REPORT TO SHAREHOLDERS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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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 quarter ended March 31, 2016 ("Q1 2016") and should be read in conjunction with (i) the unaudited condensed interim consolidated financial statements and related notes for the same period, (ii) the audited consolidated financial statements and related notes for the year ended December 31, 2015, and (iii) the MD&A for the year ended December 31, 2015. Note references in the below discussion refer to the note disclosures contained in the Q1 2016 unaudited condensed interim 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 May 26, 2016, unless otherwise indicated. References to "date of this MD&A" mean May 26, 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 MD&A. Mr. Campbell is an officer of Largo. Refer to the Operations, Maracás Menchen Mine section of this MD&A for details of the Qualified Persons involved in reviewing the updated reserves at the Company's Maracás Menchen Mine.

The Company

Largo is a Canadian natural resource development 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).

Q1 2016 Highlights

- The Company's Maracás Menchen Mine produced 1,169 tonnes of V_2O_5 in Q1 2016.
- 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 9(g)). 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.
- 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 for a new debt facility (the "New Facility") (see note 9(b)) and the restructuring of its export credit facilities (see note 9(d)).
- Concurrently with the New Facility, the Company has agreed to new commercial terms for its US$4,000 short term loan (see note 9(e)). 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 9(c)) to the US dollar.
- 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 10 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.

Significant Events and Transactions Subsequent To The Period

- 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.
- Subsequent to Q1 2016, the Company's Maracás Menchen Mine achieved new daily production records over consecutive days of 32 tonnes and 33 tonnes of V_2O_5, representing approximately 121% and 125% of nameplate capacity, respectively. Further, a new record production level of 730 tonnes of V_2O_5 was achieved in April 2016, representing approximately 91% of nameplate capacity. On May 23, 2016, a further daily production record of 34 tonnes was achieved.
- On May 15, 2016, 47,177 of the Company's outstanding and exercisable warrants expired. The warrants were issued on May 15, 2015 with an exercise price of $1.50 and a grant date fair value of $2,182.
- On May 26, 2016, the Company announced a significant increase in the mineral reserves at its Maracás Menchen Mine. Refer to the Operations, Maracás Menchen Mine section of this MD&A for further details.

Q1 2016 Summary

Financial

- The Company recorded a net loss of $9,608 in Q1 2016, compared to a net loss of $44,671 in Q1 2015. This movement was primarily due to the recognition of revenues of $10,048 (Q1 2015 – $nil) and a foreign exchange and derivative gain of $13,698 (Q1 2015 – loss of $42,765). This was partially offset by operating costs of $23,329 for the first quarter 2016 (Q1 2015 – $nil) following the commencement of commercial production on October 1, 2015, and finance costs of $7,894 (Q1 2015 – $nil).
- Operating costs of $23,329 include direct mine and mill costs of $11,441, depreciation and amortization of $7,723, royalties of $226 and an inventory write-down of $3,939. There were no comparable amounts in Q1 2015. The total operating costs are related to the Mine Properties segment.

