MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019

1050 – 625 Howe Street, Vancouver, B.C., Canada V6C 2T6
Phone: 604-449-9244 | Website: www.erocopper.com | Email: info@erocopper.com

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared as at November 5, 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 nine months ended September 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"). All references in this MD&A to "Q3 2019" and "Q3 2018" are to the three month periods ended September 30, 2019 and September 30, 2018, respectively, and all references to "YTD 2019" and "YTD 2018" are to the nine month periods ended September 30, 2019 and September 30, 2018, respectively. 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 United States ("US") dollars and tabular amounts are expressed in thousands of US dollars, unless otherwise indicated. References to "$" or "dollars" are to US dollars, references to "C$" are to Canadian dollars and references to "R$" are to Brazilian Reais.

This MD&A contains "forward-looking 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 (the "Board") as of November 5, 2019, unless otherwise stated.

BUSINESS OVERVIEW

Ero, headquartered in Vancouver, B.C., is focused on copper production growth from the Vale do Curaçá Property, located in Bahia, Brazil. 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 40 years of operating history in the region. The Company currently mines copper ore from the Pilar and Vermelhos underground mines. 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 and the Company, directly and indirectly, owns 97.6% of the NX Gold Mine, an operating gold and silver mine located in Mato Grosso, Brazil. Additional information on the Company and its operations, including technical reports on the Vale do Curaçá, Boa Esperança and NX Gold properties, can be found on the Company's website (www.erocopper.com) and on SEDAR (www.sedar.com).

HIGHLIGHTS

	2019 - Q3	2019 - Q2	2019 - YTD	2018 - Q3	2018 - YTD
Operating Information					
Copper (MCSA Operations)					
Ore Processed (tonnes)	587,915	717,479	1,835,527	663,359	1,480,437
Grade (% Cu)	1.84	1.62	1.86	1.38	1.45
Cu Production (tonnes)	9,674	10,473	30,792	7,792	18,322
Cu Production (lbs)	21,326,717	23,089,363	67,884,499	17,177,837	40,391,540
Cu Sold in Concentrate (tonnes)	10,200	10,931	31,164	6,542	17,207
Cu Sold in Concentrate (lbs)	22,486,742	24,099,753	68,704,889	14,422,624	37,934,896
C1 cash cost of copper produced (per lb)(1)	$ 1.01	$ 1.04	$ 0.99	$ 0.99	$ 1.31
Gold (NX Gold Operations)					
Au Production (ounces)	4,356	9,917	24,391	10,223	29,800
C1 cash cost of gold produced (per ounce)(1)	$ 1,169	$ 517	$ 621	$ 471	$ 515
Financial information ($millions, except per share amounts)					
Revenues	$ 60.6	$ 76.5	$ 209.2	$ 47.3	$ 148.0
Gross profit	$ 21.3	$ 32.1	$ 86.0	$ 18.9	$ 43.2
EBITDA(1)	$ 35.1	$ 34.9	$ 107.2	$ 20.8	$ 34.5
Adjusted EBITDA(1)	$ 27.3	$ 36.4	$ 102.9	$ 24.2	$ 65.2
Cash flow from operations	$ 29.5	$ 37.3	$ 91.9	$ 31.1	$ 59.0
Net income (loss) attributable to owners of the Company	$ 16.3	$ 15.1	$ 46.7	$ 5.2	$ (14.4)
Net income (loss) per share attributable to owners of the Company					
- Basic	$ 0.19	$ 0.18	$ 0.55	$ 0.06	$ (0.17)
- Diluted	$ 0.18	$ 0.17	$ 0.51	$ 0.06	$ (0.17)
Adjusted net income attributable to owners of the Company(1)	$ 10.2	$ 15.3	$ 41.2	$ 3.7	$ 3.1
Adjusted income per share attributable to owners of the Company(1)					
- Basic	$ 0.12	$ 0.18	$ 0.48	$ 0.04	$ 0.04
- Diluted	$ 0.11	$ 0.17	$ 0.45	$ 0.04	$ 0.04
Cash and Cash Equivalents	$ 21.7	$ 33.5	$ 21.7	$ 20.5	$ 20.5
Working Capital (Deficit)(1)	$ 6.4	$ 5.6	$ 6.4	$ (15.8)	$ (15.8)
Net Debt(1)	$ (133.4)	$ (121.1)	$ (133.4)	$ (118.9)	$ (118.9)

Footnote

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

Q3 2019 Highlights

Strong Performance at MCSA Operations – increasing 2019 production guidance

- Q3 2019 production of 9,674 tonnes of copper in concentrate, resulting in YTD 2019 production of 30,792 tonnes of copper in concentrate, a 68% increase over YTD 2018.
- Increase in grades processed during the period, with 587,915 tonnes of ore grading 1.84% copper processed, compared to 717,479 grading 1.62% copper during the second quarter.
- Significant increase in attributable production from Vermelhos Mine during the period, with 176,183 tonnes grading 3.84% copper mined, compared to 176,704 tonnes grading 2.46% copper mined during the second quarter.
- Average metallurgical recoveries of 89.2% during Q3 2019, resulting in YTD 2019 average recoveries of 90.4%, approximately 5% higher than recoveries achieved during the same period in 2018.
- Q3 2019 C1 cash cost of $1.01 per pound of copper produced, a $0.03 per pound improvement over the second quarter, resulting in YTD 2019 C1 cash costs of $0.99 per pound of copper produced.
- Increase full-year copper production guidance outlook for 2019 by an additional 2,000 tonnes of copper to between 40,000 and 42,000 tonnes of copper produced.
- C1 cash costs of copper produced 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 (approximately 220,000 meters of drilling by year-end), additional development at Pilar and Vermelhos Mines to enhance operational flexibility and production volumes in 2019 and 2020, and the delivery of a 200,000 tonne per annum ore sorting plant that was purchased in the third quarter. The plant is expected to be commissioned in the fourth quarter of 2019.

MCSA updated Resource & Reserves Estimate clears pathway for regional exploration focus

- 27 drill rigs (25 operating, two assigned to year-end maintenance) within the Curaçá Valley plus an additional three drill rigs operating at the NX Gold Mine.
- Subsequent to the end of the quarter, an updated NI 43-101 (as defined herein) compliant resource and reserve estimate was announced for the Vale do Curaçá Property, which resulted in a 100% increase in mineral reserves and significant increase in life-of-mine copper production when compared to the mineral resource and reserve estimate completed in 2018. A discretionary phased capital plan was outlined to return the mill to its original design capacity of 5.5 million tonnes per annum, for which future capital commitments would be tailored along-side continued exploration success. With the completion of the estimate, the Company is transitioning its focus to regional exploration.
- Within the Vermelhos District, where 15 drill rigs are currently operating, significant high-grade massive sulphide intercepts continue to be intercepted in drilling at Siriema, best highlighted by hole FSI-42 that intersected 31.8 meters grading 2.22% copper including 5.0 meters grading 5.56% copper. In addition, near-surface drilling adjacent to the Vermelhos Mine in the Vermelhos East Zone intersected 22.5 meters grading 4.60% copper including 8.0 meters grading 7.76% copper from 7.7 meters down-hole in hole FVS-418, one of the highest-grade intercepts drilled into the East Zone to date
- In the Pilar District, where 10 drill rigs are currently operating, a grouping of holes in the Deepening Extension of the Pilar Mine intercepted high-grade mineralization, including the deepest known mineralized intercept drilled to date in hole FC47139 that intersected 7.1 meters grading 6.50% copper including 4.1 meters grading 9.01% copper, approximately 80 meters below the previous known depth of mineralization at the Pilar Mine. Additionally, drilling within the South Extension zone continues to intercept thick and high-grade mineralization, highlighted by hole FC34100 that intersected 25.5 meters grading 1.47% copper including 2.0 meters grading 5.85% copper.

