CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(UNAUDITED)

Ero Copper Corp.

Condensed Consolidated Statements of Financial Position

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

ASSETS	Notes	As at September 30, 2017	As at December 31, 2016
Current			
Cash and cash equivalents		$ 14,916	$ 18,318
Accounts receivable		4,147	76
Inventories	4	8,963	5,181
Other current assets	5	8,488	5,987
Assets held for sale	6	26,419	24,846
		62,933	54,408
Non-Current			
Mineral property, plant and equipment	7	233,130	216,296
Exploration and evaluation assets	8	27,271	26,351
Deposits		2,831	2,021
Other non-current assets		857	1,111
Goodwill	3	18,306	17,768
		282,395	263,547
Total Assets		$ 345,328	$ 317,955
LIABILITIES			
Current			
Accounts payable and accrued liabilities		$ 26,175	$ 22,858
Current portion of loans and borrowings	9	4,513	108,137
Current portion of value add, payroll and other taxes payable		9,329	29,284
Derivatives		597	-
Liabilities related to assets held for sale	6	26,419	24,846
		67,033	185,125
Non-Current			
Loans and borrowings	9	161,698	53,987
Provisions		29,914	28,805
Value added, payroll and other taxes	14	16,031	4,590
Other non-current liabilities		654	3,430
Deferred income tax liabilities		17,246	17,645
		225,543	108,457
Total Liabilities		292,576	293,582
SHAREHOLDERS' EQUITY			
Share capital	11	54,813	27,817
Equity reserves		636	7
Convertible debentures	10(b)	2,942	-
Accumulated deficit		(5,832)	(3,046)
Equity attributable to owners of the Company		52,559	24,778
Non-controlling interests		193	(405)
		52,752	24,373
Total Liabilities and Equity		$ 345,328	$ 317,955

Nature of operations (Note 1); Contingencies (Note 18); Subsequent events (Notes 10(c), 11(d), and 19)

APPROVED ON BEHALF OF THE BOARD:

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

Ero Copper Corp.

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	Notes	**Three Months ended September 30, 2017**	Three Months ended September 30, 2016	**Nine Months ended September 30, 2017**	Period ended September 30, 2016[1]
Revenue		**$ 33,004**	$ -	**$ 77,627**	$ -
Cost of goods sold	12	**(26,556)**	-	**(68,357)**	-
Gross profit		**6,448**	-	**9,270**	-
Expenses					
General and administrative	13	**4,933**	235	**13,096**	343
Income (loss) before the understated		**1,515**	(235)	**(3,826)**	(343)
Other income (expenses)					
Finance income		**1,206**	-	**2,029**	-
Finance expense		**(5,822)**	-	**(19,124)**	-
Foreign exchange		**6,915**	(1)	**4,795**	-
Other income (expense)		**(133)**	-	**2,530**	-
Income (loss) before income taxes		**3,681**	(236)	**(13,596)**	(343)
Income tax recovery					
Deferred income tax recovery	14	**15,007**	-	**15,752**	-
Net income (loss) from continuing operations		**18,688**	(236)	**2,156**	(343)
Net loss from discontinued operations	6	**(905)**	-	**(4,153)**	-
Net income (loss) for the period		**17,783**	(236)	**(1,997)**	(343)
Other comprehensive income					
Foreign currency translation gain		**753**	-	**348**	-
Comprehensive income (loss)		**$ 18,536**	$ (236)	**$ (1,649)**	$ (343)
Net income (loss) attributable to:					
Owners of the Company		**18,332**	(236)	**2,927**	(343)
Non-controlling interests		**(549)**	-	**(4,924)**	-
		$ 17,783	$ (236)	**$ (1,997)**	$ (343)
Comprehensive income (loss) attributable to:					
Owners of the Company		**19,081**	(236)	**3,274**	(343)
Non-controlling interests		**(545)**	-	**(4,923)**	-
		$ 18,536	$ (236)	**$ (1,649)**	$ (343)
Income (loss) per share attributable to owners of the Company					
Income (loss) per share from continuing operations					
Basic		**$ 0.33**	$ (0.08)	**$ 0.08**	$ (0.17)
Diluted		**$ 0.29**	$ (0.08)	**$ 0.07**	$ (0.17)
Loss per share from discontinued operations					
Basic and diluted		**$ -**	$ -	**$ (0.02)**	$ -
Net income (loss) per share					
Basic		**$ 0.32**	$ (0.08)	**$ 0.06**	$ (0.17)
Diluted		**$ 0.29**	$ (0.08)	**$ 0.05**	$ (0.17)
Weighted average number of common shares outstanding					
Basic		**56,772,684**	3,043,480	**51,306,343**	2,043,798
Diluted		**63,112,617**	3,043,480	**57,392,430**	2,043,798

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

Ero Copper Corp.