- The non-cash foreign exchange and derivative gain of $13,698 for Q1 2016 resulted from a strengthening of the Brazilian real by approximately 9% on the Company's U.S. dollar denominated debts and derivative swap contracts. The Company revalues its U.S. dollar denominated debts into Brazilian reais at the end of each reporting period. The Company's derivative swap contracts were settled during Q1 2016, resulting in a gain of $2,747, with additional debt facilities obtained to fund the settlements. Of the total foreign exchange and derivative gain for Q1 2016, $14,279 related to the Mine Properties segment (Q1 2015 – loss $41,017) and a loss of $581 related to Corporate (Q1 2015 – loss of $1,748), which is not an operating segment (refer to note 15 of the condensed interim consolidated financial statements).
- Finance costs for Q1 2016 were $7,894, compared to $nil in Q1 2015. The increase is attributable to the commencement of commercial production on October 1, 2015, with such amounts capitalized prior to this date. Of the $7,894, $6,978 relates to interest expense and guarantee fees (Q1 2015 – $nil) and $916 relates to accretion (Q1 2015 – $nil). Of the total, $7,837 related to the Mine Properties segment (Q1 2015 – $nil) and $57 related to Corporate (Q1 2015 – $nil).
- In Q1 2016, the Company incurred exploration and evaluation expenses of $71, compared to $216 in the restated Q1 2015 condensed interim consolidated financial statements.
- The Company recorded a comprehensive loss of $6,635 in Q1 2016 after recognizing a cumulative translation adjustment gain of $2,973. This was mainly due to the appreciation in the value of the Company's net investment in its Maracás Menchen Mine and related mine properties, plant and equipment due to a strengthening of the Brazilian real. For Q1 2015, the Company recorded a comprehensive loss of $48,649 and a cumulative translation adjustment loss of $3,978.
- Net cash used in operating activities for Q1 2016 was $14,490, an increase of $12,701 from $1,789 in Q1 2015. The increase was mainly due to commercial production, which commenced on October 1, 2015, resulting in increased operating activities. Revenues received of $10,048 in Q1 2016 are lower than the pre-production revenues of $14,042 in Q1 2015 (included in investing activities in Q1 2015). An unfavourable movement in non-cash working capital items, largely driven by an increase in the change in accounts payable of $(4,030), also contributed to the increase in cash used in operating activities.
- Cash provided by financing activities for Q1 2016 was $30,895, up $30,497 from $398 in Q1 2015. The increase is mainly due to proceeds from long-term debt of $34,336, a decrease in restricted cash of $3,881 and proceeds from the issuance of common shares of warrants of $36,644. This was partially offset by a decrease in proceeds from short term loans of $4,563, an increase in the repayment of short term loans and arbitration settlement of $7,023, an increase in the repayment of long-term debt of $1,723, a swap settlement of $29,461 and an increase in interest, guarantee fee and other fees paid of $1,485.
- Cash used in investing activities for Q1 2016 was $3,615, down $2,469 from $6,084 in Q1 2015. The decrease is mainly due to the commencement of commercial production on October 1, 2015 and a decrease in investment in mine properties, plant and equipment of $2,153.

Operations

- During the first quarter 2016, the Company completed the last of the engineering changes required to achieve consistent nameplate production capacity. The achievement of production to consistent nameplate capacity is now expected in the third quarter 2016.
- Cash operating costs[1] since the commencement of commercial production on October 1, 2015 are summarized in the following table:

	Production Tonnes	Production Pounds Equivalent[5]	CDN$ Cost per pound[1,2,3,4]
4th Quarter 2015	1,654	3,646,441	$5.97
1st Quarter 2016	1,169	2,577,263	$6.52

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. *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. *Subsequent to October 1, 2015, the date of the assessment that commercial production had been reached, the cash operating costs presented are 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.*

SELECTED QUARTERLY INFORMATION

Summary financial information for the eight quarters ended March 31, 2016, prepared in accordance with IFRS:

Period	Revenue	Total Assets[1]	Net Income (Loss)[1]	Basic & Diluted Income (Loss) per Share[1]	Non-current Liabilities
1st Quarter 2016	$ 10,048	$ 334,336	$ (9,608)	$ (0.03)	$ 218,373
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

1. *Balances for the 1st Quarter 2015 and prior 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 March 31, 2016, 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 increase in the first quarter 2016 is primarily attributable to the $36,535 proceeds from the private placement that closed on March 3, 2016. 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.

During Q4 2015, the Company recognized revenues of $7,600 and a foreign exchange and derivative gain of $2,467 primarily due to the translation of U.S. denominated debts in Brazilian reais equivalent. This was offset by operating costs of $29,377 and finance costs of $7,250.

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 gain on foreign exchange of $2,804 and a derivative gain of $3,117, 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.

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 also 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 Q3 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.

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 9 to the condensed interim 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 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 achievement of consistent nameplate capacity production 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. Expenditures of $3,789 were capitalized to mine properties, plant and equipment during this period (year ended December 31, 2015 – $45,944). 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 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 as 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 of V_2O_5, representing approximately 121% and 125% of nameplate capacity, respectively.