NX Gold Operations – softer performance as mine transitions into Santo Antonio Vein, new mine plan underway

- Q3 2019 gold and silver production at the Company's high-grade NX Gold Mine of 4,356 ounces of gold and 2,909 ounces of silver.
- Reduced operational performance compared to prior periods as the mine transitioned from the Brás vein into first production from the Santo Antonio vein.
- 34,813 tonnes grading 4.51 grams per tonne gold processed, producing 4,356 ounces of gold after metallurgical recoveries that averaged 86.2% during Q3 2019.
- Q3 2019 C1 cash cost of $1,169 per ounce of gold produced, resulting in YTD 2019 C1 cash costs of $621 per ounce of gold produced.
- The Company expects production to return to elevated levels in the fourth quarter of 2019, at low cost, due to incremental production from the Santo Antonio vein, and has provided an improved operating outlook for fourth quarter of 2019, forecasting approximately 7,500 ounces of gold production at C1 cash costs of approximately $700 per ounce.
- At the NX Gold Mine, where three drill rigs are currently operating, exploration efforts are focused on the recently announced Santo Antonio vein discovery and extensions of the Brás vein to increase the life-of-mine. An updated NI 43-101 (as defined herein) compliant mineral resource and reserve estimate and mine plan for NX Gold is expected later this year.

REVIEW OF OPERATIONS

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

	2019 - Q3	2019 - Q2	2019 - YTD	2018 - Q3	2018 - YTD
Operating Information					
Copper (MCSA Operations)					
Ore Processed (tonnes)	587,915	717,479	1,835,527	663,359	1,480,437
Grade (% Cu)	1.84	1.62	1.86	1.38	1.45
Cu Production (tonnes)	9,674	10,473	30,792	7,792	18,322
Cu Production (lbs)	21,326,717	23,089,363	67,884,499	17,177,837	40,391,540
Concentrate Grade (% Cu)	33.7	35.1	34.7	34.2	34.5
Recovery (%)	89.2	90.2	90.4	84.9	85.3
Concentrate Sales (tonnes)	29,142	31,233	89,040	18,692	49,506
Cu Sold in Concentrate (tonnes)	10,200	10,931	31,164	6,542	17,207
Cu Sold in Concentrate (lbs)	22,486,742	24,099,753	68,704,889	14,422,624	37,934,896
C1 cash cost of copper produced (per lb)(1)	$ 1.01	$ 1.04	$ 0.99	$ 0.99	$ 1.31

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 operations continued to perform well during the third quarter, with notable increases in tonnes mined from Pilar and grades mined from Vermelhos, contributing to higher overall grades processed during the period compared to the second quarter. At Vermelhos, production volumes were in-line with the prior quarter at 176,183 tonnes mined, but at a significantly higher grade of 3.84% copper, representing a 56% increase in grade mined (compare to 2.46% copper grade mined in the second quarter). At Pilar, 362,667 tonnes of ore were mined grading 1.51% copper, a 10% increase in tonnage over the prior period (331,231 tonnes mined grading 1.76% copper). Increases in tonnage mined from Pilar and in the grade mined from Vermelhos resulted in a significant improvement in total contained copper mined, with a total of 550,777 tonnes mined grading 2.23% copper during the period. The last of R22W deposit was mined during the period, contributing 11,927 tonnes grading 0.23% copper to quarterly mined production, compared to approximately 270,000 tonnes grading 0.50% copper in the second quarter. YTD 2019, a total of 1.8 million tonnes grading 1.90% copper has been mined.

The continued strong operational performance of the Vermelhos Mine is a key factor in the Company's improved outlook and full year guidance. Compared to prior guidance, the Company expects more tonnes to be mined and processed from the Vermelhos and Pilar mines than was previously envisioned for the balance of 2019, while overall grades are expected to be in-line with prior guidance, contributing to a total incremental 2,000 tonnes of copper produced in 2019 to between 40,000 and 42,000.

At the Company's milling operations, 587,915 tonnes of ore grading 1.84% copper was processed during Q3 2019. Metallurgical recoveries averaged 89.2% during the period, resulting in average YTD 2019 recovery of 90.4%, in-line with the Company's guidance of 90.0%. YTD in 2019, a total of 1.84 million tonnes of ore has been processed grading 1.86% copper, resulting in the production of 30,792 tonnes after average metallurgical recoveries of 90.4%. The benefit of several low-cost milling and flotation improvement initiatives undertaken at the end of 2018 have continued to support strong metallurgical performance in 2019. These gains in performance are expected to continue through the balance of the year as reflected in the Company's revised guidance. Going forward, improved metallurgical performance remains a key focus area of the Company.

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 expected once the new mill is operational.

C1 cash cost averaged $1.01 and $0.99 per pound of copper produced during the three and nine-month period ended September 30, 2019. C1 cash costs during the third quarter, reflect the increase in mill head-grade, resulting in a $0.03 decrease in C1 cash costs compared to second quarter. As a result of the Company's improved production outlook and favorable prevailing foreign exchange rates, C1 cash costs remain forecast to be at the low-end of the Company's guidance range of $1.00 to $1.10 per pound of copper produced.

Subsequent to the end of the quarter, the Company announced its updated National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") compliant 2019 mineral reserve and resource estimate along with updated life of mine ("LOM") production, capital and operating cost projections for MCSA. This plan outlined a discretionary, flexible and low-cost phased plan to return the Caraíba Mill to its original design capacity of 5.5 million tonnes per annum with a preliminary capital expenditure estimate of approximately US$63 million. Such capital commitments are discretionary and contingent upon both future exploration success and the prevailing copper price. Highlights of the 2019 mineral reserve and resource estimate include a 106% increase in Proven and Probable mineral reserves to approximately 38 million tonnes (containing 436,000 tonnes of copper) compared to the Proven and Probable mineral reserves set out in the previous estimate. In addition, the updated LOM production plan increased copper production by approximately 140,000 tonnes of copper as compared to the LOM production plan set out in the Vale do Curaçá Technical Report[1].

