CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Ero Copper Corp.

Opinion

We have audited the consolidated financial statements of Ero Copper Corp. ("the Company"), which comprise:

– the consolidated statements of financial position as at December 31, 2018 and December 31, 2017;

– the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended; and

– notes to the consolidated statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

– the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

– information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

– Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Robert Ryan Owsnett, CPA, CA.

Vancouver, Canada
March 14, 2019

Ero Copper Corp.

Consolidated Statements of Financial Position

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

ASSETS	Notes	As at December 31, 2018	As at December 31, 2017
Current			
Cash and cash equivalents		$ 18,941	$ 51,098
Restricted cash	10(b)	3,000	2,193
Accounts receivable		7,219	2,217
Inventories	5	14,645	8,478
Derivatives	22	254	-
Other current assets	6	6,895	6,243
Assets held for sale	4	-	27,663
		50,954	97,892
Non-Current			
Mineral property, plant and equipment	7	280,804	254,383
Exploration and evaluation assets	8	25,563	26,278
Deposits		1,334	1,955
Other non-current assets		1,784	835
		309,485	283,451
Total Assets		$ 360,439	$ 381,343
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9, 21(b)	$ 36,390	$ 20,968
Deferred revenue		1,916	-
Current portion of loans and borrowings	10	10,602	5,601
Current portion of value added, payroll and other taxes payable	11	11,357	6,857
Derivatives	22	-	949
Liabilities related to assets held for sale	4	-	20,957
		60,265	55,332
Non-Current			
Loans and borrowings	10	141,632	133,565
Provisions	12	31,509	30,314
Value added, payroll and other taxes	11	6,593	15,078
Other non-current liabilities		807	653
Deferred income tax liabilities	20	15,811	16,655
		196,352	196,265
Total Liabilities		256,617	251,597
SHAREHOLDERS' EQUITY			
Share capital	14	117,944	113,050
Equity reserves		(24,755)	(83)
Convertible debentures	13	-	3,011
Retained earnings		10,337	14,011
Equity attributable to owners of the Company		103,526	129,989
Non-controlling interests		296	(243)
		103,822	129,746
Total Liabilities and Equity		$ 360,439	$ 381,343

Nature of operations (Note 1); Commitments (Note 24); Contingencies (Note 12(c)); Subsequent events (Notes 10(a), 10(d), 14(c) and 14(d))

APPROVED ON BEHALF OF THE BOARD:

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

Ero Copper Corp.

Consolidated Statements of Operations and Comprehensive Income (Loss)

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

	Notes		Year ended December 31, 2018		Year ended December 31, 2017 (Recast - Note 4)
Revenue	15	$	**233,105**	$	148,241
Cost of product sold	16		**(147,611)**		(128,009)
Sales expenses			**(3,268)**		(2,225)
Gross profit			**82,226**		18,007
Expenses					
General and administrative	17		**(29,000)**		(22,940)
Share-based compensation	14(c)		**(3,225)**		(879)
Income (loss) before the understated			**50,001**		(5,812)
Other income (expenses)					
Finance income			**1,303**		2,276
Finance expense	18		**(22,562)**		(20,709)
Foreign exchange loss	19		**(20,713)**		(4,296)
Gain (loss) on debt settlement	10(a)(b)		**(5,476)**		28,727
Other income			**108**		1,788
Income before income taxes			**2,661**		1,974
Income tax recovery (expense)					
Current			**(2,899)**		(1,104)
Deferred			**(2,753)**		16,614
			(5,652)		15,510
Net income (loss) for the year			**(2,991)**		17,484
Other comprehensive income (loss)					
Foreign currency translation loss			**(27,801)**		(973)
Comprehensive income (loss)		$	**(30,792)**	$	16,511
Net income (loss) attributable to:					
Owners of the Company			**(3,155)**		22,466
Non-controlling interests			**164**		(4,982)
		$	**(2,991)**	$	17,484
Comprehensive income (loss) attributable to:					
Owners of the Company			**(30,845)**		21,497
Non-controlling interests			**53**		(4,986)
		$	**(30,792)**	$	16,511
Income per share attributable to owners of the Company	14(f)				
Net income per share					
Basic		$	**(0.04)**	$	0.40
Diluted		$	**(0.04)**	$	0.34
Weighted average number of common shares outstanding					
Basic			**83,927,977**		56,252,358
Diluted			**83,927,977**		66,003,387

Ero Copper Corp.

Consolidated Statement of Changes in Shareholders' Equity

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

	Share Capital		Equity Reserves						
	Number of shares	Amount	Contributed surplus	Foreign exchange	Convertible debentures	Retained earnings (deficit)	Total	Non-controlling interest	Total equity
Balance, December 31, 2016	38,349,091	$ 27,817	$ -	$ 7	$ -	$ (3,046)	$ 24,778	$ (405)	$ 24,373
Income (loss) for the year	-	-	-	-	-	22,466	22,466	(4,982)	17,484
Other comprehensive loss for the year	-	-	-	(969)	-	-	(969)	(4)	(973)
Total comprehensive income (loss) for the year	-	-	-	(969)	-	22,466	21,497	(4,986)	16,511
Shares issued for:									
Private placements (note 14(a))	18,423,593	27,635	-	-	-	-	27,635	-	27,635
Initial Public Offering (note 14(b))	13,492,317	50,941	-	-	-	-	50,941	-	50,941
Exercise of warrants (note 14(d))	9,116,338	10,949	-	-	-	-	10,949	-	10,949
Share issuance costs	-	(5,825)	-	-	-	-	(5,825)	-	(5,825)
Deferred taxes on share issuance costs	-	1,533	-	-	-	-	1,533	-	1,533
Convertible debentures (note 13)	-	-	-	-	2,750	-	2,750	-	2,750
Accrued interest on convertible debentures	-	-	-	-	261	(261)	-	-	-
Stock-based compensation (note 14(c))	-	-	879	-	-	-	879	-	879
Step-up acquisition of MCSA from 85% to 99.5% and NX Gold from 28% to 97.6%	-	-	-	-	-	(5,148)	(5,148)	5,148	-
Balance, December 31, 2017	79,381,339	$ 113,050	$ 879	$ (962)	$ 3,011	$ 14,011	$ 129,989	$ (243)	$ 129,746
Income (loss) for the year	-	-	-	-	-	(3,155)	(3,155)	164	(2,991)
Other comprehensive loss for the year	-	-	-	(27,690)	-	-	(27,690)	(111)	(27,801)
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**(27,690)**	**-**	**(3,155)**	**(30,845)**	**53**	**(30,792)**
Shares issued for:									
Exercise of warrants (note 13)	1,014,861	1,218	-	-	-	-	1,218	-	1,218
Exercise of options (note 14(c))	283,000	632	(207)	-	-	-	425	-	425
Share-based compensation (note 14(c))	-	-	3,225	-	-	-	3,225	-	3,225
Accrued interest on convertible debentures	-	-	-	-	33	(33)	-	-	-
Convertible debentures (note 13)	4,059,450	3,044	-	-	(3,044)	-	-	-	-
Reclassification of non-controlling interest allocation	-	-	-	-	-	(486)	(486)	486	-
Balance, December 31, 2018	**84,738,650**	**$ 117,944**	**$ 3,897**	**$ (28,652)**	**$ -**	**$ 10,337**	**$ 103,526**	**$ 296**	**$ 103,822**

Consolidated Statements of Cash Flows

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

	Notes	Year ended December 31, 2018	Year ended December 31, 2017 (Recast - Note 4)
Cash Flows from Operating Activities			
Net income (loss) for the year		$ **(2,991)**	$ 17,484
Adjustments for:			
Amortization and depreciation		**45,297**	38,142
Income tax expense (recovery)		**5,652**	(15,510)
Gain (loss) on debt settlement		**5,476**	(28,727)
Write-off of inventory		**279**	-
Write-off of property, plant and equipment		**3,503**	1,668
Provisions		**(1,464)**	4,635
Share-based compensation		**3,225**	879
Finance income		**(1,303)**	(2,276)
Finance expenses		**22,562**	20,709
Foreign exchange loss		**20,713**	4,296
Derivative contract settlements		**(10,119)**	191
Changes in:			
Accounts receivable		**(4,616)**	(3,285)
Inventories		**(5,225)**	(1,175)
Other assets		**3,192**	2,208
Accounts payable and accrued liabilities		**6,855**	(3,228)
Deferred revenue		**1,707**	-
Value added, payroll and other taxes		**(5,606)**	(1,939)
Other liabilities		**(1,967)**	929
		85,170	35,001
Income taxes paid		**(2,228)**	(269)
		82,942	34,732
Cash Flows used in Investing Activities			
Additions to mineral property, plant and equipment, net		**(97,556)**	(63,263)
Additions to exploration and evaluation assets		**(3,616)**	(798)
Interest received		**198**	832
		(100,974)	(63,229)
Cash Flows (used in) from Financing Activities			
Convertible debentures		**-**	2,750
Convertible debentures - facility fee		**-**	(250)
Restricted cash		**(807)**	(2,193)
Purchase of participation agreement (Note 10(c))		**-**	(47,328)
New loans and borrowings, net of finance costs		**141,488**	54,489
Loans and borrowings paid		**(127,369)**	(16,438)
Interest paid on loans and borrowings		**(11,522)**	(4,741)
Other finance expenses		**(10,765)**	(10,188)
Issuance of share capital, net of issuance costs		**1,643**	83,700
		(7,332)	59,801
Effect of exchange rate changes on cash and cash equivalents		**(6,842)**	1,523
Net (decrease) increase in cash and cash equivalents		**(32,206)**	32,827
Cash and cash equivalents - beginning of year		**51,147**	18,320
Cash and cash equivalents - end of year		$ **18,941**	$ 51,147
Cash at year-end consists of:			
Cash and cash equivalents		**18,941**	51,098
Cash included in assets held for sale		**-**	49
Cash and cash equivalents - end of year		$ **18,941**	$ 51,147

1. Nature of Operations and Going Concern

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

The Company's principal asset is its 99.6% ownership interest in Mineração Caraíba S.A. ("MCSA"). The Company also currently owns a 97.6% ownership interest in NX Gold S.A. ("NX Gold").

