MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared as at March 28, 2018 for the year ended December 31, 2017. This MD&A should be read in conjunction with the audited consolidated financial statements of Ero Copper Corp. ("Ero" or "the Company") as at, and for the year ended December 31, 2017, and related notes thereto. The Company's audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). All dollar amounts are expressed in US dollars ("US") and tabular amounts are expressed in thousands of US dollars, unless otherwise indicated. References to "$" or "dollars" are to US dollars, references to "C$" are to Canadian dollars and references to "R$" are to Brazilian 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. Investor are cautioned not to place undue reliance on this forward-looking information. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of March 28, 2018, unless otherwise stated.

BUSINESS OVERVIEW

Ero, headquartered in Vancouver, B.C., is a mining company focused on the production and sale of copper from its Vale do Curaçá Property, located in Bahia, Brazil. On October 19, 2017, the Company completed an initial public offering ("IPO") and its common shares became publicly traded on the Toronto Stock Exchange under the symbol "ERO".

The Company's primary asset is a 99.6% interest in the Brazilian copper mining company, Mineração Caraíba S.A. ("MCSA"), 100% owner of the Vale do Curaçá Property with over 37 years of operating history in the region. The Company currently mines copper ore from the Pilar underground and the Surubim open pit mines and is completing the construction of the new high-grade Vermelhos copper mine. In addition to the Vale do Curaçá Property, MCSA owns 100% of the Boa Esperança development project, an IOCG-type copper project located in Pará, Brazil. The Company also owns, directly and indirectly thru MCSA, 97.6% of NX Gold S.A., a small producing gold mine in Mato Grosso State, Brazil.

Additional information on the Company and its operations, including Technical Reports on both the Vale do Curaçá and Boa Esperança properties, can be found on the Company's website (www.erocopper.com) and on SEDAR (www.sedar.com).

HIGHLIGHTS

	3 months ended December 31, 2017	3 months ended December 31, 2016[1]	Year ended December 31, 2017	Period ended December 31, 2016[1]
Operating Information				
Copper (MCSA Operations)				
Ore Processed (tonnes)	452,371	n/a	1,771,209	n/a
Grade (% Cu)	1.36	n/a	1.31	n/a
Cu Production (tonnes)	5,334	n/a	20,133	n/a
Cu Production (lbs)	11,759,857	n/a	44,384,986	n/a
Cu Sold in Concentrate (tonnes)	5,448	n/a	19,719	n/a
Cu Sold in Concentrate (lbs)	12,010,770	n/a	43,472,902	n/a
C1 Cash cost of copper produced (per lb)[2]	1.54	n/a	1.45	n/a
Financial information ($millions, except per share amounts)				
Revenues	$37.8	n/a	$115.4	n/a
Gross profit	$5.8	n/a	$12.9	n/a
EBITDA	$31.4	($2.2)	$52.9	($2.2)
Adjusted EBITDA	$12.0	($5.4)	$28.2	($5.4)
Cash flow from (used in) operations	$11.2	($8.6)	$21.2	($8.7)
Net income (loss) attributable to owners of the Company	$19.5	($2.7)	$22.5	($3.0)
Net income (loss) per share attributable to owners of the Company				
- Basic	$ 0.28	$ (0.19)	$ 0.40	$ (0.44)
- Diluted	$ 0.24	$ (0.19)	$ 0.34	$ (0.44)
Cash and Cash Equivalents	$51.1	$18.3	$51.1	$18.3
Working Capital (Deficit)[2]	$42.6	($129.3)	$42.6	($129.3)
Net Debt[2]	($85.9)	($143.8)	($85.9)	($143.8)

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.
[2] - EBITDA, Adjusted EBITDA, Net Debt, Working capital, and C1 Cash cost of copper produced (per lb) are non-IFRS measures - see page 24 of this MD&A for a discussion of non-IFRS measures.

2017 Annual Highlights

2017 was a highly transformational year for the Company and its shareholders. Notable highlights of 2017 include:

Successful execution of key corporate initiatives

- Completion of the Company's IPO on the Toronto Stock Exchange, raising sufficient funds to effect the Company's growth strategy in the Curaçá Valley.
  - Issued an aggregate of 13.5 million common shares at C$4.75 per common share, for total gross proceeds of approximately $50.9 million including the fully exercised over-allotment option. Proceeds were subject to 6% fee payable to underwriters.
  - Commenced trading under the stock symbol "ERO" on October 19, 2017.

- Reduced consolidated total debt by $25.6 million via the purchase, at a discount, of senior secured notes held by the Company's subsidiary, MCSA, with a face amount of US$75.6 million. The Company financed the purchase with a new $50 million senior secured non-revolving credit facility.

Strong full-year operating & financial performance

- Successful full restart of MCSA's mining and processing operations in February of 2017.
- Mined a total of 1.8 million tonnes of ore grading 1.30% copper, comprised of 804.8 thousand tonnes ("kt") grading 2.16% copper from the Pilar underground mine and 994.8kt grading 0.60% copper from open pit operations.
- Processed a total of 1.8 million tonnes of ore grading 1.31% copper, producing 20,133 tonnes of copper after average metallurgical recoveries of 86.8%.
- Announced accelerated timeline for commissioning the high-grade Vermelhos Mine to fourth quarter of 2018 from the previously forecast start-up during the first quarter of 2019.
    - Completed 1,717 meters of total development at the Vermelhos Mine during 2017, including 841 meters of primary ramp development in support of the accelerated schedule.
- Achieved C1 Cash Costs of $1.45 per lb. of copper generating $52.9 million in EBITDA and $28.2 million in adjusted EBITDA during the twelve month period ended December 31, 2017.
- Total cash flow from operations of $21.2 million and net income attributable to the owners of the Company of $22.5 million ($0.34 per share on a diluted basis).

Significant expansion of exploration efforts

- Staffed and mobilized 13 drill rigs to the Vale do Curaçá Property as of December 31, 2017 in support of our significant and expanding exploration efforts throughout the Curaçá Property (2 additional drill rigs staffed and mobilized to site subsequent to December 31, 2017).

Fourth Quarter Highlights

Strong operating performance

- Mined a total of 444.3 kt of ore grading 1.36% copper, comprised of 225.0 kt grading 2.03% copper from the Pilar underground mine and 219.3kt grading 0.68% copper from the Surubim open pit mine.
- Processed 452.4 kt of ore grading 1.36% copper at average metallurgical recoveries of 86.9%.
- Fourth quarter production of 5,334 tonnes of copper at C1 Cash Costs of $1.54 per lb. of copper generating $31.4 million in EBITDA and $12.0 million in adjusted EBITDA during the period.

