REPORT TO SHAREHOLDERS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

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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 June 30, 2017 ("Q2 2017") 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, 2016, and (iii) the MD&A for the year ended December 31, 2016. Note references in the below discussion refer to the note disclosures contained in the Q2 2017 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") applicable to the preparation of interim financial statements, IAS 34 Interim Financial Reporting. 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 August 11, 2017, unless otherwise indicated. References to "date of this MD&A" mean August 11, 2017. 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 growing Canadian strategic natural resource company organized and existing under the Business Corporations Act (Ontario). Largo is listed on the Toronto Stock Exchange ("TSX").

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 dedicated to the optimization of production and costs 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.

Q2 2017 Highlights

- The Company's Maracás Menchen Mine produced 2,183 tonnes of V_2O_5 in Q2 2017, compared to 2,311 tonnes in the same prior year period. This was due to the planned kiln refractory refurbishment undertaken during March 2017 and completed by April 9, 2017.
- On April 12, 2017, the Company announced it had entered into a US$2,000 six-month short term loan at an interest rate of 9% per annum. US$1,000 was drawn down on April 12, 2017, with US$500 drawn down on each of May 1, 2017 and June 1, 2017. Pursuant to the terms of the loan, the Company issued 400 common share purchase warrants to the lender with each warrant being exercisable to acquire one common share of the Company at a price of $0.50 until December 31, 2020.
- During the six months ended June 30, 2017, 13,259 warrants were exercised, resulting in proceeds to the Company of $3,845 (refer to note 10).

Significant Events and Transactions Subsequent To The Period

- On July 12, 2017, the Company announced that effective June 30, 2017, the syndicate of Brazilian commercial lenders under the Company's existing debt facilities have agreed to (i) terminate the US$5,000 March 2017 capital injection requirement which has been the subject of a temporary waiver since March 15, 2017 and (ii) postpone the additional US$5,000 June 2017 capitalization requirement until December 31, 2017. The March 2017 and June 2017 capitalization requirements had initially been required by the commercial lenders in connection with the 2017 Facility. The commercial lenders have further agreed that if the Company complies with the required payment obligations then on December 31, 2017, the June 2017 capitalization requirement will also be terminated.
- On July 24, 2017, the Company announced that it, along with its operating subsidiary Vanádio de Maracás S.A. ("Vanádio"), have entered into a non-binding term sheet for the restructuring and conversion of the existing short term loan (refer to note 8(f)) and Swap Facility (refer to note 8(d)). Highlights of the proposed arrangement include: (i) conversion of the short term loan into common shares of the Company to be issued within 60 days from the date of the definitive agreement and (ii) renegotiation of the repayment schedule for the Swap Facility and accrued interest and, upon fulfilment of certain payment milestones, the long-term restructuring of the Swap Facility and accrued interest. Refer to the Company's press release dated July 24, 2017 for further details.

Q2 2017 Summary

Financial

- The Company recorded a net loss of $13,885 in Q2 2017, compared to a net loss of $9,663 in Q2 2016. This movement was primarily due to the recognition of a foreign exchange and derivative loss of $5,753 in Q2 2017 (Q2 2016 – gain of $12,511) and an increase in finance costs of $3,030 from $8,065 in Q2 2016 to $11,095 in Q2 2017. This was partially offset by an increase in revenues of $16,852 from $18,945 in Q2 2016 to $35,797 in Q2 2017. For the six months ended June 30, 2017, the Company recorded a net loss of $23,606, compared to a net loss of $19,271 for the same prior year period. This movement was primarily due the recognition of a foreign exchange and derivative loss of $2,852 (foreign exchange and derivative gain of $26,209 in the same prior year period), operating costs of $59,526 ($53,067 in the same prior year period) and finance costs of $20,669 ($15,959 in the same prior year period). This was partially offset by revenues of $65,222 ($28,993 in the same prior year period).
- The Company recognized revenues of $35,797 for Q2 2017 as compared to $18,945 in Q2 2016, despite production being 128 tonnes lower in Q2 2017 than in Q2 2016. The increase in revenues is attributable to the increase in V_2O_5 price, with an average price per lb of V_2O_5 of approximately US$5.81 for Q2 2017, compared to approximately $3.44 for Q2 2016. Revenues for the six months ended June 30, 2017 were $65,222, compared to $28,993 for the same prior year period. The increase is primarily due to the increase seen in the price per lb of V_2O_5. The revenues are related to the Mine properties segment.
- Operating costs of $29,925 for Q2 2017 ($29,738 for Q2 2016) include direct mine and mill costs of $20,074 ($18,085 for Q2 2016), depreciation and amortization of $8,387 ($9,586 for Q2 2016), royalties of $1,464 ($506 for Q2 2016) and an inventory write-down of $nil ($1,561 for Q2 2016). The increase in costs in Q2 2017 as compared to Q2 2016 is primarily attributable to the impact of the planned shut-down to replace the kiln refractory and the subsequent ramp up in production levels in mid-April 2017. For the six months ended June 30, 2017, operating costs of $59,526 ($53,067 in the same prior year period) include direct mine and mill costs of $40,830 ($33,465 in the same prior year period), depreciation and amortization of $16,232 ($17,309 in the same prior year period), royalties of $2,464 ($732 in the same prior year period) and an inventory write-down of $nil ($1,561 in the same prior year period). The total operating costs are related to the Mine properties segment.
- Professional, consulting and management fees for Q2 2017 were $2,161, a decrease of $351 from $2,512 in Q2 2016. Of the total professional and consulting compensation expense for Q2 2017, $1,668 related to the Mine properties segment (Q2 2016 – $868) and $493 related to Corporate (Q2 2016 – $1,644), which is not an operating segment (refer to note 14). The change in costs between the Mine properties segment and Corporate is primarily due to Corporate reducing the level of support provided to the Maracás Menchen Mine now that a more stable level of operation has been achieved. For the six months ended June 30, 2017, professional, consulting and management fees were $4,278 ($3,911 for the same prior period), with $3,421 related to the

Mine properties segment ($1,675 for the same prior year period) and $857 related to Corporate ($2,236 in the same prior year period).