Condensed Consolidated Statement of Changes in Shareholders' Equity

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

	Share Capital		Equity Reserves						
	Number of shares	**Amount**	**Contributed surplus**	**Foreign exchange**	**Convertible Debentures**	**Accumulated Deficit**	**Total**	**Non-controlling interest**	**Total Equity**
Balance, May 16, 2016	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Loss for the period	-	-	-	-	-	(343)	(343)	-	(343)
Shares issued for:									
Private placements	10,000,002	100	-	-	-	-	100	-	100
Balance, September 30, 2016[(1)]	**10,000,002**	**$ 100**	**$ -**	**$ -**	**$ -**	**$ (343)**	**$ (243)**	**$ -**	**$ (243)**
Balance, December 31, 2016	**38,349,091**	**$ 27,817**	**$ -**	**$ 7**	**$ -**	**$ (3,046)**	**$ 24,778**	**$ (405)**	**$ 24,373**
Income (loss) for the period	-	-	-	-	-	2,927	2,927	(4,924)	(1,997)
Other comprehensive loss for the period	-	-	-	347	-	-	347	1	348
Total comprehensive loss for the period	**-**	**-**	**-**	**347**	**-**	**2,927**	**3,274**	**(4,923)**	**(1,649)**
Shares issued for:									
Private placements	18,423,593	27,635	-	-	-	-	27,635	-	27,635
Share issuance costs	-	(639)	-	-	-	-	(639)	-	(639)
Stock-based compensation (note 11(b))	-	-	282	-	-	-	282	-	282
Convertible debentures (note 10(b))	-	-	-	-	2,750	-	2,750	-	2,750
Accrued interest on convertible debentures	-	-	-	-	192	(192)	-	-	-
Step-up acquisition of MCSA from 85% to 99.5% and NX Gold from 28% to 97.6%	-	-	-	-	-	(5,521)	(5,521)	5,521	-
Balance, September 30, 2017	**56,772,684**	**$ 54,813**	**$ 282**	**$ 354**	**$ 2,942**	**$ (5,832)**	**$ 52,559**	**$ 193**	**$ 52,752**

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

Ero Copper Corp.

Condensed Consolidated Statement of Cash Flows

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

	Three Months ended September 30, 2017	Three Months ended September 30, 2016	Nine Months ended September 30, 2017	Period ended September 30, 2016[(1)]
Cash Flows from (used in) Operating Activities				
Net income (loss) from continuing operations	$ **18,688**	(236)	$ **2,156**	(343)
Adjustments for:				
Amortization and depreciation	**8,996**	-	**21,939**	-
Loss on disposal of fixed assets	**493**	-	**492**	-
Deferred income tax recovery	**(15,007)**	-	**(15,752)**	-
Provisions	**348**	-	**2,053**	-
Share-based compensation	**191**	-	**282**	-
Finance income	**(1,206)**	-	**(2,029)**	-
Finance expenses	**5,822**	-	**19,124**	-
Unrealized foreign exchange	**(6,915)**	1	**(4,795)**	-
Changes in:				
Accounts receivable	**(2,004)**	(1)	**(4,056)**	(1)
Inventories	**(870)**	-	**(2,431)**	-
Other assets	**(1,950)**	-	**(2,870)**	-
Accounts payable and accrued liabilities	**9,650**	216	**(2,875)**	216
Value added, payroll and other taxes	**(9,225)**	-	**(741)**	-
Provisions	**(83)**	-	**(410)**	-
	6,928	(20)	**10,087**	(128)
Cash Flows used in Investing Activities				
Additions to mineral property, plant and equipment	**(14,810)**	-	**(31,446)**	-
Cash received from sale of mineral property, plant and equipment	**10**	-	**10**	-
Additions to exploration and evaluation assets	**(129)**	-	**(382)**	-
Interest received	**244**	-	**762**	-
Advances to NX Gold	**(209)**	-	**(3,427)**	-
	(14,894)	-	**(34,483)**	-
Cash Flows from (used in) Financing Activities				
Convertible debentures	**-**	-	**2,750**	-
Convertible debentures - facility fee	**-**	-	**(250)**	-
Loans and borrowings	**(629)**	108	**(3,238)**	219
Interest paid on loans and borrowings	**(784)**	-	**(3,279)**	-
Other finance costs paid	**(1,173)**	-	**(1,947)**	-
Issuance of share capital, net of issuance costs	**(6)**	100	**26,996**	100
Issuance of share subscription receipts	**-**	18,400	**-**	18,400
	(2,592)	18,608	**21,032**	18,719
Effect of exchange rate changes on cash and cash equivalents	**707**	-	**(38)**	-
Net increase (decrease) in cash and cash equivalents	**(9,851)**	18,588	**(3,402)**	18,591
Cash and cash equivalents - beginning of period	**24,767**	3	**18,318**	-
Cash and cash equivalents - end of period	**14,916**	18,591	**14,916**	18,591

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

1. Nature of Operations

Ero Copper Corp. ("Ero" or the "Company") was incorporated on May 16, 2016 under the Business Corporations Act (British Columbia) and maintains its head office at Suite 1050, 625 Howe Street, Vancouver, BC, V6C 2T6. On October 19, 2017, the Company's shares became publicly traded on the TSX Exchange under the symbol "ERO".

