LARGO RESOURCES

REPORT TO SHAREHOLDERS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2015

TABLE OF CONTENTS

TO OUR SHAREHOLDERS

The following Management's Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Largo Resources Ltd. ("we", "our", "us", "Largo", or the "Company") for the year ended December 31, 2015 ("2015") and should be read in conjunction with the audited consolidated financial statements and related notes for the same period. References in the below discussion refer to the note disclosures contained in the 2015 audited consolidated financial statements.

The financial statements and related notes of Largo have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain non-GAAP measures are discussed in this MD&A, which are clearly disclosed as such. Additional information, including our press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under our profile at www.sedar.com.

This MD&A reports our activities through April 28, 2016, unless otherwise indicated. References to "date of this MD&A" mean April 28, 2016. References to the symbol "R$" mean the Real, the official currency of Brazil. References to the symbol "US$" mean the U.S. dollar. Except as otherwise set out herein, all amounts expressed herein are in thousands of Canadian dollars, denominated by "$" or "CDN$". The Company's shares, options, units and warrants are expressed in thousands.

Mr. Robert Campbell M.Sc, P.Geo is a Qualified Person as defined under National Instrument 43-101 and has reviewed the technical information in the Capivara Exploration section of this MD&A. Mr. Campbell is an officer of Largo.

THE COMPANY

Largo is a Canadian natural resource mining and exploration company organized and existing under the *Business Corporations Act* (Ontario). Largo is listed on the TSX Venture Exchange ("TSXV").

Largo is a growing strategic metals company with a vanadium mine and vanadium and tungsten projects in Brazil and Canada. In Brazil, Largo currently holds an interest in the Maracás Menchen Mine, an interest in the Currais Novos tungsten tailings project and an interest in the Campo Alegre de Lourdes iron-vanadium project. In Canada, Largo holds an interest in the Northern Dancer tungsten-molybdenum property, located in the Yukon Territory. The Company is currently focussed on the optimization of production at the Maracás Menchen Mine and predominantly all of the Company's activities are focused on this mine. The Company produced its first vanadium flake according to required specifications during 2014.

The Company, as outlined under the Operations as well as the Liquidity and Capital Resources sections of this MD&A, is predominantly focused on the operating and financing activities related to its Maracás Menchen Mine in Brazil.

In 2014, the Company commenced an exploration program for chromite and platinum group metals ("PGM's") at its Capivara Prospect, which is located in the Maracás region of Bahia, Brazil, but outside of the current mining area of its Maracás Menchen Mine (see "Capivara Exploration" section below).

2015 HIGHLIGHTS

- The Company's Maracás Menchen Mine produced 5,810 tonnes of V_2O_5 in 2015.
- The Company's Maracás Menchen Mine achieved a new record production level of 681 tonnes of V_2O_5 in October 2015, representing approximately 83% of nameplate capacity.
- The Company assessed that, effective from October 1, 2015, its Maracás Menchen Mine is capable of operating in the manner intended by management. Accordingly, effective from October 1, 2015, the Maracás Menchen Mine is considered to be in commercial production. Starting in the fourth quarter 2015, operating costs were no longer deferred and were recorded in the consolidated statement of loss and comprehensive loss. Revenues were recognized in the consolidated statement of loss and comprehensive loss effective from that date. In addition, as at October 1, 2015, the Company's Maracás Menchen Mine development property asset was reclassified to property, plant and equipment and depreciation of these amounts commenced. Attributable

borrowing costs and depreciation were no longer capitalized and were recognized in the consolidated statement of loss and comprehensive loss.

- On July 8, 2015, the Company announced the appointment of John Ashburn as Chief Legal Officer. On July 13, 2015, the Company announced the election of Daniel Tellechea, Sam Abraham and Koko Yamamoto to its Board of Directors.

SIGNIFICANT EVENTS AND TRANSACTIONS SUBSEQUENT TO 2015

- On January 12, 2016, the Company announced it had reached an agreement to restructure the timing of amounts due under the arbitration settlement (refer to note 10(e)). Under the terms of the restructuring, the Company made a payment of US$4,000 on January 29, 2016, with further payments deferred to commence on January 15, 2017. Refer to note 23 of the consolidated financial statements for further details.
- On January 14, 2016, the Company entered into a short-term secured loan agreement with Mr. Mark Smith, President and Chief Executive Officer and a director of Largo. Mr. Smith advanced a US$1,000 non-revolving term loan to the Company bearing an interest rate of 12% per annum. The loan was repaid in full on February 8, 2016, together with interest and fees of US$50.
- On March 2, 2016, the Company announced that it had entered into definitive agreements with the consortium of three commercial banks in Brazil (see note 10(a)) for a new debt facility (the "New Facility") and the restructuring of its export credit facilities (see note 10(b)). Refer to note 23 for the key terms of the restructuring.
- Concurrently with the New Facility, the Company has agreed to new commercial terms for its US$4,000 short term loan. In addition, the Company agreed terms for an additional facility of up to R$80,000 to close out its foreign currency swap contract that indexes a portion of the BNDES facility (see note 10(a)) to the US dollar. Refer to note 23 for the key terms of the restructuring.
- On January 29 and March 3, 2016, the Company announced the closing of the first and second tranches of a non-brokered offering of units. The Company received gross proceeds of $36,644 from the sale of 209,392 units of the Company. Each unit was sold at a price of $0.175 and consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share at a price of $0.29 per share for a period of five years from closing of the offering. Funds managed by Arias Resource Capital Management LP (the "ARC Funds") purchased an aggregate of 153,333 units for consideration of $26,834. Prior to the offering, the ARC Funds owned approximately 46.30% of the Company's issued and outstanding common shares and following the closing of the offering, the ARC Funds owned approximately 59.96% of the Company's then issued and outstanding common shares. This transaction was not considered to be a change of control of the Company. In addition, Mr. Mark Smith subscribed for an aggregate of 4,218 units. Refer to note 23 for further details.
- On March 12, 2016, 6,364 of the Company's outstanding and exercisable warrants expired. The warrants were issued on March 12, 2012 with an exercise price of $3.00 and a grant date fair value of $5,074.
- On April 11, 2016, the Company announced the promotion of Paulo Misk to President of Brazilian Operations of Vanadio de Maracás S.A. and Nilson Luciano Chaves to Vice President of Finance and Administration of Vanadio de Maracás S.A. The Company also announced the departures of its Chief Legal Officer, John Ashburn, and Chief Operating Officer, Michael Mutchler, effective March 31, 2016 and April 8, 2016, respectively.

2015 SUMMARY

Financial

- The Company recorded a net loss of $129,960 in 2015, compared to a net loss of $52,615 in 2014. This movement was primarily due to operating costs of $29,377 for the fourth quarter 2015 (2014 - $nil) following the commencement of commercial production on October 1, 2015, an increase in foreign exchange and derivative loss of $66,616 to $81,472 (2014 - $14,856) and an increase in finance costs of $7,047. This was partially offset by the recognition of revenues of $7,600 (2014 - $nil), a decrease in other losses of $10,334 and a decrease in the write-down of assets of $8,013. For the fourth quarter 2015, the Company recorded a net loss of $35,965, compared to a net loss of $31,423 for the same prior year period. This was primarily due to operating costs of $29,377 (2014 - $nil) following the commencement of commercial production on October 1, 2015 and an increase in finance costs of $7,047. This was partially offset by the recognition of revenues of $7,600 (2014 - $nil), a foreign exchange and derivative gain of $2,467 (foreign exchange and derivative loss of $17,917 in the same prior year period) and a decrease in other losses of $2,713.

- Operating costs of $29,377 include direct mine and mill costs of $19,268, depreciation and amortization of $8,952, royalties of $319 and an inventory write-down of $838. There were no comparable amounts in 2014. The total operating costs are related to the Mine Properties segment.
- The non-cash foreign exchange and derivative loss of $81,472 for 2015 resulted from a weakening of the Brazilian real by approximately 45% on the Company's U.S. dollar denominated debts and derivative swap contracts. The Company performs a mark-to-market valuation of its derivative swap contracts and revalues its U.S. dollar denominated debts into Brazilian reais at the end of each reporting period. Of the total foreign exchange and derivative loss for 2015, $78,441 related to the Mine Properties segment (2014 – $14,588) and $3,031 related to Corporate (2014 – $268), which is not an operating segment (refer to note 18 of the audited consolidated financial statements). For the fourth quarter 2015, the Brazilian real strengthened by approximately 1.7%, resulting in a non-cash foreign exchange and derivative gain of $2,467, compared to a foreign exchange and derivative loss of $17,917 for the same prior year period.
- Other losses of $10,018 recorded in 2014 primarily relates to the recognition of an increased provision resulting from the outcome of an arbitration process completed at the end of 2014. There was no such amount recorded in 2015.
- Finance costs for 2015 were $7,250, compared to $203 in 2014. The increase is attributable to the commencement of commercial production on October 1, 2015, with such amounts capitalized prior to this date. Of the $7,250, $6,088 relates to interest expense and guarantee fees (2014 - $203) and $1,162 relates to accretion (2014 – $nil). Of the total, $6,311 related to the Mine Properties segment (2014 – $nil) and $939 related to Corporate (2014 – $203). The amounts and movement for the fourth quarter 2015 are the same as described above for 2015.
- Professional, consulting and management fees for 2015 were $7,001, down from $7,864 for 2014. The decrease is primarily attributable to the arbitration process expenses incurred during the first quarter 2014. For the fourth quarter 2015, professional, consulting and management fees were $1,843, up from $1,275 in the same prior year period due to increased legal fees. Of the total professional and consulting compensation expense for 2015, $3,245 related to the Mine Properties segment (2014 - $1,923) and $3,756 related to Corporate (2014 - $5,941).
- During 2015, the Company changed its accounting policy for exploration and evaluation expenditures in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources. Under the new policy, exploration and evaluation costs, subsequent to acquisition, are expensed until it has been established that a mineral property is commercially viable and the Company has made a mine development decision. Thereafter, the Company capitalizes expenditures incurred as development costs, prior to the assessment that commercial production has been reached. Details of the impact of the change in accounting policy are contained in note 4 of the 2015 audited consolidated financial statements.
- In 2015, the Company incurred exploration and evaluation expenses of $715, compared to $216 in the restated 2014 consolidated financial statements. For the fourth quarter 2015, the Company incurred exploration and evaluation expenses of $90 compared to $51 in the same prior year period.
- The Company recorded a write-down of its exploration and evaluation assets of $6,747 in 2015. In 2014, the write-down of $14,760 related to its Currais Novos Tungsten development project.
- The Company recorded a comprehensive loss of $140,313 in 2015 after recognizing a cumulative translation adjustment loss of $10,353. This was mainly due to the depreciation in the value of the Company's net investment in its Maracás Menchen Mine and related property, plant and equipment due to a weakening of the Brazilian real. For 2014, the Company recorded a comprehensive loss of $52,488 and a cumulative translation adjustment gain of $127.