- The non-cash foreign exchange and derivative loss of $5,753 for Q2 2017 resulted from a weakening of the Brazilian real by approximately 4% on the Company's U.S. dollar denominated debts, as compared to a foreign exchange and derivative gain of $12,511 for Q2 2016. The Company revalues its U.S. dollar denominated debts into Brazilian reais at the end of each reporting period. For the six months ended June 30, 2017, the non-cash foreign exchange and derivative loss was $2,852, compared to a gain of $26,209 in the same prior year period. Of the total foreign exchange and derivative loss for Q2 2017, $5,036 related to the Mine properties segment (Q2 2016 – gain of $13,022) and $717 related to Corporate (Q2 2016 – loss of $511). Of the total foreign exchange and derivative loss for the six months ended June 30, 2017, $1,668 related to the Mine properties segment (gain of $27,301 in the same prior year period) and $1,184 related to Corporate (loss of $1,092 in the same prior year period).
- Other general and administrative expenses for Q2 2017 were $703, down from $802 in Q2 2016. For the six months ended June 30, 2017, other general and administrative expenses were $1,413 ($1,617 in the same prior year period). Of the total for Q2 2017, a recovery of $121 related to the Mine properties segment (Q2 2016 – expense of $328) and $824 related to Corporate (Q2 2016 – $474). Of the total for the six months ended June 30, 2017, a recovery of $45 related to the Mine properties segment (expense of $722 in the same prior year period) and $1,458 related to Corporate ($865 in the same prior year period). The expense recovery in the Mine properties segment is primarily due to the decrease in the provision for legal claims (refer to note 15).
- In Q2 2017, the Company recognized a share-based payments expense of $43, compared to an expense reversal of $19 in Q2 2016. For the six months ended June 30, 2017, the share-based payments expense was $86 (expense reversal of $173 in the same prior year period). The expense reversal in the same prior year periods is due to the forfeiture of stock options in those periods.
- Finance costs for Q2 2017 were $11,095, compared to $8,065 in Q2 2016. The increase is primarily attributable to the Company's increased level of long-term debt in Q2 2017 as compared to Q2 2016. For the six months ended June 30, 2017, finance costs were $20,669 ($15,959 in the same prior year period). Of the total for Q2 2017, $10,753 related to the Mine properties segment (Q2 2016 – $7,960) and $342 related to Corporate (Q2 2016 – $105). Of the total for the six months ended June 30, 2017, $20,245 related to the Mine properties segment ($15,797 in the same prior year period) and $424 related to Corporate ($162 in the same prior year period).
- The Company recorded a comprehensive loss of $13,283 in Q2 2017 after recognizing a cumulative translation adjustment gain of $602. 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 against the Canadian dollar. For Q2 2016, the Company recorded a comprehensive loss of $5,790 and a cumulative translation adjustment gain of $3,873. For the six months ended June 30, 2017, the Company recorded a comprehensive loss of $22,261 and a cumulative translation adjustment gain of $1,345 (loss of $12,425 and gain of $6,846, respectively, for the same prior year period)
- In Q2 2017, the Company generated positive cash from operating activities, with cash provided by operating activities of $7,733 (cash used in operating activities of $6,003 in Q2 2016). This was primarily due to revenues less direct mine and mill costs (note 17) and royalties (note 17) of $14,259 in Q2 2017 as compared to $(354) in Q2 2016. For the six months ended June 30, 2017, cash provided by operating activities was $11,957 (cash used in operating activities of $20,493 in the same prior year period).
- Cash used in financing activities for Q2 2017 was $2,083, compared to $1,786 in Q2 2016. The movement is primarily due to an increase in the repayment of the arbitration settlement, long-term debt and the payment of interest and guarantee fees of $4,506 and the change in restricted cash of $5,548. This was partially offset by proceeds from short term loans of $2,596, an increase in proceeds from long-term debt of $2,760 and proceeds from the issuance of common shares and warrants of $3,842. For the six months ended June 30, 2017, cash provided by financing activities was $9,928 (cash used of $29,109 in the same prior year period). The movement from the same prior year period is largely due to the same factors as for Q2 2017, with a swap settlement of $30,019 included in the same prior year period.
- Cash used in investing activities for Q2 2017 was $3,861, a decrease of $540 from $4,401 in Q2 2016. For the six months ended June 30, 2017, cash used in investing activities was $9,761 ($8,016 in the same prior year period).

- The net change in cash for Q2 2017 was an increase of $1,300, compared to a decrease of $12,334 in Q2 2016, as a result of net cash provided by operating activities exceeding net cash used in financing and investing activities. This was due to net cash provided by operating activities as well as the Company reaching an agreement with a customer to defer the June 2017 payment of US$409 due on the arbitration settlement, and executing a further amendment to its short term loan on June 30, 2017 to defer the June 2017 payment of US$100 to August 2017. For the six months ended June 30, 2017, the net change in cash was an increase of $11,646 (increase of $909 in the same prior year period), primarily due to net cash provided by operating and financing activities.

Operations

- Total production in Q2 2017 was 2,183 tonnes of V_2O_5, an increase of 6% from the first quarter 2017 but a decrease of 6% from the same prior year period and a decrease of 11% from the planned production. The planned 20-day shutdown in March 2017 to replace the kiln refractory was delayed by nine days, resulting in higher production in the first quarter 2017 than planned, but consequently, the production level in April 2017 was lower than planned. The global recovery level reached a record 74.3% during Q2 2017, an increase of 3.5% from the first quarter 2017. In addition to the shut-down, production in April and May was impacted by the poor performance of the deammoniator exhaust system. Actions were taken to correct this and should eliminate further deammoniator down time in the third quarter 2017.