The Company's principal asset is its 99.5% ownership interest in Mineração Caraíba S.A. ("MCSA"). The Company also currently owns a 97.6% ownership interest in NX Gold S.A. ("NX Gold"). Both of these assets were acquired on December 12, 2016 (Note 3), with a further equity interest in MCSA acquired in June 2017 and a further equity interest in NX Gold acquired in August 2017.

MCSA is a Brazilian company which holds a 100% interest in the Vale do Curaçá Property and the Boa Esperança Property (Note 8). The Vale do Curaçá Property is located in the Curaçá Valley, municipality of Jaguarai, northeast of the Bahai state, Brazil, and includes fully integrated processing operations, three active mines (including one under construction), one nearing the end of its mine life and two past producing mines located within the Curaçá Valley. The active operations include the Caraíba Mine, comprised of the underground Pilar Mine ("Pilar UG Mine") and integrated Caraíba Mill, the open pit Surubim Mine ("Surubim OP Mine") and the underground Vermelhos Mine ("Vermelhos UG Mine"), currently under construction. The past producing operations include the historic open pit mines of R22W ("R22W Mine") and the Angicos ("Angicos Mine"). Suçuarana ("Suçuarana Mine") is nearing the end of its mine life. The Boa Esperança Property is located within the municipality of Tucumã, southeastern Pará State, Brazil, approximately 40 kilometres southwest of the town of Tucumã and consists of a single mineral concession covering an area of 4,033.81 hectares.

MCSA's predominant activity is the production and sale of copper from the Vale do Curaçá Property, with gold and silver produced and sold as by-products from the same property. The persistence of lower London Metal Exchange benchmark copper prices in 2016, coupled with the flooding of MCSA's Pilar UG Mine on January 22, 2016, led MCSA to commence the new Judicial Reorganization process on February 3, 2016. During most of 2016, MCSA operated at a reduced capacity and, unable to obtain the necessary funds from its shareholders and creditors, initiated negotiations with potential investors to obtain the funds necessary to resume its operations. On December 12, 2016, Ero acquired an 85% interest in MCSA and has since contributed capital resources that enabled MCSA to resume the production of copper concentrate at its Vale do Curaçá Property in February 2017. In June 2017, the Company acquired an additional 14.5% interest in MCSA by subscribing to shares issued from MCSA's treasury. The Company has consolidated MCSA from the acquisition date and net loss of the Company includes the net loss of MCSA from the acquisition date.

NX Gold originated from a partial spin-off from MCSA on April 2, 2013. NX Gold is a Brazilian company located in the city of Nova Xavantina, Mato Grosso. NX Gold's main operational activity is the mining, processing and sale of gold and, as a by-product, silver. The assets of NX Gold are pledged as a guarantee of the debts of MCSA. Accordingly, NX Gold was also part of the court-supervised reorganization granted on February 3, 2016. On December 12, 2016, Ero acquired a 28% economic interest in NX Gold in conjunction with the acquisition of MCSA. However, pursuant to a shareholders' agreement among the Company and the significant shareholders of NX Gold, the Articles of Incorporation of NX Gold and the composition of the Board of Directors, the Company has control over all key operating, financing and investing activities of NX Gold. Accordingly, the Company has consolidated the accounts of NX Gold and net loss of the Company includes the net loss of NX Gold from the acquisition date. In August 2017, the Company increased its ownership interest in NX Gold to approximately 97.6% by way of a capital increase transaction. Such capital increase transaction involved the Company's subsidiary, MCSA, through two of the shareholders' subscription rights assigned to it under the NX Gold Investment Agreement, subscribing for R$19.4 million of common shares of NX Gold in exchange for partial repayment and forgiveness of an intercompany loan provided to NX Gold by MCSA. From the date of acquisition, the Company intended to sell its interest in NX Gold. Accordingly, the assets and liabilities of NX Gold are classified as assets and liabilities held for sale. NX Gold continues to guarantee some of the debts of MCSA, but an agreement is in place with the bank which allows NX Gold to be sold. The agreement stipulates that should NX Gold be sold, 50% of the sales price will be applied toward the payment of MCSA's debts.