MCSA is a Brazilian company which holds a 100% interest in the Vale do Curaçá Property and the Boa Esperança Property (Note 8). MCSA's predominant activity is the production and sale of copper concentrate from the Vale do Curaçá Property, with gold and silver produced and sold as by-products. The Vale do Curaçá Property is located in the Curaçá Valley near the municipality of Jaguarai, in northeastern part of the state of Bahai, Brazil, and includes fully integrated processing operations, three active mines, and three past producing mines. 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"). The past producing operations include the historic open pit mines of R22W ("R22W Mine"), the Angicos ("Angicos Mine"), and the Suçuarana ("Suçuarana Mine"). The Boa Esperança Property is located within the municipality of Tucumã in the southeastern part of the state of Pará, Brazil, and consists of a single mineral concession covering an area of 4,033.81 hectares ("ha"). On December 12, 2016, Ero acquired an 85% interest in MCSA and in June and December 2017, the Company acquired an additional 14.6% interest in MCSA by subscribing to shares issued from MCSA's treasury. The Company has consolidated MCSA from the acquisition date and net income (loss) of the Company includes the net income (loss) of MCSA from the acquisition date.

NX Gold is a Brazilian gold mining company focused on the exploration and commercialization of gold as its main product and silver as its sub-product. NX Gold wholly owns an approximately 31,730.3 ha property, located approximately 18 kilometers west of the town of Nova Xavantina, southeastern Mato Grosso State, Brazil, consisting of a single mining concession covering an area of 620 ha, where all gold mining and processing activities occur. On December 12, 2016, Ero acquired a 28% economic interest in NX Gold in conjunction with the acquisition of MCSA. In August 2017, the Company increased its ownership interest in NX Gold to approximately 97.6% by way of a capital increase transaction. The Company has consolidated NX Gold since December 12, 2016 as it has controlled NX Gold since such date. The assets and liabilities of NX Gold were classified as assets and liabilities held for sale at December 31, 2017 and its results of operation were classified as discontinued operations for the year ended December 31, 2017. In the fourth quarter of 2018, the Company decided to continue to hold its interest in NX Gold rather than to actively sell its interest. Accordingly, the comparative statements of operations and comprehensive income and cash flows have been restated to reflect NX Gold as a continuing operation (note 4).

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Taking into consideration the expected cash flow from existing operations, the commissioning of the Vermelhos UG Mine in October 2018 and lines of credit in place at MCSA (see note 10(d)), management believes that the Company has sufficient working capital and financial resources to maintain its planned operations and activities for at least the next twelve months. In the long-term, the Company's ability to continue as a going concern is dependent upon profitable operations at MCSA and NX Gold to meet its long-term debt obligations. The recoverability of the carrying values of the Company's assets is dependent upon the ability of the Company to successfully maintain profitable production.

2. Basis of Preparation

a) Statement of Compliance

These consolidated financial statements have been 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 consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2019.

b) Basis of Presentation and Principles of Consolidation

These consolidated financial statements have been prepared on a historical cost basis except for fair-value through-profit-or-loss and derivative financial instruments, which are measured at fair value.

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control over a subsidiary is defined to exist when the Company is exposed to variable returns from involvement with an investee and has the ability to affect the returns through power over the investee. All intercompany balances and transactions are eliminated upon consolidation.

The Company applies the acquisition method to account for business combinations. The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities assumed and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill arising from acquisitions, if any, is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount would be recognized in profit or loss immediately.

Since the Company does not own 100% of its interests in MCSA and NX Gold, the interest attributable to non-controlling shareholders is reflected in non-controlling interests. Adjustments to non-controlling interests that do not involve the loss of control are accounted for as equity transactions and adjustments are based on a proportionate amount of the net assets of the subsidiary.

c) Foreign Currency Translation

The functional currency and presentation currency of the Company is the US dollar. The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

The functional currency of MCSA and NX Gold is the Brazilian Real. The assets and liabilities of MCSA and NX Gold are translated into the US dollar presentation currency using the rate of exchange at the statement of financial position date while revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in a separate component of shareholders' equity.

d) **Use of Estimates and Judgments**

In preparing these 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.

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the consolidated financial statements include:

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 profit or loss.

Mineral reserve and resource 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 in part based on recoverable mineral reserve tonnes processed, depending on the use of the asset. Changes to estimates of recoverable quantities of 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, 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).

Inventory

The net recoverable value of stockpile inventory and 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 finished concentrate inventory is an estimate based on initial weights and assay results. The net recoverable value of these inventories also requires estimates of expected selling prices and, where applicable, costs to complete.

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.

Income taxes

The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities. Management also makes estimates of future earnings, which affect the extent to which potential future tax benefits may be used. The Company is subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

e) **Changes in Accounting Standards Adopted During the Year**

Revenue

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") replaces 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*.

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.

Adoption of IFRS 15 by the Company on January 1, 2018 did not have a material impact on the Company's consolidated financial statements.

Financial Instruments

IFRS 9*, Financial Instruments* ("IFRS 9") replaces IAS 39, *Financial Instruments: Recognition & Measurement* ("IAS 39") and 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, amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment and introduces a new general hedge accounting standard which aligns hedge accounting more closely with risk management. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to the Company's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

Overview of Changes in IFRS

The Company and its subsidiaries adopted IFRS 9 on January 1, 2018 retrospectively without restatement of comparative periods in accordance with the transitional provisions of the standard.

Classification and Measurement Changes

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Category	
	Original (IAS 39)	**New (IFRS 9)**
Financial Assets:		
Cash, cash equivalents and restricted cash	Amortized cost	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Other non-current assets - term deposits	Amortized cost	Amortized cost
Financial Liabilities:		
Trade payables	Amortized cost	Amortized cost
Loans and borrowings	Amortized cost	Amortized cost
Derivatives	Fair value through profit or loss	Fair value through profit or loss

There has been no change in the carrying value of the Company's financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above.

Cash and cash equivalents, restricted cash and deposits

Cash is comprised of cash on hand and demand deposits. Cash equivalents, restricted cash and deposits are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value.

Trade receivables

Trade receivables relate to amounts receivable from sales with fixed or determinable payments that are not quoted in an active market. These receivables are non-interest bearing and are recognized at face amount, except when fair value is materially different, and are subsequently measured at amortized cost. Trade receivables recorded are net of lifetime expected credit losses.

Other non-current assets – term deposits

Term deposits are directly related to loan agreements with a Brazilian financial institution which requires the establishment of a reserve fund. Redemptions of financial investments are conditional on the Company making the scheduled loan repayments. These term deposits are classified as, and subsequently measured at, amortized cost. These term deposits are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

Trade payables

Trade payables are non-interest bearing if paid when due and are recognized at their face amount, except when fair value is materially different. Trade payables are subsequently measured at amortized cost.

Loans and borrowings

Loans and borrowings are initially recorded at fair value, less transaction costs. Loans and borrowings are subsequently measured at amortized cost and are calculated using the effective interest rate method.

Expected credit losses

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. The Company is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The Company has reviewed expected credit losses on trade receivables on transition to IFRS 9 and has implemented a process for managing and estimating provisions relating to trade receivables going forward under IFRS 9. For trade receivables, the Company has applied the simplified approach for determining expected credit losses which requires the determination of lifetime expected losses for all trade receivables. The expected lifetime credit loss provision for trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, when required. As the Company's three primary significant customers are considered to have a low default rate and historical default rates are low, the lifetime expected credit loss allowance for trade receivables is nominal as at January 1, 2018 and December 31, 2018. Accordingly, the Company did not record a provision for expected credit losses for trade receivables.

f) **New Accounting Standards and Interpretations not yet Adopted**

The Company has not applied the following revised or new IFRS that have been issued but were not yet effective as at December 31, 2018:

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.

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.