- 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]	Cost per pound CDN$[1,2,3,4]	Cost per pound US$[6]	Cost per pound R$[7]
2nd Quarter 2017	2,183	4,812,685	$4.80	$3.56	R$11.46
1st Quarter 2017	2,062	4,545,926	$5.19	$3.90	R$12.31
4th Quarter 2016	2,304	5,079,444	$4.82	$3.60	R$11.90
3rd Quarter 2016	2,182	4,810,481	$4.67	$3.59	R$11.61
2nd Quarter 2016	2,311	5,094,877	$4.19	$3.25	R$11.40
1st Quarter 2016	1,169	2,577,201	$6.52	$4.75	R$18.51
4th Quarter 2015	1,654	3,646,441	$5.97	$4.47	R$17.20

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, royalties and sales, general and administrative costs ("SG&A"). Cash operating costs excludes depreciation and amortization charges, interest or any other debt servicing costs and commissions on sales. Refer to the "Non-GAAP Measures" section of this MD&A. See also 4. 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.
6. Calculated from "CDN$ Cost per pound" using average CDN$/US$ foreign exchange rates of 1.35, 1.33, 1.34, 1.30, 1.29, 1.37 and 1.34 for the 2nd Quarter 2017, 1st Quarter 2017, 4th Quarter 2016, 3rd Quarter 2016, 2nd Quarter 2016, 1st Quarter 2016 and 4th Quarter 2015, respectively.
7. Calculated from "CDN$ Cost per pound" using average CDN$/R$ foreign exchange rates of 2.39, 2.37, 2.47, 2.49, 2.72, 2.84 and 2.88 for the 2nd Quarter 2017, 1st Quarter 2017, 4th Quarter 2016, 3rd Quarter 2016, 2nd Quarter 2016, 1st Quarter 2016 and 4th Quarter 2015, respectively.

SELECTED QUARTERLY INFORMATION

Summary financial information for the eight quarters ended June 30, 2017, prepared in accordance with IFRS:

Period	Revenue	Total Assets	Net Loss	Basic & Diluted Loss per Share	Non-current Liabilities
2nd Quarter 2017	$ 35,797	$ 349,342	$ (13,885)	$ (0.03)	$ 217,039
1st Quarter 2017	29,425	363,479	(9,721)	(0.02)	234,539
4th Quarter 2016	31,482	353,295	(11,654)	(0.03)	232,387
3rd Quarter 2016	20,758	345,269	(24,705)	(0.06)	230,566
2nd Quarter 2016	18,945	351,193	(9,663)	(0.02)	230,230
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[1]	337,869	(50,005)	(0.25)	189,720

1. 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 June 30, 2017, with the high in Q1 2017 primarily attributable to the $16,083 proceeds from the Q1 2017 Private Placement (refer to note 9).

During Q1 2017, the Company recognized revenues of $29,425, which was offset by operating costs of $29,601 and finance costs of $9,574. The Company recognized a foreign exchange and derivative gain of $2,901 primarily due to the translation of U.S. denominated debts in Brazilian reais equivalent.

During Q4 2016, the Company recognized revenues of $31,482, which was offset by operating costs of $30,151 and finance costs of $9,760. The Company recognized a foreign exchange and derivative gain of $67 primarily due to the translation of U.S. denominated debts in Brazilian reais equivalent.

During Q3 2016, the Company recognized revenues of $20,758, which was offset by operating costs of $29,955 and finance costs of $9,552. The Company recognized a foreign exchange and derivative loss of $1,319 primarily due to the translation of U.S. denominated debts in Brazilian reais equivalent.

During Q2 2016, the Company recognized revenues of $18,945 and a foreign exchange and derivative gain of $12,511 primarily due to the translation of U.S. denominated debts in Brazilian reais equivalent. This was offset by operating costs of $29,738 and finance costs of $8,065.

During Q1 2016, the Company recognized revenues of $10,048 and a foreign exchange and derivative gain of $13,698 primarily due to the translation of U.S. denominated debts in Brazilian reais equivalent. This was offset by operating costs of $23,329 and finance costs of $7,894.

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.

Non-current liabilities have been increasing as the Company continues to increase and restructure its debt facilities. See the discussion under Liquidity and Capital Resources and note 8.

OPERATIONS

Maracás Menchen Mine

Recent Developments

The Maracás Menchen Mine operation produced its first vanadium pentoxide flake on August 2, 2014. On October 1, 2015, the Company declared commercial production at the Maracás Menchen Mine.

Expenditures of $11,321 were capitalized to mine properties, plant and equipment during the six months ended June 30, 2017 (year ended December 31, 2016 – $12,971).

During Q2 2017 the overall V_2O_5 recovery was 74.3%, compared to 71.8% in the first quarter 2017. The Company continues to improve its metal recovery as it actively works to reduce costs and increase operational efficiencies. Key components of the improved recovery level in Q2 2017 include the leaching recovery, which increased from 95% in the first quarter 2017 to 96% in Q2 2017 and the chemical plant recovery, which increased from 96% in the first quarter 2017 to 97% in Q2 2017. The lowest monthly production during Q2 2017 was in April, with an output of 645 tonnes of V_2O_5. The planned shut-down in March 2017 was completed on April 9, 2017, which impacted production for those nine days and operating costs for Q2 2017.

The Company sold 82 tonnes of "high purity" V_2O_5 in Q2 2017. In addition, the Company is proceeding with the installation of the necessary equipment to handle and pack V_2O_5 powder. Both "high purity" V_2O_5 and V_2O_5 powder yields a price premium to the Company over and above what is received for V_2O_5 flake.

The cost per pound for Q2 2017 (refer to page 4) was 7.5% lower than the first quarter 2017 primarily due to higher production (6%) and higher global metal recovery during Q2 2017. These results are due to the improvements implemented during the kiln refractory shutdown in March and April 2017. Partially offsetting these improvements was the higher than anticipated consumption of ammonium sulphate of 6%.

In Q3 2017 the Company expects to maintain the higher metal recovery levels achieved in Q2 2017 and to further improve the performance of the deammoniator in order to achieve the targeted production level of 840 tonnes of V_2O_5 per month. In addition, the Company has implemented improvement projects to address the consumption level of ammonium sulphate, to increase leaching recoveries to above 96% and to increase global recoveries to above 75%. The Company produced 807 tonnes of V_2O_5 in July 2017.

