

LARGO RESOURCES LTD.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

(Expressed in thousands / 000's of Canadian dollars)

TABLE OF CONTENTS

Condensed Interim Consolidated Statements of Financial Position 1

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss 2

Condensed Interim Consolidated Statements of Changes in Equity 3

Condensed Interim Consolidated Statements of Cash Flows 4

Notes to the Unaudited Condensed Interim Consolidated Financial Statements 5

1) Nature of operations and going concern 5

2) Statement of compliance 5

3) Basis of preparation, significant accounting policies, and future accounting changes 5

4) Amounts receivable 6

5) Inventory 7

6) Mine properties, plant and equipment 7

7) Accounts payable and accrued liabilities 8

8) Long-term debt 8

9) Issued capital 11

10) Equity reserves 13

11) Loss per share 14

12) Cash flow – other items 14

13) Related party transactions 14

14) Segmented disclosure 15

15) Commitments and contingencies 16

16) Financial instruments 17

17) Expenses 19

18) Subsequent event 20

LARGO RESOURCES LTD.

Expressed in thousands / 000's of Canadian dollars and shares (except per share information)

(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at September 30 2016	As at December 31, 2015
Assets			
Current Assets			
Cash		**$ 1,683**	$ 2,869
Restricted cash		**-**	3,881
Amounts receivable	4	**11,423**	4,664
Inventory	5	**9,854**	6,442
Prepaid expenses		**585**	1,862
Total Current Assets		**23,545**	19,718
Non-current Assets			
Mine properties, plant and equipment	6	**321,724**	296,041
Total Non-current Assets		**321,724**	296,041
Total Assets		**$ 345,269**	$ 315,759
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	7	**$ 35,791**	$ 57,330
Current portion of long-term debt	8	**40,475**	42,983
Total Current Liabilities		**76,266**	100,313
Non-current Liabilities			
Long-term debt	8	**223,529**	176,989
Provision for closure and reclamation		**7,037**	5,515
Total Non-current Liabilities		**230,566**	182,504
Total Liabilities		**306,832**	282,817
Equity			
Issued capital	9	**358,001**	328,707
Equity reserves	10	**23,810**	20,600
Accumulated other comprehensive loss		**(11,299)**	(17,607)
Deficit		**(332,075)**	(298,758)
Total Equity		**38,437**	32,942
Total Liabilities and Equity		**$ 345,269**	$ 315,759
Going concern	1		
Commitments and contingencies	1,6,15		

--The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements--

LARGO RESOURCES LTD.

Expressed in thousands / 000's of Canadian dollars and shares (except per share information)

(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Notes	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Revenues		**$ 20,758**	$ -	**$ 49,751**	$ -
Expenses					
Operating costs	17	**(29,955)**	-	**(83,022)**	-
Professional, consulting and management fees		**(1,545)**	(1,524)	**(5,456)**	(5,158)
Foreign exchange and derivative (loss) gain		**(1,319)**	(47,095)	**24,890**	(83,939)
Other general and administrative expenses		**(707)**	(911)	**(2,324)**	(1,776)
Share-based payments	10	**(2,382)**	(108)	**(2,209)**	(2,813)
Other income		**-**	-	**-**	316
Finance costs	17	**(9,552)**	-	**(25,511)**	-
Exploration and evaluation costs		**(3)**	(367)	**(95)**	(625)
		(45,463)	(50,005)	**(93,727)**	(93,995)
Net loss		**$ (24,705)**	$ (50,005)	**$ (43,976)**	$ (93,995)
Other comprehensive (loss) income					
Items that will subsequently be reclassified to operations:					
Unrealized (loss) income on foreign currency translation		**(538)**	(8,412)	**6,308**	(11,306)
Comprehensive loss		**$ (25,243)**	$ (58,417)	**$ (37,668)**	$ (105,301)
Basic loss per Common Share	11	**$ (0.06)**	$ (0.25)	**$ (0.12)**	$ (0.61)
Diluted loss per Common Share	11	**$ (0.06)**	$ (0.25)	**$ (0.12)**	$ (0.61)
Weighted Average Number of Shares Outstanding (in 000's)					
- Basic		**414,996**	203,263	**374,717**	154,925
- Diluted		**414,996**	203,263	**374,717**	154,925

--The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements--

LARGO RESOURCES LTD.

Expressed in thousands / 000's of Canadian dollars and shares (except per share information)

(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Shares	Issued Capital	Equity Reserves	Accumulated Other Comprehensive Loss	Deficit	Shareholders' Equity
Balance at December 31, 2014	109,262	$ 256,458	$ 34,537	$ (7,254)	$ (188,330)	$ 95,411
Private placement, net of costs	94,000	72,249	2,152	-	-	74,401
Issue broker warrants	-	-	30	-	-	30
Expiry of share options	-	-	(3,668)	-	3,668	-
Expiry of warrants	-	-	(16,492)	-	16,492	-
Share-based payments	-	-	3,378	-	-	3,378
Currency translation adjustment	-	-	-	(11,306)	-	(11,306)
Net loss for the period	-	-	-	-	(93,995)	(93,995)
Balance at September 30, 2015	203,262	$ 328,707	$ 19,937	$ (18,560)	$ (262,165)	$ 67,919
Expiry of share options	-	-	628	-	(628)	-
Share-based payments	-	-	35	-	-	35
Currency translation adjustment	-	-	-	953	-	953
Net loss for the period	-	-	-	-	(35,965)	(35,965)
Balance at December 31, 2015	203,262	$ 328,707	$ 20,600	$ (17,607)	$ (298,758)	$ 32,942
Private placement, net of costs	**219,287**	**29,294**	**11,660**	**-**	**-**	**40,954**
Expiry of share options	**-**	**-**	**(3,403)**	**-**	**3,403**	**-**
Expiry of warrants	**-**	**-**	**(7,256)**	**-**	**7,256**	**-**
Share-based payments	**-**	**-**	**2,209**	**-**	**-**	**2,209**
Currency translation adjustment	**-**	**-**	**-**	**6,308**	**-**	**6,308**
Net loss for the period	**-**	**-**	**-**	**-**	**(43,976)**	**(43,976)**
Balance at September 30, 2016	**422,549**	**$ 358,001**	**$ 23,810**	**$ (11,299)**	**$ (332,075)**	**$ 38,437**