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]	8,639 tonnes [5,6] ~ 19.0 million lbs	7,639 tonnes [5,6] ~ 16.8 million lbs	8,139 tonnes [5,6] ~ 17.9 million lbs	US$8,183 CDN$10,671	US$3.71 CDN$4.84

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 3.59 and 1.31 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. *Subsequent to October 1, 2015, the date of the assessment that commercial production had been reached, the actual cash operating costs realized 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. *A total CAPEX of approximately $13.1 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.

During Q1 2016, 249,899 tonnes of ore with an average grade of 1.44% containing 3,610 tonnes of V_2O_5 were mined. 243,350 tonnes averaging 1.47% V_2O_5 were crushed, from which 172,093 tonnes with an average grade of 2.01% V_2O_5 were milled. The mill produced 75,512 tonnes of concentrate grading 3.19% V_2O_5 containing 2,406 tonnes of V_2O_5. The chemical plant produced 1,169 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.

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.

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 2016	Q1 2015	2015 Total
Total Ore Mined (tonnes)	249,899	264,336	1,025,984
Grade of Ore Mined (%V_2O_5)	1.44	1.37	1.31
Contained V_2O_5 (tonnes)	3,610	3,617	13,477
Crushed ore (tonnes)	243,350	150,454	800,697
Grade of Ore for crushed (%V_2O_5)	1.47	1.84	1.54
Contained V_2O_5 (tonnes)	3,577	2,765	12,345
Ore milled (tonnes)	172,093	164,392	718,133
Grade of Ore for milled (%V_2O_5)	2.01	1.85	1.75
Contained V_2O_5 (tonnes)	3,451	3,041	12,559

	Q1 2016	Q1 2015	2015 Total
Stockpile balance (tonnes)	296,162	785,671	3,341,614
Grade of Ore on stockpile (%V_2O_5)	2.10	0.86	0.78
Contained V_2O_5 (tonnes)	6,232	6,750	25,903
Concentrate produced (tonnes)	75,512	64,133	280,789
Grade of Concentrate (%V_2O_5)	3.19	3.13	3.13
Recovery of V_2O_5 %	70	67	72
Contained V_2O_5 (tonnes)	2,406	2,006	8,907
V_2O_5 flake produced (tonnes)	1,169	1,053	5,810

Reserves and resources

On May 26, 2016, the Company announced a 40% increase in the mineral reserves for the Campbell Pit at its Maracás Menchen Mine, together with a new mine plan. The update, prepared by Whittle Consulting (“Whittle”), Micon International (“Micon”) and RungePincockMinarco (Canada) Ltd. (“RPM”), has increased the proven and probable mineral reserves to 18.4 million tonnes from the 13.1 million tonnes established previously in the 2008 definitive feasibility study (the “Feasibility Study”) (updated in 2009) by Aker Metals, a division of Aker Solutions Canada Inc. (“Aker”) (see Largo news release dated August 12, 2008). The new mine plan, based on the production of V_2O_5 and larger mineral reserves, results in an operating life of the Maracás Menchen Mine and process plant of 15 years at a production rate of 9,600 tonnes per annum.

Highlights of the updated Maracás Menchen Mine mineral reserves and mine plan include:

- A 40% increase in proven and probable mineral reserves to 18.4 million tonnes, at a grade of 1.17% V_2O_5;
- A mine life of 15 years;
- An average of 29.5% magnetics (magnetite), which yields an average concentrate grade of 3.32% V_2O_5; and
- A new mine plan to produce V_2O_5 flakes rather than ferrovanadium (“FeV”) to allow faster ramp-up of production.