During 2018, management has compiled all of the Company's existing lease and service contracts and reviewed the relevant agreements to identify which of these contracts are in scope for IFRS 16. In addition, management completed a review of existing service contracts for embedded leases and have identified all operating leases. In the fourth quarter of 2018, we began developing a valuation approach to measuring the right of use assets and related lease obligations for our population of leases and reviewed the increased accounting and disclosure requirements arising from the new leasing standard.

Upon adoption of IFRS 16, the Company will record new right of use assets and associated lease liabilities related to leases with a term of 12 months or more on the consolidated statement of financial position at January 1, 2019. Due to the recognition of additional right of use assets and lease liabilities, a higher amount of depreciation expense and interest expense on lease liabilities will be recognized under IFRS 16 as compared to the current standard. This impact will be partially offset by a reduction in operation lease expense payments currently included in cost of product sold and/or general and administrative expenses.

While the Company has not yet completed the quantification of the impact that adoption of IFRS 16 will have, our expectation is that most of the impact upon transition to IFRS 16 will be derived from our operating leases and certain contractual arrangements associated with the use of machinery and equipment, which will be recognized on our balance sheet effective January 1, 2019. We will use the modified retrospective approach of adoption resulting in no restatement of prior year comparatives. The quantitative impact of adopting IFRS 16 will be provided in our first interim financial statements in 2019.

IFRIC 23 – Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 ("Interpretation 23") – *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. Interpretation 23 is applicable for annual periods beginning on or after January 1, 2019. The Company intends to adopt Interpretation 23 in its financial statements for the annual period beginning on January 1, 2019 and does not expect it to have a material impact on the financial statements.

3. Significant Accounting Policies

a) **Revenue**

Revenue is generated from the sale of sale of metals in concentrate and gold doré. The Company's performance obligations relate primarily to the delivery of the concentrate or gold doré to customers, with each shipment representing a separate performance obligation.

Revenue from the sale of metals in concentrate and gold doré is recognized at the point the customer obtains control of the product. Control is transferred when title has passed to the purchaser, the product is physically delivered to the customer, the customer controls the risks and rewards of ownership and the Company has a present right to payment for the product which is generally when the concentrate or ore is delivered to a location designated by the customer.

The sales amount is typically based on quoted market and contractual prices which are fixed at the time the shipment is received at the customers' premises. In certain circumstances the sales price of metals in concentrate may be determined in a period subsequent to the date of sale (provisionally priced sales) based on the terms of specific copper concentrate contracts. Provisionally priced sales are recognized based on an estimate of metal contained using forward market prices corresponding with the expected date that final sales prices will be fixed. The period between provisional pricing and final settlement can be up to one month. The settlement receivable is recorded at fair value each reporting period by reference to forward market prices until the date of final pricing, with the changes in fair value recorded as an adjustment to revenue.

b) **Tax Incentives**

The Company receives certain tax incentives in Brazil. These tax incentives are recognized in profit or loss in the period the incentives are received or receivable and recorded against the expenditure that they are intended to compensate.

c) **Finance Income and Finance Expense**

Finance income includes interest on cash and cash equivalents and restricted cash and financial investments and gains related to changes in the fair value of financial assets measured at fair value through profit. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expense comprise interest expense on loans and borrowings, unwinding of the discount on provisions and losses related to changes in the fair value of financial assets measured at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in earnings using the effective interest method.

d) **Employee Benefits**

Short-term employee benefit obligations are recognized as personnel expenses as the corresponding service is provided. Liabilities are recognized at the amount that is expected to be paid if the Company has a present legal or constructive obligation to pay that amount based on past services rendered by the employee, and the obligation can be estimated reliably. There are no long-term employee benefits.

e) **Taxation**

Income tax expense comprises current and deferred tax. Current income tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. Deferred income tax is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that effects neither accounting nor taxable income or loss, differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and taxable differences arising from the initial recognition of goodwill.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) **Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of consumable inventory is determined on a weighted average acquisition cost basis. Cost of stockpile inventory, products in progress and finished goods is determined based on a weighted average production cost basis and includes the cost of mining and processing ore including direct labour and materials; depreciation and amortization; and an appropriate share of production overheads based on normal operating capacity.

Net realizable value of stockpile inventory, products in progress and finished goods is the estimated selling price in the ordinary course of business, less estimated completion costs and selling expenses.

Provisions for low turnover or obsolete supplies and consumables inventory are established by management as deemed necessary.

g) **Mineral Property, Plant and Equipment**

Mineral property, plant and equipment is measured at acquisition or construction cost, including capitalized borrowing costs, less accumulated depreciation and accumulated impairment losses.

Acquisition and disposal

The cost of mineral property, plant and equipment include expenditures directly attributable to an asset's acquisition. The cost of assets constructed by Company includes the cost of materials and direct labor, any other costs to bring the asset in the place and conditions required to be operated in the manner intended by management, costs of disassembly and restoration of the site and borrowing costs on qualifying assets.

When parts of mineral property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of mineral property, plant and equipment.

Gains and losses on disposal of mineral property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized net within other income.

i) Subsequent costs

The cost of replacing plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced item is derecognized. The costs of the day-to-day servicing of equipment are included in profit or loss

ii) Development and construction in progress

When economically viable mineral reserves have been determined and the decision to proceed with development has been approved, exploration and evaluation assets are first assessed for impairment, then reclassified to construction-in-progress or mineral properties. The expenditures related to development and construction are capitalized as construction-in-progress and are included within mineral property, plant and equipment. Costs associated with the commissioning of new assets incurred before they are operating in the way intended by management, including directly attributable costs of testing, are capitalized. Construction in progress includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use including advances on long-lead items. Construction in progress is not depreciated.

Once the asset is operating in the way intended by management, construction-in-progress costs are reclassified to mineral properties or plant and equipment.

Pre-production costs of removing overburden to access ore in the open pit mines and developing access headings in the underground mines are capitalized as pre-production stripping or development costs respectively and are included within mineral properties, plant and equipment. Revenues earned during pre-production periods are also capitalized.

iii) Mineral properties

Mineral properties consist of the cost of acquiring and developing mineral properties. Once in production, mineral properties are amortized on a units-of-production basis over the component of the ore body to which they relate.

iv) *Stripping costs and development in the production phase*

Where open pit production stripping or underground development activities do not result in inventory produced, but does provide improved access to the ore body, the costs are classified as mineral properties when these activities meet all of the following criteria: (1) it is probable that the future economic benefit associated with the activity will flow to the Company; (2) the Company can estimate the mineral reserve of the ore body for which access has been improved; and (3) the costs relating to the activity associated with that mineral reserve can be measured reliably.

For underground mines, costs incurred to access a mineral reserve of the ore body are capitalized to mineral properties or construction-in-progress and are depreciated on a units-of-production basis over the expected useful life of the identified mineral reserve of the ore body to which access has been improved as a result of the development activity. For open pit mines, stripping costs are capitalized to mineral properties or construction-in-progress until an average stripping ratio is achieved (waste/ore) for the mine. After the stripping ratio is achieved, all stripping costs are classified as production costs. The capitalized stripping costs are depreciated over the related mineral reserves accessed by the stripping activity.

v) Environmental recovery and decommissioning costs

The Company's provision for decommissioning liabilities represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of a mine's life. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

vi) Depreciation

Items of mineral property, plant and equipment are depreciated on a straight-line method based on the estimated economic useful life of each component as follows:

Buildings	Up to 25 years
Mining equipment	4 years
Mobile equipment & other assets	5 years
Mineral properties	Units of production
Mine Closure and rehabilitation costs	Units of production
Leasehold improvements	Term of lease

The depletion of mineral properties and mine closure and rehabilitation costs is determined based on the ratio of tons of copper contained in the ore mined and total proven and probable mineral reserve tonnes of contained copper.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

h) **Exploration and Evaluation Assets**

Exploration and evaluation costs relate to the initial search for a mineral deposit, the cost of acquisition of a mineral property interest or exploration rights and the subsequent evaluation to determine the economic potential of the mineral deposit. The exploration and evaluation stage commences when the Company obtains the legal right or license to begin exploration and subsequently exploration and evaluation expenses are capitalized as exploration and evaluation assets. Costs incurred prior to the Company obtaining the legal rights are expensed.

When the exploration and evaluation of a mineral property indicates that development of the mineral property is technically and commercially feasible, the future economic benefits are probable, and the Company has the intention and sufficient resources to complete the development and use or sell the asset, the related costs are transferred from exploration and evaluation assets to mineral property, plant and equipment.

Management reviews the carrying value of capitalized exploration costs for indicators that the carrying value is impaired at least annually and when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. The review is based on the Company’s intentions for further exploration and development of the undeveloped property, results of drilling, commodity prices and other economic and geological factors. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a property does not prove viable, all non-recoverable costs associated with the project, net of any previous impairment provisions, are written off.

i) **Financial Instruments**

Non-derivative financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. See Note 2(e) to these consolidated financial statements for the classifications of our financial instruments under IFRS 9.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. Gains and losses on derecognition of financial assets classified amortized cost are recognized in profit or loss.

Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Derivative instruments

Derivative instruments, including embedded derivatives in executory contracts or financial liability contracts, are classified as at FVTPL and, accordingly, are recorded in the statement of financial position at fair value. Unrealized gains and losses on derivatives not designated in a hedging relationship are recorded as part of the revenue or expense item to which the derivative relates, depending on the nature of the derivative. Fair values for derivative instruments are determined using inputs based on market conditions existing at the balance sheet date or settlement date of the derivative. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract.

Trade receivables related to provisionally priced sales are measured at fair value with changes recognized in profit or loss.

Compound instruments

Equity components of compound instruments, such as convertible debt, are separated from the debt host contract using the residual method. The Company determines the fair value of the debt component by discounting the expected principal and interest payments using an appropriate discount rate reflective of debt instruments with similar risks but without the equity component. The difference between the proceeds received and the amount assigned to the debt component is allocated to the equity component.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects. The Company includes the value of share purchase warrants included in the issuance of equity units, which consist of a common shares and warrants, in share capital.

j) **Impairment**

i) Financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

ii) Non-Financial assets

At each reporting date the carrying amounts of the Company's mineral properties, plant and equipment and exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Goodwill is tested annually regardless of whether there is an indicator of impairment. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized. An impairment loss for goodwill is not reversed.

k) **Provisions**

i) Mine closure and rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations related to mine closure and rehabilitation in the period in which the obligation occurs. Mine closure and rehabilitation activities include facility decommissioning and dismantling; removal and treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; and related costs required to perform this work and/or operate equipment designed to reduce or eliminate environmental effects. The provision is adjusted each period for new disturbances, and changes in regulatory requirements, the estimated amount of future cash flows required to discharge the obligation, the timing of such cash flows and the pre-tax discount rate specific to the liability. The unwinding of the discount is recognized in profit or loss as a finance expense.

When the provision is initially recognized, the corresponding cost is capitalized by increasing the carrying amount of the related asset and is amortized to profit or loss on a unit-of-production basis.

ii) Other provisions

Other provisions are recognized, based on a past event, when the Company has a legal or constructive obligation that can be estimated reliably, and it is probable that an economic mineral resource will be required to settle the obligation. Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and specific risks for the liability. The discount is unwound over the period over which the cash flows are expected to be incurred with the related expense included in finance expense.

l) **Share-Based Compensation**

The grant date fair value of share-based payment awards granted to employees and consultants, including directors and officers, is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be performed or satisfied such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

m) **Leases**

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the lease term. Lease incentives received, if any, are included in the total lease expense to be recognized over the term of the lease. At the reporting date the Company has no arrangements that contain a finance lease.

n) **Income (Loss) per Share**

Basic income (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share is calculated by adjusting the weighted average number of common shares outstanding for the effect of conversion of all potentially dilutive share equivalents, such as stock options and warrants, and assumes that the receipt of proceeds upon exercise of the options are used to repurchase common shares at the average market price during the period. The net effect of the shares issued less the shares assumed to be repurchased is added to the basic weighted average shares outstanding. For convertible instruments, the common shares to be included in the diluted per share calculation assumes that that the instrument is converted at the beginning of the period (or the issue date if later). The profit or loss attributable to common shareholders is adjusted to eliminate related interest costs of dilutive securities recognized in profit or loss for the period.

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

4. NX Gold

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

	Year ended December 31, 2017 as originally presented	NX Gold Adjustments	Year ended December 31, 2017 as adjusted
Revenue	$ 115,445	$ 32,796	$ 148,241
Cost of product sold	(100,282)	(27,727)	(128,009)
Sales expenses	(2,218)	(7)	(2,225)
Gross profit	**12,945**	**5,062**	**18,007**
Expenses			
General and administrative	(19,626)	(3,314)	(22,940)
Share-based compensation	(879)	-	(879)
Income (loss) before the understated	**(7,560)**	**1,748**	**(5,812)**
Other income (expenses)			
Finance income	2,080	196	2,276
Finance expense	(18,988)	(1,721)	(20,709)
Foreign exchange loss	(4,101)	(195)	(4,296)
Gain on debt settlement	28,727	-	28,727
Other income	1,788	-	1,788
Income before income taxes	**1,946**	**28**	**1,974**
Income tax recovery			
Current income tax	(269)	(835)	(1,104)
Deferred income tax recovery	16,614	-	16,614
	16,345	(835)	15,510
Net income (loss) from continuing operations	**18,291**	**(807)**	**17,484**
Net loss from discontinued operations	(807)	807	-
Net income for the period	**$ 17,484**	**$ -**	**$ 17,484**

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

4. NX Gold (continued)

	Year ended December 31, 2017 as originally presented	NX Gold Adjustments	Year ended December 31, 2017 as adjusted
Cash Flows from (used in) Operating Activities			
Net income (loss) from continuing operations	$ 18,291	$ (807)	$ 17,484
Adjustments for:			
Amortization and depreciation	32,727	5,415	38,142
Income tax expense (recovery)	(16,345)	835	(15,510)
Gain on debt settlement	(28,727)	-	(28,727)
Write-off of assets/investments	-	1,668	1,668
Provisions	4,803	(168)	4,635
Share-based compensation	879	-	879
Finance income	(2,080)	(196)	(2,276)
Finance expenses	18,988	1,721	20,709
Foreign exchange	4,101	195	4,296
Derivative contract settlements	2,643	(2,452)	191
Changes in:			
Accounts receivable	(2,283)	(1,002)	(3,285)
Inventories	(2,400)	1,225	(1,175)
Other assets	(1,512)	3,720	2,208
Accounts payable and accrued liabilities	(5,103)	1,875	(3,228)
Value added, payroll and other taxes	(1,937)	(2)	(1,939)
Other liabilities	(539)	1,468	929
	21,506	13,495	35,001
Income taxes paid	(269)	-	(269)
	21,237	13,495	34,732
Cash Flows used in Investing Activities			
Additions to mineral property, plant and equipment, net	(57,390)	(5,873)	(63,263)
Additions to exploration and evaluation assets	(798)	-	(798)
Interest received	832	(832)	-
Advances to NX Gold	(4,960)	5,792	832
	(62,316)	(913)	(63,229)
Cash Flows from Financing Activities			
Convertible debentures	2,750	-	2,750
Convertible debentures - facility fee	(250)	-	(250)
Restricted cash	(2,193)	-	(2,193)
Purchase of participation agreement	(47,328)	-	(47,328)
New loans and borrowings, net of finance costs	47,773	6,716	54,489
Loans and borrowings paid	(5,016)	(11,422)	(16,438)
Interest paid on loans and borrowings	(3,919)	(822)	(4,741)
Other finance costs paid	(3,182)	(7,006)	(10,188)
Issuance of share capital, net of issuance costs	83,700	-	83,700
	72,335	(12,534)	59,801
Effect of exchange rate changes on cash and cash equivalents	1,524	(1)	1,523
Net increase in cash and cash equivalents	32,780	47	32,827
Cash and cash equivalents - beginning of year	18,318	2	18,320
Cash and cash equivalents - end of year	$ 51,098	$ 49	$ 51,147

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

5. Inventories

		December 31, 2018		December 31, 2017
Supplies and consumables	**$**	**11,641**	$	7,117
Stockpile		**1,116**		127
Work in progress		**543**		253
Finished goods		**1,345**		981
	$	**14,645**	$	8,478

6. Other Current Assets

		December 31, 2018		December 31, 2017
Advance to suppliers	**$**	**766**	$	1,447
Prepaid expenses		**2,188**		3,099
Advances to employees (a)		**1,349**		554
Value added federal taxes recoverable		**2,592**		1,143
	$	**6,895**	$	6,243

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

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

7. Mineral Property, Plant and Equipment

	Buildings	Mining equipment	Mineral Properties	Projects in Progress	Mobile equipment & other assets	Mine Closure Costs	Total
Cost:							
Balance at December 31, 2016	$ 16,258	$ 42,577	$ 146,850	$ 7,182	$ 10,344	$ 12,749	$ 235,960
Additions	169	5,041	-	52,099	784	34	58,127
Disposals	-	(38)	-	-	-	-	(38)
Foreign exchange	(198)	(1,004)	(2,484)	(3,576)	(580)	(213)	(8,055)
Balance at December 31, 2017	16,229	46,576	144,366	55,705	10,548	12,570	285,994
Reclassification of NX Gold amounts from assets held for sale	1,661	2,443	28,216	-	102	647	33,069
Additions	471	33,451	3,694	61,898	1,446	1,109	102,069
Disposals	-	(1,008)	(313)	(1,655)	(1,085)	-	(4,061)
Transfers	-	2,695	63,008	(65,703)	-	-	-
Foreign exchange	(2,622)	(9,310)	(29,072)	(8,098)	(1,175)	(1,985)	(52,262)
Balance at December 31, 2018	**$ 15,739**	**$ 74,847**	**$ 209,899**	**$ 42,147**	**$ 9,836**	**$ 12,341**	**$ 364,809**
Accumulated depreciation:							
Balance at December 31, 2016	$ (13)	$ (745)	$ -	$ -	$ (11)	$ (47)	$ (816)
Depreciation expense	(1,141)	(8,895)	(20,308)	-	(1,851)	(611)	(32,806)
Disposals	-	35	-	-	-	-	35
Foreign exchange	71	548	1,153	-	166	38	1,976
Balance at December 31, 2017	(1,083)	(9,057)	(19,155)	-	(1,696)	(620)	(31,611)
Reclassification of NX Gold amounts from assets held for sale	(1,660)	(1,922)	(8,092)	-	(93)	(581)	(12,348)
Depreciation expense	(985)	(8,657)	(34,242)	-	(1,652)	(1,092)	(46,628)
Disposals	-	556	-	-	2	-	558
Foreign exchange	459	2,100	2,891	-	301	273	6,024
Balance at December 31, 2018	**$ (3,269)**	**$ (16,980)**	**$ (58,598)**	**$ -**	**$ (3,138)**	**$ (2,020)**	**$ (84,005)**
Net book value December 31, 2017	$ 15,146	$ 37,519	$ 125,211	$ 55,705	$ 8,852	$ 11,950	$ 254,383
Net book value December 31, 2018	**$ 12,470**	**$ 57,867**	**$ 151,301**	**$ 42,147**	**$ 6,698**	**$ 10,321**	**$ 280,804**