--The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements--

Expressed in thousands / 000's of Canadian dollars and shares (except per share information)

(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating Activities					
Net loss for the period		**$ (24,705)**	$ (50,005)	**$ (43,976)**	$ (93,995)
Adjustment for Non-cash Items					
Depreciation		**8,237**	6	**25,559**	20
Share-based payments	10	**2,382**	108	**2,209**	2,813
Unrealized foreign exchange (gain) loss		**3,089**	49,223	**(25,050)**	82,823
Finance costs	17	**9,552**	-	**25,511**	-
Other income		**-**	-	**-**	(316)
Accretion of arbitration settlement payable		**-**	18	**-**	54
Cash Used Before Non-cash Working Capital Items		**(1,445)**	(650)	**(15,747)**	(8,601)
Change in amounts receivable		**(2,626)**	114	**(5,748)**	(918)
Change in inventory		**(74)**	(590)	**(2,142)**	(1,509)
Change in prepaid expenses		**205**	(950)	**1,464**	(1,969)
Change in accounts payable and accrued liabilities		**3,972**	(625)	**1,712**	7,337
Net Cash Provided by (Used in) Operating Activities		**32**	(2,701)	**(20,461)**	(5,660)
Financing Activities					
Proceeds from short term loans	8(e),(f)	**-**	-	**1,437**	12,000
Repayment of short term loans	8(f)	**-**	(65)	**(1,405)**	(13,285)
Repayment of arbitration settlement	8(g)	**-**	-	**(5,618)**	-
Proceeds from long-term debt	8(b),(c)	**13,083**	-	**57,732**	-
Repayment of long-term debt	8(a)	**(7,404)**	(2,324)	**(15,281)**	(10,910)
Swap settlement	8(c),(d)	**(2,096)**	-	**(32,115)**	-
Interest, guarantee fee and other associated fees paid		**(5,872)**	(5,824)	**(18,345)**	(15,874)
Decrease in restricted cash		**-**	-	**3,881**	-
Issuance of common shares and warrants	9(b)	**4,452**	-	**41,096**	75,200
Cost of issuance of common shares and warrants	9(b)	**(32)**	-	**(142)**	(769)
Net Cash Provided by (Used in) Financing Activities		**2,131**	(8,213)	**31,240**	46,362
Investing Activities					
Investment in development properties		**-**	(14,482)	**-**	(34,961)
Receipt of pre-production revenues		**-**	11,226	**-**	34,998
Mine properties, plant and equipment expenditures		**(4,103)**	(9,747)	**(12,119)**	(33,885)
Net Cash Used in Investing Activities		**(4,103)**	(13,003)	**(12,119)**	(33,848)
Effect of foreign exchange on cash		**(155)**	452	**154**	(218)
Net Change in Cash		**(2,095)**	(23,465)	**(1,186)**	6,636
Cash position – beginning of the period		**3,778**	41,521	**2,869**	11,420
Cash Position – end of the period		**$ 1,683**	$ 18,056	**$ 1,683**	$ 18,056

Schedule of Non-cash Investing and Financing Transactions

Cash flow – other items 12

--The accompanying notes form an integral part of the unaudited condensed interim consolidated financial statements--

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

Largo Resources Ltd. (the "Company") is engaged in the acquisition, exploration, development and operation of mining and exploration properties located in Brazil and Canada. Substantially all of the Company's efforts are devoted to financing, developing and operating these properties. While certain of the Company's properties have reached commercial production, future changes in market conditions and feasibility estimates could result in the Company's mineral resources not being economically recoverable.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and 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 unaudited condensed interim consolidated financial statements. Such adjustments could be material. At September 30, 2016, the Company had an accumulated deficit of $332,075 since inception (December 31, 2015 – $298,758), and has a net working capital deficiency of $52,721 (December 31, 2015 – $80,595). Total amounts due within 12 months on the Company's long-term debt are $40,475. At September 30, 2016, in addition to the financing that closed on October 4, 2016 (refer to note 18), the Company has a need for additional financing in the fourth quarter 2016, for working capital and the repayment of the long-term debt (refer to note 16). 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 there is no assurance that it will be able to obtain adequate financing in future or that such financing will be on terms advantageous to the Company.

The Company is a corporation governed by the Business Corporations Act (Ontario) and domiciled in Canada whose shares are listed on the Toronto Stock Exchange (TSX). The head office, principal address and records office of the Company are located at 55 University Avenue, Suite 1101, Toronto, Ontario, Canada M5J 2H7.

2) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The unaudited condensed interim consolidated financial statements were approved by the Board of Directors of the Company on November 11, 2016.

3) Basis of preparation, significant accounting policies, and future accounting changes

The basis of presentation, and accounting policies and methods of their application in these unaudited condensed interim consolidated financial statements are consistent with those used in the Company's audited annual consolidated financial statements for the year ended December 31, 2015 and should be read in conjunction with those statements.

These unaudited condensed interim consolidated financial statements are presented in thousands of Canadian dollars, unless otherwise noted. References to the symbol "R$" mean the Real, the official currency of Brazil, and references to the symbol "US$" mean the U.S. dollar.

a) Critical judgements and estimation uncertainties

The preparation of unaudited condensed interim consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about the carrying amount of its assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are disclosed in Note 3 of the Company's audited annual consolidated financial statements for the year ended December 31, 2015. There have been no changes to the areas of estimation and judgment during the nine months ended September 30, 2016.

b) Significant accounting policies

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2015.

c) Future Accounting Changes

IFRS 15, Revenue from Contracts and Customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it will be effective for annual periods beginning on or after January 1, 2018. The Company continues to evaluate the impact of IFRS 15 on its consolidated financial statements in future periods.