In support of its continued exploration growth strategy, the Company has one of the world's largest exploration programs underway at the Vale do Curaçá Property, where 27 exploration drill rigs are in place (25 operating and two assigned to year-end maintenance), including 16 within the Vermelhos District and 11 within the Pilar District (one from each assigned to year-end maintenance).

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

Exploration activities within the Vermelhos District, located approximately 80 kilometers to the north of the Caraíba Mill complex, which includes the high-grade operating Vermelhos underground mine, continues to focus on extending the known reach of mineralization within the Vermelhos System. Greenfield regional drilling within the Vermelhos District is currently targeting several high-priority exploration targets identified during the Company's comprehensive targeting work. These targets extend over approximately 10 kilometers of anomalous soil geochemistry and induced polarization ("IP") anomalies along the Paredao Antiform, which is proximal to the Vermelhos Mine, the recent Siriema Discovery and the N8/N9 deposit. Highlighting this ongoing regional work are the high-grade drill results from the first regional exploration target drilled by the Company after completion of the regional data-driven targeting work. Known as Siriema, the discovery is located approximately 1.5 kilometers south of the Vermelhos Mine. Mineralization to date 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. While the mineralization encountered to date is predominately disseminated, current drilling targeting down-hole electromagnetic ("EM") anomalies continues to intercept a shallow-plunging east-dipping zone of high-grade massive-sulphide breccia mineralization trending to the north-northwest. Drilling along this trend was highlighted during the period by drill hole FSI-42 that intersected 31.8 meters grading 2.22% copper including 5.0 meters grading 5.56% copper. Follow-up drilling as well as additional down-hole EM surveys along this massive-sulphide zone remain ongoing.

In addition to regional success within the broader Vermelhos District, drilling during the period at the N8 deposit, previously referred to as "Vermelhos West", was focused on delineating higher-grade mineralization below the envisioned open pit mine. The southern end of the deposit remains open to depth, where to date, thicker and higher-grade mineralization has been encountered. New results in this area were highlighted by hole FV-146 that intersected 37.3 meters grading 0.73% copper including 3.0 meters grading 1.43% copper and hole FV-147 that intersected 8.0 meters grading 1.64% copper including 3.0 meters grading 2.92% copper. The holes continue to demonstrate that the deposit is open to the south and to depth.

Exploration activities within the Pilar District, which encompasses the Pilar underground mine and Caraíba Mill, have re-prioritized drilling of the Deepening Extension where a grouping of deep holes, including the deepest hole drilled in the Pilar Mine to date, all returned high-grade copper intercepts and provide continued evidence that the Pilar Mine remains open to depth. New drilling in the South Extension during the period encountered thick and high-grade mineralization in an area that had previously been modeled as narrow low-grade lenses at the southern edge of the Pilar orebody providing continued evidence that the Pilar Mine remains open to the south. In addition, drilling of the recently announced Baraúna zone, located immediately below the southern portion of the historic Pilar open pit mine, continue to confirm mineralization within the zone, with several thick and high-grade intercepts drilled during the period.

The results from a grouping of drill holes in the re-prioritized Deepening drilling were positive and are highlighted by drill hole FC47139 that intersected 7.1 meters grading 6.50% copper including 4.1 meters grading 9.01% copper, in what is now the deepest known mineralized intercept at the Pilar Mine, located approximately 80 meters below the previously announced deepest intercept of hole FC4885 (8.4 meters grading 4.02% copper and 6.9 meters grading 3.15% copper as outlined in the Company's press release dated June 20, 2019). Additional results during the period continue to highlight the significance of the Deepening Extension zone. These results were best highlighted by several drill holes including hole FC47142 that intersected 34.7 meters grading 2.29% copper including 18.6 meters grading 3.15% copper, and hole FC48102 that intersected 19.5 meters grading 2.69% copper including 10.0 meters grading 4.10% copper. Exploration results from the Deepening Extension provide continued evidence that the Pilar Mine is open at depth, where high-grade mineralization continues to be encountered over 350 meters below the deepest level of current development at the mine.

Elsewhere within the Pilar underground mine, drilling of the South Extension from a newly accessed drill station at level -300, continue to delineate a wide zone of mineralization previously modeled as narrow lenses at the southern edge of the orebody. Results during the period demonstrate a significant expansion of the South Extension zone in both thickness and grade. Drilling from the new drill station continues to target additional extensions of this zone to depth and to the south. The results are significant when combined with previously announced drilling from level -174, including hole FC3264 (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 as detailed in the Company's press release dated June 20, 2019), as they provide further evidence that the Pilar Mine remains open to the south.

NX Gold S.A.

	2019 - Q3	2019 - Q2	2019 - YTD	2018 - Q3	2018 - YTD
Operating Information					
Gold (NX Gold Operations)					
Ore mined (tonnes)	33,601	41,446	113,818	30,718	81,519
Ore milled (tonnes)	34,813	41,538	115,068	31,912	79,393
Head grade (grams per tonne Au)	4.51	8.06	7.23	11.04	12.86
Recovery (%)	86.2%	92.1%	91.2%	90.2%	92.0%
Gold ounces produced (oz)	4,356	9,917	24,391	10,223	29,800
Silver ounces produced (oz)	2,909	6,057	15,326	6,431	18,387
Gold sold (oz)	4,579	9,343	23,945	9,807	29,205
Silver sold (oz)	2,999	5,672	14,895	6,201	17,948
C1 cash cost of gold produced (per ounce)(1)	$ 1,169	$ 517	$ 621	$ 471	$ 515

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.

The third quarter at the NX Gold Mine was one of transition. During the period, mining and development ceased within the Brás vein while only exposed remaining ore blocks were mined and development and mining activities commenced within the Santo Antonio vein in preparation for mining during the fourth quarter. As a result, production during the quarter was lower as compared to prior periods. During third quarter 34,813 tonnes of ore grading 4.51 grams per tonne gold were processed, producing 4,356 ounces of gold and 2,909 ounces of silver as by-product after metallurgical recoveries that averaged 86.2%. C1 cash costs averaged $1,169 per ounce of gold produced, driven by the low production. YTD, the NX Gold Mine has produced 24,391 ounces of gold at C1 Cash Costs of $621 per ounce.

The Company expects an improved operating outlook for the fourth quarter of 2019 and is forecasting approximately 7,500 ounces of gold production at C1 cash costs of approximately $700 per ounce. Additionally, based on drilling to date, the Company expects multiple years of mine life from the Santo Antonio vein, and expects to provide an updated NI 43-101 compliant mineral resource and reserve estimate, detailing these plans prior to year end.

Exploration at the NX Gold Mine is currently focused on upgrading areas of known mineralization including extensions of the Santo Antonio and Matinha zones as well as a regional soil sampling campaign in part of the first comprehensive regional targeting work undertaken at the NX Gold Mine by the Company. There are currently three drill rigs operating on the property.