Production and cost guidance for 2017 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]	Estimated Annual Average US$/CDN$ Cash Operating Costs Per Pound [1,2,3]
2017 [2]	9,700 tonnes [4] ~ 21.4 million lbs	8,700 tonnes [4] ~ 19.2 million lbs	9,200 tonnes [4] ~ 20.3 million lbs	US$8,391 CDN$11,471	US$3.81 CDN$5.20

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, royalties and SG&A. Cash operating costs excludes depreciation and amortization charges, interest or any other debt servicing costs and commissions on sales. Refer to the "Non-GAAP Measures" section of this MD&A. See also 3. below. The estimated average annual R$/US$ and CDN$/US$ exchange rates used for 2017 are approximately 3.25 and 1.37 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. Conversion of tonnes to pounds, 1 tonne = 2,204.62 pounds or lbs.

During Q2 2017, 297,656 tonnes of ore with an average grade of 1.59% containing 4,739 tonnes of V_2O_5 were mined. 221,948 tonnes averaging 1.35% V_2O_5 were crushed, from which 188,692 tonnes with an average grade of 1.86% V_2O_5 were milled. The mill produced 88,186 tonnes of concentrate grading 3.28% V_2O_5 containing 2,893 tonnes of V_2O_5. The chemical plant produced 2,183 tonnes of V_2O_5 flake from this concentrate.

During Q2 2016, 257,983 tonnes of ore with an average grade of 1.62% containing 4,180 tonnes of V_2O_5 were mined. 265,127 tonnes averaging 1.45% V_2O_5 were crushed, from which 183,844 tonnes with an average grade of 1.86% V_2O_5 were milled. The mill produced 85,997 tonnes of concentrate grading 3.52% V_2O_5 containing 3,029 tonnes of V_2O_5. The chemical plant produced 2,311 tonnes of V_2O_5 flake from this concentrate.

During 2016, 1,044,767 tonnes of ore with an average grade of 1.59% containing 16,636 tonnes of V_2O_5 were mined. 1,094,412 tonnes averaging 1.38% V_2O_5 were crushed, from which 768,763 tonnes with an average grade of 1.80% V_2O_5 were milled. The mill produced 345,916 tonnes of concentrate grading 3.38% V_2O_5 containing 11,685 tonnes of V_2O_5. The chemical plant produced 7,966 tonnes of V_2O_5 flake from this concentrate.

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

	Q2 2017	Q2 2016	2016 Total
Total Ore Mined (tonnes)	297,656	257,983	1,044,767
Grade of Ore Mined (%V_2O_5)	1.59	1.62	1.59
Contained V_2O_5 (tonnes)	4,739	4,180	16,636
Crushed ore (tonnes)	221,948	265,127	1,094,412
Grade of Ore for crushed (%V_2O_5)	1.35	1.45	1.38
Contained V_2O_5 (tonnes)	2,996	3,845	15,080
Ore milled (tonnes)	188,692	183,844	768,763
Grade of Ore milled (%V_2O_5)	1.86	1.86	1.80
Contained V_2O_5 (tonnes)	3,503	3,422	13,810
Stockpile balance (tonnes)	165,286	240,556	133,902
Grade of Ore on stockpile (%V_2O_5)	1.16	0.94	0.83
Contained V_2O_5 (tonnes)	1,917	2,260	1,111
Concentrate produced (tonnes)	88,186	85,997	345,916
Grade of Concentrate (%V_2O_5)	3.28	3.52	3.38
Recovery of V_2O_5 %	98	89	85
Contained V_2O_5 (tonnes)	2,893	3,029	11,685
V_2O_5 flake produced (tonnes)	2,183	2,311	7,966

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 is based solely on the measured and indicated resources from within the redesigned Campbell Pit. The inferred resources for the Campbell Pit 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.

The Company is in the process of conducting a Life of Mine ("LoM") study. This LoM will incorporate all the reserves and resources from the Campbell Pit as well as the satellite deposits using a pit shell of US$6.37 per pound of V_2O_5. The Company now expects this LoM study to be completed in the third quarter 2017 as a result of further review of the potential contribution from the iron-ore by-product and production expansion scenarios.

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 Q2 2017, the Company incurred $2 in expenditures (Q2 2016 – $19) at the Northern Dancer project.

Outlook

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

Campo Alegre de Lourdes

Recent Developments

Management is not conducting any further work at this time on the Camp Alegre de Lourdes project, as the majority of the Company's efforts are focused on completing the ramp-up of production at the Maracás Menchen Mine.

During Q2 2017, the Company incurred $nil in expenditures (Q2 2016 – $2) 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 nine months to complete at Campo Alegre de Lourdes.

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

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. 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 wrote down the value of the development property and all related property and equipment to zero at December 31, 2014 (June 30, 2017 – $nil).

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

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.

During Q2 2017, the Company incurred $nil in expenditures (Q2 2016 – $nil) at the Capivara Prospect.

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

Financial Instruments

Financial assets and financial liabilities as at June 30, 2017 and December 31, 2016 were as follows:

	June 30, 2017	December 31, 2016
Cash	$ 12,404	$ 758
Restricted cash	8,328	2,110
Amounts receivable	8,741	12,917
Accounts payable and accrued liabilities	44,850	44,644
Current portion of long-term debt	62,611	49,438
Long-term debt	209,214	226,840

The Company's risk exposures and the impact on the Company's financial instruments are summarized in note 16. There have been no changes in the risks, objectives, policies and procedures from the previous period.