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

7. Mineral Property, Plant and Equipment (continued)

Additions to the Vermelhos project were partially offset by net profit of $4.5 million from sales of concentrate produced during the testing and commissioning phase of the Vermelhos underground mine during the year ended December 31, 2018. This ore was from gallery development and trial mining of the first production stopes. On October 11, 2018, the Vermelhos Mine received its operating license and commenced commercial production as it was capable of operating under the parameters intended by management as at that date.

Buildings and equipment have been pledged as security for a certain secured bank loan and certain equipment is secured for the equipment finance loans (Note 10).

Included in mineral property, plant and equipment is $8.1 million (December 31, 2017 - $22.4 million) related to the value of mineral resources beyond proven and probable reserves not currently being amortized. During the year ended December 31, 2018, $14.3 million was transferred from mineral resources to amortizable mineral reserves as a result of an update to MCSA’s proven and probable reserves during the year.

8. Exploration and Evaluation Assets

Exploration and evaluation assets related to the Boa Esperança Property located in the Municipality of Tucumã, in the state of Pará, Brazil which consists of a single mineral concession. This prospective copper/gold property is in advanced stages of exploration with various geological mineral resource studies and a completed feasibility study.

9. Accounts Payable and Accrued Liabilities

	December 31, 2018	December 31, 2017
Suppliers	**$ 19,007**	$ 13,331
Payroll and related charges	**14,802**	6,870
Other accrued liabilities	**2,581**	767
	$ 36,390	$ 20,968

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

10. Loans and Borrowings

Description	Denomination	Security	Time to Maturity	Coupon rate	Principal to be repaid	Carrying value December 31, 2018	Carrying value December 31, 2017
Bank loan	USD	Secured	-	8.83%	$ -	$ -	$ 54,301
Bank loan	USD	Unsecured	3 months	7.50%	547	558	18,811
Bank loan	BRL R$	Secured	96 months	7.50%	10,512	8,607	9,656
Bank loan	BRL R$	Unsecured	96 months	CDI + 0.5%	8,020	6,969	8,004
Bank loan (NX Gold)	BRL R$	Unsecured	2 months	95% CDI	106	106	-
Bank loan	USD	Unsecured	24 months	4.43%	3,000	3,000	-
Bank loan	BRL R$	Unsecured	14 months	CDI + 3.7%	1,482	1,484	-
Equipment finance loans	BRL R$	Secured	2-29 months	6%-21.36%	1,309	1,346	514
Equipment finance loans	EURO	Secured	20-24 months	7.00%	3,586	3,645	-
Equipment finance loans	USD	Secured	42-48 months	7%-7.95%	2,979	2,994	-
Senior non-revolving credit facility	USD	Secured	-	LIBOR + 7%	-	-	47,790
Senior non-revolving credit facility	USD	Secured	60 months	LIBOR + 2.75%-4.75%	80,000	79,056	-
Senior revolving credit facility	USD	Secured	48 months	LIBOR + 2.75%-4.75%	45,000	44,469	-
Other	USD	Unsecured	-	LIBOR + 3.5%	-	-	90
Total					**$ 156,541**	**$ 152,234**	**$ 139,166**
Current portion:						**$ 10,602**	**$ 5,601**
Non-current portion:						**$ 141,632**	**$ 133,565**

The carrying values of the loans and borrowings in the schedule above includes accrued interest, while the principal to be repaid does not include accrued interest.

	2018	2017
Balance, beginning of year	**$ 139,166**	$ 162,124
Reclassification of NX Gold amounts from assets held for sale	**2,071**	-
New senior non-revolving credit facility	**78,837**	47,773
New senior revolving credit facility	**44,346**	-
New equipment finance loans	**11,652**	261
New bank loans	**4,581**	-
Debt extinguishment	**(119,221)**	(76,282)
Principal and interest payments	**(19,670)**	(8,935)
Interest accretion	**14,965**	14,503
Effect of foreign exchange rate changes	**(4,493)**	(278)
Balance, end of period	**$ 152,234**	$ 139,166

(a) Senior non-revolving credit facility

In December 2018, the Company replaced the $50 million senior secured non-revolving credit facility completed on December 29, 2017 with a new $130 million facility from a syndicate of Canadian financial institutions. The facility is comprised of an $80 million senior secured amortizing non-revolving credit facility ("Term Facility") and a $50 million senior secured revolving term credit facility ("Revolving Credit Facility") (collectively the "Facilities"). The Term Facility has a 5-year term with equal quarterly principal payments of $6.2 million beginning on December 13, 2020, while the Revolving Credit Facility is payable at maturity on December 13, 2022. The Facilities bear interest on a sliding scale at a rate of LIBOR plus 2.75% to 4.75% depending on the Company's consolidated leverage ratio at the time. Commitment fees for the undrawn portion of the Revolving Credit Facility are on a sliding scale between 0.69% to 1.19%. Subsequent to December 31, 2018, the Company entered into an interest rate swap transaction with a Canadian financial institution whereby the floating interest on a notional amount of $65 million of the Term Facility was swapped for a fixed interest rate of 2.69%. This interest rate swap transaction is in effect for the term of the Term Facility, with the notional amount reduced as principal payments are made. Interest payments are being made on a quarterly basis. The Company incurred transaction costs associated with the Facilities of $1.6

million which have been included in the carrying value of the Facilities and are being amortized using an effective interest rate of 7.46%. The settlement of the previous $50 million senior secured non-revolving credit facility resulted in a loss on settlement of $1.8 million. The Facilities are secured by pledges of shares of MCSA and NX Gold. The Company is required to comply with certain financial covenants. As of the date of these consolidated financial statements, the Company is in compliance with these covenants.

(b) Bank loans

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

On December 2, 2016, MCSA restructured their bank loans. 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 were 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 May 2019. The principal amount of the Class B notes on the acquisition date totaled $83.9 million and were 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 Class B notes totaling $83.9 million were determined to have a $Nil fair value at the acquisition date. In December 2018, the Company acquired or settled the restructured loans, as discussed below and, therefore, the Class B notes will not be required to be repaid.

During the year ended December 31, 2017, the Company settled certain of MCSA's bank loans with a carrying value of $76.3 million, as disclosed in note 10(c). During the year ended December 31, 2018, the Company acquired and/or settled certain MCSA's bank loans with a carrying value of $68.8 million. The settlement of these loans resulted in a loss of $3.7 million, including early repayment fees for certain of the Class A notes.

As per the terms of one of MCSA's bank loans, the Company is required to maintain a separate bank account with sufficient funds to cover scheduled principal payments. At December 31, 2018, $3.0 million was on deposit in a designated debt service account and is presented as restricted cash in the statement of financial position.

The secured bank loans are secured by buildings and equipment. 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 consolidated financial statements, MCSA was in compliance with these covenants.

(c) Participation agreement

In December 2017, 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.

In December 2018, this participation agreement was terminated and the loans receivable from MCSA were transferred directly to the Company from the Canadian financial institution. All payments of interest and principal will continue to be made by MCSA to the Company and will be eliminated on consolidation.

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

(d) Line of Credit

In July 2018, MCSA entered into a credit agreement with Banco BTG Pactual S.A. for a line of credit of up to BRL$30 million at an interest rate of CDI + 7% per annum. In October 2018, this credit agreement was amended to an increased line of credit of BRL$35 million (approximately $9.0 million based on the December 31, 2018 exchange rate of 3.8748). The Company and NX Gold provide unsecured guarantees for this credit agreement and the fee for structuring this agreement was $0.3 million (BRL$1.2 million), which was included in finance expense. As at December 31, 2018, no amounts had been drawn on this facility. Subsequent to December 31, 2018, this credit agreement was amended to increase the line of credit to BRL$40 million. In addition, MCSA has also entered into credit agreements with Banco Fibra S.A. for a total line of credit of up to BRL$20 million. MCSA may drawdown on these lines of credits at any time until December 31, 2019.