- Campbell Pit
  The following table provides a summary of the fully diluted mineral reserve for the Gulcari A deposit with an effective date of March 31, 2016:

Reserve Category	Tonnage (tonnes)	Head Grade (% V_2O_5)	Magnetics[1] (%)	Concentrate Grade[1] (% V_2O_5)	Magnetic V_2O_5 Content (kt)
Proven	17,149,000	1.17	29.6	3.33	168.8
Probable	1,243,000	1.13	29.0	3.19	11.5
Total Reserve	**18,392,000**	**1.17**	**29.5**	**3.32**	**180.3**
Waste	62,005,000				
Total In-Pit	80,397,000	Strip ratio = 3.37			

1. *As determined by Davis Tube and XRF Analyses, reported from a fully diluted reserve block model.*

The mineral reserves for the Maracás Menchen Mine were updated in compliance with NI 43-101 and CIM guidelines by Micon. Micon has created a regularized (and diluted) reserve model from the source GEMS resource model, for which Robert Campbell, P.Geo., Vice President, Exploration for Largo Resources Ltd. is responsible.

This mineral reserve estimate for the is based solely on the measured and indicated resources from within the redesigned Campbell Pit (Gulcari A deposit). The inferred resources for Gulcari A and the resources of the satellite deposits are not included. These resources have been outlined in a press release dated January 18, 2013 and in a technical report dated March 4, 2013.

The V_2O_5 price used for this mineral reserve is US$5.00 per lb of V_2O_5 and the application of an overall recovery of 66.5% from the magnetic V_2O_5 content, which results in proven and probable reserves of 18.4 million tonnes at 1.17% V_2O_5. This represents a 40% increase in tonnage and 13% decrease in average grade compared to the Feasibility Study. The lower average reserve grade is due in part to the use of dry magnetic separators which make lower grade material economic by rejecting up to 30% of the mass while raising the V_2O_5 grade of mill feed.

The ore on average contains approximately 29.5% magnetics yielding an average concentrate grade of 3.32% V_2O_5 as determined by Davis Tube and XRF analyses. All samples from the exploration programs have been analysed by Davis Tube and XRF allowing for more detailed mine planning and enhancing the reliability of production forecasts.

The base case price of US$5.00 per lb of V_2O_5 used in the updated mineral reserves equates to the three year trailing average pricing from Metal Bulletin (www.metalbulletin.com), a widely accepted reference source for minor metals pricing and industry information.

Chris Jacobs, CEng, MIMMM, MBA, Vice President & Mining Economist and Dayan Anderson, B.Sc., MMSA, Senior Mining Engineer, Micon International Limited and Kevin Tanas, P. Eng., Principal Mining Consultant, RungePincockMinarco (Canada) Ltd., are the Qualified Persons responsible for the updated mineral reserves as defined by NI 43-101. Robert Campbell, P.Geo., Vice President, Exploration for Largo Resources Ltd., is the Qualified Person responsible for the resources.

- Revised Mine Plan
  The updated mineral reserves can support a 15-year mine life with annual mill throughput of 1,118,880 tonnes to produce up to 9,600 tonnes of V_2O_5 per year. These represent increases of 90% and 92%, respectively, over the mill throughput and production in the Feasibility Study. The revised mine plan demonstrates a 15-year V_2O_5 production case and requires no additional capital expenditure. This approach provides the existing plant a great deal of flexibility to accommodate additional resources that Largo expects will become available in the areas of the satellite deposits identified by the 2011/2012 drill program and outlined in the 2013 preliminary economic assessment for the project by RungePinockMinarco (see Largo's news releases dated January 18, 2013).

- Quality Assurance Quality Control
  The scientific and technical information contained above has been reviewed and approved by Robert Campbell, P.Geo., Vice President, Exploration for Largo Resources Ltd., Dayan Anderson, B.Sc., MMSA, Senior Mining Engineer, Micon International Limited, Chris Jacobs, CEng, MIMMM, MBA, Vice President & Mining Economist, Micon International Limited and Kevin Tanas, P. Eng., Principal Mining Consultant, RungePincockMinarco (Canada) Ltd., all of whom are Qualified Persons as defined by NI 43-101.

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 first quarter 2016, the Company incurred $nil in expenditures (Q1 2015 – $184) 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 first quarter 2016, the Company incurred $65 in expenditures (Q1 2015 – $26) 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.

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 the first quarter 2016, the Company incurred $6 in expenditures (Q1 2015 –$6) 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

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 (March 31, 2016 – $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.