Reduction in consolidated total debt

- During the fourth quarter, the Company purchased at a discount senior secured notes of the Company's subsidiary, MCSA, with the face amount of $75.6 million. The Company financed the purchase through a $50 million senior secured non-revolving credit facility with The Bank of Nova Scotia and recognized a $25.6 million reduction in total consolidated debt. Please refer to the Company's press release dated December 21, 2017 for additional information.
- A significantly improved net debt position from the previous year, now $85.9 million as result of the debt repurchase and proceeds from the IPO.

Improving operating cash flows, liquidity and working capital positions

- Cash flow from operations of $11.2 million and net income attributable to the owners of $19.5 million ($0.24 net income per share on a diluted basis).
- Ended the fourth quarter with strong liquidity position of $51.1 million in cash and cash equivalents, $2.2 million in restricted cash and working capital of $42.6 million.

BUSINESS ACQUISITIONS

On December 12, 2016, the Company obtained control of MCSA and NX Gold by acquiring an approximately 85% and a 28% interest therein, respectively (collectively, the "Acquisitions") . Although the Company only acquired an approximately 28% economic interest in NX Gold, by virtue of a shareholders' agreement among the Company and the shareholder vendors of NX Gold, the composition of the board of directors of NX Gold, and the Articles of Incorporation of NX Gold, the Company obtained control over all key operating, financing and investing activities of NX Gold. Accordingly, the Company has consolidated the accounts of NX Gold. Since certain vendors of NX Gold were also vendors of MCSA with respect the Company's acquisitions of interests in NX Gold and MCSA on December 12, 2016, and since such acquisitions were contemplated as part of the same transaction, for accounting purposes, the acquisitions are considered as a single acquisition and have been accounted for as a business combination. The Company's acquisition of MCSA is in line with its strategy to become a leading mid-tier copper producer through organic growth and disciplined acquisitions. The cash consideration paid in connection with the acquisitions was nominal and the Company agreed to assume all of the loans and borrowing and other obligations of MCSA and NX Gold in connection therewith.

As at December 31, 2016, the allocation of the purchase price to the fair value of the assets and liabilities was preliminary. During the year ended December 31, 2017, the Company completed the final purchase price allocation, including the valuation of its mineral resources beyond proven and probable reserves and the assessment of certain deferred tax balances. As a result of the final assessments, certain comparative information as at December 31, 2016 has been recast to reflect the final adjustments. The final purchase price allocation, based on estimated fair value of the identifiable assets acquired and liabilities assumed on December 12, 2016, are as follows:

		Final
Cash and cash equivalents	$	131
Accounts receivable		90
Inventories		4,939
Other current assets		6,145
Mineral property, plant and equipment		230,482
Exploration and evaluation assets		25,745
Deposits		1,975
Other non-current assets		592
Assets held for sale		24,711
Accounts payable and accrued liabilities		(27,616)
Value added, payroll and other taxes		(34,373)
Loans and borrowings		(160,632)
Provisions		(28,135)
Other non-current liabilities		(928)
Deferred income tax liabilities		(18,415)
Liabilities related to assets held for sale		(24,711)
Net	**$**	**-**

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 NX Gold 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 13.9%. Mineral resources were valued based on identified resources and $0.03 per pound of in situ copper based on market transactions for similar properties.

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 $0.03 per pound of in situ copper based on market 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 of MCSA agreed to split amounts outstanding into Class A and B notes (see note 10 of the Company's December 31, 2017 audited consolidated financial statements) 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 date of the Acquisitions, 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.

As the fair value of the net assets and liabilities acquired was nil, no non-controlling interest resulted on the Acquisitions.

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 direct and indirect ownership interest in NX Gold to 97.6%, by converting their intercompany loans into common shares. In December 2017, the Company acquired an additional 2,496,041,356 shares of MCSA, increasing its ownership interest in MCSA to 99.6%, by subscribing to shares issued from treasury for $22.6 million.

REVIEW OF OPERATIONS

Mineração Caraíba S.A.

– Vale do Curaça Property, Brazil:

	3 months ended December 31, 2017	3 months ended December 31, 2016[1]	Year ended December 31, 2017	Period ended December 31, 2016[1]
Operating Information				
Copper (MCSA Operations)				
Ore Processed (tonnes)	452,371	n/a	1,771,209	n/a
Grade (% Cu)	1.36	n/a	1.31	n/a
Cu Production (tonnes)	5,334	n/a	20,133	n/a
Cu Production (lbs)	11,759,857	n/a	44,384,986	n/a
Concentrate Grade (% Cu)	35.2	n/a	35.2	n/a
Recovery (%)	86.9	n/a	86.8	n/a
Concentrate Sales (tonnes)	15,577	n/a	56,341	n/a
Cu Sold in Concentrate (tonnes)	5,448	n/a	19,719	n/a
Cu Sold in Concentrate (lbs)	12,010,770	n/a	43,472,902	n/a
C1 Cash cost of copper produced (per lb)[2]	1.54	n/a	1.45	n/a

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.

[2] - C1 Cash cost of copper produced (per lb) is a non-IFRS measure - see page 24 of this MD&A for a discussion of non-IFRS measures.

Operational Update

At the Vale do Curaçá Property, within the Pilar District, the Pilar Mine has continued to outperform production expectations during the three and twelve-month periods ended December 31, 2017. Copper production for the three and twelve-month periods ended December 31, 2017 were 5,334 and 20,133 tonnes at C1 cash costs of copper produced of $1.54 and $1.45 per lb., respectively. The Company exceeded its 2017 production forecasts by over 1,100 tonnes of copper while keeping costs largely in-line with expectations after accounting for additional open pit material (reducing blended mill grade) and fluctuations in local currencies. Fourth quarter results reflect the third full quarter of production as the mine was re-commissioned during the first quarter of 2017 and only recorded first production in February 2017 (not a full three months).

In the Vermelhos District, also within the Curaçá Property, the development rate of the Vermelhos Mine continued to outpace previously envisioned timelines. Total development during the three-month period ended December 31, 2017 was 821 meters consisting of 306 meters of primary ramp development, 445 meters of secondary development and 71 meters of auxiliary ramp development accessing the UG1 Target. Development has been completed to the top of the first production level of the main Vermelhos ore body. Key milestones remaining prior to first production, consisting predominately of: release of the mining licence, road construction, completion of surface infrastructure and equipment delivery for purchased equipment are all anticipated prior to the fourth quarter of 2018

Exploration drilling throughout 2017 has predominately been focused on known extensions of mineralization within the three primary mineral districts of the Curaçá Valley of Pilar, Surubim and Vermelhos. At the Pilar District, drilling is focused on delineating additional mineral resources within the Deepening Extension and evaluating exploration targets to the north and northwest of current underground mine (the “North Extension”) where several significant intercepts, including a new discovery highlighted by the recently announced intercept of 43.1 meters grading 1.70% copper including 19.0 meters at 2.49% copper. The newly discovered zone is in close proximity to the current reserves and scheduled mining area of P1P2NE. Drilling at the Surubim district, located approximately 40 kilometers to the north of the Caraíba mill complex and which includes the Surubim open pit mine, is focused on infill and extension drilling adjacent to the Surubim mine.