IFRS 9, Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, November 2013 and July 2014, IFRS 9 Financial Instruments ("IFRS 9") as a first phase in its on-going project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 16, Leases

IFRS 16, Leases ("IFRS 16") was issued by the IASB on January 13, 2016, and will replace IAS 17, Leases. It is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15 is also adopted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset. The Company has not yet begun to evaluate the impact of this standard on its consolidated financial statements.

4) Amounts receivable

	September 30, 2016	December 31, 2015
Trade receivables	**$ 6,901**	$ 2,034
Current taxes recoverable – Brazil	**4,410**	2,536
Current taxes recoverable – Canada	**74**	56
Other receivables	**38**	38
Total	**$ 11,423**	$ 4,664

5) Inventory

	September 30, 2016	December 31, 2015
Vanadium flake	**$ 937**	$ 484
Work-in-process	**1,536**	9
Stockpiles	**2,217**	2,765
Warehouse materials	**5,104**	2,999
Tungsten concentrate	**60**	185
Total	**$ 9,854**	$ 6,442

At September 30, 2016, the Company recognized a write-down to net realizable value of $313 for vanadium flake and $308 for work-in-process (December 31, 2015 – $644 and $nil, respectively, and $194 for stockpiles). During the three and nine months ended September 30, 2016, the Company recognized in direct mine and mill costs (note 17) the benefit of previously recorded net realizable value write-downs of $1,562 and $838, respectively (three and nine months ended September 30, 2015 – $nil and $nil, respectively). As inventory is sold, previously recorded net realizable value write-downs are reclassified from inventory write-down to direct mine and mill costs (note 17).

6) Mine properties, plant and equipment

	Office and Computer Equipment	Vehicles	Mine Properties	Machinery and Equipment	Construction In Progress	Total
COST						
Balance at December 31, 2014	$ 797	$ 587	$ -	$ 220,358	$ 3,016	$ 224,758
Development properties	-	-	104,544	-	-	104,544
Additions	73	-	3,295	32,567	10,009	45,944
Reclassifications	-	-	-	474	(474)	-
Effects of changes in foreign exchange rates	(136)	(114)	2,273	(45,819)	(1,167)	(44,963)
Balance at December 31, 2015	734	473	110,112	207,580	11,384	330,283
Additions	**128**	**-**	**3,566**	**1,515**	**6,127**	**11,336**
Reclassifications	**-**	**-**	**-**	**13,421**	**(13,421)**	**-**
Effects of changes in foreign exchange rates	**97**	**75**	**12,089**	**33,760**	**1,351**	**47,372**
Balance at September 30, 2016	**$ 959**	**$ 548**	**$ 125,767**	**$ 256,276**	**$ 5,441**	**$ 388,991**
ACCUMULATED DEPRECIATION						
Balance at December 31, 2014	$ 326	$ 249	$ -	$ 11,152	$ -	$ 11,727
Depreciation	115	105	2,463	23,927	-	26,610
Effects of changes in foreign exchange rates	(52)	(58)	11	(3,996)	-	(4,095)
Balance at December 31, 2015	389	296	2,474	31,083	-	34,242
Depreciation	**90**	**76**	**7,218**	**18,329**	**-**	**25,713**
Effects of changes in foreign exchange rates	**47**	**52**	**759**	**6,454**	**-**	**7,312**
Balance at September 30, 2016	**$ 526**	**$ 424**	**$ 10,451**	**$ 55,866**	**$ -**	**$ 67,267**
NET BOOK VALUE						
At December 31, 2015	$ 345	$ 177	$ 107,638	$ 176,497	$ 11,384	$ 296,041
At September 30, 2016	**$ 433**	**$ 124**	**$ 115,316**	**$ 200,410**	**$ 5,441**	**$ 321,724**

As at September 30, 2016 and December 31, 2015, the Company's economic interest in the Maracás Menchen Mine totalled 99.84%. The remaining 0.16% economic interest is held by Companhia Baiana de Pesquisa Mineral ("CBPM") owned by the state of Bahia. CBPM retains a 3% net smelter royalty ("NSR") in the Maracás Menchen Mine. The property is also subject to a royalty of 2% on certain operating costs under the Brazilian Mining Act. This rate is subject to change based on future changes in legislation. Under a separate agreement, Anglo Pacific receives a 2% NSR in the Maracás Menchen Mine.

Effective October 1, 2015, the Company declared its Maracás Menchen Mine to be operating in the manner intended by management ("commercial production"). Since the date of commercial production, the Maracás Menchen Mine is considered an operating mine and is no longer accounted for as a development project. Attributable borrowing costs and depreciation are no longer capitalized from this date and are recognized in the consolidated statement of loss and comprehensive loss.

The Company's Maracás Menchen Mine development property asset was reclassified to mine properties, plant and equipment as of October 1, 2015 and depreciation of these amounts commenced. The amount reclassified was $104,544.

The net book value of the Company's mine properties, plant and equipment at September 30, 2016 by geographic location is as follows: Brazil – $289,683 (December 31, 2015 – $262,090) and Canada – $32,041 (December 31, 2015 – $33,951).

7) Accounts payable and accrued liabilities

	September 30, 2016	December 31, 2015
Accounts payable	**$ 19,180**	$ 19,426
Accrued liabilities	**3,985**	2,999
Accrued financial costs and derivative liabilities[1]	**12,028**	34,331
Other taxes	**598**	574
Total	**$ 35,791**	$ 57,330

1. Fair value movements in the derivative liabilities are recorded in foreign exchange and derivative (loss) gain in the consolidated statements of loss and comprehensive loss.