The Company continues to incur operating losses at its Maracás Menchen Mine. This is primarily attributable to the decline in V_2O_5 prices over the course of 2015 and lower than anticipated production of V_2O_5 during Q1 2016. 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%. Prices have shown signs of recovery in Q1 2016, with a price at March 31, 2016 of between US$2.70 and US$3.00. 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$3.60 - US$4.00 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 remain at current levels, the Company may be required to implement certain operational changes in order to further reduce costs.

Private Placement

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 "Offering") of units (the "First Tranche"). The closing of the 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 Offering.

On March 3, 2016, the Company announced the closing of the second and final tranche of the non-brokered offering (the “Second Tranche”), resulting in gross proceeds to the Company of $23,358 from the sale of 133,472 units of the Company. The terms of the units are the same as for the First Tranche.

Funds managed by Arias Resource Capital Management LP (the "ARC Funds") purchased an aggregate of 62,176 units in the First Tranche and 91,157 units in the Second Tranche for gross proceeds to the Company of $26,834. 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 46.30% of the Company's issued and outstanding common shares. Following closing of the 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 First Tranche and 1,718 units in the Second Tranche.

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 March 31, 2016, the total facility was R$463,337 ($169,303). 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 74% (R$341,160) is denominated in U.S. dollars (“U.S. dollar component”). The 27% of the BNDES Facility that is denominated in Brazilian reais (“R$ 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 6.09%. 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$31,313 of the outstanding R$ 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%.

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 March 31, 2016, the loan facility was completely drawn down. An amount of $26,146 is due for repayment within the next twelve months (December 31, 2015 – $22,251).

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 during the term of the grace period, starting at June 30, 2017. 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 March 31, 2016, the Company had drawn down an amount of R$26,764 ($9,780). As at March 31, 2016, an amount of $nil is due for repayment within the next twelve months (December 31, 2015 – $nil).

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 ($2,116) 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 March 31, 2016 was R$69,502 ($25,396).

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

Export Credit Facilities

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 was R$34,778 ($12,708). Following the grace period, this facility will amortize on a quarterly basis in equal amounts until maturity in December 2022 of R$1,739 ($635) plus interest at the posted CDI rate plus 4.20%

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

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 March 31, 2016, an amount of $2,312 is due for repayment within the next twelve months (December 31, 2015 – $1,213).

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

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 March 31, 2016, an amount of $460 is due for repayment within the next twelve months (December 31, 2015 – $2,912).

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.

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 March 31, 2016, the Company had an accumulated deficit of $300,684 since inception (December 31, 2015 – $298,758), and has a net working capital deficiency of $21,826 (December 31, 2015 – $80,595) (defined as current assets less current liabilities), primarily as a result of the required principal repayments of the long-term debt. Total amounts due on the debt in the coming 12 months is $30,433.

The following table details the Company’s expected remaining contractual cash flow requirements as at March 31, 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	$ 22,842	$ -	$ -	$ -
Long-term debt	12,330	18,103	144,376	74,368
Operating and purchase commitments	2,164	3,381	-	-
	$ 37,336	$ 21,484	$ 144,376	$ 74,368

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2016 the Company had cash of $16,112 (December 31, 2015 - $2,869) and restricted cash of $nil (December 31, 2015 - $3,881).

At March 31, 2016, due to a continued depression 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 the first quarter 2016 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.

On March 31, 2015, the Company reached a final settlement agreement with a customer related to all claims not covered by the 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 March 31, 2016, an amount of $1,515 is due for repayment within the next twelve months (December 31, 2015 – $15,893).

OUTSTANDING SHARE DATA

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

As at March 31, 2016, there were 412,655 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 March 31, 2016, under the share option plan of the Company, 7,239 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 $9,853. The weighted average exercise price of the share options outstanding was $1.37.

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 March 31, 2016, 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 2, 2021. If these warrants were exercised, the Company would receive proceeds of $138,626. The weighted average exercise price of the warrants is $0.85.