Please refer to the Company's press releases dated April 18, 2019, June 20, 2019, July 30, 2019, September 12, 2019 and October 10, 2019 for additional detail on the Company's 2019 updated mineral reserve and resource estimates and ongoing exploration activities, including the Company's latest resource and reserve estimate as well as new discoveries outlined.

Financial Update

Consolidated revenue for Q3 2019 totalled $60.6 million while gross profit for the quarter was $21.3 million.

At MCSA, revenue from copper sales for Q3 2019 totaled $54.3 million. A total of 10,200 tonnes of copper in concentrate was sold during the quarter. Gross profit from mining operations for the quarter from MCSA was $21.0 million.

At NX Gold, revenue from gold and silver sales for Q3 2019 totaled $6.3 million based on sales of 4,579 ounces of gold and 2,999 ounces of silver. Gross profit from mining operations for the quarter from NX Gold was $0.3 million.

The Company generated overall net income for Q3 2019 of $16.3 million.

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

The Company ended Q3 2019 with $23.6 million in total cash (including $1.9 million of restricted cash) and a working capital position of $6.4 million, compared with a working capital position of $5.6 million as at June 30, 2019. As at the end of the quarter, the Company had $14.0 million undrawn on its secured, revolving credit facility in Canada, plus an additional R$77.5 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, which concluded during the third quarter. Extensions of the R22W orebody resulted in an improved production profile in 2019, mostly realized during the first half of the year (contributing approximately 326,000 tonnes of ore grading 0.48% copper in H1 2019), although stockpile processing continued into third quarter with an incremental approximate 12,000 tonnes grading 0.23% copper. Underground production from the Pilar Mine is expected to contribute a total of approximately 1.4 million tonnes grading 1.70% copper while underground production from the Vermelhos Mine is expected to contribute a total of approximately 650,000 tonnes grading 3.20% 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 fourth quarter of 2019 resulting in improved full-year recoveries of approximately 90.0%, an increase of 2.0% over original 2019 guidance.

	Prior 2019 Guidance [1]	Revised 2019 Guidance [1]
Tonnes Processed Sulphides	2,250,000	2,350,000
Copper Grade (% Cu)	1.95%	1.95%
Copper Recovery (%)	90.0%	90.0%
Cu Production (000 tonnes)	36.0 – 38.0	40.0 – 42.0

(1)(2) 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 3.90, gold price of $1,400 per ounce and silver price of $17.00 per ounce for the fourth quarter. Based on operational performance in 2019 YTD, improved production guidance and favorable prevailing USD:BRL foreign exchange rates, the Company expects 2019 results to be at the low-end of its cost guidance range, approximately $1.00 per pound of copper produced.

	2019 Guidance
C1 cash cost Guidance [1]	$1.00 - $1.10

(1) 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 3.90 (previous guidance assumed a USD:BRL foreign exchange rate of 3.80) and has been presented below in USD millions.

Revised capital expenditure guidance reflects increased exploration expenditures, with the Company now expecting to drill approximately 220,000 meters by year-end, as well as on additional development at the Pilar and Vermelhos mines to enhance operational flexibility and production volumes in 2019 and 2020. In addition, delivery of a 200,000 tonne per annum ore sorting plant, purchased in the third quarter, is underway. The ore sorting plant is expected to be commissioned during the fourth quarter of 2019.

		2019 Guidance		Revised Guidance
Pilar Mine	$	44.0	$	45.0
Vermelhos		19.0		20.0
Boa Esperança		1.0		1.0
Capital Expenditure Guidance	$	64.0	$	66.0
Exploration [1]	$	26.0	$	30.0

NX Gold S.A.

As production commences from the Santo Antonio vein, the Company expects gold production to begin to rebalance during the fourth quarter and is forecasting approximately 7,500 ounces of gold production at C1 cash costs of approximately $700 per ounce. Based on drill results to date, the Company sees multiple years of production from the Santo Antonio vein, with exploration upside. The company expects to provide an updated National Instrument 43-101 compliant mineral resource and reserve estimate, detailing these plans, is expected to be announced prior to year end.

Ongoing drilling activities (three exploration drill rigs currently operating on site) will focus on continuing to extend known mineralization of the Santo Antonio vein to depth and along strike as well as extensions of the Brás vein. Additionally, the first regional exploration campaign on the wider NX Gold Property commenced during the period.

Boa Esperança

A full review of the Boa Esperança Feasibility Study[1] 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 in the 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 Q3 2019 and Q3 2018. Tabular amounts are in thousands of US dollars, except share and per share amounts.

	Notes	Three month period ended September 30, 2019	Three month period ended September 30, 2018 (1)
Revenue	2	$ 60,640	$ 47,304
Cost of product sold	3	(38,378)	(27,945)
Sales expenses		(953)	(501)
Gross profit		21,309	18,858
Expenses			
General and administrative	4	(6,360)	(5,885)
Share-based compensation		(1,353)	(887)
Income before the undernoted		13,596	12,086
Other income (expenses)			
Finance income		101	190
Finance expense	5	(5,206)	(6,451)
Foreign exchange loss	6	(10,866)	(2,499)
Recovery of value added taxes	7	21,584	-
Other income (expense)		(77)	1,968
Income before income taxes		19,132	5,294
Income tax recovery (expense)			
Current	8	(1,517)	(196)
Deferred	8	(1,308)	151
		(2,825)	(45)
Net income for the period		16,307	5,249
Other comprehensive income (loss)			
Foreign currency translation loss		(12,757)	(10,881)
Comprehensive income (loss)		$ 3,550	$ (5,632)
Net income attributable to:			
Owners of the Company		$ 16,280	$ 5,178
Non-controlling interests		27	71
		$ 16,307	$ 5,249
Comprehensive income (loss) attributable to:			
Owners of the Company		$ 3,574	$ (5,660)
Non-controlling interests		(24)	28
		$ 3,550	$ (5,632)
Net income per share attributable to owners of the Company			
Net income per share			
Basic		$ 0.19	$ 0.06
Diluted		$ 0.18	$ 0.06
Weighted average number of common shares outstanding			
Basic		85,505,675	84,504,954
Diluted		91,320,363	88,638,656
Cash and cash equivalents		$ 21,716	$ 20,493
Total assets		$ 414,499	$ 334,814
Non-current liabilities		$ 200,323	$ 166,018

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 Q3 2019 from copper sales was $54.3 million (Q3 2018 - $37.0 million), which included the sale of 10,200 copper tonnes in concentrate as compared to 6,542 copper tonnes for Q3 2018. The increase in revenue in Q3 2019 as compared to Q3 2018 includes production from the Vermelhos mine which commenced production in October 2018. The Company processed 11% less ore at a higher ore grade during Q3 2019 than in Q3 2018. In addition, revenues for Q3 2019 included $6.3 million (Q3 2018 - $10.3 million) from the sale of 4,579 (Q3 2018 - 9,807) ounces of gold from NX Gold operations.