8) Long-term debt

	September 30, 2016	December 31, 2015
Total debt	**$ 269,972**	$ 226,556
Current portion	**$ 40,475**	$ 42,983
Long-term debt[1]	**$ 229,497**	$ 183,573

1. The carrying amount of the long-term debt excludes unamortized deferred transaction costs of $5,968 as at September 30, 2016 (December 31, 2015 - $6,584).

a) Debt facility

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, 2016, the total facility was R$402,575 ($162,763). As a condition precedent to the BNDES Facility, the Company also entered into a guarantee agreement 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 73% (R$293,902) is denominated in U.S. dollars ("U.S. dollar component"). The 27% of the BNDES Facility that is denominated in Brazilian reais ("R$ component") currently bears a weighted average interest rate of 8.36%, while the U.S. dollar component currently bears a weighted average interest rate of approximately 6.10%. 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$27,700 of the outstanding R$ component is fixed at 5.5%, while the remaining amount is based on the Taxa de Juros de Longo Prazo ("TJLP") index, currently at 7.50%, a long-term interest rate that BNDES posts from time to time, plus a weighted average margin of 1.98%.

Monthly principal repayments will occur as follows:

Period		Monthly Principal Payments (R$)
October 2016 – July 2020	$	5,932
August 2020 – July 2023	$	3,570

The application of the financial covenants associated with the facility was extended by the definitive agreements for the New Facility as detailed below. The other significant terms of the agreement governing the facility remain the same. The facility is secured by the Maracás Menchen Mine as well as all of the development and fixed assets located at or associated with it.

As at September 30, 2016, the loan facility was completely drawn down. An amount of $28,907 is due for repayment within the next 12 months (December 31, 2015 – $22,251).

b) New facility

On March 2, 2016, the Company entered into definitive agreements with the consortium of three commercial banks in Brazil for a new debt facility (the "New Facility") and the restructuring of its export credit facilities (see part (d)). The terms of the New Facility include:

- Working capital facility of up to R$104,596, disbursed in 11 monthly payments over 2016 (the "Disbursement Date");
- Working capital facility of up to R$8,151, disbursed in four quarterly payments over 2016;
- Working capital facility in an amount equivalent to the mark-to-market value of the swap contract applicable to one of the Company's export credit facilities;
- Interest rate equal to the posted CDI rate plus 5.70% per annum;
- Two-year grace period on the payment of interest and principal, measured from the Disbursement Date. Quarterly repayment (in arrears) of the New Facility commences after the end of the grace period;
- Final maturity 84 months after the Disbursement Date; and
- Use of proceeds strictly to pay interest and principal falling due under the Company's existing construction debt facility and to pay the swap settlements pertaining to one of the Company's export credit facilities.

The definitive agreements require the Company to comply with various amended financial and non-financial covenants until the end of the grace period, with the next measurement date being December 31, 2016. The Company complied with the covenant applicable at June 30, 2016, which was measured for the period from June

30, 2016 to September 13, 2016. At the completion of the grace period, the Company will be obligated to comply with the covenants set forth in the existing debt facilities.

As at September 30, 2016, the Company had drawn down an amount of R$79,615 ($32,188) on the New Facility. As at September 30, 2016, an amount of $nil is due for repayment within the next 12 months (December 31, 2015 – $nil).

c) Swap facility

Concurrently with the New Facility, 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 to the U.S. dollar (the "Swap Facility"). The Swap Facility bears interest at a rate equal to the posted Brazil interbank deposit certificate rate ("CDI") rate plus 6.5% and has a repayment grace period of two years. Repayments of R$5,792 ($2,342) will occur over a 12 month period following the end of the same two-year grace period as applies to the New Facility. The opening balance on this facility at the date of restructuring and at September 30, 2016 was R$69,502 ($28,100).

As at September 30, 2016, an amount of $nil is due for repayment within the next 12 months (December 31, 2015 – $nil).

d) Export credit facilities

(i) On July 2, 2013, Vanadio drew down R$22,000 under an export credit facility with a Brazilian bank, which bears interest at the posted CDI rate plus 2.95%, and simultaneously entered into a swap agreement with a notional value of US$10,000 with the same bank. 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). As part of the restructuring of the BNDES Facility, principal repayments were due to commence in October 2016.

In connection with the definitive agreements for the New Facility, this export credit facility was further amended to set forth that the principal and interest instalments due for the 12 months after the Disbursement Date shall be payable on the same payment terms as the New Facility. In addition, the swap agreement was terminated with settlement financed through the New Facility. The balance on this export credit facility at the date of restructuring and at September 30, 2016 was R$34,778 ($14,061). Following the grace period, this facility will amortize on a quarterly basis in equal amounts until maturity in December 2022 of R$1,739 ($703) plus interest at the posted CDI rate plus 4.20%.

The Company concluded that the above noted amendment to its export credit facility is a substantial change and as such has accounted for it as an extinguishment of an existing debt facility and recognition of a new facility. The Company has accordingly expensed the unamortized deferred transaction costs of R$651 ($263).

As at September 30, 2016, an amount of $nil is due for repayment within the next 12 months (December 31, 2015 – $714).

(ii) On July 2, 2013, Vanadio drew down US$10,000 under an export credit facility with a second Brazilian bank. As part of the restructuring of the Facilities, 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 September 30, 2016, an amount of $4,666 is due for repayment within the next 12 months (December 31, 2015 – $1,213).

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

e) Short term loan

Concurrently with the New Facility, the Company agreed to new commercial terms for its US$4,000 short term loan. The terms of the restructured facility include a one year grace period with repayments occurring monthly over a 24 month period following the end of the grace period. The short term loan will bear interest at a fixed rate of 12%.