- Net cash used in operating activities for 2015 was $8,421, down $11,607 or 58% from $20,028 in 2014. The decrease was mainly due to a favourable movement in non-cash working capital items of $22,701, largely due to an increase in accounts payable, partially offset by an increase in cash used before non-cash working capital items of $11,094.
- Cash provided by financing activities for 2015 was $39,997, down $12,600 or 24% from $52,597 in 2014. The decrease is mainly due to a net decrease in funds associated with short term loans of $6,852, a decrease in proceeds from long-term debt of $37,982 and an increase in the repayment of long-term debt of $10,124. This was partially offset by an increase in proceeds from the issuance of units of $44,712.
- Cash used in investing activities for 2015 was $39,818, up $1,929 or 5% from $37,889 in 2014. The increase is mainly due to the increase in investment in development properties of $12,549 and a change in the movement in restricted cash of $16,012, partially offset by an increase in pre-production revenues of $26,409 received during the year.

Operations

- During the fourth quarter 2015 and the first quarter 2016, the Company completed the last of the engineering changes required to achieve consistent nameplate production capacity. The full ramp-up of production to nameplate capacity is now expected to be achieved in the third quarter 2016.
- Cash operating costs[1] since January 1, 2015[3] are summarized in the following table:

	Production Tonnes	**Production Pounds Equivalent[6]**	**CDN$ Cost per pound[1,2,4,5]**
January 2015	296	652,568	$7.71
February 2015	285	628,317	$8.58
March 2015	472	1,040,581	$4.93
April 2015	473	1,042,785	$5.80
May 2015	487	1,073,650	$6.64
June 2015	432	952,396	$6.35
July 2015	607	1,338,204	$5.26
August 2015	614	1,353,637	$4.86
September 2015	490	1,080,264	$6.14
4th Quarter 2015	1,654	3,646,441	$5.97

1. *The cash operating costs reported are on a non-GAAP basis. Cash operating costs include all cash expenditures, the main categories being mining costs, plant and maintenance costs, sustainability costs, mine and plant administration costs, commissions on sales, royalties and sales, general and administrative costs ("SG&A"). Cash operating costs excludes depreciation and amortization charges, interest or any other debt servicing costs. Refer to the "Non-GAAP Measures" section of this MD&A. See also 4. and 5. below.*
2. *Excludes corporate SG&A or CAPEX (Capital Expenditures).*
3. *Production for the period September 2014 to December 2014 was 1,032 tonnes or 2,275,168 lbs. Unit costs were accordingly magnitudes higher over this period due to low production as production rates started ramping up and are not useful for comparative purposes.*
4. *The reader is cautioned that the cash operating costs presented are intended to serve as a guide to the magnitude of the Company's monthly operating expenditures on a cash basis and excludes financing costs associated with the operations and non-cash accounting charges (including but not limited to depreciation and amortization expense, accretion, share-based payments, or foreign exchange and derivative gains or losses). The measure may therefore not be comparable to other companies or the results of similar operations and does not meet any definition of GAAP. Refer to the "Non-GAAP Measures" section of this MD&A.*
5. *The cash operating costs presented for January 2015 to September 2015 cannot be reconciled to the Company's consolidated financial statements in a meaningful way, as the Company's cash operating costs were capitalized to development properties while it remained in the development phase. Subsequent to October 1, 2015, the date of the assessment that commercial production had been reached, the cash operating costs presented will be quarterly and are calculated as detailed in the "Non-GAAP Measures" section of this MD&A.*
6. *Conversion of tonnes to pounds, 1 tonne = 2,204.62 pounds or lbs.*

SELECTED QUARTERLY INFORMATION

Summary financial information for the eight quarters ended December 31, 2015, prepared in accordance with IFRS:

Period	Revenue	Total Assets[1]	Net (Income) Loss[1]	Basic & Diluted (Income) Loss per Share[1]	Non-current Liabilities
4th Quarter 2015	$ 7,600	$ 315,759	$ 35,965	$ 0.18	$ 182,504
3rd Quarter 2015	Nil[2]	337,869	50,005	0.25	189,720
2nd Quarter 2015	Nil[2]	384,029	(681)	-	197,718
1st Quarter 2015	Nil[2]	323,740	44,671	0.41	174,068
4th Quarter 2014	Nil[2]	347,508	31,422	0.31	171,150
3rd Quarter 2014	Nil[2]	350,524	20,232	0.21	189,609
2nd Quarter 2014	Nil[2]	347,825	4,721	0.05	172,936
1st Quarter 2014	Nil[2]	336,340	(3,761)	(0.01)	166,391

1. *Balances have been restated as per the change in accounting policy for exploration and evaluation expenditures detailed in note 4 of the 2015 audited consolidated financial statements.*
2. *As the Company had been in the exploration and development phase up to September 30, 2015, it had no revenue during this period. The Company started generating sales of V_2O_5 during the third quarter of 2014 as part of the process to test the mine and associated processing operations. The net proceeds from these sales were capitalized until the Company declared commercial production for accounting purposes (October 1, 2015), which is the point at which the mine is capable of being operated on a continuing basis as intended by management.*

The Company's asset base has fluctuated over the last eight quarters ended December 31, 2015, with the high in the second quarter 2015 primarily attributable to the $75,200 proceeds from the private placement that closed on May 28, 2015. The decrease in the third quarter 2015 is primarily attributable to the weakening in the Brazilian real/Canadian dollar exchange rate of approximately 15.5%. The decrease in the fourth quarter 2015 is primarily attributable to a decrease in cash of $15,187 and the write-off of the Company's exploration and evaluation asset of $6,747. The investing activities in the development of the Company's Maracás Menchen Mine are discussed in notes 7 and 8 to the audited consolidated financial statements for 2015. During 2015, the Company incurred a foreign exchange and derivative loss of $81,472 primarily due to the translation of U.S. denominated debts in Brazilian reais equivalent.

During Q3 2015, the Company incurred a foreign exchange and derivative loss of $47,095 due to the translation of U.S. denominated debts in Brazilian reais equivalent.

During Q2 2015, the Company incurred a foreign exchange and derivative gain of $5,921 due to the translation of U.S. denominated debts in Brazilian reais equivalent.

During Q1 2015, the Company incurred a loss on foreign exchange of $42,765 due to the translation of U.S. denominated debts into Brazilian reais equivalent.

Prior to 2014, and except as noted in the following paragraphs, the Company has incurred net losses primarily as a result of its on-going expenses related to professional, consulting and management fees and other general and administration fees.

During Q4 2014, the Company incurred a loss on foreign exchange of $19,678 due to the translation of U.S. denominated debts into Brazilian reais equivalent. The Company recognized an impairment charge related to its Currais Novos property of $6,845. The Company also recognized a provision of $2,713 related to the settlement of its arbitration proceedings.

During 2014 the Company incurred a loss on foreign exchange of $11,578 due to the translation of U.S. denominated debts into Brazilian reais equivalent. The Company recognized a provision of $6,362 in respect of the settlement of its arbitration proceedings.

During Q2, 2014, the Company incurred in a net loss of $4,721 primarily as a result of the recognition of an impairment loss related to its Currais Novos project in the amount of $7,915. In Q4 2014 the remaining amount of the Currais Novos project was fully impaired.

During Q1 2014, the Company recorded net income of $3,761 predominantly attributable to foreign exchange gain of $3,696 on the U.S. indexed portion of the BNDES Facility (related to the strengthening of the Brazilian real during the period) and $4,311 in gains related to foreign currency swaps.

Non-current liabilities have been increasing as the Company continued to draw down on the BNDES Facility. See the discussion under Liquidity and Capital Resources and note 10 to the audited consolidated financial statements.

OPERATIONS

Maracás Menchen Mine

Recent Developments

The Maracás Menchen Mine operations produced its first vanadium pentoxide flake on August 2, 2014. On October 1, 2015, the Company declared commercial production at the Maracás Menchen Mine. Since this date, attributable borrowing costs and depreciation are no longer capitalized and are recognized in the consolidated statement of loss and comprehensive loss, together with revenues and operating costs.

During 2015, the Company capitalized $36,957 of pre-production expenditures (2014 – $24,497) as development work continued with a focus on optimizing recoveries and improving efficiencies. In addition, borrowing costs of $12,169 (2014 – $17,468) and depreciation of $18,249 (2014 – $11,739) on equipment used in the development activities were capitalized to development properties in 2015. Pre-production revenue of $37,708 was credited to development properties in 2015 (2014 – $11,011) from the production of 5,810 tonnes of V_2O_5 flake (2014 – 1,032 tonnes of V_2O_5).

During the fourth quarter 2015 and the first quarter 2016 the Company completed the last of the engineering changes required to achieve consistent nameplate production capacity. Largo has been producing at the Maracás Menchen Mine since August 2014, with the full ramp-up of production to nameplate capacity now anticipated to be completed in the third quarter 2016. The Company's focus in the first quarter 2016 has been on achieving the operational efficiencies and uptime required to achieve consistent nameplate production capacity. Nameplate annual production capacity for the Maracás Menchen Mine is 9,634 tonnes of vanadium pentoxide or approximately 26.4 tonnes per day.

Engineering changes completed in the fourth quarter 2015 and the expected impacts of such changes include:

- Third wet magnetic separation unit to increase wet magnetic recovery from 85% to 90%;
- Replacement of the cooler discharge pan conveyor to improve kiln/cooler/leach availability and temperature, and to increase leach recovery from 80% to 85%;
- Installation of a second leach tank to double the retention time and to increase leach recovery from 85% to 88%; and
- Installation of a second leach belt filter to provide additional capacity to maintain leach recovery at 88%.

Engineering changes completed in the first quarter 2016 include the installation of a contracted 200 tonnes per hour portable crushing system to augment the Company's existing crusher system for six months. This will provide additional capacity and will act as a back-up as work is performed to improve the availability of the Company's existing crusher system.