(e) Debt repayments

Repayments of the principal portion of loans and borrowings is as follows:

2019	$	10,602
2020		12,816
2021		28,453
2022		72,518
2023		27,015
Beyond 2023		5,137
	$	**156,541**

11. Value Added, Payroll and Other Taxes

		December 31, 2018		December 31, 2017
Value-added taxes payable	**$**	**2,873**	$	11,324
Tax based on net sales of copper and gold		**3,064**		1,228
Federal sales tax		**692**		604
Social security installments (a)		**8,744**		7,271
Income taxes		**944**		-
Other taxes		**1,633**		1,508
Total value added, payroll and other taxes		**17,950**		21,935
Less: current portion of value added, payroll and other taxes		**11,357**		6,857
Non-current value added, payroll and other taxes	**$**	**6,593**	$	15,078

(a) The Company's subsidiary MCSA has an agreement with the National Institute of Social Security in Brazil to pay outstanding social security contributions in installments over a period to 2024.

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

12. Provisions and Contingent Liabilities

	Mine Closure and Rehabilitation	Legal Claims	Total
Balance at December 31, 2016	$ 22,992	$ 5,813	$ 28,805
Additions due to change in estimated cash flows	233	4,803	5,036
Unwinding of the discount	370	-	370
Settled	(520)	(2,767)	(3,287)
Foreign exchange	(387)	(223)	(610)
Balance at December 31, 2017	22,688	7,626	30,314
Reclassification of NX Gold amounts from assets held for sale	6,082	329	6,411
Additions (reductions) due to change in estimated cash flows	1,136	(2,825)	(1,689)
Unwinding of the discount	3,767	-	3,767
Settled	(1,967)	-	(1,967)
Foreign exchange	(4,352)	(975)	(5,327)
Balance at December 31, 2018	**$ 27,354**	**$ 4,155**	**$ 31,509**

(a) Mine closure and rehabilitation

The Company's provision for mine closure and rehabilitation consists of costs accrued based on the current best estimate of mine closure and reclamation activities that will be required upon completion of mining. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date, known legal requirements and cost estimates prepared by a third-party specialist.

Management used a pre-tax discount rate of 6.5% (2017 – 8.0%) and an inflation factor of 4.2% (2017 – 4.0%) in preparing the Company's provision for mine closure and rehabilitation. Although the ultimate amount to be incurred is uncertain, based on development, legal requirements and estimated costs as at December 31, 2018, the undiscounted inflation-adjusted liability for provision for mine closure and rehabilitation is estimated to be approximately $48.7 million, of which $39.1 million relates to MCSA and $9.6 million relates to NX Gold. The cash expenditures are expected to occur over a period of time extending several years after the projected closure, which for both MCSA and NX Gold is currently 2026.

(b) Legal claims

There are various legal actions that are in process against the Company's Brazilian subsidiaries related to labor, civil and tax matters. Based on an analysis of individual judicial and administrative legal claims, the following provision has been made for probable losses associated with these claims:

	December 31, 2018	December 31, 2017
Labour claims (i)	**$ 3,561**	$ 4,424
Tax claims (ii)	**522**	3,121
Other claims	**72**	81
	$ 4,155	$ 7,626

(i) Labor claims

The labor claims related primarily to claims made by existing and former employees for alleged travel time reimbursements, overtime and severance payments. Of the claims made, the Company has assessed, with the assistance of its legal counsel, that the probable loss on such claims is $3.6 million and such amount has been accrued.

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

(ii) Tax claims

The provisions for tax claims relate to tax assessments, interest and penalties resulting from unpaid income and social contribution taxes by MCSA.

In relation to the above-mentioned claims and those discussed in Note 12(c) below, MCSA was required to place a total of $1.3 million in trust as of December 31, 2018 (December 31, 2017 - $2.0 million), which is included in non-current assets on the statement of financial position.

(c) Contingent liabilities

As of December 31, 2018, MCSA, based on the opinion of its legal advisers, has not recognized a provision for the following claims of MCSA as it is not probable that a cash outflow will occur.

		December 31, 2018		December 31, 2017
Social security tax (i)	**$**	**3,715**	$	4,226
Taxes (ii)		**14,800**		13,089
Labour and other (refer to note 12(b)(i))		**3,380**		2,858
	$	**21,895**	$	20,173

(i) Social security tax

Social security claims relate to potential social security tax payments related to past payments to employees, including profit sharing, and payments made to external contractors. The Company strongly believes that part of the claim will be cancelled after administrative and judicial discussions. The estimated portion of the claim expected to be cancelled of $3.7 million is included in the table above. This understanding is based on precedent court case rulings.

(ii) Tax

There are 99 tax claims against MCSA which were evaluated as possible losses by external legal counsel. The main subjects under discussion for the tax claims involve the validity of tax credits used to offset federal taxes.

13. Convertible Debentures

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 entitled the holder to purchase one common share at a price of $1.20 per common share until December 12, 2021. The Company had the right to accelerate the expiry of any warrants issued in relation to these convertible debentures if the closing share price on a recognized exchange reached or exceeded $1.70 for 20 consecutive trading days. On maturity of the convertible debentures, the Company had the right to 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 Company had the ability to settle the debentures with a fixed number of the Company's own equity instruments, the convertible debentures were classified as equity instruments. In February 2018, all of the convertible debenture holders elected to convert their debentures into units, resulting in the issuance of 4,059,450 common shares and 1,014,861 common share purchase warrants. These warrants were subsequently exercised for an equivalent number of common shares for gross proceeds received by the Company of $1.2 million.

14. Share Capital

As at December 31, 2018, the Company's authorized share capital consists of an unlimited number of common shares without par value. As at December 31, 2018, 84,738,650 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 233,333 common shares of the Company for total proceeds of $0.4 million.

(b) Initial Public Offering and exercise of warrants

On October 19, 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 gross proceeds of approximately $50.9 million. A fee equal to 6% of the gross proceeds of the offering was paid to underwriters and the Company incurred other transaction costs of approximately $2.1 million. Concurrent with the public share offering, 4,333,027 general warrants were exercised for an equivalent number of common shares at $1.20 per common share for gross proceeds of approximately $5.2 million.

In December 2017, the closing share price of the Company's stock on the TSX exceeded $1.70 for 20 consecutive trading dates, which allowed the Company to exercise its right to accelerate the expiry of all applicable outstanding warrants. 4,783,311 general warrants were exercised for an equivalent number of common shares at $1.20 per common share for gross proceeds to the Company of approximately $5.7 million.

(c) Options

On December 31, 2018, the Company granted 1,155,519 options to certain officers, directors, consultants and employees of the Company at an exercise price of CAD$9.76 per share with a term to expiry of five years. These stock options vest in 3 equal installments on each annual anniversary date from the date of grant. The total fair value of these options to be expensed over the vesting period was $3.5 million.

In July 2018, the Company granted 200,000 options to an employee of the Company at an exercise price of CAD$9.01 per share with a term to expiry of five years. These stock options vest in 3 equal installments on each annual anniversary date from the date of grant. The total fair value of these options to be expensed over the vesting period was $0.6 million.

In June 2018, the Company granted 174,000 options to an employee and a director of the Company at an exercise price of CAD$10.25 per share with a term to expiry of five years. 150,000 of these stock options vest in 3 equal installments on each annual anniversary date from the date of grant, while 24,000 of these stock options vested immediately. The total fair value of these options to be expensed over the vesting period was $0.6 million.

In January 2018, the Company granted 60,000 options to an employee of the Company at an exercise price of CAD$7.95 per share with a term to expiry of five years. In addition, the Company also granted in January 2018 125,000 options to an employee of the Company at an exercise price of CAD$7.76 per share with a term to expiry of five years. These stock options vest in 3 equal installments on each annual anniversary date from the date of grant. The total fair value of these options to be expensed over the vesting period was $0.5 million.

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

In December 2017, the Company granted 1,460,000 options to certain officers, directors and employees of the Company at an exercise price of CAD$6.74 per share with a term to expiry of five years. 1,340,000 of the options granted 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. 120,000 of the options granted vested immediately. The total fair value of options issued to be expensed over the vesting period was $3.0 million.

In November 2017, the Company granted 318,000 options to certain officers of the Company at an exercise price of CAD$6.48 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 to be expensed over the vesting period was $0.7 million.

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 to be expensed over the vesting period was $0.1 million.

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 to be expensed over the vesting period was $1.2 million.

Subsequent to December 31, 2018, the Company granted 125,000 options to directors of the Company at an exercise price of CAD$9.80 per share with a term to expiry of five years. These options vested immediately.

As at December 31, 2018, the following stock options were outstanding:

Expiry Date	Number of Stock Options	Weighted Average Exercise Price		Vested and Exercisable Number of Stock Options	Weighted Average Remaining Life in Years
May 15, 2022	1,332,000	1.50	USD	255,331	3.37
July 15, 2022	100,000	1.50	USD	33,333	3.54
November 24, 2022	318,000	6.48	CAD	106,000	3.90
December 7, 2022	1,460,000	6.74	CAD	566,662	3.94
January 18, 2023	60,000	7.95	CAD	-	4.05
January 23, 2023	125,000	7.76	CAD	-	4.07
June 19, 2023	174,000	10.25	CAD	24,000	4.47
July 16, 2023	200,000	9.01	CAD	-	4.54
December 31, 2023	1,155,519	9.76	CAD	-	5.00
	4,924,519	4.64	USD	985,326	4.07

In determining the weighted average exercise price of all outstanding options, the CAD prices were converted to USD at the December 31, 2018 exchange rate of 1.3643.