As at September 30, 2016, an amount of $2,098 is due for repayment within the next 12 months (December 31, 2015 – $2,912).

f) Bridge loan

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, pursuant to which Mr. Smith advanced a US$1,000 non-revolving term loan to the Company bearing an interest rate of 12% per annum (the "Bridge Loan"). The Bridge Loan was used for ongoing working capital requirements at the Company's Maracás Menchen Mine for the period prior to the Company's restructuring of its existing credit facilities and the related equity injection as disclosed below. The Bridge Loan had a 30-day term and was secured by a general security agreement over the assets of the Company. As consideration for entering into the Bridge Loan, the Company paid to Mr. Smith a US$40 loan establishment fee.

The Bridge Loan was repaid in full on February 8, 2016, together with interest and fees of US$50.

g) Arbitration settlement

On March 31, 2015, the Company reached a final settlement agreement with a customer related to all claims not covered by the previously disclosed arbitration as well as the terms of payment of the arbitration settlement itself. Pursuant to the terms of the settlement agreement the Company would be required to remit its first payment of US$500 on January 15, 2016, and 11 subsequent monthly payments of US$1,000 would follow beginning on February 15, 2016, for an aggregate settlement of US$11,500.

On January 12, 2016, the Company reached an agreement to restructure the timing of amounts due under the arbitration settlement. 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. For the period from January 15, 2017 to November 15, 2017, the Company will make payments of US$409 per month, with payments of US$1,000 per month in the period from December 15, 2017 to February 15, 2018. The total aggregate settlement remains US$11,500.

As at September 30, 2016, an amount of $4,804 is due for repayment within the next 12 months (December 31, 2015 – $15,893).

9) Issued capital

a) Authorized

Unlimited common shares without par value.

b) Issued

	Nine months ended September 30, 2016		Year ended December 31, 2015	
	Number of Shares	**Stated Value**	Number of Shares	Stated Value
Balance at beginning of the period	**203,262**	**$ 328,707**	109,262	$ 256,458
Private placements, net of issue costs	**219,287**	**40,954**	94,000	74,401
Warrant valuation	**-**	**(11,660)**	-	(2,152)
Balance at end of the period	**422,549**	**$ 358,001**	203,262	$ 328,707

Q1 2016 Private Placement

On January 29, 2016, the Company announced the closing of the first tranche of its US$26,500 (approximately $39,000) non-brokered offering (the "Q1 Offering") of units (the "Q1 First Tranche"). The closing of the Q1 First Tranche resulted in gross proceeds to the Company of $13,286 from the sale of 75,920 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, a "Warrant"). Each 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 Q1 Offering.

On March 3, 2016, the Company announced the closing of the second and final tranche of the non-brokered offering (the "Q1 Second Tranche"), resulting in gross proceeds to the Company of $23,358 from the sale of 133,473 units of the Company. The terms of the units are the same as for the Q1 First Tranche.

Funds managed by Arias Resource Capital Management LP (the "ARC Funds") purchased an aggregate of 62,176 units in the Q1 First Tranche and 91,157 units in the Q1 Second Tranche for gross proceeds to the Company of $26,834. The ARC Funds are a "Control Person" of the Company by virtue of their ownership prior to the closing of the Q1 Offering of approximately 46.30% of the Company's issued and outstanding common shares. Following closing of the Q1 Offering, the ARC Funds owned approximately 59.96% of the Company's then issued and outstanding common shares (or approximately 68.68% of the Company's 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 the Company, subscribed for an aggregate of 2,500 units in the Q1 First Tranche and 1,718 units in the Q1 Second Tranche.

Q3 2016 Private Placement

On September 7, 2016, the Company announced the closing of the first tranche of a non-brokered offering (the "Q3 Offering") of units (the "Q3 First Tranche"). The closing of the Q3 First Tranche resulted in gross proceeds to the Company of $3,359 from the sale of 7,466 units of the Company. Each unit was sold at a price of $0.45 and consisted of one common share of the Company and one-half of one Warrant. Each Warrant will be exercisable into one common share at a price of $0.65 per share for a period of three years from closing of the Q3 First Tranche.

On September 12, 2016, the Company announced the closing of the second tranche of the non-brokered offering (the "Q3 Second Tranche"), resulting in gross proceeds to the Company of $1,093 from the sale of 2,428 units of the Company. The terms of the units are the same as for the Q3 First Tranche.

Funds managed by the ARC Funds purchased an aggregate of 5,800 units in the Q3 First Tranche for gross proceeds to the Company of $2,610. The ARC Funds are a "Control Person" of the Company by virtue of their ownership prior to the closing of the Q3 Offering of approximately 59.96% of the Company's issued and outstanding common shares. Following closing of the Q3 Second Tranche, the ARC Funds owned approximately 60.28% of the Company's then issued and outstanding common shares (or approximately 66.97% of the Company's 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 the Company, subscribed for an aggregate of 556 units in the Q3 First Tranche and an entity controlled by Mr. Alberto Beeck, a director of the Company, subscribed for an aggregate of 556 units in the Q3 Second Tranche.

10) Equity reserves

	Number of options	Weighted average exercise price	Value of options vested	Number of warrants	Weighted average exercise price	Value of warrants	Total value
December 31, 2014	6,325	$ 2.50	$ 6,571	30,833	$ 3.59	$ 27,966	$ 34,537
Share-based payments for options vested in the period	-	-	1,263	-	-	-	1,263
Options and warrants granted in the period	5,924	0.70	2,150	47,177	1.50	2,182	4,332
Expired	(2,800)	1.94	(3,040)	(13,755)	3.93	(16,492)	(19,532)
December 31, 2015	9,449	$ 1.54	$ 6,944	64,255	$ 1.98	$ 13,656	$ 20,600
Share-based payments for options forfeited in the period	**-**	**-**	**(109)**	**-**	**-**	**-**	**(109)**
Options and warrants granted in the period	**7,478**	**0.46**	**2,318**	**109,643**	**0.31**	**11,660**	**13,978**
Expired	**(3,559)**	**1.85**	**(3,403)**	**(53,541)**	**1.68**	**(7,256)**	**(10,659)**
September 30, 2016	**13,368**	**$ 0.86**	**$ 5,750**	**120,357**	**$ 0.59**	**$ 18,060**	**$ 23,810**

Under the Company's incentive stock option plan, the Company has issued options approximating 3.2% of its issued and outstanding capital as at September 30, 2016.