3. Cost of product sold for Q3 2019 from copper sales was $32.4 million (Q3 2018 - $20.9 million) which consisted of $9.7 million (Q3 2018 - $6.3 million) in depreciation and depletion, $7.5 million (Q3 2018 - $6.0 million) in salaries and benefits, $4.6 million (Q3 2018 - $2.8 million) in contracted services, $4.6 million (Q3 2018 - $2.4 million) in materials and consumables, $3.5 million (Q3 2018 - $1.6 million) in maintenance costs, $2.3 million (Q3 2018 - $1.7 million) in utilities, and $0.2 million (Q3 2018 - $0.1 million) in other costs.

   Cost of product sold for the Q3 2019 from gold sales was $6.0 million (Q3 2018 - $6.9 million) which primarily comprised of $1.1 million (Q3 2018 - $2.7 million) in depreciation and depletion, $1.7 million (Q3 2018 - $1.4 million) in salaries and benefits, $1.0 million (Q3 2018 - $0.9 million) in maintenance costs, $0.9 million (Q3 2018 - $0.9 million) in materials and consumables, $0.7 million (Q3 2018 - $0.6 million) in contracted services, and $0.6 million (Q3 2018 - $0.4 million) in utilities.

4. General and administrative expenses for Q3 2019 include $3.6 million (Q3 2018 - $3.9 million) with respect to MCSA for salaries and incentive payments, professional fees, office and sundry and provisions for tax, legal and labour claims, $0.5 million (Q3 2018 - $0.4 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 $2.3 million (Q3 2018 - $1.6 million) with respect to the corporate head office in Vancouver. Corporate head office costs are primarily comprised of $1.7 million (Q3 2018 - $0.9 million) in salaries, incentive payments, and consulting fees, $0.2 million (Q3 2018 - $0.2 million) in office and sundry costs, and $0.3 million (Q3 2018 - $0.3 million) in travel-related costs. Q3 2019 amounts are higher than Q3 2018 due to the growth of operations at corporate head office, which included the hiring of more individuals.

5. Finance expense for Q3 2019 was $5.2 million (Q3 2018 - $6.5 million) and is primarily comprised of interest on loans and borrowings at MCSA and NX Gold of $0.5 million (Q3 2018 - $1.7 million), other finance expenses of $1.2 million (Q3 2018 - $3.3 million), the accretion of asset retirement obligations of $1.0 million (Q3 2018 – nil), and interest on loans at the corporate head office of $2.4 million (Q3 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 YTD 2019, 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 loss for Q3 2019 was $10.9 million (Q3 2018 - $2.5 million). This amount is primarily comprised of a foreign exchange loss on USD denominated debt of $9.6 million (Q3 2018 - $2.5 million) in MCSA for which the functional currency is the Brazilian Real and a foreign exchange loss on unrealized derivative contracts of $1.4 million (Q3 2018 - $3.9 million gain). The increase in foreign exchange losses was primarily a result of the foreign exchange rate between the Brazilian Real and the US dollar fluctuating more during Q3 2019 as compared to Q3 2018.

7. In Q3 2019, the Company recognized a recovery of $21.6 million (Q3 2018 - $nil) in net income related to value added taxes previously paid on sales in Brazil. The recovery was recognized as a result of a Brazil Supreme Court ruling in 2017 that concluded that the relevant taxing authorities had historically used an incorrect methodology to determine such taxes. The ruling set a precedent for all companies in Brazil but was required to be confirmed for the Company's specific claim, which approval was received in July 2019. These credits can be used to offset a variety of other taxes, including taxes on future sales. Of the recovery recognized, $15.7 million has been included in other current assets based on the expected timing of their use, with the remaining $5.9 million recognized in other non-current assets in the statement of financial position.

8. Income tax expense in Q3 2019 increased over Q3 2018 primarily due to an increase in income before taxes.

The following table provides a summary of the financial results of the Company for YTD 2019 and YTD 2018. Tabular amounts are in thousands of US dollars, except share and per share amounts.

	Notes		Nine month period ended September 30, 2019		Nine month period ended September 30, 2018 (1)
Revenue	2	$	209,155	$	148,021
Cost of product sold	3		(119,800)		(102,950)
Sales expenses			(3,367)		(1,827)
Gross profit			85,988		43,244
Expenses					
General and administrative	4		(20,110)		(18,544)
Share-based compensation			(4,488)		(2,502)
Income before the undernoted			61,390		22,198
Other income (expenses)					
Finance income			343		530
Finance expense	5		(18,414)		(15,786)
Foreign exchange loss	6		(9,571)		(28,146)
Loss on debt settlement	7		(1,783)		-
Recovery of value added taxes	8		21,584		-
Other income			1,080		5,733
Income (loss) before income taxes			54,629		(15,471)
Income tax recovery (expense)					
Current	9		(8,413)		(1,046)
Deferred	9		830		2,246
			(7,583)		1,200
Net income (loss) for the period			47,046		(14,271)
Other comprehensive income (loss)					
Foreign currency translation loss			(11,469)		(31,631)
Comprehensive income (loss)		$	35,577	$	(45,902)
Net income (loss) attributable to:					
Owners of the Company		$	46,714	$	(14,365)
Non-controlling interests			332		94
		$	47,046	$	(14,271)
Comprehensive income (loss) attributable to:					
Owners of the Company		$	35,291	$	(45,871)
Non-controlling interests			286		(31)
		$	35,577	$	(45,902)
Net income (loss) per share attributable to owners of the Company					
Net income (loss) per share					
Basic		$	0.55	$	(0.17)
Diluted		$	0.51	$	(0.17)
Weighted average number of common shares outstanding					
Basic			85,117,603		83,655,516
Diluted			91,006,581		83,655,516

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 YTD 2019 from copper sales was $178.5 million (YTD 2018 - $112.4 million) which included the sale of 31,164 copper tonnes in concentrate in YTD 2019 as compared to 17,207 copper tonnes in YTD 2018. The increase in revenue in YTD 2019 as compared to YTD 2018 includes production from the Vermelhos mine which commenced commercial production in October 2018. The company processed 24% more ore at a higher ore grade during YTD 2019 as compared to YTD 2018. In addition, revenues for YTD 2019 included $30.6 million (YTD 2018 - $35.6 million) from the sale of 23,945 (YTD 2018 – 29,205) ounces of gold from NX Gold operations.

3. Cost of product sold for YTD 2019 from copper sales was $100.0 million (YTD 2018 - $78.4 million), which consisted of $29.0 million (YTD 2018 - $24.8 million) in depreciation and depletion, $24.3 million (YTD 2018 - $21.2 million) in salaries and benefits, $16.2 million (YTD 2018 - $10.3 million) in contracted services, $13.3 million (YTD 2018 - $9.2 million) in materials and consumables, $10.2 million (YTD 2018 - $7.4 million) in maintenance costs, $6.5 million (YTD 2018 - $5.0 million) in utilities, and $0.5 million (YTD 2018 - $0.5 million) in other costs. Cost of products sold during YTD 2019 increased 28% as compared to YTD 2018. 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 in YTD 2019 compared to YTD 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 during YTD 2019 from gold sales was $19.8 million (YTD 2018 - $24.6 million), which comprised of $5.0 million (YTD 2018 - $9.3 million) in depreciation and depletion, $5.0 million (YTD 2018 - $4.6 million) in salaries and benefits, $3.1 million (YTD 2018 - $3.6 million) in maintenance costs, $2.8 million (YTD 2018 - $3.2 million) in materials and consumables, $2.0 million (YTD 2018 - $2.3 million) in contracted services, $1.7 million (YTD 2018 - $1.3 million) in utilities, and $0.2 million (YTD 2018 – $0.2 million) in other costs.