Production in January 2016 of 347 tonnes was much lower than expected due to lower crusher availability prior to the installation of the portable crushing system in the middle of the month. Extremely heavy rains on January 22nd and 23rd resulted in lower production for the remainder of January and for the first half of February as the Company worked to re-establish roads, berms and diversion ditches, as well pumping out the mine pit to re-access the higher grade ore. Production in February 2016 was 386 tonnes.

Production in March of 436 tonnes was lower than expected due to process and instrumentation issues encountered in the precipitation section of the chemical plant in the first half of the month. The second half of the month yielded stronger production once these issues were addressed. Despite the lower than expected production, the Company began to see the benefits of the actions taken to improve the supply of crushed ore, with concentrate production and the availability and recovery of the kiln and leach sections showing notable improvements.

In April 2016, the Company achieved new daily production records over consecutive days of 32 tonnes and 33 tonnes, representing approximately 121% and 125% of nameplate capacity, respectively.

The Company produced 5,810 tonnes (12,808,842 pounds) of V_2O_5 flake at an average cost of US$4.52/lb ($5.82/lb) for 2015. Production guidance for 2015 previously reported was as follows:

	Annual Production High-End	**Annual Production Low-End**	**Average Annual Production**	**Estimated Annual Average US$/CDN$ Cash Operating Costs Per Tonne [1,2,3,4]**	**Estimated Annual Average US$/CDN$ Cash Operating Costs Per Pound [1,2,3,4]**
2015	6,801 tonnes [5,6] ~ 15.0 million lbs	5,801 tonnes [5,6] ~ 12.8 million lbs	6,301 tonnes [5,6] ~ 13.9 million lbs	US$9,466 CDN$12,082	US$4.29 CDN$5.48

Production guidance for 2016 is as follows:

	Annual Production High-End	**Annual Production Low-End**	**Average Annual Production**	**Estimated Annual Average US$/CDN$ Cash Operating Costs Per Tonne [1,2,3,4]**	**Estimated Annual Average US$/CDN$ Cash Operating Costs Per Pound [1,2,3,4]**
2016 [2,6]	8,610 tonnes [5,6] ~ 19.0 million lbs	7,610 tonnes [5,6] ~ 16.8 million lbs	8,110 tonnes [5,6] ~ 17.9 million lbs	US$7,935 CDN$10,718	US$3.60 CDN$4.86

1. *The cash operating costs reported are on a non-GAAP basis. Cash operating costs include all cash expenditures, the main categories being mining costs, plant and maintenance costs, sustainability costs, mine and plant administration costs, commissions on sales, royalties and sales, general and administrative costs ("SG&A"). Cash operating costs excludes depreciation and amortization charges, interest or any other debt servicing costs. Refer to the "Non-GAAP Measures" section of this MD&A. See also 3. and 4. below. The estimated average annual R$/US$ and CDN$/US$ exchange rates used for 2016 are approximately 3.80 and 1.35 respectively.*
2. *Excludes corporate SG&A or CAPEX (Capital Expenditures).*
3. *The reader is cautioned that the cash operating costs presented are intended to serve as a guide to the magnitude of the Company's monthly operating expenditures on a cash basis and excludes financing costs associated with the operations and non-cash accounting charges (including but not limited to depreciation and amortization expense, accretion, share-based payments, or foreign exchange and derivative gains or losses). The measure may therefore not be comparable to other companies or the results of similar operations and does not meet any definition of GAAP. Refer to the "Non-GAAP Measures" section of this MD&A.*
4. *The cash operating costs presented for January 2015 to September 2015 cannot be reconciled to the Company's consolidated financial statements in a meaningful way, as the Company's cash operating costs were capitalized to development properties while it remained in the development phase. Subsequent to October 1, 2015, the date of the assessment that commercial production had been reached, the cash operating costs presented will be quarterly and are calculated as detailed in the "Non-GAAP Measures" section of this MD&A.*
5. *Conversion of tonnes to pounds, 1 tonne = 2,204.62 pounds or lbs.*
6. *Production numbers for 2016 assume the Company has deferred the previously considered expansion. A total CAPEX of approximately $13.4 million is expected to be required during 2016. The Company periodically reviews its CAPEX needs and will update the market when its estimates change by a material amount.*

As a result of continuing pressure on vanadium prices and the Company's cash resources, the Company will defer the previously considered expansion. The Company anticipates that its operating costs per pound will continue to decrease throughout 2016 and expects operating costs to stabilize at approximately US$3.20/ CDN$4.34 per pound by the end of 2016.

During 2015, 1,025,984 tonnes of ore with an average grade of 1.31% containing 13,477 tonnes of V_2O_5 were mined. 800,697 tonnes averaging 1.54% V_2O_5 were crushed, from which 718,133 tonnes with an average grade of 1.75% V_2O_5 were milled. The mill produced 280,789 tonnes of concentrate grading 3.13% V_2O_5 containing 8,907 tonnes of V_2O_5. The chemical plant produced 5,810 tonnes of V_2O_5 flake from this concentrate.

During Q4 2015, 262,203 tonnes of ore with an average grade of 1.38% containing 3,623 tonnes of V_2O_5 were mined. 204,958 tonnes averaging 1.51% V_2O_5 were crushed, from which 170,596 tonnes with an average grade of 1.76% V_2O_5 were milled. The mill produced 72,037 tonnes of concentrate grading 3.24% V_2O_5 containing 2,335 tonnes of V_2O_5. The chemical plant produced 1,654 tonnes of V_2O_5 flake from this concentrate.

During Q3 2015, 238,617 tonnes of ore with an average grade of 1.38% containing 3,283 tonnes of V_2O_5 were mined. 244,855 tonnes averaging 1.41% V_2O_5 were crushed, from which 202,993 tonnes with an average grade of 1.71% V_2O_5 were milled. The mill produced 85,983 tonnes of concentrate grading 3.19% V_2O_5 containing 2,740 tonnes of V_2O_5. The chemical plant produced 1,711 tonnes of V_2O_5 flake from this concentrate.

During Q2 2015, 260,828 tonnes of ore with an average grade of 1.13% containing 2,954 tonnes of V_2O_5 were mined. 200,431 tonnes averaging 1.52% V_2O_5 were crushed, from which 180,152 tonnes with an average grade of 1.68% V_2O_5 were milled. The mill produced 58,636 tonnes of concentrate grading 3.11% V_2O_5 containing 1,826 tonnes of V_2O_5. The chemical plant produced 1,392 tonnes of V_2O_5 flake from this concentrate.

During Q1 2015, 264,336 tonnes of ore with an average grade of 1.37% containing 3,617 tonnes of V_2O_5 were mined. 150,454 tonnes averaging 1.84% V_2O_5 were crushed, from which 164,392 tonnes with an average grade of 1.85% V_2O_5 were milled. The mill produced 64,133 tonnes of concentrate grading 3.13% V_2O_5 containing 2,006 tonnes of V_2O_5. The chemical plant produced 1,053 tonnes of V_2O_5 flake from this concentrate.

From September 2013 through December 2014, 1,021,623 tonnes of ore with an average grade of 1.24% containing 12,644 tonnes of V_2O_5 were mined. 349,834 tonnes averaging 1.93% V_2O_5 were crushed, from which 320,499 tonnes with an average grade of 1.91% V_2O_5 were milled.

During the period September 2013 to December 2014, the mill produced 90,256 tonnes of concentrate grading 3.23% V_2O_5 containing 2,914 tonnes of V_2O_5. The chemical plant produced 1,032 tonnes of V_2O_5 flake from this concentrate.

The following table is a summary of a reconciliation of the reserves and resources at the Maracás Menchen Mine since the commencement of mining activities.

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015 Total
Total Ore Mined (tonnes)	264,336	260,828	238,617	262,203	1,025,984
Grade of Ore Mined (%V_2O_5)	1.37	1.13	1.38	1.38	1.31
Contained V_2O_5 (tonnes)	3,617	2,954	3,283	3,623	13,477
Crushed ore (tonnes)	150,454	200,431	244,855	204,958	800,697
Grade of Ore for crushed (%V_2O_5)	1.84	1.52	1.41	1.51	1.54
Contained V_2O_5 (tonnes)	2,765	3,053	3,442	3,085	12,345
Ore milled (tonnes)	164,392	180,152	202,993	170,596	718,133
Grade of Ore for milled (%V_2O_5)	1.85	1.68	1.71	1.76	1.75
Contained V_2O_5 (tonnes)	3,041	3,034	3,481	3,003	12,559
Stockpile balance (tonnes)	785,671	846,068	826,315	883,560	3,341,614
Grade of Ore on stockpile (%V_2O_5)	0.86	0.79	0.72	0.74	0.78
Contained V_2O_5 (tonnes)	6,750	6,651	5,982	6,520	25,903
Concentrate produced (tonnes)	64,133	58,636	85,983	72,037	280,789
Grade of Concentrate (%V_2O_5)	3.13	3.11	3.19	3.24	3.13
Recovery of V_2O_5 %	67	61	79	78	72
Contained V_2O_5 (tonnes)	2,006	1,826	2,740	2,335	8,907
V_2O_5 flake produced (tonnes)	1,053	1,392	1,711	1,654	5,810

<u>Reserves and resources</u>

The Company has engaged Whittle Consulting and Micon International to complete an up-dated mineral reserves and resources estimate. Whittle is using their optimizer software to look at a Life of Mine Plan utilizing the reserves and resources. The new reserve statement is expected to be completed by early May 2016 and the Life of Mine Plan in May 2016.

Capivara Exploration

In 2014, Largo discovered a new chromite showing on its Capivara Prospect. The Capivara Prospect lies 32 km north of the Campbell Pit at the Maracás Menchen Mine. The original objective was to evaluate the known magnetite horizon, which includes high-grade vanadium values. While evaluating this magnetite horizon, the discovery was made of a number of zones containing chromite layers with fine-grained sulphides.

The chromite layers have been traced over an area of 3km (north-south) by 0.5 km (east-west). There are at least two zones of chromite layers from 20 to 25 metres wide at surface. These zones lie 400 metres west of the magnetite horizon that contains vanadium and anomalous platinum.

On November 24, 2014, the Company announced the results from initial grab samples as part of an ongoing exploration program at its Capivara Prospect which is located in the Maracás region of Bahia State, Brazil. The initial 12 grab samples were collected from surface over the prospective area described further below. Samples were analyzed by both SGS Canada Inc. (8 samples), Lakefield, Ontario and ALS Mineral Division (4 samples), Vancouver, B.C. The results were as follows:

- Chromite reporting as Cr_2O_3 ranging from 30.04 to 41.68%.
- Platinum values reported as ppbs (parts per billions) ranging from 110 to 2,500.