The Company applies the fair value method of accounting for share-based payment awards. The Company estimated the expected volatility using historical volatilities from traded shares in the Company when estimating the fair value of stock options granted, as it believed that this methodology better reflects the expected future volatility of its stock.

During the nine months ended September 30, 2016, the Company recognized a share-based payment expense of $2,209 (September 30, 2015 – $3,378) for options granted to the Company's officers, employees and consultants. Of the total share-based payment expense, $2,209 (September 30, 2015 – $2,813) was charged to operations and $nil (September 30, 2015 – $565) was charged to development properties.

The remaining weighted average contractual life of options outstanding at September 30, 2016 was 4.1 years (December 31, 2015 – 3.6 years). The following share-based payment arrangements were in existence as at September 30, 2016:

a) Stock options

Range of prices	No. outstanding	No. exercisable	Weighted average remaining life (years)	Weighted average exercise price	Weighted average grant date share price
$ 0.51 – 1.00	11,218	11,218	4.6	$ 0.54	$ 0.54
2.01 – 2.50	809	809	1.4	2.27	2.18
2.51 – 3.00	1,341	1,077	2.4	2.71	3.03
	13,368	**13,104**			

b) Warrants and broker warrants

No. outstanding	No. exercisable	Grant Date	Expiry Date	Exercise price	Estimated fair value at grant date	Expected volatility	Expected life (years)	Expected dividend yield	Risk-free Interest rate
10,714	10,714	6-Oct-14	6-Oct-17	$ 3.50	$ 6,400	64%	4	0%	1.13%
37,960	37,960	29-Jan-16	28-Jan-21	$ 0.29	$ 3,736	129%	5	0%	0.67%
66,736	66,736	3-Mar-16	2-Mar-21	$ 0.29	$ 6,956	132%	5	0%	0.68%
3,733	3,733	7-Sep-16	7-Sep-19	$ 0.65	$ 736	98%	3	0%	0.58%
1,214	1,214	12-Sep-16	12-Sep-19	$ 0.65	$ 232	99%	3	0%	0.60%
120,357	**120,357**			$ **0.59**	**$ 18,060**				

11) Loss per share

The total number of shares issuable from options and warrants that are excluded from the computation of diluted loss per share because their effect would be anti-dilutive was 133,725 and 133,725 for the three and nine months ended September 30, 2016 (three and nine months ended September 30, 2015 – 74,690 and 74,690).

12) Cash flow – other items

Non-cash investing and financing transactions:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Depreciation and amortization charged to development properties	**$ -**	$ 5,898	**$ -**	$ 18,249
Share-based payments charged to development properties (note 10)	**-**	71	**-**	565
Borrowing costs charged to mine properties, plant and equipment	**-**	2,716	**-**	4,127
Compensation warrants issued	**-**	423	**-**	30

13) Related party transactions

The remuneration of directors and other members of key management personnel during the period were as follows:

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Short-term benefits	**$ 314**	$ 423	**$ 1,076**	$ 1,233
Share-based payments	**1,519**	166	**1,631**	1,951
	$ 1,833	$ 589	**$ 2,707**	$ 3,184

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. Refer to note 15 for additional commitments with management. One of the directors, Ms. Koko Yamamoto, is a partner in an accounting firm that provided services to the Company. During the three and nine months ended September 30, 2016, an amount in accounting fees of $nil and $nil (three and nine months ended September 30, 2015 – $23 and $88) was billed, due and paid under normal payment terms. Mr. Wayne Egan, a director of the Company until June 29, 2016, is a partner in a law firm that provides services on a recurrent basis to the Company. During the six month period ended June 29, 2016, an amount in legal fees of $298 (three and nine months ended September 30, 2015 – $122 and $291) was billed and due under normal payment terms.

See note 8(f) for details of a bridge loan entered into with Mr. Mark Smith, President and Chief Executive Officer, and note 9(b) for details of equity financing entered into with the ARC Funds, an investor which holds approximately 60% of the Company's issued and outstanding common stock as at September 30, 2016, Mr. Mark Smith, and an entity controlled by Mr. Alberto Beeck. Also refer to note 18 for details of subsequent events.

14) Segmented disclosure

The Company has two operating segments: mine properties and exploration and evaluation properties. Corporate, which is not an operating segment includes the corporate team that provides administrative, technical, financial and other support to all of the Company's business units.

	Exploration and evaluation properties	Mine properties	Corporate	Total
Three months ended September 30, 2016				
Revenues	**$ -**	**$ 20,758**	**$ -**	**$ 20,758**
Operating costs	**-**	**(29,955)**	**-**	**(29,955)**
Professional, consulting and management fees	**-**	**(987)**	**(558)**	**(1,545)**
Foreign exchange and derivative (loss) gain	**-**	**(1,741)**	**422**	**(1,319)**
Other general and administrative expenses	**-**	**233**	**(940)**	**(707)**
Share-based payments	**-**	**-**	**(2,382)**	**(2,382)**
Finance costs	**-**	**(9,154)**	**(398)**	**(9,552)**
Exploration and evaluation costs	**(3)**	**-**	**-**	**(3)**
	(3)	**(41,604)**	**(3,856)**	**(45,463)**
Net loss	**$ (3)**	**$ (20,846)**	**$ (3,856)**	**$ (24,705)**
As at September 30, 2016				
Total non-current assets	**$ -**	**$ 289,683**	**$ 32,041**	**$ 321,724**
Total assets	**$ 9**	**$ 311,462**	**$ 33,798**	**$ 345,269**
Total liabilities	**$ -**	**$ 300,137**	**$ 6,695**	**$ 306,832**