As at September 30, 2017, the Company has a working capital deficiency totaling $4.1 million (December 31, 2016 - $130.7 million). During the nine month period ended September 30, 2017, the Company raised gross financing of $30.4 million in the form of convertible debentures and the issuance of common shares (Notes 10 and 11) and reclassified $104.2 million of its current portion of loans and borrowings to non-current loans and borrowings following satisfaction of certain conditions precedent related to the debt restructuring (note 9). Subsequent to September 30, 2017, the Company raised a further $50.9 million through a public share offering and $5.2 million through the exercise of warrants (note 19).

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Management believes that following the October 2017 public share offering, the Company has sufficient working capital to maintain its planned operations and activities for the next fiscal year. In the long-term, the Company's ability to continue as a going concern is dependent upon profitable operations at MCSA and the successful development of the Vermelhos UG Mine to meet its long-term debt obligations. The recoverability of the carrying values of the Company's assets is dependent upon the ability of the Company to successfully complete the development of the Vermelhos UG Mine, and achieving profitable production.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company was not considered to be a going concern. These adjustments could be material.

2. Significant Accounting Policies

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS ("International Accounting Standards") 34, *Interim Financial Reporting* and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. These condensed consolidated interim financial statements do not include all of the information required for full consolidated annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the period ended December 31, 2016, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 14, 2017.

b) Comparative Figures

Certain of the comparative period figures have been reclassified to conform to the current period's presentation. Specifically, value added, payroll and other taxes of $11.0 previously included in accounts payable and accrued liabilities and $4.6 million previously included in other non-current liabilities were reclassified to current and long-term value added, payroll and other taxes, respectively.

c) **Changes in Current and Future Accounting Standards**

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective at September 30, 2017:

i) IFRS 15 Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). The new standard is effective for the Company on January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property.

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

ii) IFRS 9 Financial Instruments

On July 24, 2014, the IASB issued the complete IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 is effective for the Company on January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard also introduces additional changes relating to financial liabilities and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

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

iii) IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"). The new standard is effective for the Company on January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 *Leases*.
This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The extent of the impact of adoption of the standard has not yet been determined. The Company does not intend to adopt IFRS 16 prior to its effective date.

3. Business Combination

On December 12, 2016, the Company obtained control of MCSA and NX Gold by acquiring an 85% and a 28% interest in each entity, respectively. Although the Company only acquired a 28% economic interest in NX Gold, by virtue of a shareholders' agreement with the shareholder vendors of NX Gold, the Articles of Incorporation of NX Gold and the composition of the Board of Directors of NX Gold, the Company has control over all key operating, financing and investing activities. Accordingly, the Company has consolidated the accounts of NX Gold. As the Company's 28% interest in NX Gold was acquired from one of the same shareholders as MCSA and was contemplated as part of the MSCA acquisition, for accounting purposes the acquisitions are considered a single acquisition. The acquisition of MCSA is in line with the Company's strategy to become a leading mid-tier copper producer though organic growth and disciplined acquisitions. The acquisition has been accounted for as a business combination. The cash consideration paid was nominal and the Company agreed to assume all of the loans and borrowing and other obligations of MCSA and NX Gold.

The preliminary purchase price allocation, which is subject to final adjustments, based on estimated fair value of the identifiable assets acquired and liabilities assumed on December 12, 2016 are as follows:

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

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

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

The majority of the fair value of identifiable assets acquired in respect of NX Gold relate to mineral property, plant and equipment and inventory. The majority of the fair value of identifiable liabilities assumed in respect of NX Gold relate to accounts payable and accruals, loans, borrowings and provisions.

The Company intends to dispose of its interest in NX Gold in the next year as it is not within its core copper business. Accordingly, the assets and liabilities of NX Gold acquired by the Company are presented as assets held for sale and liabilities related to assets held for sale, and subsequent results of operations as discontinued operations.

Mineral properties were valued using a discounted cash flow model using expected future cash flows to be generated by the mine over its remaining life, based on proven and probable mineral reserves. Copper prices used to estimate revenues ranged from US$2.35 per pound to US$2.90 per pound for the forecast period. The cash flows were discounted using a discount rate of 13.5%.

The fair value of the majority of the plant and equipment was determined using the depreciated replacement cost method which estimates the current replacement costs and adjust this amount for physical depreciation and functional and technological obsolescence. Where an active market was available for certain of these assets, the fair market value of these assets in active markets was used.

The fair value of the exploration and evaluation assets acquired was determined based on the identified mineral resources and a price per pound of copper identified in precedent transactions for similar properties.