The potential quantity and grade is conceptual in nature at this stage and additional work will be required to define any mineral resource. The data verification and analytical work for the above results was carried out by SGS Canada Inc. in Lakefield, Ontario, Canada and ALS Mineral Division, Brazil.

The chromite layers are hosted in a thick ultramafic sequence including olivine gabbro, olivine pyroxenite and dunite. In the zones, the chromite layers consist of fine-grained massive chromite (60% chromite) and disseminated sulphides that could potentially contain PGMs. These massive chromite layers are 0.50 to 1.0 metres thick, separated by material containing lesser chromite (10% chromite) and disseminated sulphides.

At present, both ground magnetic and gravity surveys of the area are complete. The gravity survey has identified targets for further evaluation and drill testing.

Mapping and sampling has also been completed. The data has been evaluated and targets have been prioritized. A follow up diamond drilling program of 8 holes totalling 1,481.05 metres has also been completed. Highlights are as follows:

HOLE-ID	FROM	TO	LENGTH (m)	Cr_2O_3 (%)
FC01	38.10	43.40	5.30	11.46
	42.25	43.40	1.15	30.00
	69.00	90.00	21.00	3.21
FC02	247.20	253.92	6.72	11.22
	252.65	253.92	1.27	33.60
FC04	120.00	123.00	3.00	3.88

During the year ended December 31, 2015, the Company changed its accounting policy for exploration and evaluation expenditures as disclosed in note 4 of the audited consolidated financial statements. This applies to expenditures on the Capivara Prospect. The Company incurred $463 in expenditures during 2015 (2014 – $nil) at the Capivara Prospect.

Management is not planning any significant expenditures for 2016 due to the priority focus on the Maracás Menchen Mine and the need to manage the Company's liquidity.

Northern Dancer

Recent Developments

Management is not conducting any further work at this time on the Northern Dancer property, as the majority of the Company's efforts are focused on completing the ramp-up of production at the Maracás Menchen Mine.

During the year ended December 31, 2015, the Company changed its accounting policy for exploration and evaluation expenditures as disclosed in note 4 of the audited consolidated financial statements. This applies to expenditures on the Northern Dancer project. The Company incurred $230 in expenditures during 2015 (2014 – $180) at the Northern Dancer project.

At December 31, 2015, the Company identified indicators of potential impairment at its Northern Dancer property and assessed that the exploration and evaluation asset relating to this property was not recoverable. Accordingly, the Company recognized a write-down of $6,747 at December 31, 2015 (December 31, 2014 – $nil).

Outlook

A small study looking at a higher grade pit and smaller operation is being considered. The study will look at what supporting investigation might be necessary including additional metallurgical test work.

Management is not planning any significant expenditures for the foreseeable future.

Campo Alegre de Lourdes

Recent Developments

Largo has completed systematic sampling and re-logging of the cores to confirm the Fe, TiO_2 and V_2O_5 values of the deposits. A major magnetic anomaly and fold structure has been identified that is 14 kilometres long (north-south) by 2.5 kilometres wide (east-west). Two 50-kilogram samples from the oxidized and non-oxidized material were collected for preliminary metallurgical test work. These results suggest that the deposit may have the potential to be a titanium dioxide deposit; however, further metallurgical test work will need to be completed before this can be confirmed.

During 2015, the Company changed its accounting policy for exploration and evaluation expenditures as disclosed in note 4 of the audited consolidated financial statements. This applies to expenditures on the Campo Alegre de Lourdes project. The Company incurred $22 in expenditures during 2015 (2014 –$36) at the Campo Alegre de Lourdes project.

Outlook

The next step will be to conduct a drill program to identify the potential of the deposit. Environmental permits are required before drilling. These permits are awaiting approval by the governmental agency in charge. The drill program is expected to take 9 months to complete at Campo Alegre de Lourdes.

Management is not planning any significant expenditures for 2016.

Currais Novos Tungsten Tailings Project

Recent Developments

The Currais Novos project continues to be affected by the drought as disclosed in Largo's press release of October 31, 2012, however, some of the surrounding areas in Rio Grande do Norte have received some relief in terms of rain. The reservoirs in the immediate area still remain very low. The operations remain on care and maintenance and will remain so until additional rains are able to replenish the water table and until certain other technical issues are resolved. The expected rainy seasons since 2013 have not materialized and water levels for the area continue to remain critically low (as of the completion of this MD&A).

Outlook

Since inception of the Currais Novos project the Company has encountered technical difficulties in achieving commercial production and has been faced with drought conditions which resulted in the suspension of operations at the project in late 2012. As a result of these issues the Company has twice recorded non-cash impairment charges against the carrying value of the property and the related machinery and equipment and construction in process. During the year ended December 31, 2012 an impairment of $3,827 was recorded and during the year ended December 31, 2014 an additional impairment of $11,137 was recorded to write-down the assets to nil.

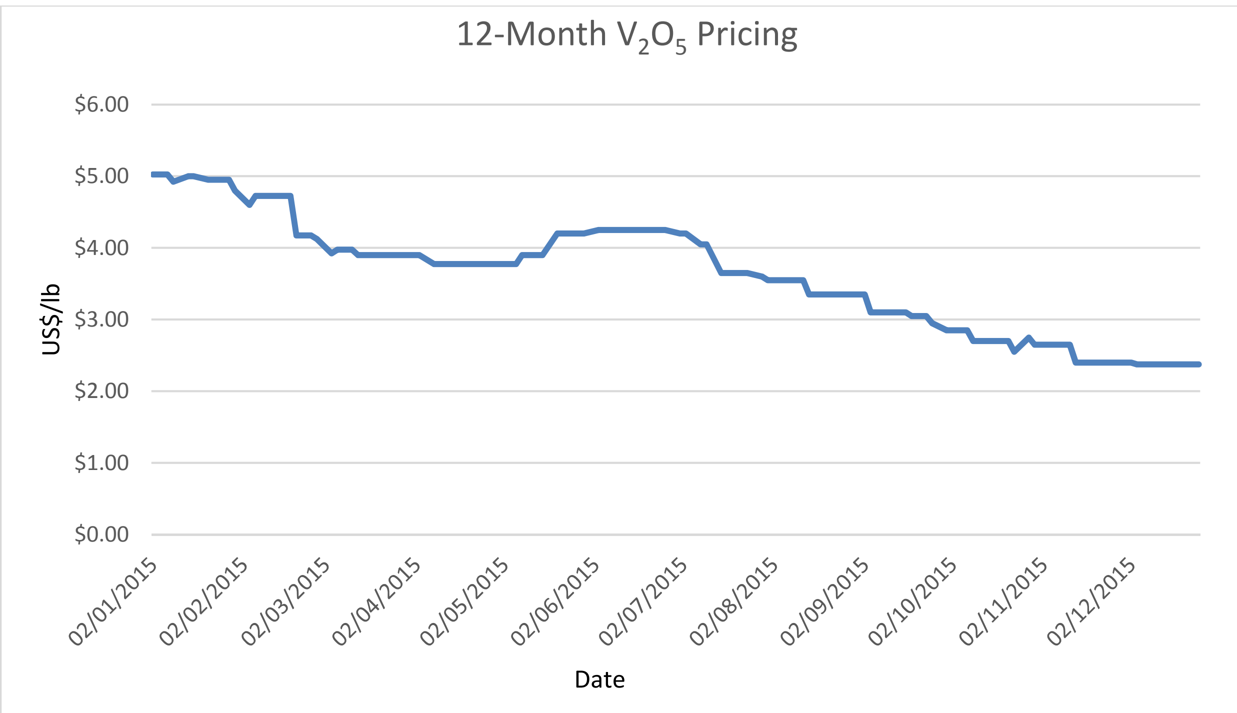
Due to the ongoing drought, and the negative production outlook, the Company decided to cease all development at Currais Novos until conditions improve and accordingly has written down the value of the development property and all related property and equipment to zero at December 31, 2014 (December 31, 2015 – $nil).

Management is not planning any significant expenditures for 2016.

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to require financing for the exploration and development of its properties and for working capital. Because of continuing operating losses as the Company ramps up its operations at the Maracás Menchen Mine, the Company's continuance as a going concern is dependent on its ability to reach profitable levels of operations and obtain adequate financing. The Company anticipates being able to fund its future cash flow needs through any combination of restructuring of its existing debt facilities and/or financing in a form that most effectively addresses its cash needs.

During the ramp-up to nameplate production capacity of the Company's Maracás Menchen Mine, the Company incurred operating losses. This is primarily attributable to the decline in V_2O_5 prices over the course of 2015, as illustrated in the following chart and lower than anticipated production of V_2O_5 during Q4 2015. 2015 began with a mid-price of US$5.03 per lb of V_2O_5. As at December 31, 2015, the price had declined to US$2.38 per lb of V_2O_5, a decline of over 50%, which was largely offset by the depreciation in the Brazilian real in the same period (refer to 2015 Summary section). The Company's Maracás Menchen Mine has improved its cost per lb of V_2O_5 performance over the course of 2015, but in this challenging price environment, costs remain in excess of current market prices. As at the date of the MD&A, the market price of V_2O_5 is in the range of US$3.40 - US$3.50 per lb.



The reader is cautioned that in the event of a default under the provisions of the various agreements for the debt financing facility provided by the Business Development Bank of Brazil ("BNDES") for its Maracás Vanadium mine in Bahia, Brazil (the "BNDES Facility"), the Company's assets may be required to cease operations and its assets may be liquidated under the various security arrangements pertaining to these debt facilities. Should the price per lb of V_2O_5 not increase to forecasted levels, the Company will be required to implement certain operational changes in order to further reduce costs.

Private Placement

On May 15, 2015, the Company closed a first tranche (the "First Tranche") of its $75,000 Unit (as defined below) offering (the "Offering"). The First Tranche closing resulted in proceeds to the Company of $18,222 from the sale of 22,777 Units. Of the proceeds realized from the First Tranche, a total of $12,250 was used to repay in full the existing principal and interest on the $12,000 convertible note facility extended to the Company by the ARC Funds and the remainder will be used for general corporate purposes relating to the development of the Maracás Menchen Mine.

Proceeds from the First Tranche were received from Units sold entirely on a non-brokered basis and included proceeds from the sale of 15,312 Units purchased by the ARC Funds.

Each Unit was sold at a price of $0.80 and consists of one common share and one-half of one common share purchase warrant (the "Units"). Each whole warrant entitles the holder to acquire one further common share at a price of $1.50 per common share for a period of one year from the date of issuance.