	Exploration and evaluation properties	Mine properties	Corporate	Total
Three months ended September 30, 2015				
Professional, consulting and management fees	$ -	$ (952)	$ (572)	$ (1,524)
Foreign exchange and derivative gain	-	(45,430)	(1,665)	(47,095)
Other general and administrative expenses	-	(508)	(403)	(911)
Share-based payments	(8)	-	(100)	(108)
Exploration and evaluation costs	(367)	-	-	(367)
Net loss	$ (375)	$ (46,890)	$ (2,740)	$ (50,005)
As at December 31, 2015				
Total non-current assets	$ -	$ 262,090	$ 33,951	$ 296,041
Total assets	$ 11	$ 280,114	$ 35,634	$ 315,759
Total liabilities	$ -	$ 276,759	$ 6,058	$ 282,817

	Exploration and evaluation properties	Mine properties	Corporate	Total
Nine months ended September 30, 2016				
Revenues	**$ -**	**$ 49,751**	**$ -**	**$ 49,751**
Operating costs	**-**	**(83,022)**	**-**	**(83,022)**
Professional, consulting and management fees	**$ -**	**$ (2,662)**	**$ (2,794)**	**$ (5,456)**
Foreign exchange and derivative gain (loss)	**-**	**25,560**	**(670)**	**24,890**
Other general and administrative expenses	**-**	**(489)**	**(1,835)**	**(2,324)**
Share-based payments	**(4)**	**37**	**(2,242)**	**(2,209)**
Finance costs	**-**	**(24,951)**	**(560)**	**(25,511)**
Exploration and evaluation costs	**(95)**	**-**	**-**	**(95)**
	(99)	**(85,527)**	**(8,101)**	**(93,727)**
Net loss	**$ (99)**	**$ (35,776)**	**$ (8,101)**	**$ (43,976)**

	Exploration and evaluation properties	Mine properties	Corporate	Total
Nine months ended September 30, 2015				
Professional, consulting and management fees	$ -	$ (2,254)	$ (2,904)	$ (5,158)
Foreign exchange and derivative loss	-	(80,602)	(3,337)	(83,939)
Other general and administrative expenses	-	(561)	(1,215)	(1,776)
Share-based payments	(26)	-	(2,787)	(2,813)
Other gains	-	316	-	316
Exploration and evaluation costs	(625)	-	-	(625)
Net loss	$ (651)	$ (83,101)	$ (10,243)	$ (93,995)

The Company recognized revenues of $20,758 and $49,751 in the three and nine months ended September 30, 2016 (three and nine months ended September 30, 2015 – $nil and $nil). The revenues are solely related to the Company's Mine Properties segment. All of the Company's revenues are from transactions with the Company's off-take partner, Glencore International AG.

15) Commitments and contingencies

At September 30, 2016, the Company was party to certain management and consulting contracts. Minimum commitments under the agreements are approximately $2,651 and all payable within one year. These contracts also require that additional payments of up to approximately $3,148 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.

The Company has certain financial and non-financial debt covenants related to the debt facilities described in notes 8(a) and (b), which have been amended in connection with the New Facility and restructuring of the credit facilities.

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 has made 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 leases of office space which expire on February 28, 2019 and April 30, 2019, respectively. Minimum rental commitments remaining under the leases are approximately $316, including $127 due within one year.

In the regular course of production at the Company's Maracas project, the Company has entered into purchase order contracts with remaining amounts due related to goods not received or services not rendered as of September 30, 2016 of $3,936.

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 September 30, 2016 two such proceedings were ongoing, each in Brazil. The first relates to a supply agreement for the Maracás Menchen Mine which was filed with the courts in October 2014. The amount claimed totals R$9,900 ($4,003), with a counterclaim filed by Vanadio for R$10,700 ($4,326). The second proceeding relates to a consulting agreement dispute for which R$3,900 ($1,577) 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.

16) Financial instruments

Financial assets and financial liabilities as at September 30, 2016 and December 31, 2015 were as follows:

		September 30, 2016		December 31, 2015
Cash	**$**	**1,683**	$	2,869
Restricted cash		**-**		3,881
Amounts receivable		**6,939**		2,072
Accounts payable and accrued liabilities		**35,791**		25,396
Current portion of long-term debt		**40,475**		42,983
Long-term debt		**223,529**		176,989
Derivative liabilities at fair value through profit and loss ("FVTPL")	**$**	**-**	$	31,934

Refer to the liquidity risk discussion below regarding liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous year.

a) Fair value

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made based on relevant market information and information about the financial instrument.

These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as those derived from prices.

- Level 3 inputs are unobservable inputs for the asset or liability.

At September 30, 2016, the Company had no financial instruments carried at fair value. At December 31, 2015, the Company had non-deliverable foreign exchange contracts with a first-tier Brazilian bank that were carried at fair value. Fair value was determined based on the stated forward foreign exchange rates as posted by the Bank of Brazil, the strike price and the contract settlement dates. Accordingly, the valuation was categorized as Level 2 under the fair value hierarchy in IFRS 7, Financial Instruments: Disclosures. The non-deliverable foreign exchange contracts were settled in connection with the establishment of the New Facility. Refer to notes 8(b) and (c).

There have been no changes in the classification of financial instruments in the fair value hierarchy since December 31, 2015. The Company does not have any financial instruments measured using Level 3 inputs. The Company does not offset financial assets with financial liabilities and there were no transfers between Level 1 and Level 2 input financial instruments.

The carrying amounts for cash, restricted cash, amounts receivable and accounts payable and accrued liabilities on the statements of financial position approximate fair values because of the limited term of these instruments.

