibility Study, Technical Report for the Boa Esperança Copper Project, Pará State Brazil", dated September 7, 2017 with an effective date of June 1, 2017, prepared by Rubens Mendonça, MAusIMM of SRK Consultores do Brasil Ltda. ("SRK" or "SRK Brazil") as at the date of the report (now of Planminas) and Carlos Barbosa, MAIG and Girogio di Tomi, MAusIMM, both of SRK Brazil, and each a "qualified person" and "independent" of the Company within the meanings of NI 43-101 (the "Boa Esperança Feasibility Study").

Reference should be made to the full text of the Vale do Curaçá Technical Report, the NX Gold Technical Report and the Boa Esperança Technical Report, each of which is available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The disclosure of Technical Information in this MD&A was reviewed and approved by Rubens Mendonça, a Qualified Person under NI 43-101.

### Cautionary Note Regarding Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information includes statements that use forward-looking terminology such as "may", "could", "would", "will", "should", "intend", "target", "plan", "expect", "budget", "estimate", "forecast", "schedule", "anticipate", "believe", "continue", "potential", "view" or the negative or grammatical variation thereof or other variations thereof or comparable terminology. Such forward-looking information includes, without limitation, statements with respect to the Company's expected operations at the Vermelhos, Pilar and R22W mines as well as at the NX Gold Property, drilling plans, plans for the Company's exploration program, timing of any updated mineral resource and reserve updates and technical reports, the Company's ability to service its ongoing obligations, the Company's future production outlook, cash costs, capital resources and expenditures and the impact of new accounting standards and amendments on the Company's financial statements.

Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, as of the date of this Press Release including, without limitation, assumptions

about: favourable equity and debt capital markets; the ability to raise any necessary additional capital on reasonable terms to advance the production, development and exploration of the Company's properties and assets; future prices of copper and other metal prices; the timing and results of exploration and drilling programs; the accuracy of any mineral reserve and mineral resource estimates; the geology of the Vale do Curaçá Property, NX Gold Property and the Boa Esperança Property being as described in the technical reports for these properties; production costs; the accuracy of budgeted exploration and development costs and expenditures; the price of other commodities such as fuel; future currency exchange rates and interest rates; operating conditions being favourable such that the Company is able to operate in a safe, efficient and effective manner; political and regulatory stability; the receipt of governmental, regulatory and third party approvals, licenses and permits on favourable terms; obtaining required renewals for existing approvals, licenses and permits on favourable terms; requirements under applicable laws; sustained labour stability; stability in financial and capital goods markets; availability of equipment; positive relations with local groups and the Company's ability to meet its obligations under its agreements with such groups; and satisfying the terms and conditions of the Company's current loan arrangements. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

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

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

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

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

### Cautionary Notes Regarding Mineral Resource and Reserve Estimates

In accordance with applicable Canadian securities regulatory requirements, all mineral reserve and mineral resource estimates of the Company disclosed or incorporated by reference in this MD&A have been prepared in accordance with NI 43-101 and are classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards for Mineral Resources and Mineral Reserves, adopted by the CIM Council on May 10, 2014 (the "CIM Standards").

Mineral resources which are not mineral reserves do not have demonstrated economic viability. Pursuant to the CIM Standards, mineral resources have a higher degree of uncertainty than mineral reserves as to their existence

as well as their economic and legal feasibility. Inferred mineral resources, when compared with Measured or Indicated mineral resources, have the least certainty as to their existence, and it cannot be assumed that all or any part of an Inferred mineral resource will be upgraded to an Indicated or Measured mineral resource as a result of continued exploration. Pursuant to NI 43-101, Inferred mineral resources may not form the basis of any economic analysis. Accordingly, readers are cautioned not to assume that all or any part of a mineral resource exists, will ever be converted into a mineral reserve, or is or will ever be economically or legally mineable or recovered.

#### ADDITIONAL INFORMATION

Additional information about Ero and its business activities, including the AIF, is available under the Company's profile at [www.sedar.com](http://www.sedar.com).