4. General and administrative expenses during YTD 2019 include $10.7 million (YTD 2018 - $12.6 million) with respect to MCSA for salaries and incentive payments, professional fees, office and sundry and provisions for tax, legal and labour claims, $1.8 million (YTD 2018 - $1.6 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 $7.6 million (YTD 2018 - $4.4 million) with respect to the corporate head office in Vancouver. Corporate head office costs are primarily comprised of $5.3 million (YTD 2018 - $2.3 million) in salaries, incentive payments, and consulting fees, $0.4 million (YTD 2018 - $0.5 million) in professional fees, $0.7 million (YTD 2018 - $0.5 million) in office and sundry costs, and $0.9 million (YTD 2018 - $0.8 million) in travel-related costs. YTD 2019 amounts are higher than YTD 2018 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 $1.7 million as of September 30, 2019.

5. Finance expense for the YTD 2019 was $18.4 million (YTD 2018 - $15.8 million) and is primarily comprised of interest on loans and borrowings at MCSA and NX Gold of $2.2 million (YTD 2018 - $6.5 million), the accretion of asset retirement obligations of $3.7 million (YTD 2018 - $nil), other finance expenses of $3.6 million (YTD 2018 - $4.6 million), and interest on loans at the corporate head office of $8.4 million (YTD 2018 - $3.9 million). Interest on loans and borrowings at MCSA and NX Gold decreased due to the repayments of certain MCSA loans during 2018 and YTD 2019, 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 loss for YTD 2019 was $9.6 million (YTD 2018 - $28.1 million), primarily comprised of a foreign exchange loss on US denominated debt of $8.2 million (YTD 2018 - $14.6 million) in MCSA where the functional currency is the Brazilian Real, a foreign exchange loss on unrealized derivative contracts of $1.7 million (YTD 2018 - $2.9 million), and a loss on other foreign exchange transactions of $0.4 million (YTD 2018 - $1.5 million), partially offset by a foreign exchange gain on realized derivative contracts of $0.6 million (YTD 2018 - $9.2 million loss). The decrease in foreign exchange losses in YTD 2019 was primarily due to the foreign exchange rate between the Brazilian Real and the US dollar not fluctuating significantly during YTD 2019 as compared to YTD 2018.

7. Loss on debt settlement during YTD 2019 was $1.8 million (YTD 2018 - $nil), 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. During YTD 2019, the Company recognized a recovery of $21.6 million (YTD 2018 - $nil) in net income related to value added taxes previously paid on sales in Brazil. The recovery was recognized as a result of a Brazil Supreme Court ruling in 2017 that concluded that the relevant taxing authorities had historically used an incorrect methodology to determine such taxes. The ruling set a precedent for all companies in Brazil but was required to be confirmed for the Company's specific claim, which approval was received in July 2019. These credits can be used to offset a variety of other taxes, including taxes on future sales. Of the recovery recognized, $15.7 million has been included in other current assets based on the expected timing of their use, with the remaining $5.9 million recognized in other non-current assets in the statement of financial position.

9. Income tax expense in YTD 2019 increased over YTD 2018 primarily due to increase in income before taxes.

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.

	2019			2018				2017
Selected Financial Information	Sept 30[1]	June 30	March 31	Dec 31[2]	Sept 30	June 30[3]	March 31	Dec 31 [4]
Revenue	$ 60.6	$ 76.5	$ 72.0	$ 85.1	$ 47.3	$ 61.0	$ 39.7	$ 49.4
Cost of product sold	$ (38.4)	$ (43.3)	$ (38.1)	$ (44.7)	$ (27.9)	$ (44.2)	$ (30.8)	$ (38.5)
Gross profit	$ 21.3	$ 32.1	$ 32.6	$ 39.0	$ 18.8	$ 15.9	$ 8.5	$ 10.3
Net income (loss) for period	$ 16.3	$ 15.3	$ 15.5	$ 11.3	$ 5.2	$ (18.2)	$ (1.3)	$ 19.5
Income (loss) per share attributable to owners of the Company								
- Basic	$ 0.19	$ 0.18	$ 0.18	$ 0.13	$ 0.06	$ (0.22)	$ (0.02)	$ 0.28
- Diluted	$ 0.18	$ 0.17	$ 0.17	$ 0.13	$ 0.06	$ (0.22)	$ (0.02)	$ 0.24
Weighted average number of common shares outstanding								
- Basic	85,505,675	85,032,841	84,804,389	84,736,476	84,504,954	84,458,914	81,974,876	70,929,120
- Diluted	91,320,363	90,696,926	89,917,828	89,191,707	88,638,656	84,458,914	81,974,876	81,448,095

Notes:

1. In Q3 2019, the Company recognized a recovery of $21.6 million in net income related to value added taxes previously paid on sales in Brazil. The recovery was recognized as a result of a Brazil Supreme Court ruling in 2017 that concluded that the relevant taxing authorities had historically used an incorrect methodology to determine such taxes. The ruling set a precedent for all companies in Brazil but was required to be confirmed for the Company's specific claim, which approval was received in July 2019. These credits can be used to offset a variety of other taxes, including taxes on future sales.
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 September 30, 2019, the Company held cash and cash equivalents of $21.7 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 $2.8 million during YTD 2019. The Company's cash flows from operating, investing and financing activities during YTD 2019 are summarized as follows:

- Cash from operating activities of $91.9 million.