On May 22, 2015, the Company closed the second tranche (the "Second Tranche") of the Offering. The closing of the Second Tranche resulted in proceeds to the Company of $55,962 from the sale of 69,953 Units which together with the first tranche, which closed on May 14, 2015 (see the Company's news release of May 15, 2015), resulted in aggregate proceeds to the Company of $74,184 from the sale of 92,730 Units. Proceeds realized from the Second Tranche will be used for the development of the Maracás Menchen Mine and related corporate purposes, including, without limitation, meeting certain conditions precedent set out by the Company's lenders in their firm commitment letters for the restructuring of the Company's debt as more fully set out in Largo's May 7, 2015 press release.

Mackie Research Capital Corporation ("Mackie") acted as agent for the Company on a "best efforts" basis with respect to the sale of 2,210 Units issued in the Second Tranche for gross proceeds of $1,768. Mackie, as agent for the brokered portion of the Second Tranche of the Offering, was paid a commission of $115 and was issued a compensation option exercisable at any time up to 12 months following closing to purchase up to 177 Units, being an amount equal to 8% of the Units sold by Mackie in the brokered portion of the Second Tranche. Other than the 2,210 Units sold through Mackie, the Units issued under the Offering were sold on a non-brokered basis. Share issuance costs of $799 were incurred by the Company in respect of the non-brokered Offering, including $30 of broker warrants.

The ARC Funds purchased an aggregate of 48,000 Units in the Second Tranche for gross proceeds to the Company of $38,400. These Units were in addition to the 15,312 Units issued to the ARC Funds upon closing of the first tranche. The ARC Funds are a "Control Person" of the Company (as defined in the TSX Venture Exchange Corporate Finance Manual) by virtue of their ownership prior to the closing of the Offering of approximately 28.2% of the Company's issued and outstanding Common Shares. At closing of the Second Tranche, the ARC Funds owned 46.5% of the Company's then issued and outstanding Common Shares (or approximately 55.0% of the Company's then issued and outstanding Common Shares in the event that the ARC Funds exercised all of the convertible securities held by them).

In addition, Mr. Mark Smith, President and Chief Executive Officer and a director of Largo, and another employee of Largo, subscribed for an aggregate of 770 Units under the Offering.

On May 28, 2015, the Company closed the third and final non-brokered tranche of the Offering (the “Third Tranche’) for an additional $1,016 worth of Units, bringing the final aggregate amount raised to approximately $75,200.

Credit Facilities

On July 3, 2012, the Company’s subsidiary Vanadio de Maracás S.A. (“Vanadio”) entered into a definitive agreement for the BNDES Facility. As at September 30, 2015, the total facility, as a result of the indexing of a portion to U.S. dollars, was R$503,890 ($176,038). As a condition precedent to the BNDES Facility, the Company also entered into a guarantee agreement (having an associated fee of 3.3%) with a consortium of three commercial banks in Brazil on the facility’s original amount of R$333,831. Guarantee fees based on the facility’s carrying value, are payable on a quarterly basis.

On April 27, 2015, the Company signed a term sheet with its consortium of lenders to defer the debt amortization schedule and extend the maturities for the BNDES Facility. The material terms of the restructuring include:

- An additional one-year grace period on the amortization schedule for the BNDES Facility;
- A three-year extension of the maturity date for the U.S. dollar component of the BNDES Facility and the Export Facilities;
- An increase in the guarantee fees payable to the commercial banks in respect of the BNDES Facility, from 3.3% to 3.85% per annum; and
- Payment of a flat structuring fee equal to 1.5% of the aggregate amount of the Facilities.

The BNDES Facility is denominated in Brazilian reais, but approximately 74% (R$380,099) is indexed to the U.S. dollar ("U.S. dollar component"). The 26% of the BNDES Facility that is not indexed ("R$ component") currently bears a weighted average interest rate of 8.00%, while the U.S. dollar component currently bears a weighted average interest rate of approximately 6.08%. The interest rate on the U.S. dollar component is based on the BNDES cost of borrowing a basket of foreign funds, plus a weighted average margin rate of 2.00% which will increase or decrease with BNDES's foreign borrowing costs. Approximately R$33,120 of the outstanding R$ component is fixed at 5.5%, while the remaining amount is based on the Taxa de Juros de Longo Prazo ("TJLP") index, currently at 7.0%, a long-term interest rate that BNDES posts from time to time, plus a weighted average margin of 1.98%.

The principal repayments due in May 2015 were paid, with further principal repayments on the Export Facilities now extended to begin in October 2016, and principal repayments of the U.S. dollar component of the BNDES Facility extended to begin in May 2016. Principal repayments of the R$ component of the BNDES Facility will occur as per the previous terms.

The application of certain of the financial covenants associated with the facility was also extended from December 31, 2015 to June 30, 2017. Waivers were obtained for the covenants otherwise applicable at December 31, 2015 as part of the restructuring noted below. The other significant terms of the agreement governing the facility remain the same. The facility is secured by the Maracás Vanadium property as well as all of the development and fixed assets located at or associated with it.

The Company considers that the above noted amendments to its debt facility are not substantial changes and as such has accounted for them as amendments of an existing debt facility. The Company has accordingly adjusted the effective interest rate of the loan based on the carrying amount of the debt facility on the date of the modifications and the expected revised future cash flows.

As at December 31, 2015 the loan facility was completely drawn down. An amount of $22,251 is due for repayment within the next twelve months.

Refer to the section "Significant Events and Transactions Subsequent to 2015" for details of the restructuring in early 2016.

Export Credit Facilities

On July 2, 2013, Vanadio drew down R$22,000 under an export credit facility with a Brazilian bank. The facility bears interest at the posted CDI rate (the Brazilian interbank lending rate) plus 2.95%. Vanadio simultaneously entered into a swap agreement with a notional value of US$10,000 with the same bank under which Vanadio will receive amounts equal to its amortizing liability and interest under the loan agreement. On May 5, 2014, Vanadio renegotiated its export credit facility and drew down an additional R$12,500 under a second export credit facility with the same bank, which bears interest at the posted CDI rate plus 3.55%. Vanadio simultaneously renegotiated its swap agreement increasing the notional amount to US$15,000 (R$34,500 at that time) under which Vanadio will receive amounts equal to its amortizing liability and interest under the loan agreements.

As part of the restructuring of the BNDES Facility, the principal repayment due in April 2015 on this export credit facility was deferred to and paid in May 2015, with further principal repayments due to commence in October 2016. This facility will amortize on a quarterly basis in equal amounts until maturity in May 2020 of R$2,080 ($727) plus interest at a CDI derived rate of 7.09%.

As at December 31, 2015, an amount of $714 is due for repayment within the next twelve months.

On July 2, 2013, Vanadio drew down US$10,000 under an export credit facility with a second Brazilian bank. The facility bears interest at a fixed rate of 4.95%, as well as additional variable payments that are calculated based on 2.5% of the highest annual EBITDA of Vanadio through 2016 to a maximum additional amount of US$2,000.

As part of the restructuring of the BNDES Facility, the facility amortization period was extended to commence in October 2016 with equal quarterly amounts of US$593 to be paid until maturity in May 2020.

On May 2, 2014, Vanadio entered into a loan agreement with the same bank for US$5,000 subject to an interest rate of 7.5% per year. The loan has a three-year term, and in accordance with the terms of the restructuring of the Facilities, amortizes on a quarterly basis in equal amounts of US$296 starting in October 2016.

As at December 31, 2015, an amount of $1,213 is due for repayment within the next twelve months.

The Company considers that the above noted amendments to its export credit facilities are not substantial changes and as such has accounted for them as amendments of an existing credit facility rather than an extinguishment of the original facility. The Company has accordingly adjusted the effective interest rate of the loan based on the carrying amount of the debt facility on the date of the modification and the expected revised future cash flows.

Each of the credit facilities described above is secured by a second priority charge on the Maracás project assets.

Refer to the section “Significant Events and Transactions Subsequent to 2015” for details of the restructuring in early 2016.

Banco Pine Restructuring

On May 30, 2014, the Company entered into a loan agreement with a third Brazilian bank, Banco Pine, for US$5,000. The loan had a one-year term, with the principal payable at the end of the term and bears interest at an effective rate of 6.5% per annum, payable semi-annually. The due date for payment of the US$5,000 Banco Pine term loan was May 22, 2015. The Company has restructured this term loan in the following manner:

- The Company paid US$1,000 in principal of the US$5,000 that fell due on May 22, 2015;
- Extended the repayment term of the remaining US$4,000 principal for an additional 24-month period; and
- Negotiated quarterly interest payments; interest of 8.98% per annum, plus a 1% structuring fee.

As at December 31, 2015, an amount of $2,912 in principal is due for repayment within the next twelve months.

Refer to the section “Significant Events and Transactions Subsequent to 2015” for details of the restructuring in early 2016.

Maracás Menchen Mine

Production of vanadium commenced during August 2014 and the first sale of vanadium pentoxide flake was concluded during September 2014. Since this time, the Company has continued to further ramp up the production and sales of vanadium pentoxide, as described in the “Maracás Menchen Mine” section above. In connection with the ramp-up, the Company has also evaluated its future financial requirements, including inter alia its sustaining capital, working capital and debt servicing needs for the next 12 months.

At December 31, 2015, the Company had achieved commercial production, had an accumulated deficit of $298,758 since inception (restated December 31, 2014 – $188,330), and has a net working capital deficiency of $80,595 (December 31, 2014 – $59,746) (defined as current assets less current liabilities), primarily as a result of the required principal repayments of the long-term debt that commenced in May 2015. Total amounts due on the debt in the coming 12 months will be $42,983.

The following table details the Company’s expected remaining contractual cash flow requirements as at December 31, 2015 for its financial liabilities with agreed repayment periods. The amounts presented are based on the undiscounted cash flows of financial liabilities and therefore, do not equate to the carrying amounts on the consolidated statement of financial position.

	Less than 6 months	6 months to 1 year	1 to 3 years	Over 3 years
Accounts payable and accrued liabilities	$ 25,395	$ 427	$ 3,412	$ 28,096
Long-term debt	16,348	26,635	73,719	109,854
Operating and purchase commitments	3,643	4,468	117	-
	$ 45,386	$ 31,630	$ 77,248	$ 137,950

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2015 the Company had cash of $2,869 (December 31, 2014 - $11,420) and restricted cash of $3,881 (December 31, 2014 - $7,462). The amount classified as restricted cash is deposited in accounts in Brazil that are restricted to service the interest payments and the guarantee fees payable pursuant to the debt facility.