Subsequent to December 31, 2018, 33,332 options were exercised for gross proceeds of $0.1 million.

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

	Number of Stock Options	Weighted Average Exercise Price
Outstanding stock options, December 31, 2016	-	-
Issued	3,493,000	3.28
Outstanding stock options, December 31, 2017	3,493,000	3.28
Issued	1,714,519	6.97
Exercised	(283,000)	1.50
Outstanding stock options, December 31, 2018	4,924,519	4.64

The fair value of options granted in the year ended December 31, 2018 was determined using the Black-Scholes option pricing model. Expected volatility is estimated by considering historic average share price volatility of comparable companies. The weighted average inputs used in the measurement of fair values at grant date of the options are the following for the year ended December 31, 2018:

Expected term (years)		3.0
Forfeiture rate		0%
Volatility		60.7%
Dividend yield		0%
Risk-free interest rate		1.92%
Weighted-average fair value per option	$	2.98

The weighted average inputs used in the measurement of fair values at grant date of the options are the following for the year ended December 31, 2017:

Expected term (years)		3.0
Forfeiture rate		0%
Volatility		67.2%
Dividend yield		0%
Risk-free interest rate		1.27%
Weighted-average fair value per option	$	1.43

For the year ended December 31, 2018, the Company recorded share-based compensation of $3.2 million (2017 - $0.9 million) with respect to its outstanding stock options.

(d) Warrants

As at December 31, 2018, 3,333,328 (December 31, 2017 – 3,333,328) warrants were outstanding with a weighted average exercise price of $1.20 and a weighted average remaining contractual life of 2.95 years.

During the year ended December 31, 2017, 9,116,338 warrants were exercised for gross proceeds of $10.9 million.

Subsequent to December 31, 2018, 166,666 warrants were exercised for gross proceeds of $0.2 million.

(e) 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 lower than 100%) of the Share Units in a grant become vested depending on the satisfaction of one or more performance conditions. Performance conditions may include terms or conditions relating to: (i) the market price of the Shares; (ii) the return to holders of shares, with or without reference to other comparable companies; (iii) the financial performance or results of the Company or its subsidiaries; (iv) the achievement of performance conditions or other performance criteria relating to the Company or its subsidiaries; (v) any other terms and conditions the Board may in its sole discretion determine with respect to vesting or the acceleration of vesting; and (vi) the vesting date of the Share Units. 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 was approved at the October 10, 2017 annual general meeting.

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

On December 31, 2018, 215,288 Share Units were issued to certain officers and employees of the Company pursuant to the Share Unit Plan. These Share Units will vest three years from the date of grant and the actual number of Share Units that will vest may range from 0% to 200% of the number granted, subject to the satisfaction of certain market performance conditions. Each vested Share Unit entitles the holder thereof to receive on or about the applicable date of vesting of such Share Unit (i) one common share; (ii) a cash amount equal to the Fair Market Value of one common share as at the applicable date of vesting; or (iii) a combination of (i) and (ii), as determined by the Board in its sole discretion.

(f) Net Income (Loss) per Share

	Year ended December 31, 2018	Year ended December 31, 2017
Weighted average number of common shares outstanding	**83,927,977**	56,252,358
Dilutive effect of warrants	**-**	5,603,732
Dilutive effect of share options	**-**	262,400
Dilutive effect of convertible debentures	**-**	3,884,897
Weighted average number of diluted common shares outstanding	**83,927,977**	66,003,387
Net income (loss) attributable to owners of the Company	**$ (3,155)**	$ 22,466
Basic net income (loss) per share attributable to owners of the Company	**(0.04)**	0.40
Diluted net income (loss) per share attributable to owners of the Company	**(0.04)**	0.34

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

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

15. Revenue

	Year ended December 31, 2018	Year ended December 31, 2017
Copper concentrate		
- sales within Brazil	**$ 137,039**	$ 90,698
- export sales	**49,382**	24,747
- price adjustments on provisionally priced sales	**(1,691)**	-
Gold		
- export sales	**48,375**	32,796
	$ 233,105	$ 148,241

Under the current terms of the Company's contract with its primary customer, sales are provisionally priced on the date of sale based on the previous month's average copper price. The final sales price for all shipments in a month is determined at the end of the month in which the sale is recognized. Accordingly, as at December 31, 2018, there are no sales subject to provisional pricing. During the year ended December 31,2018, the Company recognized $1.7 million related to provisional price adjustments related to such provisionally priced sales.

16. Cost of Product Sold

	Year ended December 31, 2018	Year ended December 31, 2017
Materials	**$ 19,356**	$ 16,451
Salaries and benefits	**36,130**	36,176
Depreciation and depletion	**45,188**	38,086
Contracted services	**20,806**	15,160
Maintenance costs	**15,842**	12,199
Utilities	**9,341**	8,623
Other costs	**948**	1,314
	$ 147,611	$ 128,009

17. General and Administrative Expenses

	Year ended December 31, 2018	Year ended December 31, 2017
Accounting and legal	**$ 1,672**	$ 2,878
Amortization and depreciation	**109**	55
Office and sundry	**6,335**	6,349
Provisions	**361**	5,137
Salaries and consulting fees	**11,250**	6,268
Incentive payments	**7,211**	1,401
Transfer agent and filing fees	**176**	43
Travel and conference	**1,886**	809
	29,000	22,940

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

18. Finance Expense

	Year ended December 31, 2018	Year ended December 31, 2017
Interest on loans and borrowings	**$ 14,965**	$ 15,238
Accretion of purchase price adjustments	**662**	2,335
Convertible debenture facility fees	**-**	750
Accretion of mine closure and rehabilitation provision	**3,767**	370
Other	**3,168**	2,016
	$ 22,562	$ 20,709

19. Foreign Exchange Loss

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

	Year ended December 31, 2018	Year ended December 31, 2017
Foreign exchange on USD denominated debt	**$ (9,808)**	$ (3,475)
Foreign exchange on realized derivative contracts	**(10,119)**	191
Foreign exchange on unrealized derivative contracts	**1,137**	(782)
Other	**(1,923)**	(230)
	$ (20,713)	$ (4,296)

20. Income Taxes

(a) Reconciliation of income taxes

A reconciliation of the income tax expense to the amount calculated using the Company's combined federal and provincial statutory income tax rate of 27% (2017 – 26%) is as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
Net income in the period before tax	**$ 2,661**	$ 1,974
Tax rate	**27%**	26%
Income tax expense at statutory rate	**$ 718**	$ 513
Tax effect of:		
Difference in rate of foreign jurisdictions	**(1,489)**	1,193
Non-deductible items	**(596)**	(971)
Change in temporary differences not recognized	**4,071**	572
Redution (utilization) of tax losses against other liabilities	**952**	(16,248)
Other	**1,996**	(569)
Income tax expense (recovery)	**$ 5,652**	$ (15,510)

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

The general movement in the deferred income tax liability is as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
At the beginning of the year	**$ (16,655)**	$ (18,726)
Reduction (utilization) of tax losses against other liabilities	**952**	(16,248)
Deferred income tax recovery (expense)	**(2,753)**	16,614
Amounts recognized in equity	**-**	1,533
Foreign exchange	**2,645**	172
At the end of the year	**$ (15,811)**	$ (16,655)

During the year ended December 31, 2017, the Company applied for and received approval of an amnesty tax program in Brazil covering certain commodity, payroll and other taxes owing. 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 $16.2 million for the year ended December 31, 2017 related to the losses used.

(b) Deferred income tax liabilities

Recognized deferred tax and assets and liabilities consist of the following:

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Non-capital losses - Brazil	**$ 6,311**	$ 6,859
Non-capital losses - Canada	**-**	2,081
Financing fees and other - Canada	**1,660**	2,046
	7,971	10,986
Deferred tax liabilities		
Mineral property, plant and equipment - Brazil	**(7,227)**	(8,289)
Loans and borrowings - Brazil	**(14,698)**	(14,575)
Other - Brazil	**(197)**	(298)
Loans and borrowings - Canada	**(1,660)**	(4,479)
	(23,782)	(27,641)
Net deferred income tax liabilities	**$ (15,811)**	$ (16,655)

Deferred tax assets of $22.5 million (December 31, 2017 - $23.0 million) have not been recognized for the following deductible temporary differences as it is not probable that the benefits of these temporary differences will be realized**:**

	Year Ended December 31, 2018		Year Ended December 31, 2017	
	Brazil	**Canada**	Brazil	Canada
Exploration and evaluation assets	$ 49,920	$ -	$ 58,372	$ -
Mineral property, plant and equipment	8,974	42	13,862	-
Non-capital losses	72,672	7,194	71,136	-
Other	-	3,228	47	2,763
	$ 131,566	$ 10,464	$ 143,417	$ 2,763

The Company has loss carry forwards in Brazil totalling $114.1 million (December 31, 2017 - $118.1 million) which may be carried forward indefinitely to offset future taxable income in Brazil. Use of these losses is limited to 30% of taxable income annually. The Company also has loss carry forwards in Canada totalling $7.2 million (December 31, 2017 - $7.7 million) which may be carried forward for 20 years to offset future taxable income.