Exploration activities at the Vermelhos district, located approximately 80 kilometers to the north of the Caraíba mill complex and comprises the high-grade Vermelhos mine currently under construction, is currently focused on upgrading mineral resources and definition drilling for mine planning as well as evaluating copper oxide potential of the district. Infill drilling of the Vermelhos mine has continued to confirm the high-grade nature of the mineral resources with several significant results including 15.8 meters grading 8.84% copper. As the infill drill program of the Vermelhos mine nears completion, drilling will refocus towards exploration of new targets to the immediate east and west of the known mineral resources and reserves as well as down dip extensions of the main Vermelhos ore bodies to the north.

The Company is in the process of initiating a 24,000 line-kilometer airborne geophysical survey of the Curaçá Valley targeting high-grade mineralization. The survey, comprising both electromagnetic and gravity systems, is expected to begin during the first quarter of 2018 and be completed within approximately four months. Data processing will begin with the start of the program.

Please refer to the Company's press releases dated November 9, 2017 and February 22, 2018 for additional information related to the exploration activities of the Company.

Financial Update

During the fourth quarter the Company completed an initial public offering of its common shares, pursuant to which it issued an aggregate of 13,492,317 common shares (including 3,492,317 common shares issued in connection with the full exercise of the over-allotment option by the underwriters of the initial public offering) at C$4.75 per common share, for total gross proceeds of approximately $50.9 million. A fee equal to 6% of the gross proceeds of the initial public offering was paid to the underwriters and other transaction costs were approximately $2.1 million. In addition, a total of 9,116,338 warrants were exercised for an equivalent number of common shares at $1.20 per common share for gross proceeds of $10.9 million during the quarter.

During the fourth quarter, the Company purchased at a discount senior secured notes held by the Company's subsidiary, MCSA, with the face amount of $75.6 million. The Company financed the purchase through a $50 million senior secured non-revolving credit facility with The Bank of Nova Scotia and recognized a $25.6 million reduction in total consolidated debt. Please refer to the Company's press release dated December 21, 2017 for additional information.

Subsequent to December 31, 2017 the Company issued a redemption notice for the $2.75 million convertible notes that were outstanding at year-end. All of the noteholders elected to convert into common shares, resulting in the issuance of 4,059,450 common shares. In addition, 1,014,861 warrants were issued as a result of the conversion and these were exercised for an equivalent number of common shares at $1.20 per common share for gross proceeds of $1.2 million.

2018 Outlook

The Company's production, cash cost and capital expenditure guidance for 2018 is outlined below and detailed in the Company's press release dated January 9, 2018.

	2018[1]
Tonnes Processed Sulphides	2,000,000
Copper Grade (% Cu)	1.50%
Copper Recovery (%)	86.0%
Cu Production Guidance (tonnes)	**25,500 – 27,500**
C1 Cash Cost Guidance (US$/lb)[2]	**$1.30 – $1.40**

Footnotes:

[1] - 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.

[2] - C1 Cash Costs of copper produced (per lb.) is a non-IFRS measures – see page 24 of this MD&A for a discussion of non-IFRS measures.

Production for the year is heavily weighted towards the second half of the year in part due to the commissioning of the Vermelhos Mine, currently anticipated during the fourth quarter, as well as Pilar and Surubim mine sequencing. Cash cost guidance for 2018 assumes a USD:BRL foreign exchange rate of 3.20, gold price of US$1,250 per ounce and silver price of US$17.50 per ounce. C1 Cash Cost guidance has been updated to include treatment and refining charges ("TC/RCs"), offsite transportation costs and certain tax benefits that are passed through to customers on invoicing. These adjustments were not included in prior C1 Cash Cost disclosure.

The Company's capital expenditure guidance for 2018 reflect the acceleration of the Vermelhos mine and a significant expansion of the Company's 2017 exploration programs. Additional investments in the Pilar underground mine and supporting infrastructure are being made during 2018 in preparation for a longer mine life than previously envisioned.

($US millions)	**2018**
Pilar Mine	$39.0
Vermelhos	36.0
Exploration & Drilling [1]	20.0
Boa Esperança	1.0
Capital Expenditure Guidance	**$96.0**

Footnotes:

[1] - Exploration & drilling capital expenditure guidance is dependent, in part, on future exploration success and subject to further review and revision

Boa Esperança, Brazil

While no significant expenditures were incurred related to the advancement of the Boa Esperança property during 2017 beyond maintaining permits and licenses in good standing, a full review of the feasibility study is currently being performed with a goal of significantly extending the mine life and increasing copper production among other desktop optimization initiatives.

NX Gold S/A, Brazil

The NX Gold Property, located in Mato Grosso State, Brazil, is comprised of a single mining concession and various exploration concessions from which the Company currently produces 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. Accordingly, the assets and liabilities of NX Gold are classified as assets and liabilities held for sale.

REVIEW OF FINANCIAL RESULTS

The following table provides a summary of the financial results of the Company for the year ended December 31, 2017 and for the period from incorporation on May 16, 2016 to December 31, 2016. Tabular amounts are in thousands of US dollars, except share and per share amounts.

	Notes	Year ended December 31, 2017	Period ended December 31, 2016[(1)]
Revenue	1	$ 115,445	$ -
Cost of product sold	2	(100,282)	-
Sales expenses		(2,218)	-
Gross profit		12,945	-
Expenses			
General and administrative	3	(20,505)	(1,844)
Care and maintenance	4	-	(3,687)
Loss before the understated		(7,560)	**(5,531)**
Other income (expenses)			
Finance income		2,080	37
Finance expense	5	(18,988)	(1,409)
Foreign exchange gain (loss)	6	(4,101)	3,258
Gain on debt settlement	7	28,727	-
Other income		1,788	137
Loss before income taxes		1,946	(3,508)
Income tax recovery			
Current income tax		(269)	-
Deferred income tax recovery	8	16,614	121
Net income (loss) from continuing operations		18,291	(3,387)
Loss from discontinued operations	9	(807)	(65)
Net income (loss) for the period		17,484	(3,452)
Other comprehensive income (loss)			
Foreign currency translation gain (loss)		(973)	8
Comprehensive income (loss)		$ 16,511	$ (3,444)
Net income (loss) attributable to:			
Owners of the Company		22,466	(3,046)
Non-controlling interests		(4,982)	(406)
		$ 17,484	$ (3,452)
Comprehensive income (loss) attributable to:			
Owners of the Company		21,497	(3,039)
Non-controlling interests		(4,986)	(405)
		$ 16,511	$ (3,444)
Income (loss) per share attributable to owners of the Company			
Income (loss) per share from continuing operations			
Basic		$ 0.36	$ (0.44)
Diluted		$ 0.31	$ (0.44)
Income per share from discontinued operations			
Basic		$ 0.04	$ -
Diluted		$ 0.03	$ -
Net income (loss) per share			
Basic		$ 0.40	$ (0.44)
Diluted		$ 0.34	$ (0.44)
Weighted average number of common shares outstanding			
Basic		56,252,358	6,932,086
Diluted		66,003,387	6,932,086