At December 31, 2015, due to continued weakening of the V_2O_5 price, the Company has revised its forecast for when it expects to require additional financing for working capital and capital expenditures for its properties, and the repayment of the long-term debt. The Company now expects to require such additional financing by the third quarter 2016, based on the assumption that V_2O_5 prices remain at the current level. Should the Company be unable to continue as a going concern it would therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying audited consolidated financial statements. Such adjustments could be material.

Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. These material uncertainties may cast significant doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and accordingly the appropriateness of the use of accounting principles applicable to a going concern. Although the Company has been successful in the past in obtaining financing and has recently completed a private placement for gross proceeds of $36,644 in early 2016 (see "Significant Events and Transactions Subsequent to 2015" in this MD&A) there is no assurance that the Company will be able to obtain adequate financing in future or that such financing will be on terms advantageous to the Company.

Currais Novos Tungsten Tailings Project

Due to the ongoing drought and the negative production outlook, the Company has decided to cease all development at Currais Novos until conditions improve and accordingly wrote down the value of the development property and all related property and equipment to zero at December 31, 2014.

The Company was engaged since late June 2013 in an arbitration process related to its failure to meet certain minimum shipping obligations under a 2011 supply agreement from Currais Novos. The final award of the arbitral panel in respect of the arbitration was received by the Company on November 26, 2014. The arbitral panel awarded US$8,230 plus interest and legal costs in favour of the customer.

Subsequent to December 31, 2014, the Company reached a settlement agreement with its customer to defer the terms of payment and settled claims not covered by the award. Pursuant to the terms of the settlement agreement the Company was required to remit its first payment of US$500 on January 15, 2016. Eleven subsequent monthly payments of US$1,000 were contemplated beginning on February 15, 2016, for an aggregate settlement of US$11,500. The Company has included in the current portion of long-term debt the full amount of $15,893 related to the settlement agreement.

The settlement award was further amended during the first quarter 2016 as discussed in the section "Significant Events and Transactions Subsequent to 2015".

OUTSTANDING SHARE DATA

(Exercise prices presented in this section are in dollars and not thousands).

As at December 31, 2015, there were 203,262 common shares of the Company outstanding. As at the date of the MD&A, there were 412,655 common shares of the Company outstanding.

As at December 31, 2015, under the share option plan of the Company, 9,449 share options were outstanding with exercise prices ranging from $0.70 to $2.80 and expiry dates ranging between January 23, 2018 and July 16, 2020. If exercised, the Company would receive proceeds of $14,762. The weighted average exercise price of the share options outstanding was $1.55.

As of the date of this MD&A, 6,755 share options were outstanding with exercise prices ranging from $0.70 to $2.80 and expiry dates ranging between January 23, 2018 and July 16, 2020.

As at December 31, 2015, 64,255 common share purchase warrants were outstanding with exercise prices ranging from $1.50 to $3.50, and expiring between March 12, 2016 and October 6, 2017. If these warrants were exercised, the Company would receive proceeds of $127,357. The weighted average exercise price of the warrants is $1.98.

As of the date of this MD&A, 162,587 common share purchase warrants were outstanding with exercise prices ranging from $0.29 to $3.50, and expiring between May 15, 2016 and March 3, 2021.

Transactions With Related Parties

The audited consolidated financial statements for 2015 include the financial statements of the Company and its subsidiaries. There have been no changes in the Company's ownership interest in its subsidiaries since December 31, 2014. The Company had transactions with related parties during 2015. Refer to note 17 of the Company's audited consolidated financial statements.

Additional information regarding the compensation of officers and directors of the Company is disclosed in the Company's management information circular, which is available under the profile of the Company on SEDAR at www.sedar.com.

Financial Instruments

Financial assets and financial liabilities as at December 31, 2015 and December 31, 2014 were as follows:

	December 31, 2015	December 31, 2014
Cash	**$ 2,869**	$ 11,420
Restricted cash	**3,881**	7,462
Amounts receivable	**2,128**	2,325
Accounts payable and accrued liabilities	**25,396**	16,373
Current portion of long-term debt	**42,983**	53,223
Long-term debt	**176,989**	167,806
Derivative liabilities at FVTPL	**$ 31,934**	$ 11,351

The Company's risk exposures and the impact on the Company's financial instruments are summarized in note 21 of the annual consolidated financial statements. There have been no changes in the risks, objectives, policies and procedures from the previous period.

Commitments And Contingencies

At December 31, 2015, the Company was party to certain management and consulting contracts. Minimum commitments under the agreements are approximately $3,677 all payable within one year. These contracts also require that additional payments of up to approximately $4,682 be made upon the occurrence of certain events such as change of control. As the triggering event has not occurred, the contingent payments have not been reflected in these consolidated financial statements.

In 2008, Largo agreed to sell 100% of its vanadium production to Glencore International AG under an off take agreement which expires in August 2020.

The Company has certain debt covenants related to the debt facility described in the credit facilities section of this MD&A, which have been amended in connection with the New Facility and restructuring of the credit facilities as detailed in the "Significant Events and Transactions Subsequent to 2015" section.

The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. The Company has acquired and maintains liability insurance for its directors and officers.

The Company is committed to a minimum amount of rental payments under two long-term leases of office space which expire on October 31, 2016 and April 30, 2019, respectively. Minimum rental commitments remaining under the leases are approximately $285, including $167 due within one year.

In the regular course of development of the Company's Maracás Menchen Mine, the Company has entered into purchase order contracts with remaining amounts due related to goods not received or services not rendered as of December 31, 2015 of $4,366.

The Company, through its subsidiaries, is party to legal proceedings in the ordinary course of its operations related to legally binding agreements with various third parties under supply contracts and consulting agreements. As at December 31, 2015 two such proceedings were ongoing, each in Brazil. The first relates to a supply agreement for the Maracas Menchen Mine which was filed with the courts in October 2014. The amount claimed totals R$9,900 ($3,459), with a counterclaim filed by Vanadio for R$10,700 ($3,739). The second proceeding relates to a consulting agreement dispute for which R$3,100 ($1,083) has been claimed against two of the Company's subsidiaries. The Company and its subsidiaries are also party to legal proceedings regarding labour matters. Management does not expect the outcome of any of these proceedings to have a materially adverse effect on the results of the Company's financial position or results of operations. Should any losses result from the resolution of these claims and disputes, they will be charged to operations in the period that they are determined.

Significant Accounting Judgments, Estimates And Assumptions

The preparation of the audited consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These audited consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the audited consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant areas requiring the use of estimates and assumptions relate to the capitalization of development costs and the determination of mineral reserve estimates and the impact on stripping costs, useful lives of mine properties, plant and equipment, impairment analysis of non-financial assets and estimates of the timing of outlays for asset retirement obligations. Other significant areas include the valuation of mine properties, plant and equipment, development properties and exploration and evaluation properties, estimates of provisions for environmental rehabilitation, production stage of a mine, income and deferred taxes, going concern and commitments. Refer to note 3(d) for a detailed description of these areas of significant judgment, estimates and assumptions. Actual results could differ from those estimates.

Changes In Accounting Policies

The basis of presentation, and accounting policies and methods of their application in the 2015 audited consolidated financial statements are consistent with those used in the Company's annual consolidated financial statements for the year ended December 31, 2014, except for the change in accounting policy as detailed in note 4 of the audited consolidated financial statements.

Future IFRS Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. For a discussion of future accounting policies that may impact the Company, refer to note 3(e) of the Company's audited consolidated financial statements for 2015.

Non-GAAP[1] Measures

The Company uses certain non-GAAP financial performance measures in its MD&A, which are described in the following section.

[1] GAAP – Generally Accepted Accounting Principles.

Cash Operating Costs

The Company's MD&A refers to cash operating costs per pound produced, a non-GAAP performance measure, in order to provide investors with information about a key measure used by management to monitor performance. This information is used to assess how well the Maracás Menchen Mine are performing compared to plan and prior periods, and also to assess its overall effectiveness and efficiency.

Cash operating costs includes mine site operating costs such as mining costs, plant and maintenance costs, sustainability costs, mine and plant administration costs, commissions on sales, royalties and sales, general and administrative costs, but excludes depreciation and amortization, share-based payments, foreign exchange and derivative gains or losses, reclamation, capital expenditures and exploration and evaluation costs. These costs are then divided by the pounds of production from the Maracás Menchen Mine to arrive at the cash operating costs per pound produced.

For the period prior to October 1, 2015, the date of the assessment that commercial production had been reached, cash operating costs per pound produced are presented monthly and cannot be reconciled to the Company's consolidated financial statements in a meaningful way, as the Company's cash operating costs were capitalized to development properties while it remained in the development phase.

The measure, along with revenues, is considered to be one of the key indicators of the Company's ability to generate operating earnings and cash flow from its. These cash operating costs do not have any standardized meaning prescribed by IFRS and differ from measures determined in accordance with IFRS. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of net earnings or cash flow from operating activities as determined under IFRS.

The following table provides a reconciliation of cash operating costs per pound produced for the Maracás Menchen Mine to operating costs, excluding depreciation expense as per the consolidated financial statements.

		Period from October 1, 2015 to December 31, 2015
Operating costs[1]	$	29,377
Fourth quarter professional, consulting and management fees[2]		991
Fourth quarter general and administrative expenses[3]		352
Less: depreciation and amortization expense[4]		(8,952)
Cash operating costs	$	21,768
V_2O_5 flake produced (000s lb)		3,646
Cash operating costs per pound produced ($/lb)	$	5.97

1. *As per note 22 of the Company's annual consolidated financial statements.*
2. *Calculated as the amount for the Company`s Mine properties segment in note 18 of the Company`s annual consolidated financial statements, less the amount disclosed for the Development properties segment for the nine-month period in note 13 of the Company`s unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2015: $3,245 – $2,254 = $991.*
3. *Calculated as the amount for the Company`s Mine properties segment in note 18 of the Company`s annual consolidated financial statements, less the amount disclosed for the Development properties segment for the nine-month period in note 13 of the Company`s unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2015: $913 – $561 = $352.*
4. *As per note 22 of the Company's consolidated financial statements.*

RISKS AND UNCERTAINTIES

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition. These risks could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A and as described in the Cautionary Statement Regarding Forward-Looking Information found in this MD&A.

The Company's business activities expose it to significant risks due to the nature of mining, development and exploration activities. The ability to manage these risks is a key component of the Company's business strategy. Management is forward looking in its assessment of risks. Identification of key risks occurs in the course of business activities, pursuing approved strategies and as part of the execution of risk oversight responsibilities at the management and Board of Directors' level.