Liquidity And Capital Resources

The Company continues to require financing for working capital and the repayment of the long-term debt. Because of operating losses incurred in 2016 as the Company ramped 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 incurred operating losses at its Maracás Menchen Mine in the year ended December 31, 2016. This is primarily attributable to the decline in V_2O_5 prices over the course of 2015 and slower than anticipated pick-up in prices in 2016, as well as lower than anticipated production of V_2O_5 during the first quarter 2016. As at December 31, 2016, the vanadium price was between US$4.85 and US$5.20. Prices have shown signs of recovery since then, with a price at March 31, 2017 of between US$5.40 and US$5.80. The V_2O_5 price has continued to recover, with a price at June 30, 2017 of between US$5.40 and US$6.00. The Company's Maracás Menchen Mine improved its cost per lb of V_2O_5 performance over the course of 2016 and to date in 2017, but in this current price environment, expenses, including debt servicing costs, remain in excess of revenues. The Company's net change in cash for Q2 2017 was an increase of $1,300 due to net cash provided by operating activities as well as the Company reaching an agreement with a customer to defer the June 2017 payment of US$409 due on the arbitration settlement, and executing a further amendment to its short term loan on June 30, 2017 to defer the June 2017 payment of US$100 to August 2017. As at the date of the MD&A, the market price of V_2O_5 was in a range of US$9.00 - US$10.00 per lb.

At June 30, 2017, approximately 28% of the Company's accounts payable balances relating to its Maracás Menchen Mine were outstanding for 60 days or longer. The long-outstanding nature of these balances puts pressure on the Company's relationships with its suppliers, and increases the risk of business interruption.

At June 30, 2017, due to the Company recognizing net cash provided by operating activities of $7,733 in Q2 2017 and $11,957 in the six months ended June 30, 2017, the improvement in quoted V_2O_5 prices, the exercise of warrants (refer to note 10) and the short term loan entered into on April 12, 2017 (refer to note 8(g)), the Company has revised its forecast for when it expects to require additional financing for the repayment of the long-term debt, working capital and capital expenditures. The Company now expects to require such additional financing by October 11, 2017 for working capital and the repayment of the long-term debt in Canada. Cash resources in Brazil of $7,796, which includes funds raised in the Q2 2017 Private Placement, and ongoing operating cash flows can only be used for operational purposes in Brazil as stipulated in the terms of the 2017 Facility. The Company is currently pursuing financing alternatives to enable it to meet its obligations. In connection with the 2017 Facility, the Company is required to make payments for the accumulated 2016 and 2017 guarantee fees as detailed in note 8(c). The Company may require additional financing in order to make these payments, as well as for working capital purposes. 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 Q2 2017 unaudited condensed interim consolidated financial statements. Such adjustments could be material.

The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing to meet its obligations in Canada 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 $16,083 in the first quarter 2017, and entered into a short term loan on April 12, 2017, 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.

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 Menchen Mine in Bahia, Brazil (the "BNDES Facility"), the Company's assets may be required to cease operations and its assets may be liquidated under the various security arrangements pertaining to these debt facilities. Should the price per lb of V_2O_5 not continue to increase, the Company may be required to implement certain operational changes in order to further reduce costs.

Private Placements

Q1 2017 Private Placement

On January 9, 2017, the Company announced the closing of the first tranche of its non-brokered offering (the "Q1 2017 Offering") of units (the "Q1 2017 First Tranche"). The closing of the Q1 2017 First Tranche resulted in gross proceeds to the Company of $15,086 from the sale of 33,524 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 common share purchase warrant (each whole warrant, a "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 Q1 2017 Offering. On January 24, 2017, the Company announced the closing of the second and final tranche of the Q1 2017 Offering of units (the "Q1 2017 Second Tranche). The closing of the Q1 2017 Second Tranche resulted in gross proceeds to the Company of $997 from the sale of 2,216 units of the Company. The terms of the Q1 2017 Second Tranche are the same as for the Q1 2017 First Tranche.

Funds managed by Arias Resource Capital Management LP (the "ARC Funds") purchased an aggregate of 14,396 units in the Q1 2017 First Tranche for gross proceeds to the Company of $6,478. The ARC Funds are a "Control Person" of the Company by virtue of their ownership prior to the closing of the Q1 2017 First Tranche of approximately 59.86% of the Company's issued and outstanding common shares. Following closing of the Q1 2017 First Tranche, the ARC Funds owned approximately 58.62% of the Company's then issued and outstanding common shares (or approximately 66.04% 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, an entity controlled by Mr. Alberto Beeck, a director of the Company, subscribed for an aggregate of 10,450 units in the Q1 2017 First Tranche for gross proceeds to the Company of $4,703. Prior to the closing of the Q1 2017 First Tranche, the entities managed or advised by Mr. Alberto Beeck owned approximately 8.74% of the Company's issued and outstanding common shares and following closing of the Q1 2017 First Tranche, these entities owned 10.38% of the Company's issued and outstanding common shares (or approximately 14.72% of the Company's issued and outstanding common shares in the event that Mr. Alberto Beeck and these entities exercised all of the convertible securities held by them).

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 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.

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 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 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.

Debt Facility

On July 3, 2012, the Company's subsidiary, Vanádio, entered into a definitive agreement for the BNDES Facility. As at June 30, 2017, the total facility was R$354,562 ($139,130) (December 31, 2016 – R$386,097 ($159,267)). 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 at a rate of 3.85% per annum.

The BNDES Facility is denominated in Brazilian reais, but approximately 75% (R$265,573) (December 31, 2016 – 73% (R$283,136) is denominated in U.S. dollars ("U.S. dollar component"). The 25% of the BNDES Facility that is not denominated in U.S. dollars ("non-U.S. dollar component") currently bears a weighted average interest rate of 8.10% (December 31, 2016 – 8.47%), while the U.S. dollar component currently bears a weighted average interest rate of approximately 6.32% (December 31, 2016 – 6.14%). 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$22,281 (December 31, 2016 – R$25,900) of the outstanding non-U.S. dollar component is fixed at 5.5%, while the remaining amount is based on the Taxa de Juros de Longo Prazo ("TJLP") index, currently at 7.00% (December 31, 2016 – 7.50%), a long-term interest rate that BNDES posts from time to time, plus a weighted average margin of 1.99% (December 31, 2016 – 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 June 30, 2017, the loan facility was completely drawn down. An amount of $28,456 is due for repayment within the next 12 months (December 31, 2016 – $29,595).