(1) Period ended December 31, 2016 covers May 16, 2016, the Company's date of inception, to December 31, 2016

Notes:

1. Revenues for the year ended December 31, 2017 include the sale of 19,719 copper tonnes in concentrate. Sales commenced in February 2017.
2. Costs of product sold for the year ended December 31, 2017 includes $32.7 million in depreciation and depletion, $28.7 million in salaries and benefits, $11.7 million in contractor services, $11.7 million in materials and consumables, $8.3 million in maintenance costs, $6.5 million in utilities costs, and $0.7 million in other costs.
3. General and administrative expenses for the year ended December 31, 2017 include $14.1 million with respect to MCSA, and $6.4 million with respect to the corporate head office in Vancouver. Costs at MCSA primarily comprised of $3.0 million in salaries, $2.0 million in professional fees, $4.4 million in office and sundry costs and $4.8 million in regards to provisions for legal, tax and labour claims. Corporate head office costs are primarily comprised of $4.3 million in salaries, short term cash incentives and share based compensation, $0.7 million in professional fees and $0.8 million in travel and conferences, and $0.5 million in office and sundry costs.
4. In the comparative period the Company incurred $3.7 million in care and maintenance expenses associated with MCSA's mining operations from the date of acquisition to December 31, 2016. Mining re-commenced in the first quarter of 2017.
5. Finance expense for the year ended December 31, 2017 include $18.1 million with respect to MCSA, and $0.9 million with respect to the corporate head office in Vancouver. MCSA costs are primarily comprised of interest on loans and borrowings of $14.4 million, accretion of purchase price adjustments to the fair value of certain liabilities and accretion of mine closure and rehabilitation provision of $2.7 million, and $1.0 million of other finance related costs. Corporate head office costs consisted of $0.7 million on financing fees, and $0.2 million of interest on loan. Finance expenses for the comparative period was $1.4 million, reflecting less then one months interest.
6. The foreign exchange loss is primarily associated with US dollar denominated loans and borrowing in MCSA, where the functional currency is the Brazilian Real. For the year ended December 31, 2017, the loss was $4.1 million, whereas in the comparative period a gain of $3.3 million was recorded.
7. The gain on settlement of debt for the quarter ended December 2017, resulted when a Canadian financial institution purchased certain of MCSA's secured bank loans with a total carrying value of $76.3 million. The Company then entered into an arrangement with the Canadian financial institution whereby the Company acquired the rights to any and all payments of interest and principal that MCSA makes to the Canadian financial institution over the term of the loans acquired by the Canadian financial institution. These rights that the Company acquired constitute settlement of certain of MCSA's secured bank loans. The Company acquired these rights for $47.6 million, resulting in a gain on debt settlement of $28.7 million.
8. The deferred income tax recovery of $16.6 million is primarily the result of a tax amnesty program in Brazil that MCSA gained approval to participate in which allowed MCSA to offset part of certain previous accrued taxes payable with the use of non-capital loss carry-forward balances. As the income tax loss carry forwards utilized were not previously recognized, the Company recognized a deferred tax recovery of $16.2 million in the year related to the losses used.
9. Loss from discontinued operations for the year ended December 31, 2017 was $0.8 million from NX Gold, compared to a loss of $0.1 million in the prior year.

The following table provides a summary of the financial results of the Company for the three-month periods ended December 31, 2017 and 2016. Tabular amounts are in thousands of US dollars, except share and per share amounts.

		Three Months ended December 31, 2017			Three Months ended December 31, 2016
Revenue	$	37,818	(1)	$	-
Cost of goods sold		(31,453)	(2)		-
Sales expenses		(583)			-
Gross Profit		**5,782**			**-**
Expenses					
General and administrative		(9,044)	(3)		(1,502)
Care and maintenance		-			(3,687)
Loss before the understated		(3,262)			(5,189)
Other income (expenses)					
Finance income		696			37
Finance expense		(1,743)	(4)		(1,409)
Foreign exchange		(9,292)	(5)		3,258
Gain on debt settlement		28,727	(6)		-
Other income		416			137
Income (loss) before income taxes		**15,542**			(3,166)
Current income tax		(269)			-
Deferred income tax recovery		862			121
Net income (loss) from continuing operations		16,135			(3,045)
Income (loss) from discontinued operations		3,346	(7)		(65)
Net Income (loss) for the period	**$**	**19,481**		$	(3,110)
Net Income (loss) attributable:					
Owners of the Company	**$**	**19,539**		$	(2,704)
Non-controlling interests		**(58)**			(406)
	$	**19,481**		$	(3,110)
Loss per share attributable to owners of the Company					
Income (loss) per share from continuing operations					
Basic	**$**	**0.23**		$	(0.19)
Diluted	**$**	**0.20**		$	(0.19)
Income per share from discontinued operations					
Basic	**$**	**0.05**		$	-
Diluted	**$**	**0.05**		$	-
Net Income (loss) per share					
Basic	**$**	**0.28**		$	(0.19)
Diluted	**$**	**0.24**		$	(0.19)
Weighted average number of common shares outstanding					
Basic		**70,929,120**			14,211,385
Diluted		**81,448,095**			14,211,385
Cash and cash equivalents	**$**	**51,098**		**$**	**18,318**
Total assets	**$**	**381,343**		**$**	**319,035**
Non-current liabilities	**$**	**196,265**		**$**	**110,905**

Notes:

1. Revenues for the quarter ended December 31, 2017 include the sale of 5,448 copper tonnes in concentrate.
2. Costs of goods sold for the quarter ended December 31, 2017 includes $10.8 million in depreciation and depletion, $8.7 million in salaries and benefits, $3.7 million in contractor services, $3.6 million in materials and consumables, $3.0 million in maintenance costs, $2.0 million in utilities, and $0.2 in other costs.
3. General and administrative expenses for the quarter ended December 31, 2017 include $5.7 million with respect to MCSA for salaries, professional fees, office and sundry and provisions for tax, legal and labour claims, and $3.3 million with respect to the corporate head office in Vancouver. Corporate head office costs are primarily comprised of $2.5 million in salaries, short term cash incentives and share based compensation, $0.2 million in professional fees, $0.3 million in office and sundry costs and $0.2 million in travel-related costs.
4. Finance expense for the quarter ended December 31, 2017 was $1.7 million and is primarily comprised of interest on loans and borrowings.
5. The foreign exchange loss is primarily associated with US dollar-denominated loans and borrowings in MCSA, where the functional currency is the Brazilian Real. For the three months ended December 31, 2017, the loss was $9.3 million which is the result of the strengthing of the US dollar relative to the Brazilian Real in the quarter.
6. The gain on settlement of debt for the quarter ended December 2017, resulted when a Canadian financial institution purchased certain of MCSA's secured bank loans with a total carrying value of $76.3 million. The Company then entered into an arrangement with the Canadian financial institution whereby the Company acquired the rights to any and all payments of interest and principal that MCSA makes to the Canadian financial institution over the term of the loans acquired by the Canadian financial institution. These rights that the Company acquired constitute settlement of certain of MCSA's secured bank loans. The Company acquired these rights for $47.6 million, resulting in a gain on debt settlement of $28.7 million.
7. Income from discontinued operations in the quarter ended December 31, 2017 of $3.3 million is from NX Gold.