General

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward–looking information relating to the Company.

Nature of Mining, Mineral Exploration and Development Projects and Businesses

Mining operations generally involve a high degree of risk. The Company's operations and those of its subsidiaries are subject to the hazards and risks normally encountered in the mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Development projects have no operating history upon which to base estimates of future cash operating costs[2]. For development projects, resource and reserve estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

The economic events of 2008 have resulted in negative pressures on the exploration and mining businesses in general. Management of the Company must assess past, current and future plans in light of this. A prolonged downward trend in the exploration and mining sectors could have a material adverse effect on the Company's business, operational results and financial performance.

Capital and Operating Cost Estimates

Capital and operating costs estimates made by management with respect to future projects, or current operations in the early stages of production, or not yet in the production phase are estimates which are in turn based, among other things, on interpretation of geological data, feasibility studies, anticipated climactic conditions and other information. Any or all of these can affect the accuracy of the estimates including unanticipated changes in grade and tonnage to be mined and processed; incorrect data on which engineering assumptions are made; unanticipated transportation costs; accuracy of equipment and construction cost estimates; difficulty or failure to meet scheduled construction completion dates, facility or equipment commissioning dates, or metal production dates; poor or unsatisfactory construction quality resulting in failure to meet completion, commissioning or production dates;

[2] This is a non-GAAP measure. Refer to the "Non-GAAP Measures" section of this MD&A.

increased expenditures required as a failure to meet completion, commissioning or production dates; capital overrun related to the completion of any construction phase including capital overrun associated with demobilization of construction workers and contractors; labour negotiations; unanticipated costs relating to the commencement of operations, ramp up and production sustainment; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas or exportation of the Company's products; and change in commodity input costs and quantities).

Revenues

The Company commenced production at the Maracás Menchen Mine in August 2014 and made its first sales of vanadium pentoxide during September 2014. The Company is not producing material from any of its other remaining projects. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years for consultants, personnel and equipment associated with advancing exploration, development and commercial production of any of the Company's properties. The Company expects to continue to incur losses until such time as its Maracás Menchen Mine reaches nameplate production capacity and vanadium prices recover for it to generate sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will continue to generate any revenues or achieve profitability.

Liquidity and Going Concern Risks

The audited consolidated financial statements for 2015 were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred significant operating losses and negative cash flow from operations in recent years. Whether and when the Company can attain profitability and positive cash flow is uncertain. These uncertainties cast doubt upon the Company's ability to continue as a going concern.

The Company continues to require additional capital in order to fund it operations generally and, should the need arise, for continued advancement and/or completion of its projects. Because of continuing operating losses as the Company ramps up its operations at the Maracás Menchen Mine, the Company's continuance as a going concern is dependent on its ability to reach profitable levels of operations and obtain adequate financing. Management believes the likelihood of completing its projects is high and that such future capital can be secured efficiently. However, there is no assurance that such future potential financings will be completed and, as a result, that the Company may be forced to cease or dispose of operations or assets.

The BNDES Facility is dependent on guarantees from three Brazilian banks. The guarantees require that the Company's Brazilian subsidiary and the Company comply with a significant number of covenants, which were deferred in accordance with the restructuring activities in early 2016. The definitive agreements signed as part of the restructuring activities in early 2016 require the Company to comply with various amended financial and non-financial covenants during the term of the grace period the restructuring provides. At the completion of the grace period, the Company will be obligated to comply with the covenants set forth in the existing debt facilities. Should the subsidiary or the Company be unable to comply with any one of the covenants, it is possible one or both of them could be in default under the guarantee agreement, which would result in a default under the terms of the BNDES Facility. As a result of such a default, BNDES could cease any further funding and also demand repayment on all amounts outstanding. If BNDES terminated the BNDES Facility, it is possible the Company could be forced to cease operations and liquidate its assets. See the discussion in the "Liquidity and Capital Resources" section above of this MD&A.

Foreign Exchange

Mineral commodities are sold in US dollars and consequently, the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar and Brazilian real as compared to the US dollar. To the extent Largo generates revenue, it will be subject to foreign exchange risks as revenues will be received in US dollars while operating and capital costs will be incurred primarily in Brazilian reais and Canadian dollars. A decline in the US dollar would result in a decrease in the real value of Largo's future revenues and adversely affect its financial performance.

Litigation, Arbitration and Disputes

Largo has entered into legally binding agreements with various third parties under supply contracts and consulting agreements. The interpretation of the rights and obligations that arise from such agreements may be open to differing interpretations and Largo may disagree with the position taken by other parties to these agreements. This could result in a dispute which, if unresolved, might trigger a litigation or arbitration process, causing Largo to incur possible legal or similar costs in the future. Given the speculative and unpredictable nature of litigation or the arbitration process, including the contractor claims described in the Commitments and Contingencies section of this MD&A, final outcomes in such disputes may have material adverse effects on Largo. See also the discussion regarding settlement of the Tungsten supply agreement arbitration under "Liquidity and Capital Resources – Currais Novos Tungsten Tailings Project".

Mineral Resource and Mineral Reserve Estimates May Be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. The accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

Failure to Meet Production Targets and Cost Estimates

The Company prepares future production and capital cost estimates with respect to existing operations. Actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, tonnage, dilution and metallurgical and other characteristics of the ore varying from the actual ore mined, revisions to mine plans, risks and hazards associated with mining, adverse weather conditions, unexpected labour shortages or strikes, equipment failures and other interruptions in production capabilities. Production costs may also be affected by increased mining costs, variations in predicted grades of the deposits, increases in level of ore impurities, labour costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve production targets or cost estimates could have a material adverse impact on the Company's sales, profitability, cash flow and overall financial performance. In the event that the Company obtains debt financing, repayment terms associated with such financing will likely be based on production schedule estimates. Any failure to meet such timelines or to produce amounts forecast may constitute defaults under such debt financing, which could result in the Company having to repay loans.

Licenses and Permits, Laws and Regulations

The Company's exploration and development activities, including mine, mill, road, and other facilities, require permits and approvals from various government authorities and cooperation from certain First Nations groups, and are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters in Brazil, Canada and any other jurisdiction in which the Company operates in the future. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that Largo will be able to maintain or obtain all necessary licenses, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities. Refer to previous discussions of the Company's L.O. under "Corporate Developments".

Mineral Commodity Prices

The profitability of the Company's operations will be dependent upon the market price of mineral commodities, specifically vanadium. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of global economic activity, interest rates, expectations for and the rate of inflation, speculative activities, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems, global and regional supply and demand and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

Environmental

The Company's activities are subject to extensive federal, provincial, state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

Title to Properties

The acquisition and maintenance of titles to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

Uninsured Risks

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the common shares of the Company.

Competition

Largo competes with many other mining companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

Dependence on Third Parties

Largo has relied upon external consultants, engineers and others and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on Largo.

Qualified Personnel

Recruiting and retaining qualified personnel in the future is critical to the Company's success. As the Company develops its properties toward commercial production, the need for skilled labour will increase. The number of persons skilled in the exploration and development of mining properties is limited and competition for this workforce is intense. The development of the Company's properties may be significantly delayed or otherwise adversely affected if the Company cannot recruit and retain qualified personnel as and when required.

Availability of Reasonably Priced Raw Materials and Mining Equipment

Largo will require a variety of raw materials in its business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, the Company's production and financial performance could be adversely impacted.

Costs of Transportation

Operation of the Company's facilities, existing and future, will depend in part on the flow of materials, supplies, equipment, services and products. Due to the geographic location of the Company's operations, existing and future, it remains and will remain dependent on the provision by third parties of rail, port, marine, shipping or other transportation services. Potential issues including contractual disputes, demurrage charges, port or depot capacity handling issues, availability of vessels, rail cars or other modes of cargo transport, weather problems and labour disruptions could have a material adverse effect on Largo's ability the transport various materials necessary for operation of one or more of its facilities in accordance with schedules or contractual requirements. This might result in a material adverse effect on the Company's business, results of operations and financial performance.

Share Price Fluctuations

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur or continue to occur.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of Largo may have a conflict of interest in negotiating and concluding terms respecting such participation.

Corporate Structure Risks

Vanadio de Maracás SA, the material Brazilian subsidiary of the Company which holds a 100% interest in the Company's Maracàs Menchen Mine, is a limited liability company, and as such does not require a board of directors and is controlled by its shareholders. The management of the Company has control over Vanadio de Maracás SA by virtue of owning 99.84% of the shares of Vanadio de Maracás SA. Therefore, the management of the Company can effectively (i) appoint and dismiss at any time any and all of the officers of Vanadio de Maracás SA, (ii) instruct the officers of Vanadio de Maracás SA to pursue Company's business activities, and (iii) has legal rights as a shareholder to require the officers of Vanadio de Maracás SA to comply with their fiduciary obligations and can also enforce its rights by way of the shareholder remedies available to it. As a result, the management of the Company can effectively align the Issuer's business objectives and effect the implementation of same at the level of Vanadio de Maracás SA.

The Company, as the holder of a 99.84% interest in Largo Brazil, can remove and appoint officers by way of simple communication that such officer is being removed from his/her position and the subsequent filing of same with the Board of Trade. The board of directors of the Company, through its corporate governance practices and in particular the activities of its board committees, regularly receives management and technical updates and progress reports in connection with Vanadio de Maracás SA, and in so doing, maintains effective oversight of the operations and project development activities of Vanadio de Maracás SA. The opening and closing of bank accounts of Vanadio de Maracás SA and/or its subsidiaries is also controlled and approved by the Company's Chief Financial Officer.

Until the Maracàs Menchen Mine increases production and generates increased revenue, all transfers of funds have been and will continue to be from the Company to Vanadio de Maracás SA pursuant to an inter-company credit facility. The board of directors of the Company has the ability to exert effective control over Vanadio de Maracás SA as discussed herein. Accordingly, the board of directors of the Company will be able to cause Vanadio de Maracás SA to transfer funds and accomplish the various operating aspects of the business once Largo Brazil starts to generate revenue.

Certain of the directors and officers of the Company have extensive experience doing business in both Canada and Brazil. In particular, Mark Smith, Alberto Arias, Sam Abraham and Daniel Tellechea are the directors of the Company that have experience in conducting business in Brazil and Les Ford (former Senior Vice President and Technical Director of Brazilian Operations and currently consultant to the Company) and Kurt Menchen (formerly President of Brazilian Operations and currently consultant to the Company) are the individuals with experience in conducting business in Brazil. Moreover, Alberto Arias and Sam Abraham are fluent in Portuguese.