Partially offset by:

- Cash used in investing activities of $71.7 million, including:
  - $70.4 million on additions to mineral property, plant and equipment;
  - $0.8 million of additions to exploration and evaluation assets;

- Cash flows used in financing activities of approximately $15.7 million, including:
  - $23.1 million of repayment on loans and borrowings;
  - $7.8 million of payment of interest on loans and borrowings;

- $3.1 million of lease payments;
- $2.7 million of other finance expenses

net of:

- $18.2 million proceeds from new loans and borrowings;
- $1.6 million proceeds from exercise of stock options and warrants;
- $1.1 million released from restricted cash

As at September 30, 2019, the Company had working capital of $6.4 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, and the existing undrawn revolving credit facility of $14 million in Canada and undrawn lines of credit totalling R$77.5 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 subsidiaries, MCSA and NX Gold S.A., 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 September 30, 2019 and December 31, 2018:

	September 30, 2019	December 31, 2018
Cash and cash equivalents	$ 21,716	$ 18,941
Restricted cash	$ 1,875	$ 3,000
Accounts receivable	$ 7,803	$ 7,219
Deposits	$ 1,323	$ 1,334
Other non-current assets - term deposits	$ 1,143	$ 686
	$ 33,860	$ 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 three significant customers, all of which have no history of credit default with the Company. The Company has not incurred credit losses during the nine month period ended September 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 September 30, 2019, the Company has entered into foreign exchange collar contracts at zero cost for notional amounts of $330.9 million with an average floor rate of 3.80 BRL to US Dollar and an average cap rate of 4.32 BRL to US Dollar (December 31, 2018 – notional amount of $21.5 million in foreign exchange forward contracts). The maturity dates of these contracts are from October 15, 2019 to April 28, 2021 and are financially settled on a net basis. The fair value of these contracts at September 30, 2019 was a liability of $1.3 million, (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 loss of $1.4 million and $1.7 million for the three and nine month periods ended September 30, 2019, respectively, (a gain of $3.9 million and a loss of $2.8 million for the three and nine month periods ended September 30, 2018, respectively) has been recognized in foreign exchange loss. In addition, in the three and nine month periods ended September 30, 2019, the Company recognized a realized loss of $0.1 million and a realized gain of $0.6 million, respectively, (a loss of $5.4 million and $9.2 million for the three and nine month periods ended September 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 $7.2 million. Based on the Company's net exposure at September 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 September 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 September 30, 2019 was a liability of $2.0 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 September 30, 2019, the Company has entered into commodity swap collar contracts for notional amounts of 6,000 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 October 29, 2019 to December 31, 2019 and are financially settled on a net basis. The fair value of these contracts at September 30, 2019 was a liability of $0.7 million, which was included in Derivatives in the statement of financial position. The Company recognized a realized loss of $0.8 million and an unrealized loss of $0.7 million for the three and nine month periods ended September 30, 2019 related to the settlement of commodity forward contracts.

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 September 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 a liability of up to approximately $31.0 million (December 31, 2018 - $21.9 million) as at September 30, 2019, which could have an adverse impact on the Company's business, financial condition, results of operations, cash flows or prospects.

Outstanding Share Data

At November 5, 2019, the Company had 85,573,646 common shares, 4,721,189 stock options, 2,866,662 warrants, and 211,804 performance share units issued and outstanding.

Related Party Disclosures

For the three and nine month periods ended September 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 nine month periods ended September 30, 2019 was $1.5 million and $4.4 million, respectively ($0.8 million and $2.0 million for the three and nine month periods ended September 30, 2018, respectively). In addition, 40,000 and 165,000 options were issued to directors during the three and nine month periods ended September 30, 2019, respectively. $1.0 million and $3.3 million was recognized in share-based compensation expense for the three and nine month periods ended September 30, 2019 for options and Share Units previously issued ($0.7 million and $1.8 million for the three and nine month periods ended September 30, 2018).

During the three and nine months ended September 30, 2019, key management personnel exercised 66,666 and 176,666 options for cash proceeds to the Company of $0.1 million and $0.3 million, respectively (33,000 options and 283,000 options for the three and nine month periods ended September 30, 2018, respectively). During the nine month period ended September 30, 2018, key management personnel converted convertible debentures into 1,476,164 common shares and 369,040 common share purchase warrants. The warrants were subsequently exercised into 369,040 common shares.

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 polices 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.

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 September 30, 2019 condensed consolidated interim financial statements.

As a result of applying IFRS 16, the Company recognized right-of-use assets of $3.8 million and lease liabilities of $3.9 million as at September 30, 2019.

Also, during the three and nine month periods ended September 30, 2019, the Company recognized $1.0 million and $2.8 million, respectively, of depreciation charges related to right of use assets and $0.1 million and $0.3 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 - Q3	2019 - Q2	2019 - YTD	2018 - Q3	2018 - YTD
Costs (MCSA Operations)						
Mining - UG (Pilar)	R$	60,294	55,963	168,144	51,424	138,086
- UG (Vermelhos)		38,952	32,256	100,260	-	-
- OP		761	5,452	8,492	17,104	45,973
Processing		21,309	20,937	60,792	19,617	47,609
Indirect		10,504	10,917	33,784	7,358	19,217
Production costs		131,820	125,525	371,472	95,503	250,885
Capex development		(36,108)	(20,129)	(80,908)	(17,001)	(40,888)
By-product credits		(12,720)	(11,487)	(33,947)	(8,450)	(15,665)
Treatment, refining and other		2,622	238	3,463	(2,676)	(1,772)
C1 cash costs	R$	85,614	94,147	260,080	67,376	192,560
Breakdown Mined and Processed (tonnes)						
UG Mined		677,535	632,716	1,852,128	506,239	1,148,584
OP Mined		15,259	478,108	727,578	936,551	3,382,520
Total Mined (t):		692,794	1,110,824	2,579,706	1,442,790	4,531,104
Total Processed (t)		587,915	717,479	1,835,527	663,359	1,480,437
Cu Production (t)		9,674	10,473	30,792	7,792	18,322
UG Mining Total - R$/tonne mined		93.19	107.62	101.23	101.58	84.62
Pilar - R$/tonne mined[2]		87.91	102.04	96.09	n/a	n/a
Vermelhos - R$/tonne mined[2]		102.63	117.40	111.05	n/a	n/a
OP Mining - R$/tonne mined		49.89	11.40	11.67	18.26	13.59
Processing - R$/tonne processed		36.25	29.18	33.12	29.57	32.16
Indirect - R$/tonne processed		17.87	15.22	18.41	11.09	12.98

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 - Q3	2019 - Q2	2019 - YTD	2018 - Q3	2018 - YTD
Reconciliation:					
Cost of Product Sold	$ 32,396	$ 36,740	$ 99,987	$ 20,870	$ 78,382
Add (less):					
Depreciation/amortization/depletion	(9,675)	(9,542)	(28,979)	(6,265)	(24,789)
Net change in inventory	544	(1,201)	740	3,158	2,695
Transportation costs & other	902	979	3,119	878	2,064
By-product credits	(3,202)	(2,936)	(8,721)	(2,135)	(4,696)
Treatment, refining, and other	632	82	879	(160)	74
Foreign exchange translation adjustments	(77)	(72)	(143)	676	(680)
C1 cash costs	$ 21,520	$ 24,050	$ 66,881	$ 17,023	$ 53,050