As of the date of this MD&A, 115,410 common share purchase warrants were outstanding with exercise prices ranging from $0.29 to $3.50, and expiring between Oct 6, 2017 and March 2, 2021.

Transactions With Related Parties

The unaudited condensed interim consolidated financial statements for Q1 2016 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, 2015. The Company had transactions with related parties during Q1 2016. Refer to note 14 of the Company's unaudited condensed interim 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 March 31, 2016 and December 31, 2015 were as follows:

		March 31, 2016		December 31, 2015
Cash	**$**	**16,112**	$	2,869
Restricted cash		**-**		3,881
Amounts receivable		**2,593**		2,034
Accounts payable and accrued liabilities		**22,842**		25,396
Current portion of long-term debt		**30,433**		42,983
Long-term debt		**212,424**		176,989
Derivative liabilities at FVTPL	**$**	**-**	$	31,934

The Company's risk exposures and the impact on the Company's financial instruments are summarized in note 17 of the unaudited condensed interim consolidated financial statements. There have been no changes in the risks, objectives, policies and procedures from the previous period.

Commitments And Contingencies

At March 31, 2016, the Company was party to certain management and consulting contracts. Minimum commitments under the agreements are approximately $3,037 and all payable within one year. These contracts also require that additional payments of up to approximately $3,692 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 facilities described in notes 9(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 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 leases of office space which expire on October 31, 2016 and April 30, 2019, respectively. Minimum rental commitments remaining under the leases are approximately $245, including $135 due within one year.

In the regular course of development of 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 March 31, 2016 of $5,545.

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 March 31, 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 ($3,617), with a counterclaim filed by Vanadio for R$10,700 ($3,910). The second proceeding relates to a consulting agreement dispute for which R$3,900 ($1,425) 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 unaudited condensed interim 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 unaudited condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim 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) of the annual consolidated financial statements for the year ended December 31, 2015 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 Q1 2016 unaudited condensed interim consolidated financial statements are consistent with those used in the Company's annual consolidated financial statements for the year ended December 31, 2015.

The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 and 2015 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015.

FUTURE IFRS ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2016 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(c) of the Company's unaudited condensed interim consolidated financial statements for Q1 2016.

NON-GAAP[1] MEASURES

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

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.

		Three month period ended March 31, 2016
Operating costs[1]	$	23,329
Professional, consulting and management fees[2]		807
Other general and administrative expenses[2]		394
Less: depreciation and amortization expense[1]		(7,723)
Cash operating costs	$	16,807
V_2O_5 flake produced (000s lb)		2,577
Cash operating costs per pound produced ($/lb)	$	6.52

1. *As per note 18 of the Company's Q1 2016 condensed interim consolidated financial statements.*
2. *As per the Mine properties segment in note 15 of the Company`s Q1 2016 condensed interim consolidated financial statements.*

[1] GAAP – Generally Accepted Accounting Principles.

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.

For a more comprehensive discussion of the risks faced by the Company, refer to the Company's annual MD&A for the year ended December 31, 2015, filed with the Canadian securities regulatory authorities, under the profile of the Company on SEDAR, at www.sedar.com.

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 Q1 2016 unaudited condensed interim 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.	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.

Forward-looking Statements	Assumptions	Risk Factors
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 "Private Placement" 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 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 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 Project's Phase 1 nameplate capacity of 9,600 tonnes per annum by or before the third quarter 2016. 2016 Production Forecast High ~ 19.0 million lbs – 8,639 tonnes Low ~ 16.8 million lbs – 7,639 tonnes Average ~ 17.9 million lbs – 8,139 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:	The Company assumes that its current	Capital and operating cost estimates made by management with respect to future projects, or current

Forward-looking Statements	Assumptions	Risk Factors
Estimated Annual Average US$ Cash Operating Costs[2] Per Tonne US$8,183/CDN$10,671 Estimated Annual Average US$ Cash Operating Costs Per Pound US$3.71/CDN$4.84	estimation of future operating costs is accurate, as it is largely based on the current cost profile of operations at the Maracás Menchen Mine.	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 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 $13.1 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

[2] 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; 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.