2016 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 "2016 Facility") and the restructuring of its export credit facilities (see part (e)). The terms of the 2016 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 2016 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 BNDES Facility (see part (a)) and to pay the swap settlements pertaining to one of the Company's export credit facilities (see part (e)).

The definitive agreements require the Company to comply with various amended financial and non-financial covenants until the end of the grace period. The covenant applicable at June 30, 2017 is measurable until September 13, 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 June 30, 2017, the Company had drawn down an amount of R$108,542 ($42,592) on the 2016 Facility (December 31, 2016 – R$108,542 ($44,773)). As at June 30, 2017, an amount of $4,259 is due for repayment within the next 12 months (December 31, 2016 – $nil).

2017 Facility

On December 28, 2016, the Company entered into definitive agreements with the consortium of three commercial banks in Brazil for a new debt facility (the "2017 Facility") and the restructuring of its existing facilities (see parts (b), and (e)). The terms of the 2017 Facility include:

- Working capital facility of up to R$140,000 to be used for the payment of principal and interest falling due during 2017 on the BNDES Facility (see part (a)), as well as for the payment of interest and principal falling due during 2017 on the 2016 Facility (see part (b)) and the export credit facilities (see part (e));
- Grace period for the amortization of principal of the 2017 Facility is from the disbursement date to March 29, 2018;
- Principal and interest payments on the 2017 Facility are payable on a quarterly basis starting on March 30, 2018, and thereafter over a period of 56 months;
- Interest rate equal to the posted CDI rate plus 5.70% per annum; and
- Final maturity 72 months after the initial disbursement date.

The definitive agreements require the Company to comply with the same financial and non-financial covenants as the 2016 Facility. The 2017 Facility required the Company to provide an additional US$10,000 in capital to Vanádio, with US$5,000 due by each of March 15, 2017 and June 30, 2017. The Company satisfied the initial US$10,000 capital requirement on January 10, 2017. On March 15, 2017, the Company announced that the consortium of three commercial banks in Brazil had agreed to temporarily waive the requirement that the Company inject a further US$5,000 in working capital into Vanádio that was due by that date. In connection with the granting of this temporary waiver, the three commercial banks and the Company agreed that the Company will fund certain payment obligations to the three commercial banks which had previously been delayed. On June 30, 2017, the three commercial banks agreed to terminate the March 2017 capital injection requirement and to postpone the June 2017 capitalization requirement until December 31, 2017. If the Company complies with the funding of the previously delayed payment obligations, then on December 31, 2017, the June 2017 capitalization requirement will also be terminated.

As at June 30, 2017, the Company had drawn down an amount of R$62,545 ($24,543) on the 2017 Facility (December 31, 2016 – R$nil ($nil)). As at June 30, 2017, an amount of $2,454 is due for repayment within the next 12 months (December 31, 2016 – $nil).

Swap Facility

Concurrently with the 2016 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 ($2,273) will occur over a 12 month period following the end of the same two-year grace period as applies to the 2016 Facility. The balance on this facility at June 30, 2017 was R$69,502 ($27,272) (December 31, 2016 – R$69,502 ($28,669)).

As at June 30, 2017, an amount of $6,818 is due for repayment within the next 12 months (December 31, 2016 – $nil).

Export Credit Facilities

(i) On July 2, 2013, Vanádio 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, Vanádio 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%. Vanádio 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 2016 Facility and the 2017 Facility, this export credit facility was further amended to set forth that quarterly principal and interest instalments commence in 2017, with final maturity in May 2020. In addition, the swap agreement was terminated with settlement financed through the 2016 Facility. The balance on this export credit facility at March 2, 2016, the date of restructuring, was R$34,778 ($14,346) and at June 30, 2017 the balance was R$34,305 ($13,461) (December 31, 2016 – R$40,022 ($16,509)). This facility amortizes on a monthly basis in equal amounts of R$2,859 ($1,122) plus interest at the posted CDI rate plus 4.20% until maturity in May 2020.

    The Company concluded that the above noted amendment to its export credit facility was a substantial change and as such accounted for it as an extinguishment of an existing debt facility and recognition of a new facility. Accordingly, in the six months ended June 30, 2016, the Company expensed the unamortized deferred transaction costs of R$651 ($269).

    As at June 30, 2017, an amount of $4,487 is due for repayment within the next 12 months (December 31, 2016 – $4,716).

(ii) On July 2, 2013, Vanádio 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, Vanádio 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$889 starting in October 2016. The balance on this export credit facility at June 30, 2017 was US$10,667 ($13,847) (December 31, 2016 – US$12,444 ($16,730)).

    As at June 30, 2017, an amount of $4,616 is due for repayment within the next 12 months (December 31, 2016 – $4,780).

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

Short term loan

Concurrently with the 2016 Facility, the Company agreed to new commercial terms for its US$4,425 ($5,745) short term loan (December 31, 2016 – US$3,952 ($5,859)). The terms of the restructured facility included 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%.

On February 24, 2017, the Company agreed to a new schedule of payments for its short term loan. Consequently, the Company received waivers, which included the payment of principal and interest on February 28, 2017, to allow the revised loan documents to be duly executed. In return for receiving the waivers, the Company was required to pay a restructuring fee of US$100 through the delivery of common shares of the Company by April 24, 2017. This condition was satisfied during the six months ended June 30, 2017 and the revised loan documents were duly executed on March 24, 2017, with a further amendment executed on June 30, 2017 to defer the June 2017 and July 2017 payments to August 2017. The new schedule of payments for the short term loan is as follows:

- August 31, 2017: a payment of US$300 principal, plus interest;
- September 29, 2017 to March 28, 2018: monthly payments of US$100 principal, plus interest; and
- April 30, 2018 to March 31, 2020: monthly payments of approximately US$143 principal, plus interest.

As at June 30, 2017, an amount of $1,854 is due for repayment within the next 12 months (December 31, 2016 – $2,985).

Bridge loan

2017

On April 12, 2017, the Company announced it had entered into a US$2,000 six-month short term loan with a shareholder of the Company (who has an interest in the Company of less than 10%) at an interest rate of 9% per annum. US$1,000 was drawn down on April 12, 2017, with US$500 drawn down on each of May 1, 2017 and June 1, 2017. Pursuant to the terms of the loan, the Company issued 400 common share purchase warrants to the lender with each warrant being exercisable to acquire one common share of the Company at a price of $0.50 until December 31, 2020. The balance on this bridge loan at June 30, 2017 was US$2,000 ($2,596) (December 31, 2016 – US$nil ($nil)).

As at June 30, 2017, the balance of $2,596 is due for repayment within the next 12 months (December 31, 2016 – $nil).

2016

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 for a 30-day term. As consideration for entering into the loan, the Company paid to Mr. Smith a US$40 loan establishment fee.

The 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 June 30, 2017, the Company had an accumulated deficit of $367,335 since inception (December 31, 2016 – $343,729), and has a net working capital deficiency of $59,524 (December 31, 2016 – $61,871) (defined as current assets less current liabilities), primarily as a result of the required principal repayments of the long-term debt. Total amounts due within 12 months on the Company's long-term debt are $62,611 (December 31, 2016 – $49,438).

The following table details the Company's expected remaining contractual cash flow requirements as at June 30, 2017 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	$ 44,850	$ -	$ -	$ -
Long-term debt	26,660	35,951	143,972	69,674
Operating and purchase commitments	3,539	3,286	93	-
	$ 75,049	$ 39,237	$ 144,065	$ 69,674

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2017 the Company had cash of $12,404 (December 31, 2016 – $758), restricted cash of $8,328 (December 31, 2016 – $2,110) and trade receivables of $8,703 (December 31, 2016 – $12,879) to settle current liabilities of $107,461 (December 31, 2016 – $94,082).

The amount of $8,328 (December 31, 2016 – $2,110) is classified as restricted cash and primarily relates to amounts deposited in accounts in Brazil that were restricted to service guarantee fees payable. The prior year amount related to amounts received in connection with the Q1 2017 Private Placement (refer to note 9(b)).

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 previously disclosed arbitration as well as the terms of payment of the arbitration settlement itself.

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. In June 2017 the Company agreed with the customer to defer the monthly payment due in June 2017 to later in 2017. The balance on this arbitration settlement at June 30, 2017 was US$5,447 ($7,071) (December 31, 2016 – US$7,483 ($10,046)).

As at June 30, 2017, the remaining amount of $7,071 is due for repayment within the next 12 months (December 31, 2016 – $7,362).

OUTSTANDING SHARE DATA

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

As at June 30, 2017, there were 473,028 common shares of the Company outstanding. As at the date of this MD&A, there were 473,028 common shares of the Company outstanding.

As at June 30, 2017, under the share option plan of the Company, 13,368 share options were outstanding with exercise prices ranging from $0.46 to $2.80 and expiry dates ranging between January 23, 2018 and September 16, 2021. If exercised, the Company would receive proceeds of $11,565. The weighted average exercise price of the share options outstanding was $0.85.

As of the date of this MD&A, 13,368 share options were outstanding with exercise prices ranging from $0.46 to $2.80 and expiry dates ranging between January 23, 2018 and September 16, 2021.

As at June 30, 2017, 143,847 common share purchase warrants were outstanding with exercise prices ranging from $0.29 to $3.50, and expiring between October 6, 2017 and March 2, 2021. If these warrants were exercised, the Company would receive proceeds of $91,058. The weighted average exercise price of the warrants is $0.63.

As of the date of this MD&A, 143,847 common share purchase warrants were outstanding with exercise prices ranging from $0.29 to $3.50, and expiring between October 6, 2017 and March 2, 2021.

Transactions With Related Parties

The unaudited condensed interim consolidated financial statements for Q2 2017 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, 2016. The Company had transactions with related parties during Q2 2017. Refer to note 13.

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.

Commitments And Contingencies

At June 30, 2017, the Company was party to certain management and consulting contracts. Minimum commitments under the agreements are approximately $3,928 and all payable within one year. These contracts also require that additional payments of up to approximately $5,123 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 condensed interim 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 May 2020.

The Company has certain financial and non-financial debt covenants related to the debt facilities described in notes 8(a), (b) and (c), which have been amended in connection with the 2016 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 $218, including $125 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 June 30, 2017 of $2,773.

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 June 30, 2017 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 ($3,885), with a counterclaim filed by Vanádio for R$10,700 ($4,199). The second proceeding relates to a consulting agreement dispute for which R$3,900 ($1,530) has been claimed against two of the Company's subsidiaries. No provision has been recognized for these two proceedings. The Company and its subsidiaries are also party to legal proceedings regarding labour matters. A provision was recorded at December 31, 2016 for two such proceedings in an amount of R$2,602 ($1,074). At June 30, 2017, the provision recognized was R$2,005 ($787). The outcome of these proceedings remains dependent on the final judgment, which the Company does not expect to be delivered within the next 12 months. Management does not expect the outcome of any of the remaining 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.

Disclosure Controls And Procedures And Internal Controls Over Financial Reporting

Disclosure Controls and Procedures

The Company's disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is communicated to management to allow timely decisions regarding required disclosure. An evaluation of the effectiveness of the Company's DC&P, as defined under the rules of the Canadian Securities Administration, was conducted as at December 31, 2016 under the supervision of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") and with the participation of management. Based on the results of that evaluation, the CEO and CFO concluded that the Company's DC&P were effective as at December 31, 2016 providing reasonable assurance that the information required to be disclosed in the Company's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in accordance with securities legislation.

Since the December 31, 2016 evaluation, there have been no material changes to the Company's DC&P.

Internal Control over Financial Reporting

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's ICFR includes policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable IFRS;
- receipts and expenditures are only being made in accordance with authorizations of management or the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial instruments.

The Company's management, under supervision of the CEO and CFO, assessed the effectiveness of the Company's ICFR based on the criteria established in Internal Control – Integrated Framework (2013) issued by The Committee of Sponsoring Organizations of the Treadway Commission and concluded that as at December 31, 2016, the Company's ICFR was effective.

During the three months ended June 30, 2017, the Company did not make any significant changes to its ICFR that would have materially affected, or reasonably likely to materially affect, its ICFR.

Limitations of Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's management, including the CEO and CFO, believe that due to inherent limitations, any DC&P or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Additionally, management is required to use judgment in evaluating DC&P and ICFR.

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, 2016 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 Q2 2017 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, 2016.

The unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017 and 2016 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

FUTURE IFRS ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 1, 2017 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(b) of the Company's unaudited condensed interim consolidated financial statements for Q2 2017.

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 is 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

[1] GAAP – Generally Accepted Accounting Principles.

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 months ended June 30, 2017	Three months ended June 30, 2016
Operating costs[1]	$ 29,925	$ 29,738
Professional, consulting and management fees[2]	1,668	868
Other general and administrative expenses[2]	(121)	328
Less: depreciation and amortization expense[1]	(8,387)	(9,586)
Cash operating costs	$ 23,085	$ 21,348
V_2O_5 flake produced (000s lb)	4,813	5,095
Cash operating costs per pound produced ($/lb)	$ 4.80	$ 4.19

1. As per note 17.
2. As per the Mine properties segment in note 14.

	Six months ended June 30, 2017	Six months ended June 30, 2016
Operating costs[1]	$ 59,526	$ 53,067
Professional, consulting and management fees[2]	3,421	1,675
Other general and administrative expenses[2]	(45)	722
Less: depreciation and amortization expense[1]	(16,232)	(17,309)
Cash operating costs	$ 46,670	$ 38,155
V_2O_5 flake produced (000s lb)	9,359	7,672
Cash operating costs per pound produced ($/lb)	$ 4.99	$ 4.97

3. As per note 17.
4. As per the Mine properties segment in note 14.

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, 2016, 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 Q2 2017 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. Although the Company has been successful in the past in obtaining financing and has recently completed a private placement for gross proceeds of $16,086, there is no assurance that the Company will in the future be able to obtain adequate financing in future or that such financing will be on terms advantageous to the Company.	The Company has assumed that it will be able to continue in operation for the foreseeable future and will be able to discharge its liabilities and commitments in the normal course of business, as it anticipates that it will address working capital and other shortfalls by raising additional funds and restructuring its debts.	The Company has incurred significant operating losses and negative cash flow from operations in recent years. Whether and when the Company can attain profitability and positive cash flow is uncertain. These uncertainties cast doubt upon the Company's ability to continue as a going concern. The Company will require additional capital in order to fund it operations generally and, should the need arise, for continued advancement and/or completion of its projects. Management believes the likelihood of completing its projects is high and that such future capital can be secured efficiently. However, there is no assurance that potential financings will be completed and, as a result, that the Company may be forced to cease operations and/or dispose of assets. The BNDES Facility is dependent on guarantees from three Brazilian commercial banks. The guarantees require that the Company's Brazilian subsidiary, Vanádio 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

Forward-looking Statements	Assumptions	Risk Factors
		liquidate its assets.
Production volumes are expected to consistently achieve nameplate capacity of 9,600 tonnes per annum during 2017. 2017 Production Forecast High ~ 21.4 million lbs – 9,700 tonnes Low ~ 19.2 million lbs – 8,700 tonnes Average ~ 20.3 million lbs – 9,200 tonnes	The Company assumes that consistent production levels will continue, at a level of or in excess of 800 tonnes per month. Nameplate capacity was reached starting in June 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.
2017 Production Costs: Estimated Annual Average US$ Cash Operating Costs[2] Per Tonne US$8,391/CDN$11,471 Estimated Annual Average US$ Cash Operating Costs Per Pound US$3.81/CDN$5.20	The Company assumes that its current estimation of future operating costs is accurate, as it is largely based on the current cost profile of operations at the Maracás Menchen Mine.	Capital and operating cost estimates made by management with respect to future projects, or current operations in the early stages of production, or not yet in the production phase are estimates which are in turn based, among other things, on interpretation of geological data, feasibility studies, anticipated climactic conditions and other information. Any or all of the above could affect the accuracy of the estimates including unanticipated changes in grade and tonnage to be mined and processed; incorrect data on which engineering assumptions are made; unanticipated transportation costs; accuracy of equipment and construction cost estimates; difficulty or failure to meet scheduled construction completion dates, facility or equipment commissioning dates, or metal production dates; poor or unsatisfactory construction quality resulting in failure to meet completion, commissioning or production dates; increased expenditures required as a failure to meet completion, commissioning or production dates;

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

Forward-looking Statements	Assumptions	Risk Factors
		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 $4.5 million is expected to be incurred over the remainder of 2017 to sustain current operational capacity.	Management assumes that its current estimation of capital expenditures is accurate, as based on operational estimates produced and current experience with operations.	Capital and operating costs estimates made by management with respect to future projects, or current operations in the early stages of production, or not yet in the production phase are estimates which are in turn based, among other things, on interpretation of geological data, feasibility studies, anticipated climactic conditions and other information. Any or all of these can affect the accuracy of the estimates including unanticipated changes in grade and tonnage to be mined and processed; incorrect data on which engineering assumptions are made; unanticipated transportation costs; accuracy of equipment and construction cost estimates; difficulty or failure to meet scheduled construction completion dates, facility or equipment commissioning dates, or metal production dates; poor or unsatisfactory construction quality resulting in failure to meet completion, commissioning or production dates; increased expenditures required as a failure to meet completion, commissioning or production dates; capital overrun related to the completion of any construction phase including capital overrun associated with demobilization of construction workers and contractors; labour negotiations; unanticipated costs relating to the commencement of operations, ramp up and production sustainment; changes in government regulation (including regulations regarding prices, cost of consumables, royalties, duties, taxes, permitting and restrictions on production quotas or exportation of the Company's products; and change in commodity input costs and quantities).

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

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

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

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

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