The fair value of debt facilities and certain other long-term liabilities was estimated using the expected cash flows discounted at market rates of interest for comparable instruments adjusted for the estimated credit risk of MCSA. Such discount rates ranged from 7% – 20% depending on the instrument, the term of the debt, security and other factors. Certain of the creditors agreed to split amounts outstanding into Class A and B notes (Note 9) with the Class B notes repayable only if, among other things, the Class A notes are not repaid in accordance with the restructured agreements. On the acquisition date, the Company expected that, based on estimated cash flows, it would be able to repay the Class A notes and meet the other conditions specified in the restructured agreements and no repayment of the Class B notes would be required. Accordingly, the fair value of the Class B notes was determined to be Nil.

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

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

As the fair value of the net assets and liabilities acquired was Nil, no non-controlling interest results on acquisition.

In June 2017, the Company acquired an additional 10,952,276,044 shares of MCSA, increasing its ownership interest in MCSA to 99.5%, by subscribing to shares issued from treasury for $34.3 million. In August 2017, MCSA acquired 1,938,143,830 shares of NX Gold, increasing the Company's ownership interest in NX Gold to 97.6%, by converting their intercompany loans of $5.9 million into common shares. The resulting reductions in the non-controlling interest have been recorded as a reclassification within equity between accumulated deficit and non-controlling interests.

4. Inventories

	September 30, 2017	December 31, 2016
Supplies and consumables	**$ 6,892**	$ 5,071
Stockpile	**305**	-
Work in progress	**461**	110
Finished goods	**1,305**	-
	$ 8,963	$ 5,181

5. Other Current Assets

	September 30, 2017	December 31, 2016
Advance to suppliers	**$ 2,712**	$ 2,657
Prepaid expenses	**3,309**	1,525
Advances to employees (a)	**1,521**	723
Value added federal taxes recoverable	**514**	428
Other	**432**	654
	$ 8,488	$ 5,987

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

6. Assets and Liabilities Held for Sale

As part of the acquisition discussed in Note 3, the Company holds a 97.6% interest in NX Gold. The Company intends to dispose of its interest in NX Gold in the next year as it is not within its core copper business. For the purpose of these condensed consolidated interim financial statements, the Company's interest in NX Gold has been measured at fair value less costs to sell at the acquisition date and was immediately classified as a disposal group held for sale. Therefore, all its assets are grouped together in assets held for sale and all its liabilities are grouped together in liabilities related to assets held for sale.

NX Gold is classified as a discontinued operation as at September 30, 2017, given that it is a subsidiary that was classified as a disposal group and acquired exclusively for resale purposes.

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

7. Mineral Property, Plant and Equipment

During the three month period ended September 30, 2017, the Company capitalized underground mine development costs of $1.8 million. In addition, the Company capitalized costs related to projects in progress of $10.1 million during this period.

During the nine month period ended September 30, 2017, the Company capitalized underground mine development costs of $4.2 million. In addition, the Company capitalized costs related to projects in progress of $21.2 million during this period.

Buildings, equipment and mining rights for the Pilar UG Mine and the integrated Caraíba Mill, the R22W Mine and the Vermelhos UG Mine, which comprise mineral properties, have been pledged as security for loans and borrowings (Note 9).

8. Exploration and Evaluation Assets

On October 26, 2007, MCSA acquired the copper/gold Boa Esperança Property located in the Municipality of Tucumã, State of Pará which consists of a single mineral concession. This property is in the early stages with various geological mineral resource studies and a completed feasibility study.

The mining rights of the Boa Esperança Property are pledged as security for certain of the Company's loans (Note 9).

9. Loans and Borrowings

Description	Denomination	Security	Time to Maturity	Coupon rate	Carrying value (including accrued interest)	Principal to be repaid
Bank loans	USD	Secured	111 months	8.83%	$ 94,459	$ 99,569
Bank loan	USD	Secured	111 months	7.50%	33,742	35,192
Bank loans	USD	Unsecured	19-111 months	7.50%	19,219	20,304
Bank loan	BRL R$	Secured	111 months	7.50%	10,016	13,887
Bank loan	BRL R$	Unsecured	111 months	CDI + 0.5%	8,325	10,868
Equipment finance loans	BRL R$	Secured	27 months	6.00%	360	482
Other	USD	Unsecured	3 months	0%-5.19%	90	90
Total					**$ 166,211**	**$ 180,392**
Current portion:					**$ 4,513**	
Non-current portion:					**$ 161,698**	

The above loans were recognized at the acquisition date at fair value and are subsequently recognized at amortized cost. Interest is being recognized using the effective interest rate method at interest rates ranging from 7% - 20%.

The secured bank loans are secured by buildings and equipment, deposits, and the mining rights of the Pilar UG Mine and the integrated Caraíba Mill, the R22W Mine, the Vermelhos UG Mine (Note 7) and the Boa Esperança Property (Note 8). In addition, some of the loans are endorsed by NX Gold, which means that in the event that MCSA defaults on the loan, the bank is legally able to request payment from NX Gold (Note 1).