	2019 - Q3	2019 - Q2	2019 - YTD	2018 - Q3	2018 - YTD
Costs					
Mining	$ 25,172	$ 23,913	$ 71,398	$ 17,314	$ 51,006
Processing	5,363	5,345	15,629	4,956	13,109
Indirect	2,644	2,789	8,465	1,859	5,325
Production costs	33,179	32,047	95,492	24,129	69,440
Capex development	(9,089)	(5,143)	(20,769)	(4,295)	(11,252)
By-product credits	(3,202)	(2,936)	(8,721)	(2,135)	(4,696)
Treatment, refining and other	632	82	879	(676)	(442)
C1 cash costs	$ 21,520	$ 24,050	$ 66,881	$ 17,023	$ 53,050
Costs per pound					
Payable copper produced (lb)(1)	21,327	23,089	67,884	17,178	40,392
Mining	$ 1.18	$ 1.04	$ 1.05	$ 1.01	$ 1.26
Processing	$ 0.25	$ 0.23	$ 0.23	$ 0.29	$ 0.32
Indirect	$ 0.12	$ 0.12	$ 0.12	$ 0.11	$ 0.13
Capex development	$ (0.42)	$ (0.22)	$ (0.31)	$ (0.25)	$ (0.28)
By-product credits	$ (0.15)	$ (0.13)	$ (0.13)	$ (0.12)	$ (0.12)
Treatment, refining and other	$ 0.03	$ 0.00	$ 0.01	$ (0.04)	$ (0.01)
C1 cash cost of copper produced (per lb)	$ 1.01	$ 1.04	$ 0.99	$ 0.99	$ 1.31

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 - Q3	2019 - Q2	2019 - YTD	2018 - Q3	2018 - YTD
Reconciliation:					
Cost of Product Sold	$ 5,982	$ 6,542	$ 19,813	$ 7,075	$ 24,568
Add (less):					
Depreciation/amortization/depletion	(1,051)	(1,639)	(5,026)	(2,764)	(9,345)
Net change in inventory	235	306	590	214	332
By-product credits	(47)	(78)	(214)	(84)	(264)
Foreign exchange translation adjustments	(21)	(7)	(28)	382	41
C1 cash costs	$ 5,098	$ 5,124	$ 15,135	$ 4,823	$ 15,331

	2019 - Q3	2019 - Q2	2019 - YTD	2018 - Q3	2018 - YTD
Costs					
Mining	$ 2,791	$ 2,700	$ 8,158	$ 2,795	$ 8,925
Processing	1,821	1,826	5,314	1,647	5,346
Indirect	850	818	2,484	625	1,874
Production costs	5,462	5,344	15,956	5,067	16,145
Capex development	(317)	(142)	(607)	(160)	(551)
By-product credits	(47)	(78)	(214)	(84)	(264)
C1 cash costs	$ 5,098	$ 5,124	$ 15,135	$ 4,823	$ 15,331
Costs per ounce					
Payable gold produced (ounces)	4,356	9,917	24,391	10,223	29,800
Mining	$ 641	$ 272	$ 334	$ 273	$ 300
Processing	$ 418	$ 184	$ 218	$ 161	$ 179
Indirect	$ 195	$ 82	$ 102	$ 61	$ 63
Capex development	$ (73)	$ (14)	$ (25)	$ (16)	$ (18)
By-product credits	$ (12)	$ (8)	$ (8)	$ (8)	$ (9)
C1 cash cost of gold produced (per ounce)	$ 1,169	$ 517	$ 621	$ 471	$ 515

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/or 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:

- Recovery of value added taxes
- Foreign exchange loss (gain)
- Loss on gold hedge contracts
- Share based compensation
- Loss on debt settlement

	2019 - Q3	2019 - Q2	2019 - YTD	2018 - Q3	2018 - YTD
Reconciliation:					
Net income (loss)	$ 16,307	$ 15,256	$ 47,046	$ 5,249	$ (14,271)
Adjustments:					
Finance expenses	5,206	6,398	18,414	6,451	15,786
Tax expense (recovery)	2,825	2,027	7,583	45	(1,200)
Depreciation/amortization/depletion	10,768	11,222	34,129	9,056	34,216
EBITDA	35,106	34,903	107,172	20,801	34,531
Recovery of value added taxes	(21,584)	-	(21,584)	-	-
Foreign exchange loss (gain)	10,866	(1,583)	9,571	2,499	28,146
Loss on gold hedge contracts	1,514	-	1,514	-	-
Share based compensation	1,353	1,292	4,488	887	2,502
Loss on debt settlement	-	1,783	1,783	-	-
Adjusted EBITDA	$ 27,255	$ 36,395	$ 102,944	$ 24,187	$ 65,179

Adjusted net income attributable to owners of the Company and Adjusted net income per share attributable to owners of the Company

The Company uses the financial measure "Adjusted net income attributable to owners of the Company" and "Adjusted net income 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 the following items from net earnings to provide a measure which allows the Company and investors to evaluate the operating results of the underlying core operations: i) net recovery of value added taxes, ii) unrealized foreign exchange loss (gain) on USD denominated debt in MCSA, iii) unrealized loss (gain) on foreign exchange derivative contracts, iv) unrealized loss on gold hedge contracts, and v) loss on debt settlement. 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 attributable to owners of the Company and Adjusted EPS.

		2019 - Q3		2019 - Q2		2019 - YTD		2018 - Q3		2018 - YTD
Reconciliation:										
Net income (loss) as reported attributable to the owners of the Company	$	16,280	$	15,111	$	46,714	$	5,178	$	(14,365)
Adjustments for:										
Net recovery of value added taxes		(17,783)		-		(17,783)		-		-
Unrealized foreign exchange loss (gain) on USD denominated debt in MCSA		9,559		(1,568)		8,126		2,452		14,585
Unrealized loss (gain) on foreign exchange derivative contracts		1,398		(9)		1,653		(3,885)		2,845
Unrealized loss on gold hedge contracts		719		-		719		-		-
Loss on debt settlement		-		1,776		1,776		-		-
Adjusted net income attributed to owners of the Company	$	10,173	$	15,310	$	41,205	$	3,745	$	3,065
Weighted average number of common shares - basic		85,505,675		85,032,841		85,117,603		84,504,954		83,655,516
Weighted average number of common shares - diluted		91,320,363		90,696,926		91,006,581		88,638,656		83,655,516
Adjusted earnings per share - basic	$	0.12	$	0.18	$	0.48	$	0.04	$	0.04
Adjusted earnings per share - diluted	$	0.11	$	0.17	$	0.45	$	0.04	$	0.04

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 September 30, 2019 and December 31, 2018.

		September 30, 2019		December 31, 2018
Cash and cash equivalents	$	21,716	$	18,941
Restricted cash		1,875		3,000
Less: Current portion of loans and borrowings		(10,648)		(10,602)
Long-term portion of loans and borrowings		(146,323)		(141,632)
Net Debt	$	(133,380)	$	(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 September 30, 2019 and December 31, 2018.

		September 30, 2019		December 31, 2018
Current Assets	$	75,027	$	50,954
Less: Current Liabilities		(68,666)		(60,265)
Working Capital (Deficit)	$	6,361	$	(9,311)
Available undrawn revolving credit facilities		32,600		14,000
Available Liquidity	$	38,961	$	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 nine month period ended September 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 Cãmara 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.

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 and Pilar 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.