The Company's long-term debt facility, New Facility, swap facility, export credit facilities, short term loan, bridge loan and arbitration settlement (note 8) are recognized initially at fair value, net of financing costs incurred, and subsequently measured at amortized cost. Any difference between the amounts originally received and the redemption value of the debt is recognized in the consolidated statement of loss over the period to maturity using the effective interest method. The Company estimates the fair value of its debt facilities to be $229,497 as at September 30, 2016 (December 31, 2015 – $183,573), being the carrying value excluding unamortized deferred transaction costs.

b) Credit risk

The Company's credit risk is primarily attributable to cash, restricted cash and amounts receivable. The Company minimizes its credit risk with respect to cash by leaving its funds on deposit with the highest rated banks in Canada and Brazil. Similarly, as required by the trustee of the restricted cash, these funds are also on deposit with one of the highest credit rated banks in Brazil. Financial instruments included in amounts receivable consist primarily of a receivable from one unrelated company. Management believes that the credit risk related to this receivable is remote due the credit quality of the customer.

c) Liquidity risk

The following table details the Company's expected remaining contractual cash flow requirements as at September 30, 2016 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	$ 35,791	$ -	$ -	$ -
Long-term debt	16,790	23,685	146,512	82,985
	$ 52,581	$ 23,685	$ 145,512	$ 82,985

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016 the Company had cash of $1,683 (December 31, 2015 – $2,869), restricted cash of $nil (December 31, 2015 – $3,881) and trade receivables of $6,901 (December 31, 2015 – $2,034) to settle current liabilities of $76,266 (December 31, 2015 – $100,313).

As at September 30, 2016, the Company did not have sufficient liquidity to meet its liabilities when due. Refer to note 1, nature of operations and going concern, and note 18 for details of subsequent events.

d) Market risk

Interest rate risk

The Company's exposure to a rise in interest rates is limited to that portion of its total debt facility that is subject to floating interest rates. These floating interest rates are posted by BNDES from time to time and, as a consequence, these posted rates could rise in the future.

As at September 30, 2016, and as a result of the restructuring activities concluded in the nine month period, the portion of the Company's total debt facilities exposed to interest rate risk was approximately $225,912. A sensitivity to a plus or minus 1% change in the interest rate associated with this portion of the debt would affect interest expense by approximately plus or minus $2,259 for a 12 month period.

Foreign currency risk

Pursuant to the debt restructuring activities completed during the nine month period, the Company's swap agreements were settled as detailed in notes 8(c) and 8(d). Accordingly, the proportion of the Company's short-term and long-term debt denominated in U.S. dollars is 56% (December 31, 2015 – 80%).

The impact of fluctuations in foreign currency on debt therefore relates primarily to fluctuations between the U.S. dollar and the Brazilian real, the functional currency of Vanadio, the entity which holds substantially all of the Company's U.S. dollar exposed debt. The effect of the appreciation of the Brazilian real relative to the U.S. dollar on the U.S. dollar denominated debt was the primary factor contributing to the foreign exchange gain recognized during the nine months ended September 30, 2016 (depreciation resulted in a foreign exchange loss for the three months ended September 30, 2016). Pursuant to the off-take agreement signed in 2008, the Company expects to receive all of its revenues in U.S. dollars, therefore, the foreign exchange impact is neutral as it relates to repayments of the Company's U.S. dollar denominated debt. A 5% change in the value of the U.S. dollar relative to the Brazilian real would affect the value of the U.S. dollar denominated debt facilities at September 30, 2016 by approximately $22,037.

The Company's short term loan and arbitration settlement debt are denominated in U.S. dollars. A 5% change in the value of the U.S. dollar relative to the Canadian dollar would affect the value of these liabilities at September 30, 2016 by $364 and $643, respectively.

Price risk

The Company's only financial asset susceptible to price risk is its accounts receivable, which can vary with the market price of Vanadium. A 10% decrease or increase in the price of Vanadium in the two months following the period end would affect the value of accounts receivable at September 30, 2016 by $690.

17) Expenses

	Three months ended		Nine months ended	
	September 30, 2016	September 30, 2015	**September 30, 2016**	September 30, 2015
Operating costs:				
Direct mine and mill costs	**$ 20,499**	$ -	**$ 55,525**	$ -
Royalties	**604**	-	**1,336**	-
Inventory write-down	**621**	-	**621**	-
Depreciation and amortization	**8,231**	-	**25,540**	-
	$ 29,955	$ -	**$ 83,022**	$ -
Finance costs:				
Interest expense and guarantee fees	**8,822**	-	**23,229**	-
Accretion	**730**	-	**2,282**	-
	$ 9,552	$ -	**$ 25,511**	$ -

18) Subsequent event

On October 4, 2016, the Company announced the closing of the third and final tranche (the "Q3 Third Tranche) of the Q3 Offering of units. The closing of the Q3 Third Tranche resulted in gross proceeds to the Company of $548 from the sale of 1,217 units of the Company. The terms of the units are the same as for the Q3 First Tranche and the Q3 Second Tranche.

Funds managed by the ARC Funds purchased an aggregate of 428 units in the Q3 Third Tranche for gross proceeds to the Company of $193. The ARC Funds are a "Control Person" of the Company by virtue of their ownership prior to the closing of the Q3 Third Tranche of approximately 59.93% of the Company's issued and outstanding common shares. Following closing of the Q3 Third Tranche, the ARC Funds owned approximately 59.86% of the Company's then issued and outstanding common shares (or approximately 66.59% of the Company's issued and outstanding common shares in the event that the ARC Funds exercised all of the convertible securities held by them).

Pursuant to an agreement with the Company, the gross proceeds of $193 received from the ARC Funds in the Q3 Third Tranche are to be used to fund a possible listing on a U.S. stock exchange. Accordingly, these proceeds will be accounted for as restricted cash.