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

		Carrying value
Balance at December 31, 2016	**$**	**162,124**
Principal and interest payments		**(6,517)**
Interest accretion		**10,625**
Foreign exchange		**(21)**
Balance at September 30, 2017	**$**	**166,211**

At the acquisition date (Note 3), MCSA had loans and borrowings totaling $211.8 million which, in accordance with the terms of the original loan agreements, were due in installments over a four-year period. However, the agreements contained covenants regarding financial ratios and MCSA was not in compliance with such covenants related to certain of the debt agreements during 2016 and on the acquisition date nor had waivers been obtained from the lenders.

On December 2, 2016, MCSA restructured these arrangements. Pursuant to the restructuring agreements, the lenders agreed to split these loans into Class A and Class B notes. The principal amount of the Class A notes totaled $127.9 million and are repayable over an eight-year period commencing at the earliest of the date of commercial production of copper concentrates from the Vermelhos UG Mine or, at the latest, 29 months following signing of the restructured loan agreements (May 2019). The principal amount of the Class B notes total $83.9 million and are repayable only if, among other things, the Class A notes are not repaid in accordance with the restructured agreements. On the acquisition date and at September 30, 2017, the Company expects that based on estimated cash flows, it would be able to repay the Class A notes and meet the other conditions specified in the restructured agreements and no repayment of the Class B notes would be required. Accordingly, the Class B notes totaling $83.9 million were determined to have a $Nil fair value at the acquisition date and these amounts were not included in the loans and borrowings as at September 30, 2017.

Although the debt restructuring agreements were signed on December 2, 2016, they came into effect in May 2017 following the satisfaction of certain conditions precedent by the Company and MCSA. As the conditions precedent were not satisfied by December 31, 2016, the fair value of those loans, totaling $104.2 million, was classified as a current liability in the December 31, 2016 consolidated financial statements. Upon satisfaction of the conditions in May 2017, the restructured agreements became effective and the carrying value of these loans are included in the long-term portion of loans and borrowings at September 30, 2017.

Pursuant to the restructured agreements and agreements with other lenders, MCSA is required to comply with certain financial covenants. As of the date of these condensed consolidated interim financial statements, MCSA was in compliance with these covenants.

10. Convertible Debentures

(a) In December 2016, the Company issued 500,000 common shares as a facility fee in order to secure a convertible debenture facility of up to $15 million at an interest rate of 10% over a period of 2 years. The conversion price of any debentures drawn was $0.75 per Unit, with each unit consisting of one common share and one-quarter of one common share purchase warrant. In July 2017, the convertible debenture facility was terminated with no amounts having been drawn.

(b) In January 2017, the Company issued $2.75 million of convertible debentures with an interest rate of 10% to be repaid within two years or to be converted to units, at the option of the holder, at a conversion price of $0.75 per unit. Each unit consisted of one common share and one-quarter of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.20 per common share until December 12, 2021. The Company may accelerate the expiry of any warrants issued in relation to these convertible debentures if the closing share price on a recognized exchange reaches or exceeds $1.70 for 20 consecutive trading days. On maturity of the convertible debentures, the Company may repay the principal amount and the accrued and unpaid interest thereon by way of cash, issuance of units at a price of US$0.75 per unit, or a combination thereof, such determination being at the discretion of the Company. As the debentures can be settled at the discretion of the Company in a fixed number of the Company's own equity instruments, the convertible debentures have been classified as equity instruments.

(c) In March 2017, the Company paid $250,000 as a facility fee in order to secure a convertible debenture of up to $5 million at an interest rate of 10% available for draw down until the earlier of March 21, 2018 or the date of the Company's initial public offering. If during this period, the Company makes a drawdown on the debenture, the holder of the debenture may convert the outstanding amount into common shares at a conversion price of $1.75 per common share, subject to certain adjustments. In October 2017, the convertible debenture was terminated with no amounts having been drawn. The unamortized facility fee was expensed in the three month period ended September 30, 2017.

11. Share Capital

As at September 30, 2017, the Company's authorized share capital consists of an unlimited number of common shares without par value. As at September 30, 2017, 56,772,684 common shares were outstanding.

(a) Private placements

In March 2017, the Company issued 18,423,593 common shares at a price of $1.50 per common share for gross proceeds of $27,635,390. In connection with this financing, the Company paid $574,000 in finders' fees and incurred $59,000 in other share issue costs. Key management personnel participated in this financing by purchasing 283,333 common shares of the Company for total proceeds of $0.4 million.

(b) Options

In May 2017, the Company adopted a stock option plan (the "Stock Option Plan"). Pursuant to the Stock Option Plan, the Board, at the recommendation of the compensation committee, may grant stock options to any director, officer, employee, consultant or other personnel of the Company (including any subsidiary of the Company). The vesting and exercise period of a stock option will be determined by the Board at the time of its grant; however, the expiry date of a stock option shall be no later than five years from the date of grant. The total number of common shares issuable pursuant to the Stock Option Plan (subject to adjustments under the Stock Option Plan) together with all other security based compensation arrangements of the Company (including the Share Unit Plan (defined in Note 16)) shall not exceed 10% of the Company's issued and outstanding common shares at the time of the grant.

In May 2017, the Company granted 1,615,000 options to certain officers and employees of the Company at an exercise price of $1.50 per share with a term to expiry of five years. The stock options vest on a 1/3 basis at the end of each year from the grant date and will be fully vested three years from the grant date. The total fair value of options issued was $1.2 million with $0.2 million and $0.3 million recognized as an expense during the three and nine month periods ended September 30, 2017, respectively.

In July 2017, the Company granted 100,000 options to an officer of the Company at an exercise price of $1.50 per share with a term to expiry of five years. The stock options vest on a 1/3 basis at the end of each year from the grant date and will be fully vested three years from the grant date. The total fair value of options issued was $0.1 million with $10,070 recognized as an expense during the three and nine month period ended September 30, 2017.

The fair value on the grant date is measured based on the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility of comparable companies. The weighted average inputs used in the measurement of fair values at grant date of the options are the following:

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

Expected term (years)		3.0
Forfeiture rate		0%
Volatility		74.5%
Dividend yield		0%
Risk-free interest rate		0.93%
Weighted-average fair value per option	$	0.73

(c) Warrants

At September 30, 2017, the Company had 12,449,666 outstanding warrants exercisable into common shares at $1.20 per share with a weighted average contractual life of 4.2 years.

(d) Share Unit Plan

In September 2017, the Company adopted a share unit plan (the "Share Unit Plan"). Pursuant to the Share Unit Plan, the Board, at the compensation committee's recommendation, may grant share units ("Share Units") to any director, officer, employee, or consultant of the Company or its subsidiaries. At the time of grant of a Share Unit, the Board, at the compensation committee's recommendations, may establish performance conditions for the vesting of the Share Units. The performance conditions may be graduated such that different percentages (which may be greater or lesser than 100%) of the Share Units in a grant become vested depending on the satisfaction of one or more performance conditions. The Board may, in its discretion, subsequent to the grant of a Share Unit, waive any such performance condition or determine that it has been satisfied subject to applicable law. Each Share Unit entitles the holder thereof to receive one common share, without payment of additional consideration, on the redemption date selected by the Board following the date of vesting of such Share Unit, which will be within 30 days of the date of vesting, or at a later deferred date, subject to certain exception and restrictions. The Share Unit Plan is subject to approval by the shareholders at the next annual general meeting. No Share Units have been granted. Subsequent to September 30, 2017, the Share Unit Plan was approved at the October 10, 2017 annual general meeting.

12. Cost of Goods Sold

	Three Month Period Ended September 30, 2017	Three Month Period Ended September 30, 2016	**Nine Month Period Ended September 30, 2017**	Period Ended September 30, 2016[(1)]
Materials	**$ 3,032**	$ -	**$ 7,987**	$ -
Salaries and benefits	**6,962**	-	**20,030**	-
Depreciation and depletion	**8,980**	-	**21,909**	-
Services from third parties	**3,088**	-	**8,076**	-
Other costs	**4,494**	-	**10,355**	-
	$ 26,556	$ -	**$ 68,357**	$ -

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

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

13. General and Administrative Expenses

	Three Month Period Ended September 30, 2017	Three Month Period Ended September 30, 2016	**Nine Month Period Ended September 30, 2017**	Period Ended September 30, 2016(1)
Accounting and legal	**$ 396**	$ 216	**$ 1,950**	$ 316
Amortization and depreciation	**16**	-	**30**	-
Office and sundry	**2,952**	-	**6,119**	-
Salaries and consulting fees	**1,169**	8	**4,127**	8
Share-based compensation	**191**	-	**282**	-
Transfer agent and filing fees	**9**	11	**21**	11
Travel and conference	**200**	-	**567**	8
	$ 4,933	$ 235	**$ 13,096**	$ 343

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

14. Deferred Income Tax Recovery

	Three Month Period Ended September 30, 2017	Three Month Period Ended September 30, 2016	**Nine Month Period Ended September 30, 2017**	Period Ended September 30, 2016(1)
Recognition of non-capital loss carryforward previously unrecognized	**$ 14,821**	$ -	**$ 14,821**	$ -
Origination and reversal of temporary differences	**186**	-	**931**	-
	$ 15,007	$ -	**$ 15,752**	$ -

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

During the nine month period ended September 30, 2017, the Company applied for an amnesty tax program in Brazil covering certain commodity, payroll and other taxes owing. The Company's application was approved during the three month period ended September 30, 2017. Among other things, the Company was permitted to settle certain non-income tax based taxes with existing non-capital loss carry forwards. As these loss carry forwards were not previously recognized, the Company recognized a deferred income tax recovery of $14.8 million for the three month period ended September 30, 2017 related to the losses used.

In addition, the payment of approximately $10.3 million in value added taxes payable were deferred for a period of two years. Accordingly, these amounts were reclassified to non-current value added, payroll and other taxes.

15. Related Party Transactions

(a) Key management compensation

Key management personnel consist of the Company's directors and officers and their compensation includes management and consulting fees paid to these individuals, or companies controlled by these individuals and share based compensation. The aggregate value of compensation paid to key management personnel for the three and nine month periods ended September 30, 2017 was $0.5 million and $1.4 million, respectively. In addition, 100,000 options and 990,000 options were issued to key management personnel with $0.1 million and $0.2 million recognized in share-based compensation for the three and nine month periods ended September 30, 2017, respectively.

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

Key management personnel participated in certain financing activities by purchasing 233,333 common shares of the Company for total proceeds of $0.4 million and by subscribing to $1.0 million of the convertible debentures (Note 10(b)) during the nine month period ended September 30, 2017.

16. Financial Instruments

Fair value

Fair values of financial assets and liabilities are determined based on available market information and valuation methodologies appropriate to each situation. However, some judgments are required in the interpretation of the market data to produce the most appropriate realization value estimate. As a consequence, the estimates presented herein do not necessarily indicate the amounts that could be realized in the current exchange market. The use of different market information and/or evaluation methodologies may have a material effect on the market value amount.

As at September 30, 2017, derivatives were measured at fair value based on Level 2 inputs. The Company has no sales or receivables subject to provisional pricing.

The carrying values of cash and cash equivalents, accounts receivable, deposits, financial investments and accounts payable and accrued liabilities approximate their carrying values due to their short terms to maturity or market rates of interest used to discount amounts. The carrying value of loans and borrowings approximates fair value as the effective interest rate used to amortize these loans are a close approximation of market rates of interest at September 30, 2017 (level 2 of the fair value hierarchy).

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of the financial assets below represents the maximum credit risk exposure as at September 30, 2017:

	September 30, 2017	December 31, 2016
Cash and cash equivalents	**$ 14,916**	$ 18,318
Accounts receivable	**4,147**	76
Deposits	**2,831**	2,021
Financal investments	**778**	598
	$ 22,672	$ 21,013

The Company invests cash and cash equivalents 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 two customers, one of which is considered low risk as it is one of the largest independent commodity trading companies in the world. To limit its exposure to credit risk from the other customer, the Company established a credit term of payment due one day after delivery of goods. The Company has not incurred a significant credit loss during the three and nine month periods ended September 30, 2017 nor does it have an allowance for doubtful accounts.

Foreign exchange currency risk

The Company is exposed to exchange risks related to the sale of products that are quoted in US dollars and loans and borrowings that are denominated in a currency other than the functional currency of the Company or its subsidiaries. In order to minimize currency mismatches, the Company monitors its cash flow projections considering future sales expectations indexed to US dollar variation in relation to the cash requirement to settle the existing financings.

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

The Company's exposure to foreign exchange currency risk at September 30, 2017 relates primarily to $147.5 million in loans and borrowings of MCSA denominated in US dollars. Strengthening (weakening) in the Brazilian Real against USD by 10% and 20%, would have reduced (increased) net loss by $14.8 million and $29.5 million respectively. This analysis is based on the foreign currency exchange variation rate that the Company considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, especially interest rates, are held constant.

17. Segment Disclosure

The Company is currently organized into one reportable operating segment, being that of the exploration, development and mining of mineral properties in Brazil.

Information about geographic areas of operation is as follows:

Cash and cash equivalents	**September 30, 2017**
Brazil	**$ 12,501**
Canada	**2,415**
	$ 14,916

Non-current assets	**September 30, 2017**
Brazil	**$ 282,148**
Canada	**247**
	$ 282,395

18. Contingencies

With the acquisition of MCSA, the Company inherited certain liabilities and MCSA has been subject to a number of claims (including claims related to tax, labour and social security matters and civil action) in the course of its business which individually are not material and have not been accrued for in the Company's financial statements as it is not probable that a cash outflow will occur. While the Company believes that a significant number of these claims are unlikely to be successful, if all such existing claims were decided against it, the Company could be exposed to a liability of up to approximately $23 million (December 31, 2016 - $20 million), which could have an adverse impact on the Company's business, financial condition, results of operations, cash flows or prospects.

19. Subsequent Events

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