21. Related Party Transactions

Key management personnel consist of the Company's directors and officers and their compensation includes director retainer fees and management salaries paid to these individuals, 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, 2018 was $5.4 million ($3.3 million for the year ended December 31, 2017). In addition, 1,100,155 options were issued to key management personnel with $2.3 million recognized in share-based compensation expense for the year ended December 31, 2018 (2,453,000 options and $0.9 million share-based compensation expense for the year ended December 31, 2017).

Key management personnel held certain convertible debentures (note 13) which were converted in the year ended December 31, 2018 into 1,476,164 common shares and 369,040 common share purchase warrants. The warrants were subsequently exercised into 369,040 common shares. Key management personnel exercised a total of 133,000 options during the year ended December 31, 2018 (919,996 warrants were exercised for the year ended December 31, 2017). During the year ended December 31, 2017, 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.

As at December 31, 2018, $2.7 million was payable to key management as incentive compensation and is included in the accounts payable and accrued liabilities in the consolidated financial statements (December 31, 2017 - $nil). Such amounts were unsecured, non-interest bearing and were repaid under normal trade terms.

22. 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 December 31, 2018, derivatives were measured at fair value based on Level 2 inputs.

The carrying values of cash and cash equivalents, restricted cash, 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 value added, payroll and other taxes approximate fair value based on the discount rate applied. At December 31, 2018, the carrying value of loans and borrowings is $152 million while the fair value is approximately $154 million. The effective interest rates used to amortize these loans are a close approximation of market rates of interest at December 31, 2018 (level 2 of the fair value hierarchy).

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

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 December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	**$ 18,941**	$ 51,147
Restricted cash	**3,000**	2,193
Accounts receivable	**7,219**	3,383
Deposits	**1,334**	2,210
Other non-current assets - term deposits	**686**	753
	$ 31,180	$ 59,686

The Company invests cash and cash equivalents as well as restricted cash with financial institutions that are financially sound based on their credit rating. The Company's exposure to credit risk associated with accounts receivable is influenced mainly by the individual characteristics of each customer. The Company currently has only three significant customers, all of which have no history of credit default with the Company. The Company has not incurred significant credit losses in either of the years ended December 31, 2018 and 2017.

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 management is to ensure as much as possible that sufficient liquidity exists to meet their maturity obligations on the expiration dates, under normal and stressful conditions, without causing unacceptable losses or with risk of undermining the normal operation of the Company.

The table below shows the Company's maturity of financial liabilities on December 31, 2018:

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	$ 152,320	$ 156,541	$ 10,602	$ 12,816	$ 127,986	$ 5,137
Interest on loans and borrowings	-	54,801	11,126	8,092	34,678	905
Accounts payable and accrued liabilities	36,390	36,390	36,390	-	-	-
Value added, payroll and other taxes	17,950	17,950	12,674	2,617	2,659	-
	$ 206,660	**$ 265,682**	**$ 70,792**	**$ 23,525**	**$ 165,323**	**$ 6,042**

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.

(i) Foreign exchange currency risk

The Company's subsidiaries in Brazil are exposed to exchange risks related to the US dollars and Euros. 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, 2018 relates primarily to $10.2 million (December 31, 2017 – $73.2 million) in loans and borrowings of MCSA denominated in US dollars and Euros. Strengthening (weakening) in the Brazilian Real against the US dollar by 10% and 20%, would have increased (decreased) net income by $0.7 million and $1.3 million, respectively (2017 –$7.3 million and $14.6 million). Strengthening (weakening) in the Brazilian Real against the Euro by 10% and 20%, would have increased (decreased) net income by $0.4 million and $0.7 million, respectively (2017 – nil). 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.

At December 31, 2018, the Company has entered into foreign exchange forward contracts to sell an aggregate amount of $21.5 million U.S. dollars (2017 - $57.0 million) into Brazilian Real at rates ranging from 3.8900 to 3.9535 (2017 – 3.2673 to 3.3307). The maturity dates of these contracts range from January 2, 2019 to March 29, 2019 and are financially settled on a net basis. The fair value of these contracts at December 31, 2018 was an asset of $0.3 million, (December 31, 2017 – a liability of $0.9 million) which has been included in Derivatives in the statement of financial position. The change in fair value of foreign currency contracts was a gain of $1.1 million for the year ended December 31, 2018 (2017 – a loss of $0.8 million) has been recognized in foreign exchange loss. In addition, in the year ended December 31, 2018, the Company recognized a realized loss of $10.1 million (2017 – a gain of $0.2 million) related to the settlement of foreign currency forward contracts.

(ii) Interest rate risk

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

The Company is principally exposed to interest rate risk through its Term Facilities of $123.5 million and Brazilian Real denominated bank loans of $8.6 million. As at December 31, 2018, the Company did not engage in any hedging or derivative transactions to manage interest rate risk. Subsequent to December 31, 2018, the Company entered into an interest rate swap transaction to manage interest rate risk (see note 10). Based on the Company's net exposure at December 31, 2018, a reasonably possible change in the variable rates would not have a material impact on profit or equity.

(iii) 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, 2018, the Company had no sales or receivables subject to provisional pricing.

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

23. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and production of its mine properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders' equity and debt facilities.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new loans and borrowings, common shares, or acquire or dispose of assets. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met.

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.

24. Other Commitments

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

2019		64
2020		65
2021		65
2022		27
Total Commitments	**$**	**221**

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

25. Segment Disclosure

The Company's operations are segmented by entity between MCSA, NX Gold and corporate head office, which is consistent with internal reporting purposes. The Company monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The accounting policies used in the operating segments are the same as those contained in Note 3.

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

Segmented information is as follows:

Year ended December 31, 2018	MCSA (Brazil)	NX Gold (Brazil)	Corporate (Canada)	Consolidated
Revenue	$ 184,730	$ 48,375	$ -	**$ 233,105**
Cost of product sold	(115,346)	(32,265)	-	**(147,611)**
Sales expenses	(3,268)	-	-	**(3,268)**
Gross profit	66,116	16,110	-	**82,226**
Expenses				
General and administrative	(16,340)	(3,401)	(9,259)	**(29,000)**
Share-based compensation	-	-	(3,225)	**(3,225)**
Finance income	844	28	431	**1,303**
Finance expenses	(16,215)	(959)	(5,388)	**(22,562)**
Foreign exchange loss	(20,301)	(131)	(281)	**(20,713)**
Gain (loss) on debt settlement	(3,708)	-	(1,768)	**(5,476)**
Other income	1,653	(1,545)	-	**108**
Income (loss) before taxes	12,049	10,102	(19,490)	**2,661**
Current taxes	-	(2,899)	-	**(2,899)**
Deferred taxes	(1,932)	(1,173)	352	**(2,753)**
Net Income (Loss)	$ 10,117	$ 6,030	$ (19,138)	**$ (2,991)**
Assets				
Current	$ 43,802	$ (630)	$ 7,782	**$ 50,954**
Non-current	281,622	25,128	2,735	**309,485**
Total Assets	$ 325,424	$ 24,498	$ 10,517	**$ 360,439**
Total Liabilities	$ 160,824	$ 14,021	$ 81,772	**$ 256,617**

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

Year ended December 31, 2017	MCSA (Brazil)	NX Gold (Brazil)	Corporate (Canada)	Consolidated
Revenue	$ 115,445	$ 32,796	$ -	**$ 148,241**
Cost of product sold	(100,281)	(27,728)	-	**(128,009)**
Sales expenses	(2,218)	(7)	-	**(2,225)**
Gross profit	12,946	5,061	-	**18,007**
Expenses				
General and administrative	(14,139)	(3,313)	(5,488)	**(22,940)**
Share-based compensation	-	-	(879)	**(879)**
Finance income	1,992	196	88	**2,276**
Finance expenses	(18,071)	(1,721)	(917)	**(20,709)**
Foreign exchange loss	(4,242)	(195)	141	**(4,296)**
Gain (loss) on debt settlement	-	-	28,727	**28,727**
Other income	1,788	-	-	**1,788**
Income (loss) before taxes	$ (19,726)	$ 28	$ 21,672	**$ 1,974**
Current taxes	(269)	(835)	-	**(1,104)**
Deferred taxes	18,499	-	(1,885)	**16,614**
Net Income (Loss)	$ (1,496)	$ (807)	$ 19,787	**$ 17,484**

Assets				
Current	$ 26,043	$ 20,699	$ 51,150	**$ 97,892**
Non-current	283,110	-	341	**283,451**
Total Assets	$ 309,153	$ 20,699	$ 51,491	**$ 381,343**
Total Liabilities	$ 189,312	$ 15,672	$ 46,613	**$ 251,597**