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.

	2017				2016			
Selected Financial Information	**Dec 31 [1]**	**Sept 30 [2]**	**June 30 [3]**	**March 31 [4]**	**Dec 31 [5]**	**Sep 30 [6]**	**Jun 30 [6]**	**March 31 [6]**
Revenue	$ 37.8	$ 33.0	$ 32.5	$ 12.1	n/a	n/a	n/a	n/a
Cost of sales	$ (31.5)	$ (26.6)	$ (27.2)	$ (14.7)	n/a	n/a	n/a	n/a
Gross profit (loss)	$ 5.8	$ 5.5	$ 4.4	$ (2.8)	n/a	n/a	n/a	n/a
Net income (loss) from continuing operations	$ 16.1	$ 18.7	$ 5.2	$ (21.8)	$ (3.0)	$ (0.2)	$ (0.1)	n/a
Net income (loss) from discontinued operations	$ 3.3	$ (0.9)	$ (1.6)	$ (1.6)	$ (0.1)	$ -	$ -	n/a
Net income (loss) for period	$ 19.5	$ 17.8	$ 3.6	$ (23.4)	$ (3.1)	$ (0.2)	$ (0.1)	n/a
Income (loss) per share from continuing operations attributable to owners of the Company								
- Basic	$ 0.23	$ 0.33	$ 0.08	$ (0.48)	$ (0.19)	$ (0.08)	$ (53,500)	n/a
- Diluted	$ 0.20	$ 0.29	$ 0.07	$ (0.48)	$ (0.19)	$ (0.08)	$ (53,500)	n/a
Income (loss) per share attributable to owners of the Company								
- Basic	$ 0.28	$ 0.32	$ 0.07	$ (0.49)	$ (0.19)	$ (0.08)	$ (53,500)	n/a
- Diluted	$ 0.24	$ 0.29	$ 0.06	$ (0.49)	$ (0.19)	$ (0.08)	$ (53,500)	n/a
Weighted average number of common shares outstanding	70,929,120	56,772,684	56,772,684	40,191,450	14,211,385	3,043,480	2	n/a

1. During the three month period ended December 31, 2017, the Company experienced gross profit of approximately $5.8 million from mining operations. MCSA experienced their third straight full quarter of concentrate sales from operations. Net income from continuing operations for the period was $16.1 million, which included the gross profit of $5.8 million, a $28.7 million gain on the successful settlement of certain MCSA debt balances, and $0.6

million on net income tax recovery. These income items where partially offset by $9.3 million in foreign exchange loss on US dollar denominated debt as the US dollar strengthened compared to the Brazilian Real, $1.7 million of finance expense, and $9.0 million in general and administrative expenses.

2. During the three month period ended September 30, 2017, the Company experienced gross profit of approximately $5.5 million from mining operations. MCSA experienced a second full quarter of concentrate sales as operations continued to ramp up. Net income from continuing operations for the period was $18.7 million, which included the gross profit of $5.5 million, $6.9 million in foreign exchange gains on US dollar denominated debt as the US dollar weakened compared to the Brazilian Real, and a $15.0 million deferred income tax recovery primarily resulting from receipt of approval of MCSA's inclusion in a tax amnesty program previously discussed in this MD&A. These income items were partially offset by $5.8 million of finance expense and $4.0 million in general and administrative expenses.
3. During the three month period ended June 30, 2017, the Company experienced gross profit of approximately $4.4 million from mining operations. MCSA experienced a full quarter of concentrate sales as operations continue to ramp up. Net income from continuing operations for the period was $5.2 million, which included the gross profit of $4.4 million and $8.3 million in foreign exchange gains on US dollar denominated debt as the US dollar weakened compared to the Brazilian Real, and a $0.8 million deferred income tax recovery partially offset by $6.7 million of finance expense and $2.5 million in general and administrative expenses.
4. During the three month period ended March 31, 2017, the Company experienced a loss of approximately $2.8 million from mining operations. MCSA's operations at its Vale do Curaçá Property resumed in January of 2017 but sales of copper concentrate sales did not commence until the latter portion of February 2017. Net loss from continuing operations for the period was $21.8 million, which included the $2.8 million loss from mining operations, $6.7 million of finance expense, $10.4 million foreign exchange loss on US dollar denominated debt as the US dollar strengthened compared to the Brazilian Real, and $4.3 million in general and administrative expenses, partially offset by $2.6 million in finance and other income.
5. On December 12, 2016, the Company acquired an approximate 85% interest in MCSA and an approximate 28% interest in NX Gold. In connection with such acquisitions, MCSA and NX Gold withdrew from judicial reorganization proceedings. The loss for the quarter ended December 31, 2016 includes $2.4 million associated with MCSA from the date of acquisition.
6. The Company was incorporated on May 16, 2016, and consequently, did not have any operations prior to such time.

LIQUIDITY, CAPITAL RESOURCES AND CONTRACTUAL OBLIGATIONS

Liquidity

As at December 31, 2017, the Company held cash and cash equivalents of $51.1 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 $32.8 million during the financial year ended December 31, 2017. The Company's cash flows from operating, investing and financing activities during the year are summarized as follows:

- Cash flows from financing activities of approximately $72.3 million, including:
  - $83.7 million proceeds from issuance of share capital;
  - $47.8 million proceeds from new loans and borrowings, net of finance costs; and
  - $2.8 million net proceeds on issuance of convertible debentures,

  net of:
  - $47.3 million on purchase of participation agreement;
  - $8.9 million on repayment on loans and borrowings and associated interest;
  - $3.2 million of other finance related costs; and
  - $2.2 million move to restricted cash

- Cash from operating activities of $21.2 million;

Offset by:

- Cash used in investing activities of $62.3 million, principally related to additions to mineral property, plant and equipment;

As at December 31, 2017, the Company had a working capital surplus of $42.6 million. During the year ended December 31, 2017, the Company raised gross proceeds of approximately $30.4 million by way of a private placement offering of an aggregate principal amount of $2.75 million of convertible debentures and a private placement offering of common shares for gross proceeds of approximately $27.6 million. In addition, the Company issued 13,492,317 common shares at C$4.75 per common share (the "Treasury Offering") pursuant to the IPO for total gross proceeds of approximately $50.9 million. A fee equal to 6% of the gross proceeds of the offering was paid to underwriters and related transaction costs were approximately $2.1 million. 9,116,338 warrants with an exercise price of $1.20 per common share were exercised for an equivalent number of common shares for gross proceeds of $10.9 million.

The Company does not expect to have any issues with respect to its ability to service its debt obligations. The Company has restructured its core debt such that there are no significant principal repayments in the next 12 months, at which time the Company anticipates that the Vermelhos Mine will have reached commercial production. The restructured debt repayment obligations are repayable over an eight-year period commencing at the earliest of the date of commercial production at the Vermelhos Mine or, at the latest, 29 months following the signing of its restructured loan agreements (May 2019). The Company expects, based on estimated cash flows, that the risk to the Company of being unable to service its debt obligations is largely limited to a significant drop in the underlying commodity price and certain other factors that may cause a delay with respect to the commencement of commercial production at the Vermelhos Mine.

With the net proceeds from the Treasury Offering and the warrant exercise added to the Company's estimated future cash flows, the Company will have adequate ability to service its ongoing obligations and cover anticipated development, exploration, and corporate costs associated with its existing operations for the next 12 months.

Capital Resources

The Company's primary sources of capital resources are comprised of cash and cash equivalents and 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. As noted above, management believes that following the October 2017 Treasury Offering, the Company has sufficient working capital to maintain its planned operations and activities for the next fiscal year.

Certain loan agreements contain operating and financial covenants that could restrict the ability of the Company and its subsidiary, MCSA, to, among other things, incur additional indebtedness needed to fund its respective operations, pay dividends or make other distributions, make investments, create liens, sell or transfer assets or enter into transactions with affiliates. There are no other restrictions or externally imposed capital requirements of the Company.

Contractual Obligations and Commitments

As at December 31, 2017, the Company's contractual obligations and commitments are summarized as follows:

The Company has entered into agreements for the rental of office space that require minimum payments as follows:

2018	$	68
2019		70
2020		71
2021		71
2022		30
Total Commitments	**$**	**310**

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.

(a) Management of financial risks

The Company is exposed to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

Credit risk

Credit risk is the risk of the Company incurring losses from a financial instrument arising from a counterparty's failure to comply with its contractual obligations.

With regards to the financial investments, the Company aims to invest cash and cash equivalents with financial institutions that are financially sound based on their credit ratings.

The carrying value of the financial assets below represents the maximum credit risk exposure as at December 31, 2017 and 2016:

		December 31, 2017		December 31, 2016
Cash and cash equivalents	**$**	**51,098**	$	18,318
Restricted cash		**2,193**	$	-
Accounts receivable		**2,217**		76
Deposits		**1,955**		2,021
Financal investments		**753**		598
	$	**58,216**	$	21,013

The Company invests cash and cash equivalents and restricted cash with financial institutions that are financially sound based on their credit rating. The Company's exposure to credit risk associated with accounts receivable is influenced mainly by the individual characteristics of each customer. The Company currently has only 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 year ended December 31, 2017 nor does it have an allowance for doubtful accounts.

Liquidity risk

Liquidity risk is the risk associated with the difficulties that the Company may have meeting the obligations associated with financial liabilities that are settled with cash payments or with another financial asset. The Company's approach to liquidity risk management is to ensure as much as possible that sufficient liquidity exists to meet its maturity obligations on the expiration dates, under normal and stressful conditions, without causing unacceptable losses or with the risk of undermining the normal operation of the Company.

The table below shows the Company's maturity of financial liabilities as at December 31, 2017:

Non-derivative Financial Liabilities	**Carrying value**	**Contractual cash flows**	**Up to 12 months**	**1-2 years**	**3-5 years**	**More than 5 years**
Loans and borrowings	$ 139,166	$ 145,687	$ 5,601	$ 26,938	$ 70,865	$ 42,283
Interest on loans and borrowings	-	53,278	11,931	12,616	21,518	7,213
Accounts payable and accrued liabilities	20,968	20,968	20,968	-	-	-
Value added, payroll and other taxes	21,935	29,861	6,857	8,238	5,819	8,947
	$ 182,069	**$ 249,794**	**$ 45,357**	**$ 47,792**	**$ 98,202**	**$ 58,443**

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices. The purpose of market risk management is to manage and control exposures to market risks, within acceptable parameters, while optimizing return.

The Company may use derivatives, including forward contracts and swap contracts, to manage market risks. At December 31, 2017, the Company has entered into foreign exchange swap contracts to sell $57.0 million U.S. dollars into Brazilian Real at rates ranging from 3.2673 to 3.3307. The maturity dates of these contracts range from January 10, 2018 to June 25, 2018. The fair value of these contracts at December 31, 2017 was a $0.9 million liability, which has been included in Derivatives in the statement of financial position.

(a) Foreign exchange currency risk

The Company's subsidiaries in Brazil are exposed to exchange risks related to the US dollars. 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. The Company's exposure to foreign exchange currency risk at December 31, 2017 relates primarily to $73.2 million (December 31, 2016 – $142.5 million) in loans and borrowings of MCSA denominated in US dollars. Strengthening (weakening) in the Brazilian Real against the US dollar by 10% and 20%, would have reduced (increased) net loss by $7.3 million and $14.6 million, respectively (December 31, 2016 – reduced (increased) net loss by $14.3 million and $28.5 million). 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.

(b) Interest rate risk

The Company is 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.

A majority of the Company's loans and borrowings are fixed rate. However, the Company is exposed to interest rate risk through its senior non-revolving credit facility of $47.8 million and one Brazilian Real denominated bank loan of $8.0 million. The Company currently does not engage in any hedging or derivative transactions to manage interest rate risk. Based on the Company's net exposure at December 31, 2017, a reasonably possible change in the Certificate of Interbank Deposit ("CDI") rate and the Canada Base Rate ("CBR") would not have a material impact on profit or equity.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices related to copper concentrate sales. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors copper and gold prices to determine the appropriate course of action to be taken by the Company. The Company's primary exposure related to commodity price risk relates to its sales of copper concentrate, which may be subject to provisional pricing. Accordingly, the related receivables are marked to market on each balance sheet date based on forward price curves until such time as the sales price is fixed. Changes in the forward prices affect the amount of revenue recognized. As at December 31, 2017, the Company had no sales or receivables subject to provisional pricing.

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 the Company's Annual Information Form for the year ended December 31, 2017 and dated March 28, 2018 (the "AIF").

OTHER FINANCIAL INFORMATION

Off-Balance Sheet Arrangements

As at December 31, 2017, 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 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 liability of up to approximately $20.2 million, which could have an adverse impact on the Company's business, financial condition, results of operations, cash flows or prospects.

Outstanding Share Data

At March 28, 2018, the Company had 84,455,650 common shares; 3,678,000 stock options, and 3,333,328 warrants issued and outstanding.

Related Party Disclosures

For the year ended December 31, 2017, 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 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 year ended December 31, 2017 was $3.3 million ($0.02 million for period from May 16, 2016 to December 31, 2016). In addition, 2,453,000 stock options were issued to key management personnel with $0.6 million recognized in share-based compensation for the year ended December 31, 2017 ($nil for period from May 16, 2016 to December 31, 2016).

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 13(b)) during the year ended December 31, 2017. In addition, key management personnel exercised a combined total of 919,996 warrants for common shares. Key management personnel participated in certain financing activities by purchasing 11,710,000 units of the Company for total proceeds of $2,800,000 during the year ended December 31, 2016.

As at December 31, 2017, no amounts payable to related parties were included in the consolidated financial statements. As at December 31, 2016, included in accounts payable and accrued liabilities and loans and borrowings were amounts payable to related parties totalling $60,000 and $325,000, respectively. Such amounts were unsecured, non-interest bearing and were repaid under normal trade terms.

ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Critical Accounting Judgments and Estimates

The preparation of condensed consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

The Company's significant accounting policies and accounting estimates are contained in the Company's December 31, 2017 consolidated financial statements. Certain of these policies, such as, capitalization and depreciation of property, plant and equipment and mining interests, derivative instruments, decommissioning liabilities provisions, and business combinations involve critical accounting estimates because they require management of the Company to make subjective or complex judgments about matters that are inherently uncertain, and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

In preparing its financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of the assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Critical Judgments

Going concern

The preparation of these consolidated financial statements requires management to make judgments regarding its ability to continue as a going concern as discussed in Note 1 of the audited consolidated financial statements as at December 31, 2017.

Functional currency

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the entities operate. The Company has determined that the functional currency for the Company is the US dollar while the functional currency for MCSA and NX Gold is the Brazilian Real. Assessment of functional currency involves certain judgements to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Key Sources of Estimation Uncertainty

Business Combinations

Accounting for business combinations requires estimates with respect to the fair value of the assets and liabilities acquired. Such estimates require valuation methods including discounted cash flows, depreciated replacement costs and other methods. These models use forecasted cash flows, discount rates, current replacement costs and other assumptions. Changes in these assumptions changes the value assigned to the acquired assets and liabilities and goodwill, if any.

Significant assumptions related to the acquisition of MCSA and NX Gold are disclosed in Note 3 of the audited consolidated financial statements as at December 31, 2017.

Impairment of property, plant and equipment

The Company evaluates each asset or cash generating unit every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use. The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, production budgets and forecasts, and life-of-mine estimates.

When required, the determination of fair value and value in use requires management to make estimates and assumptions about expected production, sales volumes, commodity prices, mineral reserves, operating costs, closure and rehabilitation costs and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of operations and comprehensive income (loss).

Mineral reserve estimates including life of mine plan

The Company estimates its mineral reserves and mineral resources based on information compiled by competent individuals. Mineral reserves are used in the calculation of depreciation, impairment assessments and for forecasting the timing of payment of mine closure and rehabilitation costs.

There are numerous uncertainties inherent in estimating mineral reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the estimation methodology, forecasted prices of commodities, exchange rates, production costs or recovery rates may change the economic status of mineral reserves and may, ultimately, result in changes in the mineral reserves.

The carrying amounts of the Company's mineral properties, plant and equipment are depleted based on recoverable mineral reserve tonnes processed, depending on the use of the asset. Changes to estimates of recoverable quantities of base metals, mineral reserve tonnes and depletable costs, including changes resulting from revisions to the Company's mine plans and changes in metals prices forecasts, can result in a change to future depreciation and depletion rates and may result in impairment charges.

Mine closure and rehabilitation costs

Significant estimates and assumptions are made in determining the provision for mine closure and rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimation of the extent and cost of rehabilitation activities; timing of future cash flows that are also impacted by changes in discount rates; inflation rate; and regulatory requirements.

Changes in the above factors can result in a change to the provision recognized by the Company. Changes to mine closure and rehabilitation costs are recorded with a corresponding change to the carrying amounts of related mineral properties, plant and equipment. Adjustments to the carrying amounts of related mineral properties, plant and equipment can result in a change to future depreciation and depletion expense.

Significant assumptions used to determine mine closure and rehabilitation costs are included in Note 12(a) of the audited consolidated financial statements as at December 31, 2017.

Inventory

The net recoverable value of production in work in progress inventory is based on the quantity of recoverable metal inventory which is an estimate based on the tons of ore added and removed from the process, expected grade and recovery rates. The quantity of recoverable metal in concentrate inventory is an estimate based on initial weights and assay results.

Fair value of embedded derivatives

The value of trade receivables from the sale of copper concentrate is measured using quoted forward market prices as at the balance sheet date that correspond to the settlement date of the provisional pricing period for the estimated metals contained within the concentrate. Fluctuations in the underlying market prices of copper, silver and gold, metal content and concentrate weight can cause significant changes to the ultimate final settlement value of the receivables and the final revenue recorded can vary significantly as a result.

Measurement of fair value

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses observable market data, as much as possible. Fair values are classified into different levels in a hierarchy based on the inputs used in the valuation techniques, as follows:

- **Level 1**: quoted prices (without adjustments) in active markets for identical assets or liabilities.
- **Level 2**: inputs other than Level 1 quoted prices, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3**: inputs, for assets or liabilities, that are not based on observable market information (non-observable inputs).

The Company recognizes transfers between levels of the hierarchy of fair value at the end of the reporting period during which the change occurred.

When applicable, additional information on the assumptions used in the fair value calculations are disclosed in the specific notes of the corresponding asset or liability.

Future Changes in Accounting Policies Not Yet Effective as at December 31, 2017

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018. The standards that may have a significant impact on the consolidated financial statements are as follows:

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 IFRS standards.

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.

While the Company is currently completing its evaluation of the new standard, the Company does not expect any significant impact on the consolidated financial statements from the adoption of IFRS 15.

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.

While the Company is currently completing its evaluation of the new standard, the Company does not expect any significant impact on the consolidated financial statements from the adoption of IFRS 9

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.

While the Company is currently completing its evaluation of the new standard, the Company does not expect any significant impact on the consolidated financial statements from the adoption of IFRS 16.

Local Currency Operating Metrics – Presented in Brazilian reais

		3 months ended December 31, 2017	3 months ended December 31, 2016[1]		Year ended December 31, 2017	Period ended December 31, 2016[1]
Costs						
Mining - UG	R$	39,109	n/a	R$	120,701	n/a
- OP		10,504	n/a		44,496	
Processing		15,483	n/a		54,860	n/a
Indirect		5,001	n/a		19,680	n/a
Production costs		70,098	n/a		239,738	n/a
Capex development		(7,598)	n/a		(21,032)	n/a
By-product credits		(3,802)	n/a		(13,265)	n/a
C1 Cash Costs	**R$**	**58,698**	**n/a**	**R$**	**205,441**	**n/a**
Breakdown Mined and Processed (tonnes)						
UG Mined		292,558	n/a		965,626	n/a
OP Mined		1,130,505	n/a		3,508,430	n/a
Total Mined (t):		**1,423,063**	**n/a**		**4,474,056**	**n/a**
Total Processed (t)		**452,371**	**n/a**		**1,771,209**	**n/a**
Cu Production (t)		**5,334**	**n/a**		**20,133**	**n/a**
UG Mining - R$/tonne mined		133.68	n/a		125.00	n/a
OP Mining - R$/tonne mined		9.29	n/a		12.68	n/a
Processing -R$/S tonne processed		34.23	n/a		30.97	n/a
Indirect -R$/S tonne processed		11.06	n/a		11.11	n/a
Cash Cost of Copper produced (t)	**R$**	**11,004**	**n/a**	**R$**	**10,204**	**n/a**

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.

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), EBITDA, 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.

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 exclude treatment, refining charges and offsite costs. 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.

	3 months ended December 31, 2017	3 months ended December 31, 2016[1]	Year ended December 31, 2017	Period ended December 31, 2016[1]
Costs				
Mining	$ 15,165	n/a	$ 51,756	n/a
Processing	5,540	n/a	17,188	n/a
Indirect	927	n/a	6,166	n/a
Production costs	21,632	n/a	75,110	n/a
Capex development	(2,374)	n/a	(6,589)	n/a
By-product credits	(1,173)	n/a	(4,156)	n/a
C1 Cash Costs	**$ 18,085**	n/a	**$ 64,365**	n/a
Costs per pound				
Payable copper produced (lb)	**11,760**	**n/a**	**44,385**	**n/a**
Mining	1.29	n/a	1.17	n/a
Processing	0.47	n/a	0.39	n/a
Indirect	0.08	n/a	0.14	n/a
Capex development	(0.20)	n/a	(0.15)	n/a
By-product credits	(0.10)	n/a	(0.09)	n/a
C1 Cash Cost of Copper produced (per lb)	**1.54**	**n/a**	**1.45**	**n/a**

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.

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.

	3 months ended December 31, 2017	3 months ended December 31, 2016[1]	Year ended December 31, 2017	Period ended December 31, 2016[1]
Reconciliation:				
Cost of Product Sold	$ 31,453	n/a	$ 100,282	n/a
Add (less):				
Depreciation/amortization/depletion	(10,763)	n/a	(32,672)	n/a
Net Change in Inventory	(424)	n/a	1,009	n/a
Transportation costs & other	356	n/a	1,738	n/a
By-product credits	(1,173)	n/a	(4,156)	n/a
Foreign exchange translation adjustments	(1,364)	n/a	(1,836)	n/a
C1 Cash costs	**$ 18,085**	**n/a**	**64,365**	**n/a**

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.

Earnings before interest, taxes, depreciation, and amortization ('EBITDA')

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

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

- Gain on debt settlement
- Foreign exchange gain (loss)

		3 months ended December 31, 2017		3 months ended December 31, 2016[1]		Year ended December 31, 2017		Period ended December 31, 2016[1]
Reconciliation:								
Net Income (loss)	$	19,481	$	(3,110)	$	17,484	$	(3,452)
Adjustments:								
Finance expenses		1,743		1,041		18,988		1,409
Taxes		(593)		(121)		(16,345)		(121)
Depreciation/amortization/depletion		10,793		-		32,727		-
EBITDA		**31,424**		**(2,190)**		**52,854**		**(2,164)**
Gain on debt settlement		(28,727)		-		(28,727)		-
Foreign exchange loss (gain)		9,292		(3,258)		4,101		(3,258)
Adjusted EBITDA	**$**	**11,989**	**$**	**(5,448)**	**$**	**28,228**	**$**	**(5,422)**

Footnotes

[1] - Ero was incorporated on May 16, 2016. MCSA was acquired December 12, 2016. Operations did not commence until 1st quarter of 2017.

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 it's debt. The following table provides a calculation of net debtl based on amounts presented in the Company's consolidated financial statements as at December 31, 2017 and 2016.

		December 31, 2017		December 31, 2016
Cash and cash equivalents	$	51,098	$	18,318
Restricted cash		2,193	$	-
Less: Current portion of loans and borrowings		(5,601)		(108,137)
Long-term portion of loans and borrowings		(133,565)		(53,987)
Net Debt	**$**	**(85,875)**	**$**	**(143,806)**

Working Capital

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. The following table provides a calculation of working capital based on amounts presented in the Company's consolidated financial statements as at December 31, 2017 and 2016.

		December 31, 2017		December 31, 2016
Current Assets	$	97,892	$	54,408
Less: Current Liabilities		(55,332)		(183,757)
Working Capital (Deficit)	**$**	**42,560**	**$**	**(129,349)**

NOTE REGARDING SCIENTIFIC AND TECHNICAL INFORMATION

Unless otherwise indicated, Ero has prepared the technical information in this MD&A ("Interim Technical Information") based on information contained in the report entitled "2017 Updated Mineral Resources and Mineral Reserves Statements of Mineração Caraíba's Vale do Curaçá Mineral Assets, Curaçá Valley", dated September 7, 2017 with an effective date of June 1, 2017, prepared by Rubens Mendonça, MAusIMM, formerly of SRK Consultores do Brasil Ltda. (now with Planminas – Projecctos e Consultoria em Mineração Ltda.), and Porfirio Cabaleiro Rodrigues, MAIG, Mário Conrado Reinhardt, MAIG, Fábio Valério Xavier, MAIG, and Bernardo H.C. Viana, MAIG, all of GE21 Consultoria Mineral (the "Vale do Curaçá Technical Report"). The Vale do Curaçá Technical Report was prepared by or under the supervision of a qualified person (a "Qualified Person") as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101").

The disclosure of Interim Technical Information in this MD&A, including sampling procedures and monthly mass balance data underlying the information contained therein, 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 intention to dispose of NX Gold in the next year, expected operations at the Pilar Mine, timing of production at the Vermelhos Mine, drilling plans, plans for the Company's electromagnetic survey, the Company's ability to service its ongoing obligations, the Company's future capital resources 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 MD&A 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 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.

ADDITIONAL INFORMATION

Additional information about Ero and its business activities, including the AIF, is available under the Company's profile at www.sedar.com.