Knowledge of the local business, culture and practices is imparted by these individuals to other directors and officers of the Company, furthermore, several of the non-resident directors and officers visit Brazil on a regular basis in order to ensure effective control and management of the operations and as a result come into contact with other employees, personnel, government officials, business persons and customers who are locals in Brazil, which enable them to enhance their knowledge on these fronts. Mark Smith, Chief Executive Officer of the Company travels to Brazil and to the Maracàs Menchen Mine regularly.

All directors and executive officers of the Company have some familiarity with the legal and regulatory requirements of Brazil. Brazilian legal counsel (both internal at Largo Brazil and external) and Brazilian management ensure that the Company's management is kept aware of relevant material legal developments in Brazil as they pertain to and affect the Company's business and operations. Any material developments are then discussed with the directors at the board level.

Other than as discussed herein, the Company does not currently have a formal communication plan or policy in place and has not, to date, experienced any communication-related issues due to the fact that the management team located in Brazil has proficiency in the English language. The Company will, from time to time, re-evaluate whether a formal communication policy is necessary.

The Company hires and engages local experts and professionals (i.e. legal and tax consultants) to advise the Company with respect to current and new regulations in respect of banking, financial and tax matters. The Company utilizes large, established and well recognized financial institutions in both Canada and Brazil. Directors visit the Company's operations in Brazil several times per year and have regular board meetings by telephone which include the Company's Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and at various times the President of Vanadio and other relevant Vanadio officers and managers. The Company arranges for site visits to its projects as deemed appropriate. The Company hosted site visits for members of the board of directors in March and April 2016, one site visit in 2015, two site visits in 2014, three site visits in 2013 and two site visits in 2012. The last visit by members of the Board of Directors was in April 2016.

The directors and officers also work closely with Brazilian counsel and Brazilian employees of the Company and its subsidiaries to understand and subsequently adjust firm strategies and practices in connection with changes in Brazilian laws and regulatory regimes.

Each member of the management team located in Brazil speaks fluent Portuguese and all are proficient in English. Luciano Chaves, Chief of Finance in Brazil, Paulo Misk, General Manager of the Maracàs Menchen Mine, Mauricio Coletti, Mine Manager of the Maracàs Menchen Mine and Hans Merkel, the Senior Geologist at the Maracàs Menchen Mine are each fluent in Portuguese and English.

Alberto Arias, Sam Abraham and Daniel Tellechea are the directors of the Company who are each fluent in English and Portuguese. Of the management team located in Toronto, Robert Campbell speaks functional Portuguese and other members of the Company's management take Portuguese language instruction in Toronto when time allows. The primary language used in management and board meetings is English. The management team located in Brazil dealing with the operating staff and outside consultants communicate in Portuguese with such individuals as necessary. Both Largo Brazil and the Company have translators on staff to assist with all communication requirements, as needed.

Material documents relating to the Company that are provided to the board are in English. When original material documents are prepared in Portuguese, these are typically translated by the Company's Brazilian legal counsel, who are fluent in English and Portuguese. When required, the Company will sometimes use third party translation services.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

The information presented contains "forward-looking statements", within the meaning of the United States Private Securities Litigation Reform Act of 1995, and "forward-looking information" under similar Canadian legislation, concerning the business, operations and financial performance and condition of the Company. Forward-looking statements and forward-looking information include, but are not limited to, statements with respect to the estimation of mineral reserves and mineral resources; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; metal prices and demand for materials; capital expenditures; success of exploration and development activities; permitting time lines and permitting, mining or processing issues; government regulation of mining operations; environmental risks; and title disputes or claims. Generally, forward-looking statements and forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Certain terms appearing in the following table are defined previously in this MD&A. This table contains the material forward-looking statements made by the Company in this MD&A, the assumptions made by the Company in making those statements and the risk factors associated with those assumptions.

Forward-looking Statements	Assumptions	Risk Factors
The 2015 audited consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Although the Company has been successful in the past in obtaining financing and has recently completed a private placement for gross proceeds of $36,644 (see "Significant Events and Transactions Subsequent to 2015" in this MD&A) there is no assurance that the Company will in the future be able to obtain adequate financing in future or that such financing will be on terms advantageous to the Company.	The Company has assumed that it will be able to continue in operation for the foreseeable future and will be able to discharge its liabilities and commitments in the normal course of business, as it anticipates that it will address working capital and other shortfalls by raising additional funds and restructuring its debts.	The Company has incurred significant operating losses and negative cash flow from operations in recent years. Whether and when the Company can attain profitability and positive cash flow is uncertain. These uncertainties cast doubt upon the Company's ability to continue as a going concern. The Company will require additional capital in order to fund it operations generally and, should the need arise, for continued advancement and/or completion of its projects. Management believes the likelihood of completing its projects is high and that such future capital can be secured efficiently. However, there is no assurance that potential financings will be completed and, as a result, that the Company may be forced to cease operations and/or dispose of assets. The BNDES Facility is dependent on guarantees from three Brazilian commercial banks. The guarantees require that the Company's Brazilian subsidiary, Vanadio de Maracás, and the Company comply with a significant number of financial covenants. Should the subsidiary or the Company be unable to comply with any one of the covenants or if the Company cannot restructure its debts sufficiently to enable ongoing operations, it is possible that one or both of them could default under the guarantee agreement, which would result in a default under the terms of the BNDES Facility. The result of any such default would be that BNDES could cease any further funding and also demand repayment of all amounts outstanding. If BNDES terminated the BNDES Facility, it is possible the

Forward-looking Statements	Assumptions	Risk Factors
		Company could be forced to cease operations and liquidate its assets.
Production volumes are expected to steadily increase over the coming months, with the goal of reaching the mine's Phase 1 nameplate capacity of 9,600 tonnes per annum by or before the end of the third quarter 2016. 2016 Production Forecast High ~ 19.0 million lbs – 8,610 tonnes Low ~ 16.8 million lbs – 7,610 tonnes Average ~ 17.9 million lbs – 8,110 tonnes	The Company assumes that the ramp up of production will continue, such that it reaches its nameplate capacity by or before the end of the third quarter 2016.	The Company prepares future production estimates with respect to existing operations. Actual production and costs may vary from the estimates for a variety of reasons such as estimates of grade, tonnage, dilution and metallurgical and other characteristics of the ore varying from the actual ore mined, revisions to mine plans, risks and hazards associated with mining, adverse weather conditions, unexpected labour shortages or strikes, equipment or design failures and other interruptions in production capabilities. Production costs may also be affected by increased mining costs, variations in predicted grades of the deposits, increases in level of ore impurities, labour costs, raw material costs, inflation and fluctuations in currency exchange rates. Failure to achieve production targets or cost estimates could have a material adverse impact on the Company's sales, profitability, cash flow and overall financial performance. In the event that the Company obtains debt financing, repayment terms associated with such financing will likely be based, among other things, on production schedule estimates. Any failure to meet such timelines or to produce amounts forecast may constitute defaults under such debt financing, which could result in the Company having to repay loans.
2016 Production Costs: Estimated Annual Average US$ Cash Operating Costs[3] Per Tonne US$7,935/CDN$10,718 Estimated Annual Average US$ Cash Operating Costs Per Pound US$3.60/CDN$4.86	The Company assumes that its current estimation of future operating costs is accurate, as it is largely based on the current cost profile of operations at the Maracás Menchen Mine.	Capital and operating cost estimates made by management with respect to future projects, or current operations in the early stages of production, or not yet in the production phase are estimates which are in turn based, among other things, on interpretation of geological data, feasibility studies, anticipated climactic conditions and other information. Any or all of the above could affect the accuracy of the estimates including unanticipated changes in grade and tonnage to be mined and processed; incorrect data on which engineering assumptions are made; unanticipated transportation costs; accuracy of equipment and construction cost estimates; difficulty or failure to meet scheduled construction completion dates, facility or equipment commissioning dates, or metal production dates; poor or unsatisfactory construction quality resulting in failure to meet

[3] This is a non-GAAP measure. Refer to the "Non-GAAP Measures" section of this MD&A.

Forward-looking Statements	Assumptions	Risk Factors
		completion, commissioning or production dates; increased expenditures required as a failure to meet completion, commissioning or production dates; capital overrun related to the completion of any construction phase including capital overrun associated with demobilization of construction workers and contractors; labour negotiations; unanticipated costs relating to the commencement of operations, ramp up and production sustainment; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas or exportation of the Company's products; and change in commodity input costs and quantities).
CAPEX of approximately $13.4 million will be required over the course of 2016 to sustain current operational capacity.	Management assumes that its current estimation of capital expenditures is accurate, as based on operational estimates produced and current experience with operations.	Capital and operating costs estimates made by management with respect to future projects, or current operations in the early stages of production, or not yet in the production phase are estimates which are in turn based, among other things, on interpretation of geological data, feasibility studies, anticipated climactic conditions and other information. Any or all of these can affect the accuracy of the estimates including unanticipated changes in grade and tonnage to be mined and processed; incorrect data on which engineering assumptions are made; unanticipated transportation costs; accuracy of equipment and construction cost estimates; difficulty or failure to meet scheduled construction completion dates, facility or equipment commissioning dates, or metal production dates; poor or unsatisfactory construction quality resulting in failure to meet completion, commissioning or production dates; increased expenditures required as a failure to meet completion, commissioning or production dates; capital overrun related to the completion of any construction phase including capital overrun associated with demobilization of construction workers and contractors; labour negotiations; unanticipated costs relating to the commencement of operations, ramp up and production sustainment; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas or exportation of the Company's products; and change in commodity input costs and quantities).

Forward-looking statements and forward looking information are based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements or forward looking information, including, but not limited to, unexpected events during operations; variations in ore grade; risks inherent in the mining industry; delay or failure to receive board approvals; timing and availability of external financing on acceptable terms; risks relating to international operations; actual results of exploration activities; conclusions of economic valuations; changes in project parameters as plans continue to be refined; and fluctuating metal prices and currency exchange rates.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward looking information. The Company does not undertake to update any forward-looking statements or forward-looking information that are incorporated by reference herein, except in accordance with applicable securities laws.

Investors are advised that National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101") requires that each category of mineral reserves and mineral resources be reported separately. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated or Inferred Resources

The information presented uses the terms "Measured", "Indicated" and "Inferred" mineral resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize these terms. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. United States investors are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable.