LARGO RESOURCES LTD.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

TABLE OF CONTENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Largo Resources Ltd. (the "Company") for the years ended December 31, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management is responsible for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information presented. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the independent auditors. The Audit Committee has the responsibility of meeting with management and the independent auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external independent auditors.

The Company's independent auditors audit the consolidated financial statements annually on behalf of the Company's shareholders. The Company's independent auditors have full and free access to management and the Audit Committee.

(signed)	(signed)
Mark A. Smith	Ernest Cleave
President & Chief Executive Officer	Chief Financial Officer
March 29, 2017	March 29, 2017

March 29, 2017

Independent Auditor's Report

To the Shareholders of
Largo Resources Ltd.

We have audited the accompanying consolidated financial statements of Largo Resources Ltd. (the company), which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2016 and 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1416 365 8215

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Largo Resources Ltd. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015, in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

LARGO RESOURCES LTD.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31, 2016	December 31, 2015
Assets			
Current Assets			
Cash		$ 758	$ 2,869
Restricted cash	11(b), 20(c)	2,110	3,881
Amounts receivable	4	17,865	4,664
Inventory	5	11,055	6,442
Prepaid expenses		423	1,862
Total Current Assets		32,211	19,718
Non-current Assets			
Mine properties, plant and equipment	6	321,084	296,041
Total Non-current Assets		321,084	296,041
Total Assets		$ 353,295	$ 315,759
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	8	$ 44,644	$ 57,330
Current portion of long-term debt	9	49,438	42,983
Total Current Liabilities		94,082	100,313
Non-current Liabilities			
Long-term debt	9	226,840	176,989
Provisions	10	5,547	5,515
Total Non-current Liabilities		232,387	182,504
Total Liabilities		326,469	282,817
Equity			
Issued capital	11	358,436	328,707
Equity reserves	12	23,966	20,600
Accumulated other comprehensive loss		(11,847)	(17,607)
Deficit		(343,729)	(298,758)
Total Equity		26,826	32,942
Total Liabilities and Equity		$ 353,295	$ 315,759

Going concern	1
Commitments and contingencies	1,6,18
Subsequent events	22

Approved on Behalf of the Board

Signed "Koko Yamamoto" Director   Signed "David Brace" Director

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

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Notes	Years ended December 31, 2016	2015
Revenues		$ 81,233	$ 7,600
Expenses			
Operating costs	21	(113,173)	(29,377)
Professional, consulting and management fees		(7,183)	(7,001)
Foreign exchange and derivative gain (loss)		24,957	(81,472)
Other general and administrative expenses	21	(3,843)	(2,466)
Share-based payments	12	(2,252)	(2,848)
Other income		-	316
Finance costs	21	(35,271)	(7,250)
Exploration and evaluation costs		(98)	(715)
Write-down of exploration and evaluation assets	7	-	(6,747)
		(136,863)	(137,560)
Net loss		$ (55,630)	$ (129,960)
Other comprehensive loss			
Items that subsequently will be reclassified to operations:			
Unrealized gain (loss) on foreign currency translation		5,760	(10,353)
Comprehensive loss		$ (49,870)	$ (140,313)
Basic loss per Common Share	13	$ (0.14)	$ (0.78)
Diluted loss per Common Share	13	$ (0.14)	$ (0.78)
Weighted Average Number of Shares Outstanding (in 000's)			
- Basic		387,033	167,109
- Diluted		387,033	167,109

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

Expressed in thousands / 000's of Canadian dollars and shares

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Shares		Issued Capital		Equity Reserves		Accumulated Other Comprehensive Loss		Deficit		Shareholders' Equity
Balance at December 31, 2014	109,262	$	256,458	$	34,537	$	(7,254)	$	(188,330)	$	95,411
Private placement, net of costs	94,000		72,249		2,152		-		-		74,401
Issue broker warrants	-		-		30		-		-		30
Expiry of share options	-		-		(3,040)		-		3,040		-
Expiry of warrants	-		-		(16,492)		-		16,492		-
Share-based payments	-		-		3,413		-		-		3,413
Currency translation adjustment	-		-		-		(10,353)		-		(10,353)
Net loss for the year	-		-		-		-		(129,960)		(129,960)
Balance at December 31, 2015	203,262	$	328,707	$	20,600	$	(17,607)	$	(298,758)	$	32,942
Private placement, net of costs	220,504		29,729		11,773		-		-		41,502
Expiry of share options	-		-		(3,403)		-		3,403		-
Expiry of warrants	-		-		(7,256)		-		7,256		-
Share-based payments	-		-		2,252		-		-		2,252
Currency translation adjustment	-		-		-		5,760		-		5,760
Net loss for the year	-		-		-		-		(55,630)		(55,630)
Balance at December 31, 2016	423,766	$	358,436	$	23,966	$	(11,847)	$	(343,729)	$	26,826

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Years ended December 31, 2016	2015
Operating Activities			
Net loss for the year		$ (55,630)	$ (129,960)
Adjustment for Non-cash Items			
Depreciation		33,714	8,362
Share-based payments	12	2,252	2,848
Other gains		-	(316)
Unrealized foreign exchange (gain) loss		(25,992)	79,054
Finance costs		35,271	7,250
Write-down of assets	7	-	6,747
Cash Used Before Non-cash Working Capital Items		(10,385)	(26,015)
Change in amounts receivable		(11,677)	(346)
Change in inventory		(3,228)	3,092
Change in prepaid expenses		1,646	(787)
Change in accounts payable and accrued liabilities		7,702	15,635
Net Cash Used in Operating Activities		(15,942)	(8,421)
Financing Activities			
Proceeds from short term loans	9(f),(g)	1,437	12,000
Repayment of short term loans	9(f),(g)	(1,405)	(13,418)
Repayment of arbitration settlement	9(h)	(5,618)	-
Proceeds from long-term debt	9(b),(c)	69,707	-
Repayment of long-term debt	9(a)	(22,515)	(13,502)
Swap settlement	9(d)	(32,518)	-
Interest, guarantee fee and other associated fees paid		(23,168)	(22,635)
Decrease in restricted cash		1,771	3,121
Issuance of common shares and warrants	11(b)	41,644	75,200
Cost of issuance of common shares and warrants	11(b)	(142)	(769)
Net Cash Provided by Financing Activities		29,193	39,997
Investing Activities			
Investment in development properties		-	(34,097)
Receipt of pre-production revenues		-	37,420
Mine properties, plant and equipment expenditures		(15,565)	(43,141)
Net Cash Used in Investing Activities		(15,565)	(39,818)
Effect of foreign exchange on cash		203	(309)
Net Change in Cash		(2,111)	(8,551)
Cash position – beginning of the year		2,869	11,420
Cash Position – end of the year		$ 758	$ 2,869

Schedule of Non-cash Investing and Financing Transactions	
Cash flow – other items	15

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1) Nature of operations and going concern

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material. At December 31, 2016, the Company had an accumulated deficit of $343,729 since inception (December 31, 2015 – $298,758), and has a net working capital deficiency of $61,871 (December 31, 2015 – $80,595). Total amounts due within 12 months on the Company`s long-term debt are $49,438 (December 31, 2015 – $42,983). At December 31, 2016, in addition to the financings that closed on January 6, 2017 and January 23, 2017 (refer to note 22), the Company has a need for additional financing by April 15, 2017, for working capital and the repayment of the long-term debt (refer to note 20). Because of continued losses in 2016, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations.

These material uncertainties may cast significant doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and accordingly the appropriateness of the use of accounting principles applicable to a going concern. Although the Company has been successful in the past in obtaining financing there is no assurance that it will be able to obtain adequate financing in future or that such financing will be on terms advantageous to the Company. Refer to note 22 for details of financing activities subsequent to December 31, 2016.

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

2) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB. The significant accounting policies applied in these consolidated financial statements are presented in note 3 and are based on IFRS effective as at December 31, 2016.

The consolidated financial statements were approved by the Board of Directors of the Company on March 29, 2017.

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

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value and certain inventory balances carried at net realizable value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

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

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

a) Basis of consolidation

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date control is tr ansferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The consolidated financial statements include the financial condition and results of operations of the Company and its subsidiaries as outlined below:

Name	Property	December 31, 2016	December 31, 2015	Arrangement	Accounting Method
Vanadio de Maracás S.A.	Maracás Menchen Mine (Brazil)	99.84%	99.84%	Subsidiary	Consolidation
Largo Resources (Yukon) Ltd.	Northern Dancer Project (Canada)	100%	100%	Subsidiary	Consolidation
Mineração Campo Alegre de Lourdes Ltda.	Campo Alegre Project (Brazil)	100%	100%	Subsidiary	Consolidation
Mineração Currais Novos Ltda.	Currais Novos Project (Brazil)	100%	100%	Subsidiary	Consolidation
Largo Resources USA Inc.	N/A	100%	-	Subsidiary	Consolidation

b) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars which is the functional and reporting currency of the Company. The functional currency of the Company's Brazilian subsidiaries is the Brazilian real, the functional currency of the Company's Canadian subsidiary is the Canadian dollar and the functional currency of the Company's U.S. subsidiary is the United States dollar.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items denominated in foreign currencies are translated at the rates prevailing on the transaction dates. Income and expenses are translated at the average exchange rates for the period where these approximate the rates on the dates of transactions.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

All other foreign exchange gains and losses are presented in the consolidated statement of loss and comprehensive loss within "foreign exchange and derivative gain (loss)".

The financial statements of subsidiaries that do not have the Canadian dollar as the functional currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, income and expenses – at the average rate for the period (if this is considered a reasonable approximation to actual rates) or at the rate on the date of transaction. All resulting changes are recognized in other comprehensive loss as foreign currency translation adjustments.

c) Significant accounting policies

1. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. As at December 31, 2016 and 2015 the Company held no cash equivalents.

2. Inventories

Vanadium flake inventories, work-in-process inventory, stockpiles and tungsten concentrate are measured at the lower of weighted average production cost and net realizable value. Warehouse materials are measured at the lower of average purchase cost and net realizable value. Net realizable value is calculated as the difference between the estimated selling price and estimated costs to complete processing into a saleable form and variable selling expenses.

Production costs include the cost of materials, labour, mine site production overheads and depreciation to the applicable stage of processing.

The cost of ore stockpiles is increased based on the related current cost of production for the period, and decreases in stockpiles are charged to cost of sales using the weighted average cost per tonne. Stockpiles are segregated between current and non-current inventories in the consolidated statement of financial position based on the period of planned usage.

Provisions are recorded to reduce the carrying amount of inventory to net realizable value to reflect changes in grades, quantity or other economic factors and to reflect current intentions for the use of redundant or slow-moving items. Provisions for redundant and slow-moving items are made by reference to specific items of inventory. The Company reverses write-downs where there is a subsequent increase in net realizable value and where the inventory is still on hand.

Spare parts, stand-by and servicing equipment held are generally classified as inventories. Major capital spare parts and stand-by equipment (insurance spares) are classified as a component of mine properties, plant and equipment.

3. Mineral exploration, evaluation and development properties

- Exploration and evaluation properties

  Expenditures on exploration and evaluation activities are expensed to exploration and evaluation costs in the consolidated statement of loss and comprehensive loss. The cost of acquiring prospective properties and exploration rights is capitalized to exploration and evaluation properties in the consolidated statement of financial position.

  Post-acquisition exploration and evaluation costs relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

  Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to development properties. Subsequent expenditures are capitalized to development properties.

  Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If impairment indicators are identified and an impairment test is performed, all irrecoverable costs will be written off.

- Development properties

  When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized to development properties in the consolidated statement of financial position. Costs associated with the commissioning of new assets in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Interest on borrowings related to the construction and development of qualifying assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

4. Mine properties, plant and equipment

Upon completion of mine construction, development property assets are transferred to mine properties, plant and equipment. Items of plant and equipment and mine properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

Effective October 1, 2015, the Company declared its Maracás Menchen Mine to be operating in the manner intended by management ("commercial production"). Since the date of commercial production, the Maracás Menchen Mine is considered an operating mine and is no longer accounted for as a development property. The Maracás Menchen Mine's contribution from vanadium sales is recorded in the consolidated statement of loss and comprehensive loss and is no longer netted against development property capital expenditures from October 1, 2015 onwards. In addition, as at October 1, 2015, the Company's Maracás Menchen Mine development property asset was reclassified to mine properties, plant and equipment and depreciation of these amounts commenced. Attributable borrowing costs and depreciation are no longer capitalized and are recognized in the consolidated statement of loss and comprehensive loss.

Prior to October 1, 2015, the Maracás Menchen Mine was accounted for as a development property.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets and borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire or construct the asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use. The capitalized value of a finance lease is also included within mine properties, plant and equipment.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

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

5. Depreciation

Effective from the point an asset is available for its intended use, mine properties, plant and equipment are depreciated using either the straight line or units-of-production methods over the shorter of the estimated economic life of the asset or the mining operation. Depreciation and amortization are determined based on the method which best represents the use of the assets.

The reserve and resource estimates for each mining operation are the prime determinants of the life of a mine. In general, when the useful life of mine properties, plant and equipment is akin to the life of the mining operation and the ore body's mineralization is reasonably well defined, the asset is depreciated on a units-of-production basis over its proven and probable mineral reserves. Non-reserve material may be included in depreciation calculations in limited circumstances where there is a high degree of confidence in its economic extraction. The Company evaluates the estimate of mineral reserves and resources at least on an annual basis and adjusts the units-of-production calculation prospectively. In 2016 and 2015, the Company has not incorporated any non-reserve material in its depreciation calculations on a units-of-production basis. When mine properties, plant and equipment are depreciated on a straight line basis, the useful life of the asset is determined based on its estimated economic life and the most recent life of mine ("LOM") plan. LOM plans are typically developed annually and are based on management's current best estimates of optimized mine and processing plans, future operating costs and the assessment of capital expenditures of a mine site. Any change in the useful life is adjusted prospectively.

The estimated useful life for machinery and equipment is 10 years. Computers, office equipment and vehicles are depreciated using the declining balance method using rates of 20%, 10% and 20%, respectively.

Amounts related to capitalized costs of exploration and evaluation assets, development properties and construction in progress are not amortized as the assets are not available for use.

Capitalized stripping costs are depreciated over the reserves that directly benefit from the specific stripping activity using the units-of-production method. Capitalized borrowing costs are amortized over the useful life of the related asset. Residual values, useful lives and amortization methods are reviewed at least annually and adjusted if appropriate. The impact of changes to the estimated useful lives, change in depreciation method or residual values is accounted for prospectively.

6. Impairment

- Non-financial assets

  The carrying values of capitalized exploration and evaluation properties, development properties and mine properties, plant and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to dispose of the asset and the asset's value in use.

  Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. This generally results in the Company evaluating its non-financial assets on a mine or project basis.

  If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the consolidated statement of loss so as to reduce the carrying amount to its recoverable amount.

  A previously recognized impairment loss is reversed only if there has been a change in the factors which gave rise to the triggering event. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of loss.

- Financial assets

  The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

  For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in other losses (income) in the consolidated statement of loss and comprehensive loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated statement of loss and comprehensive loss.

7. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

8. Vanadium sales

Under the terms of the Company's vanadium sales agreement, vanadium prices are provisionally set at the time revenue is recognized based upon market commodity prices. Revenue is recognized at the time of shipment, which is also when the risks and rewards of ownership pass to the customer. Revenue is measured using market prices on the date of transfer of risks and rewards of ownership, with an adjustment recorded once the date that final selling prices will be determined has been set by the Company's off-take partner, Glencore International AG. Variations occur between the price recorded on the date of revenue recognition and the actual final price under the terms of the contracts due to changes in market prices. Such variations are recognized in revenue in the period in which the final price is determined.

9. Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 12.

The fair value determined at the grant date of the equity-settled share-based payments is expensed or capitalized, as appropriate, on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire after vesting, the recorded value is transferred to deficit.

10. Taxation

Income tax expense is comprised of current and deferred tax. Current and deferred tax are recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to an asset acquisition, or items recognized directly in equity or in other comprehensive loss.

- Current tax

  Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of the previous years.

- Deferred tax

  Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

  Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

  The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

  Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

  Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

11. Financial instruments

Financial instruments are recognized on the consolidated statement of financial position on the trade date, the date on which the Company or its subsidiaries become party to the contractual provisions of the financial instrument. All financial instruments are required to be classified and measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument.

The Company classifies its financial instruments in the following categories:

- Financial assets

  i. Initial recognition and measurement

  Financial assets at fair value through profit or loss ("FVTPL")

  A financial asset is classified as FVTPL if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus directly attributable transaction costs.

  The Company's FVTPL financial assets include cash and restricted cash.

  Amortized cost

  Amounts receivable are classified as and measured at amortized cost using the effective interest rate ("EIR") method, less impairment losses, if any.

  ii. Subsequent measurement

  The subsequent measurement of financial assets depends on their classification as follows:

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in other losses (income) in the consolidated statement of loss and comprehensive loss. The losses arising from impairment are recognized in the consolidated statement of loss and comprehensive loss.

  Financial assets at FVTPL, including derivatives, are subsequently measured at fair value.

  iii. Derecognition

  A financial asset is derecognized when:

  - The rights to receive cash flows from the asset have expired; or
  - The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
    a) the Company has transferred substantially all the risks and rewards of the asset; or
    b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

- Financial liabilities

  i. Initial recognition and measurement

  Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL or other financial liabilities. Derivatives are included in the FVTPL category unless they are designated as hedging instruments.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payable and accrued liabilities, long-term debt and other long term liabilities and are all classified as other financial liabilities. The Company has previously entered into foreign currency contracts which were classified as derivatives. To date, the Company has not designated any derivatives as a hedging instrument. Accordingly, derivatives have been classified as financial liabilities at FVTPL.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of loss and comprehensive loss when the liabilities are derecognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in borrowing costs capitalized to development properties and mine properties, plant and equipment.

Financial liabilities at FVTPL, including derivatives, are subsequently measured at fair value.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of loss.

- Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

12. Provisions

- General

Provisions are recognised when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of loss and comprehensive loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in the statement of loss and comprehensive loss.

- Environmental rehabilitation

  The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

  The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related asset. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of loss and comprehensive loss. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of loss and comprehensive loss.

13. Loss per share

    Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. In the Company's case, diluted loss per share is the same as basic loss per share for the periods presented as the effects of including all convertible securities would be anti-dilutive.

14. Leases

    The determination of whether an arrangement is, or contains, a lease is based on the substance of the contractual arrangement at inception date, including whether the arrangement contains the use of a specific asset and the right to use that asset. Where the Company receives substantially all the risks and rewards of ownership of the asset, these arrangements are classified as finance leases. Finance leases are recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs using the effective interest method, with the interest element of the lease charged to the consolidated statements of loss and comprehensive loss as a finance cost. Mine properties, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

    All other leases are classified as operating leases. Operating lease payments are recognized in the consolidated statements of loss and comprehensive loss on a straight-line basis over the lease term.

15. Operating segments

    The Company is engaged in mining, exploration and development of mineral properties, primarily in Brazil and Canada. The segments presented reflect the way in which the Company's management reviews its business performance. Operating segments are reported in a manner consistent with the internal reporting provided to executive management who act as the chief operating decision-maker. Executive management is responsible for allocating resources and assessing performance of the operating segments. The Company's operating segments are its mine properties segment and exploration and evaluation properties segment.

d) Critical judgements and estimation uncertainties

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about the carrying amount of its assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from the amounts included in the consolidated financial statements.

The following are the critical judgments and areas involving estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

1. Determination of mineral reserve estimates

   The estimates for mineral reserves and mineral resources are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves geological and geophysical studies and economic data and the reliance on a number of assumptions. The estimates of the reserves may change based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production.

   A number of accounting estimates are impacted by the mineral reserve estimates:

   - Capitalization and depreciation of stripping costs;
   - Determination of the useful life of mine properties, plant and equipment and measurement of the depreciation expense;
   - Impairment analysis of non-financial assets including evaluation of estimated future cash flows of cash generating units; and
   - Estimates of the timing of outlays for environmental rehabilitation obligations.

   A change in the original estimate of reserves could have a material effect in the future on the Company's financial position and results of operations.

2. Valuation of mine properties, plant and equipment, development properties and exploration and evaluation properties

   The Company carries its mine properties, plant and equipment, development properties and exploration and evaluation properties at cost less accumulated depreciation and any provision for impairment.

   The Company undertakes a review of the carrying values of mine properties, plant and equipment, development properties and exploration and evaluation properties whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and, for mine properties, discounted net future cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sale volumes, metal prices, foreign exchange rates, reserve and resource quantities, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying values of the Company's mine properties, plant and equipment, development properties and exploration and evaluation properties (see notes 6 and 7).

3. Estimates of provisions for environmental rehabilitation

   The Company has obligations for environmental rehabilitation related to its mine and development properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the Brazilian laws and regulations in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of environmental rehabilitation provision. The environmental rehabilitation provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording reclamation and other closure provisions is to establish provisions for future costs based on the present value of the future cash flows required to satisfy the environmental obligations. This provision is updated as the estimate for future closure costs change. The amount of the present value of the provision is added to the cost of the related development asset or mine property and will be depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to finance costs. Refer to note 10(b).

4. Production stage of a mine

The determination of the date on which a mine enters the production stage is a significant judgment since capitalization of certain costs ceases upon entering production. As a mine is constructed, costs incurred are capitalized and proceeds from vanadium sales are offset against the capitalized costs. This continues until the mine is available for use in the manner intended by management, which requires significant judgment in its determination.

The timing of the completion of project construction, commissioning and commencement of commercial production and generation of revenues cannot be determined with certainty.

Effective October 1, 2015, the Company declared its Maracás Menchen Mine to be in commercial production. Since this date, the Maracás Menchen Mine is considered an operating mine and is no longer accounted for as a development property. The Maracás Menchen Mine's contribution from vanadium sales is recorded in the consolidated statement of loss and comprehensive loss and is no longer netted against development property capital expenditures from October 1, 2015 onwards. In addition, as at October 1, 2015, the Company's Maracás Menchen Mine development property asset was reclassified to mine properties, plant and equipment and depreciation of these amounts commenced. Attributable borrowing costs and depreciation are no longer capitalized and are recognized in the consolidated statement of loss and comprehensive loss.

Prior to October 1, 2015, the Maracás Menchen Mine was accounted for as a development property.

5. Income and deferred taxes

The Company is subject to income and other taxes in various jurisdictions. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income and other tax liabilities requires interpretation of complex laws and regulations often involving multiple jurisdictions. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax filings are subject to audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Any estimates for value added and withholding taxes have been included in accounts payable and accrued liabilities.

6. Going concern

Refer to note 1.

7. Contingencies

Refer to notes 10 and 18.

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

e) Future accounting changes

IFRS 15, Revenue from Contracts and Customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it will be effective for annual periods beginning on or after January 1, 2018. The Company continues to evaluate the impact of IFRS 15 on its consolidated financial statements, and is specifically assessing the impact of IFRS 9 (see below) on its ongoing IFRS 15 assessments. IFRS 9 will be adopted by the Company at the same time as IFRS 15.

IFRS 9, Financial Instruments

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

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

IFRS 16, Leases

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

4) Amounts receivable

	December 31, 2016	December 31, 2015
Trade receivables	$ 12,879	$ 2,034
Current taxes recoverable – Brazil	4,913	2,536
Current taxes recoverable – Canada	35	56
Other receivables	38	38
Total	$ 17,865	$ 4,664

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

5) Inventory

	December 31, 2016	December 31, 2015
Vanadium flake	$ 1,046	$ 484
Work-in-process	2,811	9
Stockpiles	1,887	2,765
Warehouse materials	5,250	2,999
Tungsten concentrate	61	185
Total	$ 11,055	$ 6,442

At December 31, 2016, the Company recognized a write-down to net realizable value of $40 for vanadium flake and $27 for work-in-process (December 31, 2015 – $644 and $nil, respectively, and $194 for stockpiles). During the year ended December 31, 2016, the Company recognized in direct mine and mill costs (note 21) the benefit of previously recorded net realizable value write-downs of $838 (year ended December 31, 2015 – $nil). As inventory is sold, previously recorded net realizable value write-downs are reclassified from inventory write-down to direct mine and mill costs (note 21).

6) Mine properties, plant and equipment

	Office and Computer Equipment	Vehicles	Mine Properties	Machinery and Equipment	Construction In Progress	Total
COST						
Balance at December 31, 2014	$ 797	$ 587	$ -	$ 220,358	$ 3,016	$ 224,758
Development properties	-	-	104,544	-	-	104,544
Additions	73	-	3,295	32,567	10,009	45,944
Reclassifications	-	-	-	474	(474)	-
Effects of changes in foreign exchange rates	(136)	(114)	2,273	(45,819)	(1,167)	(44,963)
Balance at December 31, 2015	734	473	110,112	207,580	11,384	330,283
Additions	129	-	1,438	1,787	9,617	12,971
Reclassifications	-	-	-	13,421	(13,421)	-
Effects of changes in foreign exchange rates	113	86	13,898	38,962	1,524	54,583
Balance at December 31, 2016	$ 976	$ 559	$ 125,448	$ 261,750	$ 9,104	$ 397,837
ACCUMULATED DEPRECIATION						
Balance at December 31, 2014	$ 326	$ 249	$ -	$ 11,152	$ -	$ 11,727
Depreciation	115	105	2,463	23,927	-	26,610
Effects of changes in foreign exchange rates	(52)	(58)	11	(3,996)	-	(4,095)
Balance at December 31, 2015	389	296	2,474	31,083	-	34,242
Depreciation	124	103	9,485	24,043	-	33,755
Effects of changes in foreign exchange rates	55	62	949	7,690	-	8,756
Balance at December 31, 2016	$ 568	$ 461	$ 12,908	$ 62,816	$ -	$ 76,753
NET BOOK VALUE						
At December 31, 2015	$ 345	$ 177	$ 107,638	$ 176,497	$ 11,384	$ 296,041
At December 31, 2016	$ 408	$ 98	$ 112,540	$ 198,934	$ 9,104	$ 321,084

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

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

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

Borrowing costs of $nil (December 31, 2015 – $4,127) were capitalized and included in mine properties, plant and equipment for the year ended December 31, 2016.

The net book value of the Company's mine properties, plant and equipment at December 31, 2016 by geographic location is as follows: Brazil – $289,579 (December 31, 2015 – $262,090) and Canada – $31,505 (December 31, 2015 – $33,951).

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

7) Exploration and evaluation properties

In the fourth quarter 2015, the Company ceased all activities at its Northern Dancer tungsten-molybdenum project and placed it on care and maintenance. Assets used in the exploration activities have been disposed of and no further exploration activities are planned in the foreseeable future. The Company assessed that its exploration and evaluation asset relating to the Northern Dancer project was unlikely to be recoverable and accordingly, recorded an impairment charge of $6,747 to write-down the asset to its estimated fair value of $nil as at December 31, 2015. The Company used a market-based approach to estimate fair value, with adjustments made based on the characteristics and stage of exploration of the Northern Dancer project as compared to other comparable tungsten focussed projects in North America. The inputs in the assessment are classified as Level 3 in the fair value hierarchy. There was no such write-down or reversals recorded in the year ended December 31, 2016.

8) Accounts payable and accrued liabilities

	December 31, 2016	December 31, 2015
Accounts payable	$ 24,843	$ 19,426
Accrued liabilities	3,456	2,999
Accrued financial costs and derivative liabilities[1]	16,020	34,331
Other taxes	325	574
Total	$ 44,644	$ 57,330

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

9) Long-term debt

	December 31, 2016	December 31, 2015
Total debt	$ 281,853	$ 226,556
Current portion	$ 49,438	$ 42,983
Long-term debt[1]	$ 232,415	$ 183,573

1. The carrying amount of the long-term debt excludes unamortized deferred transaction costs of $5,575 as at December 31, 2016 (December 31, 2015 - $6,584).

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

	December 31, 2016	December 31, 2015
Debt facility[1]	$ 159,267	$ 176,362
2016 facility	44,773	-
2017 facility	-	-
Swap facility	28,669	-
Export credit facilities	33,239	28,906
Short term loan	5,859	5,395
Bridge loan	-	-
Arbitration settlement	10,046	15,893
	$ 281,853	$ 226,556

1. The total amount for the debt facility excludes unamortized deferred transaction costs as disclosed in the table above.

a) Debt facility

On July 3, 2012, the Company's subsidiary, Vanadio de Maracás S.A. ("Vanadio") entered into a definitive agreement for the BNDES Facility. As at December 31, 2016, the total facility was R$386,097 ($159,267) (December 31, 2015 – R$503,890 ($176,038)). As a condition precedent to the BNDES Facility, the Company also entered into a guarantee agreement with a consortium of three commercial banks in Brazil on the facility's original amount of R$333,831. Guarantee fees based on the facility's carrying value are payable on a quarterly basis.

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

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

The BNDES Facility is denominated in Brazilian reais, but approximately 73% (R$283,136) (December 31, 2015 – 74% (R$373,583) is denominated in U.S. dollars ("U.S. dollar component"). The 27% 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 8.47% (December 31, 2015 – 8.00%), while the U.S. dollar component currently bears a weighted average interest rate of approximately 6.14% (December 31, 2015 – 6.08%). The interest rate on the U.S. dollar component is based on the BNDES cost of borrowing a basket of foreign funds, plus a weighted average margin rate of 2.00% which will increase or decrease with BNDES's foreign borrowing costs. Approximately R$25,900 (December 31, 2015 – R$33,120) of the outstanding non-U.S. dollar component is fixed at 5.50%, while the remaining amount is based on the Taxa de Juros de Longo Prazo ("TJLP") index, currently at 7.50% (December 31, 2015 – 7.50%), a long-term interest rate that BNDES posts from time to time, plus a weighted average margin of 1.98% (December 31, 2015 – 1.98%).

Monthly principal repayments will occur as follows:

Period	Monthly Principal Payments (R$)
January 2017 – July 2020	$ 5,978
August 2020 – July 2023	$ 3,584

The application of the financial covenants associated with the facility was extended by the definitive agreements for the 2016 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 December 31, 2016, the loan facility was completely drawn down. An amount of $29,595 is due for repayment within the next 12 months (December 31, 2015 – $22,251).

b) 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, with the next measurement date being June 30, 2017. The Company complied with the covenants applicable at December 31, 2016. At the completion of the grace period, the Company will be obligated to comply with the covenants set forth in the existing debt facilities.

As at December 31, 2016, the Company had drawn down an amount of R$108,542 ($44,773) on the 2016 Facility. As at December 31, 2016, an amount of $nil is due for repayment within the next 12 months (December 31, 2015 – $nil).

c) 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 million in capital to

Vanadio, with US$5 million due by each of March 15, 2017 and June 30, 2017. Refer to note 22 for details of activities related to the 2017 Facility subsequent to December 31, 2016.

As at December 31, 2016, the Company had drawn down an amount of R$nil ($nil) on the 2017 Facility. As at December 31, 2016, an amount of $nil is due for repayment within the next 12 months (December 31, 2015 – $nil).

d) 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 ($2,389) will occur over a 12 month period following the end of the same two-year grace period as applies to the 2016 Facility. The opening balance on this facility at the date of restructuring and at December 31, 2016 was R$69,502 ($28,669) (December 31, 2015 – R$nil ($nil)).

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

e) Export credit facilities

(i) On July 2, 2013, Vanadio drew down R$22,000 under an export credit facility with a Brazilian bank, which bears interest at the posted CDI rate plus 2.95%, and simultaneously entered into a swap agreement with a notional value of US$10,000 with the same bank. On May 5, 2014, Vanadio renegotiated its export credit facility and drew down an additional R$12,500 under a second export credit facility with the same bank, which bears interest at the posted CDI rate plus 3.55%. Vanadio simultaneously renegotiated its swap agreement, increasing the notional amount to US$15,000 (R$34,500 at that time). As part of the restructuring of the BNDES Facility, principal repayments were due to commence in October 2016.

In connection with the definitive agreements for the 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 December 31, 2016 the balance was R$40,022 ($16,509) (December 31, 2015 – R$30,667 ($10,715)) as a result of the capitalization of accrued interest. This facility amortizes on a monthly basis in equal amounts until maturity in May 2020 of R$2,859 ($1,179) plus interest at the posted CDI rate plus 4.20%.

The Company concluded that the above noted amendment to its export credit facility is a substantial change and as such has accounted for it as an extinguishment of an existing debt facility and recognition of a new facility. The Company has accordingly expensed the unamortized deferred transaction costs of R$651 ($269).

As at December 31, 2016, an amount of $4,716 is due for repayment within the next 12 months (December 31, 2015 – $714).

(ii) On July 2, 2013, Vanadio drew down US$10,000 under an export credit facility with a second Brazilian bank. As part of the restructuring of the Facilities, the facility amortization period was extended to commence in October 2016 with equal quarterly amounts of US$593 to be paid until maturity in May 2020. On May 2, 2014, Vanadio entered into a loan agreement with the same bank for US$5,000 subject to an interest rate of 7.5% per year. The loan has a three year term, and in accordance with the terms of the restructuring of the Facilities, amortizes on a quarterly basis in equal amounts of US$889 starting in October 2016. The balance on this export credit facility at December 31, 2016 was US$12,444 ($16,730) (December 31, 2015 – US$13,333 ($18,487)).

As at December 31, 2016, an amount of $4,780 is due for repayment within the next 12 months (December 31, 2015 – $1,213).

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

f) Short term loan

Concurrently with the 2016 Facility, the Company agreed to new commercial terms for its US$3,952 ($5,860) short term loan (December 31, 2015 – US$3,890 ($5,395)). The terms of the restructured facility include a one year grace period with repayments occurring monthly over a 24 month period following the end of the grace period. The short term loan bears interest at a fixed rate of 12%. Refer to note 22 for details of activities subsequent to December 31, 2016.

As at December 31, 2016, an amount of $2,985 is due for repayment within the next 12 months (December 31, 2015 – $2,912).

g) Bridge loan

(i) On January 14, 2016, the Company entered into a short-term secured loan agreement with Mr. Mark Smith, President and Chief Executive Officer and a director of Largo, pursuant to which Mr. Smith advanced a US$1,000 non-revolving term loan to the Company bearing an interest rate of 12% per annum (the "Bridge Loan"). The Bridge Loan was used for ongoing working capital requirements at the Company's Maracás Menchen Mine for the period prior to the Company's restructuring of its existing credit facilities and the related equity injection as disclosed below. The Bridge Loan had a 30-day term and was secured by a general security agreement over the assets of the Company. As consideration for entering into the Bridge Loan, the Company paid to Mr. Smith a US$40 loan establishment fee.

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

(ii) On March 13, 2015, the Company closed a $12,000 non-revolving, convertible term loan facility. The loan was drawn down in tranches and as at May 8, 2015 the full amount of this facility was disbursed. The lenders under the loan were certain funds managed by one of the Company's lead investors, Arias Resource Capital Management LP (the "ARC Funds") (see note 16). The loan had an interest rate of 20% per annum, had a six-month term and was secured by a pledge of securities over and guaranteed by the Company's wholly-owned subsidiary, Mineração Campo Alegre de Lourdes Ltda.

As at December 31, 2016 and 2015, the loan was repaid in full.

h) Arbitration settlement

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

On January 12, 2016, the Company reached an agreement to restructure the timing of amounts due under the arbitration settlement. Under the terms of the restructuring, the Company made a payment of US$4,000 on January 29, 2016, with further payments deferred to commence on January 15, 2017. For the period from January 15, 2017 to November 15, 2017, the Company will make payments of US$409 per month, with payments of US$1,000 per month in the period from December 15, 2017 to February 15, 2018. The total aggregate settlement remains US$11,500.

As at December 31, 2016, an amount of $7,362 is due for repayment within the next 12 months (December 31, 2015 – $15,893).

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

10) Provisions

a) Provision for litigation claims

By their nature, contingencies will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. The assessment of contingencies inherently involves the exercise of significant judgments and estimates of the outcome of future events.

The Company, through its subsidiaries, is party to legal proceedings in the ordinary course of its operations. The Company's management, outside legal advisors, and other subject matter experts assess the potential outcome of these proceedings. Accordingly, the Company establishes provisions for future disbursements considered probable.

As at December 31, 2016, the Company had recognized provisions of $1,074 (December 31, 2015 – $nil) for two such legal proceedings regarding labour matters based on developments in the respective hearings. The outcome of each case remains dependent on the final judgment, which the Company does not expect to be delivered within the next 12 months. Refer to note 18.

b) Provision for closure and reclamation

The Company makes a provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of estimated future rehabilitation costs relating to mine sites. These provisions have been created based on the Company's internal estimates. Assumptions, including an inflation rate of 6.30% (December 31, 2015 – 10.70%) and a discount rate of 13.00% (December 31, 2015 – 14.25%), have been made which management believes are a reasonable basis upon which to estimate the future liability.

The provision for closure and reclamation of the Currais Novos Tungsten project as at December 31, 2016 is based on an anticipated liability of approximately R$2,388 ($985) (December 31, 2015 – R$2,211 ($775)), with reclamation expected to occur in three (December 31, 2015 – four) years. The provision for closure and reclamation of the Maracás Menchen Mine as at December 31, 2016 is based on a total anticipated liability of R$32,606 ($13,450) (December 31, 2015 – R$32,001 ($11,181)) and is expected to be incurred between 2042 and 2045 (December 31, 2015 – between 2041 and 2044).

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the provision for closure and reclamation associated with the retirement of the Company's projects:

	Maracás Menchen Mine	Currais Novos Tungsten	Total
Balance at December 31, 2014	$ 2,442	$ 902	$ 3,344
Effect of changes in estimated cash flows and discount rates	2,351	(37)	2,314
Accretion	509	78	587
Effect of foreign exchange	(467)	(263)	(730)
Balance at December 31, 2015	$ 4,835	$ 680	$ 5,515
Effect of changes in estimated cash flows and discount rates	(2,852)	(96)	(2,948)
Accretion	740	106	846
Effect of foreign exchange	930	130	1,060
Balance at December 31, 2016	$ 3,653	$ 820	$ 4,473

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

11) Issued capital

a) Authorized

Unlimited common shares without par value.

b) Issued

	Year ended December 31, 2016			Year ended December 31, 2015		
	Number of Shares		Stated Value	Number of Shares		Stated Value
Balance, beginning of the year	203,262	$	328,707	109,262	$	256,458
Private placements, net of issue costs	220,504		41,502	94,000		74,401
Warrant valuation	-		(11,773)	-		(2,152)
Balance, end of the year	423,766	$	358,436	203,262	$	328,707

Q1 2016 Private Placement

On January 29, 2016, the Company announced the closing of the first tranche of its US$26,500 (approximately $39,000) non-brokered offering (the "Q1 2016 Offering") of units (the "Q1 2016 First Tranche"). The closing of the Q1 2016 First Tranche resulted in gross proceeds to the Company of $13,286 from the sale of 75,920 units of the Company. Each unit was sold at a price of $0.175 and consisted of one common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable into one common share at a price of $0.29 per share for a period of five years from closing of the Q1 2016 Offering.

On March 3, 2016, the Company announced the closing of the second and final tranche of the non-brokered offering (the "Q1 2016 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 2016 First Tranche.

Funds managed by the ARC Funds purchased an aggregate of 62,176 units in the Q1 2016 First Tranche and 91,157 units in the Q1 2016 Second Tranche for gross proceeds to the Company of $26,834. The ARC Funds are a "Control Person" of the Company (refer to note 16) by virtue of their ownership prior to the closing of the Q1 2016 Offering of approximately 46.30% of the Company's issued and outstanding common shares. Following closing of the Q1 2016 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 2016 First Tranche and 1,718 units in the Q1 2016 Second Tranche.

Q3 2016 Private Placement

On September 7, 2016, the Company announced the closing of the first tranche of a non-brokered offering (the "Q3 2016 Offering") of units (the "Q3 2016 First Tranche"). The closing of the Q3 2016 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 2016 First Tranche.

On September 12, 2016, the Company announced the closing of the second tranche of the Q3 2016 Offering (the "Q3 2016 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 2016 First Tranche.

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

Funds managed by the ARC Funds purchased an aggregate of 5,800 units in the Q3 2016 First Tranche for gross proceeds to the Company of $2,610, and purchased an aggregate of 428 units in the Q3 2016 Third Tranche for gross proceeds to the Company of $193. The ARC Funds are a "Control Person" of the Company by virtue of their ownership prior to the closing of the Q3 2016 Offering of approximately 59.96% of the Company's issued and outstanding common shares. Following closing of the Q3 2016 Third Tranche, the ARC Funds owned approximately 59.86% of the Company's then issued and outstanding common shares (or approximately 66.59% of the Company's issued and outstanding common shares in the event that the ARC Funds exercised all of the convertible securities held by them).

In addition, Mr. Mark Smith, President and Chief Executive Officer and a director of the Company, subscribed for an aggregate of 556 units in the Q3 2016 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 2016 Second Tranche.

Pursuant to an agreement with the Company, the gross proceeds of $193 received from the ARC Funds in the Q3 2016 Third Tranche are to be used to fund corporate development activities. Accordingly, these proceeds are accounted for as restricted cash.

2015 Private Placement

On May 15, 2015, the Company closed a first tranche (the "2015 First Tranche") of its $75,000 unit (as defined below) offering (the "2015 Offering"). The 2015 First Tranche closing resulted in proceeds to the Company of $18,222 from the sale of 22,777 units. Of the proceeds realized from the 2015 First Tranche, a total of $12,250 was used to repay in full the existing principal and interest on the $12,000 convertible note facility extended to the Company by the ARC Funds (note 9(g)(ii)). Proceeds from the 2015 First Tranche were received from units sold entirely on a non-brokered basis and included proceeds from the sale of 15,312 units purchased by the ARC Funds.

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

On May 22, 2015, the Company closed the second tranche (the "2015 Second Tranche") of the 2015 Offering. The closing of the 2015 Second Tranche resulted in proceeds to the Company of $55,962 from the sale of 69,953 units which together with the 2015 First Tranche, resulted in aggregate proceeds to the Company of $74,184 from the sale of 92,730 units.

Mackie Research Capital Corporation ("Mackie") acted as agent for the Company on a "best efforts" basis with respect to the sale of 2,210 units issued in the 2015 Second Tranche for gross proceeds of $1,768. Mackie, as agent for the brokered portion of the 2015 Second Tranche of the 2015 Offering, was paid a commission of $115 and was issued a compensation option exercisable at any time up to 12 months following closing to purchase up to 177 Units, being an amount equal to 8% of the units sold by Mackie in the brokered portion of the 2015 Second Tranche, at $0.80 per unit. Other than the 2,210 units sold through Mackie, the units issued under the 2015 Offering were sold on a non-brokered basis. Share issuance costs of $799 were incurred by the Company in respect of the non-brokered 2015 Offering, including $30 of broker warrants.

The ARC Funds purchased an aggregate of 48,000 units in the 2015 Second Tranche for gross proceeds to the Company of $38,400. These units were in addition to the 15,312 units issued to the ARC Funds upon closing of the 2015 First Tranche. The ARC Funds are a "Control Person" of the Company by virtue of their ownership prior to the closing of the 2015 Offering of approximately 28.2% of the Company's issued and outstanding common shares. At closing of the 2015 Second Tranche, the ARC Funds owned 46.5% of the Company's then issued and outstanding common shares (or approximately 55.0% of the Company's then issued and outstanding common shares in the event that the ARC Funds exercised all of the convertible securities held by them).

In addition, Mr. Mark Smith, President and Chief Executive Officer and a director of Largo, and another former employee of Largo, subscribed for an aggregate of 770 units under the 2015 Offering.

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

On May 28, 2015, the Company closed the third and final non-brokered tranche of the 2015 Offering (the "2015 Third Tranche') for an additional $1,016 worth of units (1,270 units), bringing the final aggregate amount raised to approximately $75,200.

12) Equity reserves

The Company applies the fair value method of accounting for share-based payment awards. The Company estimated the expected volatility using historical volatilities from the Company's traded common shares when estimating the fair value of stock options granted, as it believes that this methodology now better reflects the expected future volatility of its stock. Previously, the Company used historical volatilities from traded shares in the Company's peer group when estimating the expected volatility. This is a change in estimate and is accounted for prospectively.

During the year ended December 31, 2016, the Company granted 7,478 (year ended December 31, 2015 – 5,924) stock options to its officers, employees and consultants with a weighted average exercise price of $0.46 (year ended December 31, 2015 – $0.70). The options vested immediately and are exercisable for a period of 5 years from the date of grant (year ended December 31, 2015 – vested immediately and exercisable for 5 years from grant). The estimated weighted average grant date fair value of the options was $0.31 (year ended December 31, 2015 – $0.37) per option, as determined using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 0.72% (year ended December 31, 2015 – 0.68% to 0.94%), expected life in years – 5 (year ended December 31, 2015 – 5), expected volatility – 85.8% (year ended December 31, 2015 – 61.5% to 63.0%), expected dividends – 0% (year ended December 31, 2015 – 0%) and expected forfeiture rate – 0% (year ended December 31, 2015 – 0%). Under the Company's incentive stock option plan, the Company has issued options approximating 3.2% of its issued and outstanding capital as at December 31, 2016.

	Number of options	Weighted average exercise price	Value of options vested	Number of warrants	Weighted average exercise price	Value of warrants	Total value
December 31, 2014	6,325	$ 2.50	$ 6,571	30,833	$ 3.59	$ 27,966	$ 34,537
Share-based payments for options vested	-	-	1,263	-	-	-	1,263
Options and warrants granted	5,924	0.70	2,150	47,177	1.50	2,182	4,332
Expired	(2,800)	1.94	(3,040)	(13,755)	3.93	(16,492)	(19,532)
December 31, 2015	9,449	$ 1.54	$ 6,944	64,255	$ 1.98	$ 13,656	$ 20,600
Share-based payments for options forfeited	-	-	(66)	-	-	-	(66)
Options and warrants granted	7,478	0.46	2,318	110,252	0.31	11,773	14,091
Expired	(3,559)	1.85	(3,403)	(53,541)	1.68	(7,256)	(10,659)
December 31, 2016	13,368	$ 0.85	$ 5,793	120,966	$ 0.59	$ 18,173	$ 23,966

During the year ended December 31, 2016, the Company recognized a share-based payment expense related to vesting of stock options of $2,252 (December 31, 2015 - $3,413) for options granted to the Company's officers, employees and consultants. Of the total share-based payment expense, $2,252 (December 31, 2015 - $2,848) was charged to operations and $nil (December 31, 2015 – $565) was charged to development properties.

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

The following share-based payment arrangements were in existence as at December 31, 2016:

a) Stock options

Range of prices	No. outstanding	No. exercisable	Weighted average remaining life (years)	Weighted average exercise price	Weighted average grant date share price
$ 0.46 – 1.00	11,218	11,218	4.3	$ 0.54	$ 0.54
2.01 – 2.50	809	809	1.1	2.27	2.18
2.51 – 2.80	1,341	1,077	2.1	2.71	3.03
	13,368	13,104			

The remaining weighted average contractual life of options outstanding at December 31, 2016 was 3.9 years (December 31, 2015 – 3.6 years).

b) Warrants and broker warrants

No. outstanding	No. exercisable	Grant Date	Expiry Date	Exercise price	Estimated fair value at grant date	Expected volatility	Expected life (years)	Expected dividend yield	Risk-free Interest rate
10,714	10,714	6-Oct-14	6-Oct-17	$ 3.50	$ 6,400	64%	4	0%	1.13%
37,960	37,960	29-Jan-16	28-Jan-21	$ 0.29	$ 3,736	129%	5	0%	0.67%
66,736	66,736	3-Mar-16	2-Mar-21	$ 0.29	$ 6,956	132%	5	0%	0.68%
3,733	3,733	7-Sep-16	7-Sep-19	$ 0.65	$ 736	98%	3	0%	0.58%
1,214	1,214	12-Sep-16	12-Sep-19	$ 0.65	$ 232	99%	3	0%	0.60%
609	609	4-Oct-16	4-Oct-19	$ 0.65	$ 113	99%	3	0%	0.53%
120,966	120,966			$ 0.59	$ 18,173				

13) Loss per share

The total number of shares issuable from options and warrants that are excluded from the computation of diluted loss per share because their effect would be anti-dilutive was 134,334 for the year ended December 31, 2016 (year ended December 31, 2015 – 73,704).

14) Taxes

a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 26.50% (2015 – 26.50%) were:

	Year ended December 31, 2016	Year ended December 31, 2015
Loss before income taxes:	$ 55,630	$ 129,960
Expected income tax recovery based on statutory rate	(14,742)	(34,440)
Adjustments to expected income tax recovery:		
Permanent differences and other	1,798	(472)
Effect of tax rates in foreign jurisdictions	5,290	13,214
Foreign exchange	(4,160)	679
Tax benefits not recognized	11,814	21,019
Income tax provision	$ -	$ -

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

b) Deferred income tax balances

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2016	December 31, 2015
Canada		
Non-capital loss carry-forwards	$ 48,363	$ 42,367
Share issue costs	690	934
Mine properties	23,329	23,329
Other	231	204
Brazil		
Non-capital loss carry-forwards	$ 138,304	$ 73,554
Mine properties	105,537	124,818

The Company has approximately $23,329 (December 31, 2015 – $23,329) of Canadian development expenditures and $389,222 (R$943,569) (December 31, 2015 – $353,007, R$1,010,323) of development costs in Brazil as at December 31, 2016, which under certain circumstances can be used to reduce the taxable income of future years.

The non-capital losses in Canada expire as follows:

Expiry date	Amount
2026	$ 251
2028	733
2029	692
2030	2,098
2031	5,497
2032	6,201
2033	5,138
2034	21,160
2035	181
2036	6,412
	$ 48,363

The non-capital losses in Brazil carry forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the tax benefits can be utilized.

15) Cash flow – other items

	December 31, 2016	December 31, 2015
Non-cash investing and financing transactions:		
Depreciation and amortization charged to development properties	$ -	$ 18,249
Share-based payments charged to development properties (note 12)	-	565
Borrowing costs charged to mine properties, plant and equipment (note 6)	-	4,127
Borrowing costs charged to development properties	-	12,169
Compensation warrants issued (note 11)	-	30

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

16) Related party transactions

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

	Year ended December 31, 2016	Year ended December 31, 2015
Short-term benefits	$ 1,495	$ 2,149
Share-based payments	1,654	2,035
Total	$ 3,149	$ 4,184

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. One of the directors, Ms. Koko Yamamoto, is a partner in an accounting firm that provided services to the Company. During the year ended December 31, 2016, an amount in accounting fees of $nil (year ended December 31, 2015 –$98) was billed, due and paid under normal payment terms. Mr. Wayne Egan, a director of the Company until June 29, 2016, is a partner in a law firm that provides services on a recurrent basis to the Company. During the six month period ended June 29, 2016, an amount in legal fees of $298 (year ended December 31, 2015 – $412) was billed and due under normal payment terms.

Refer to note 18 for additional commitments with management and note 9(g) for details of bridge loans entered into with Mr. Mark Smith, President and Chief Executive Officer, and with the ARC Funds, and note 11(b) for details of equity financing entered into with the ARC Funds, an investor which holds approximately 60% of the Company's issued and outstanding common stock as at December 31, 2016, Mr. Mark Smith, and an entity controlled by Mr. Alberto Beeck. Also refer to note 22 for details of subsequent events.

17) Segmented disclosure

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

	Exploration and evaluation properties	Mine properties	Corporate	Total
Year ended December 31, 2016				
Revenues	$ -	$ 81,233	$ -	$ 81,233
Operating costs	-	(113,173)	-	(113,173)
Professional, consulting and management fees	-	(4,002)	(3,181)	(7,183)
Foreign exchange and derivative gain (loss)	-	25,178	(221)	24,957
Other general and administrative expenses	-	(1,634)	(2,209)	(3,843)
Share-based payments	(4)	37	(2,285)	(2,252)
Finance costs	-	(34,436)	(835)	(35,271)
Exploration and evaluation costs	(98)	-	-	(98)
	(102)	(128,030)	(8,731)	(136,863)
Net loss	$ (102)	$ (46,797)	$ (8,731)	$ (55,630)
As at December 31, 2016				
Total non-current assets	$ -	$ 289,580	$ 31,504	$ 321,084
Total assets	$ 6	$ 319,394	$ 33,895	$ 353,295
Total liabilities	$ -	$ 317,778	$ 8,691	$ 326,469

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

	Exploration and evaluation properties	Mine properties	Corporate	Total
Year ended December 31, 2015				
Revenues	$ -	$ 7,600	$ -	$ 7,600
Operating costs	-	(29,377)	-	(29,377)
Professional, consulting and management fees	-	(3,245)	(3,756)	(7,001)
Foreign exchange and derivative loss	-	(78,441)	(3,031)	(81,472)
Other general and administrative expenses	-	(913)	(1,553)	(2,466)
Share-based payments	(34)	(68)	(2,746)	(2,848)
Other income	-	316	-	316
Finance costs	-	(6,311)	(939)	(7,250)
Exploration and evaluation costs	(715)	-	-	(715)
Write-down of assets	(6,747)	-	-	(6,747)
	(7,496)	(118,039)	(12,025)	(137,560)
Net loss	$ (7,496)	$ (110,439)	$ (12,025)	$ (129,960)
As at December 31, 2015				
Total non-current assets	$ -	$ 262,090	$ 33,951	$ 296,041
Total assets	$ 11	$ 280,114	$ 35,634	$ 315,759
Total liabilities	$ -	$ 276,759	$ 6,058	$ 282,817

The Company recognized revenues of $81,233 in the year ended December 31, 2016 (year ended December 31, 2015 – $7,600). The revenues are solely related to the Company's Mine Properties segment. All of the Company's revenues are from transactions with the Company's off take partner, Glencore International AG.

18) Commitments and contingencies

At December 31, 2016, the Company was party to certain management and consulting contracts. Minimum commitments under the agreements are approximately $2,687 and all payable within one year. These contracts also require that additional payments of up to approximately $3,180 be made upon the occurrence of certain events such as change of control. As the triggering event has not occurred, the contingent payments have not been reflected in these consolidated financial statements.

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

The Company has certain financial and non-financial debt covenants related to the debt facilities described in notes 9(a), (b) and (c), which have been amended in connection with the 2016 Facility and the restructuring of the credit facilities.

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

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

The Company is committed to a minimum amount of rental payments under two leases of office space which expire on February 28, 2019 and April 30, 2019, respectively. Minimum rental commitments remaining under the leases are approximately $287, including $128 due within one year.

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

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 December 31, 2016 of $3,474.

The Company, through its subsidiaries, is party to legal proceedings in the ordinary course of its operations related to legally binding agreements with various third parties under supply contracts and consulting agreements. As at December 31, 2016 two such proceedings were ongoing, each in Brazil. The first relates to a supply agreement for the Maracás Menchen Mine which was filed with the courts in October 2014. The amount claimed totals R$9,900 ($4,084), with a counterclaim filed by Vanadio for R$10,700 ($4,414). The second proceeding relates to a consulting agreement dispute for which R$3,900 ($1,609) 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 has been recorded at December 31, 2016 (December 31, 2015 – $nil) for two such proceedings. Refer to note 10(a). 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.

19) Capital management

The Company is a production, development and exploration stage entity with one producing asset in Brazil. The Company manages its capital to ensure that it will be able to continue to meet its financial and operational strategies and obligations, while maximizing the return to shareholders through the optimization of debt and equity financing. The term of the debt is linked to the anticipated cash flow from operations for the Company's mine properties.

In the management of capital, the Company includes debt and the components of shareholders' equity. The Company manages the capital structure and makes adjustments thereto in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, attempt to obtain additional debt financing or repay debt facility.

There were no changes in the Company's capital management strategy during the year ended December 31, 2016 compared to the previous year. The Company does not pay out dividends and is required to meet certain financial covenants as part of its debt facilities (see notes 9(a), (b) and (c)). Application of these covenants has been amended in connection with the 2016 Facility and 2017 Facility as detailed in notes 9(b) and (c).

20) Financial instruments

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

	December 31, 2016	December 31, 2015
Cash	$ 758	$ 2,869
Restricted cash	2,110	3,881
Amounts receivable	12,917	2,072
Accounts payable and accrued liabilities	44,644	25,396
Current portion of long-term debt	49,438	42,983
Long-term debt	226,840	176,989
Derivative liabilities at FVTPL	$ -	$ 31,934

Refer to the liquidity risk discussion below regarding liabilities.

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

a) Fair value

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as those derived from prices.
- Level 3 inputs are unobservable inputs for the asset or liability.

At December 31, 2016, the Company had no financial instruments carried at fair value. At December 31, 2015, the Company had non-deliverable foreign exchange contracts with a first-tier Brazilian bank that were carried at fair value. Fair value was determined based on the stated forward foreign exchange rates as posted by the Bank of Brazil, the strike price and the contract settlement dates. Accordingly, the valuation was categorized as Level 2 under the fair value hierarchy in IFRS 7, Financial Instruments: Disclosures. The non-deliverable foreign exchange contracts were settled in connection with the establishment of the 2016 Facility. Refer to notes 9(b) and (d).

There have been no changes in the classification of financial instruments in the fair value hierarchy since December 31, 2015. The Company does not have any financial instruments measured using Level 3 inputs. Fair value of the Company's Northern Dancer project as at December 31, 2015 was estimated using Level 3 inputs. This is a non-recurring fair value measurement. The Company does not offset financial assets with financial liabilities and there were no transfers between Level 1 and Level 2 input financial instruments.

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

The Company's long-term debt facility, 2016 Facility, 2017 Facility, swap facility, export credit facilities, short term loan, bridge loan and arbitration settlement (note 9) are recognized initially at fair value, net of financing costs incurred, and subsequently measured at amortized cost. Any difference between the amounts originally received and the redemption value of the debt is recognized in the consolidated statement of loss over the period to maturity using the effective interest method. The Company estimates the fair value of its debt facilities to be $265,566 as at December 31, 2016 (December 31, 2015 – $183,573), based on an income approach using a discounted cash flow model (December 31, 2015 – carrying value excluding unamortized deferred transaction costs).

b) Credit risk

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

c) Liquidity risk

The following table details the Company's expected remaining contractual cash flow requirements as at December 31, 2016 for its financial liabilities with agreed repayment periods. The amounts presented are based on the undiscounted cash flows of financial liabilities and therefore, do not equate to the carrying amounts on the consolidated statement of financial position.

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

	Less than 6 months	6 months to 1 year	1 to 3 years	Over 3 years
Accounts payable and accrued liabilities	$ 44,644	$ -	$ -	$ -
Long-term debt	24,408	25,030	154,563	77,852
	$ 69,052	$ 25,030	$ 154,563	$ 77,852

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016 the Company had cash of $758 (December 31, 2015 – $2,869), restricted cash of $2,110 (December 31, 2015 – $3,881) and trade receivables of $12,879 (December 31, 2015 – $2,034) to settle current liabilities of $94,082 (December 31, 2015 – $100,313).

The amount of $2,110 (December 31, 2015 – $3,881) is classified as restricted cash and primarily relates to funds received in connection with the private placement financing that closed on January 9, 2017 (refer to note 22). The prior year amount related to amounts deposited in accounts in Brazil that were restricted to service interest payments and guarantee fees payable pursuant to the debt facility (refer to note 9(a)).

As at December 31, 2016, the Company did not have sufficient liquidity to meet its liabilities when due. Refer to note 22 for details of financing and debt restructuring activities since December 31, 2016. Also refer to note 1, nature of operations and going concern.

d) Market risk

Interest rate risk

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

As at December 31, 2016, and as a result of the restructuring activities concluded during the year, the portion of the Company's total debt facilities exposed to interest rate risk was approximately $238,538. A sensitivity to a plus or minus 1% change in the interest rate associated with this portion of the debt would affect interest expense by approximately plus or minus $2,385 for a 12 month period.

Foreign currency risk

Pursuant to the debt restructuring activities completed during the year, the Company's swap agreements were settled as detailed in notes 9(b) and (d). Accordingly, the proportion of the Company's short-term and long-term debt denominated in U.S. dollars is 53% (December 31, 2015 – 80%).

The impact of fluctuations in foreign currency on debt therefore relates primarily to fluctuations between the U.S. dollar and the Brazilian real, the functional currency of Vanadio, the entity which holds substantially all of the Company's U.S. dollar exposed debt. The effect of the appreciation of the Brazilian real relative to the U.S. dollar on the U.S. dollar denominated debt was the primary factor contributing to the foreign exchange gain recognized during the year ended December 31, 2016. Pursuant to the off-take agreement signed in 2008, the Company expects to receive all of its revenues in U.S. dollars, therefore, the foreign exchange impact is neutral as it relates to repayments of the Company's U.S. dollar denominated debt. A 5% change in the value of the U.S. dollar relative to the Brazilian real would affect the value of the U.S. dollar denominated debt facilities at December 31, 2016 by approximately $21,731.

The Company's short term loan and arbitration settlement debt are denominated in U.S. dollars. A 5% change in the value of the U.S. dollar relative to the Canadian dollar would affect the value of these liabilities at December 31, 2016 by $393 and $674, respectively.

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

Price risk

The Company's only financial asset susceptible to price risk is its accounts receivable, which can vary with the market price of vanadium. A 10% decrease or increase in the price of vanadium in the two months following the year end would affect the value of accounts receivable by $1,288.

21) Expenses

	Year ended December 31, 2016	Year ended December 31, 2015
Operating costs:		
Direct mine and mill costs	$ 77,226	$ 19,268
Royalties	2,193	319
Inventory write-down	67	838
Depreciation and amortization	33,687	8,952
	$ 113,173	$ 29,377
Other general and administrative expenses:		
Shareholder and regulatory	$ 644	$ 458
Travel	666	482
Occupancy	203	239
Office and other	2,330	1,287
	$ 3,843	$ 2,466
Finance costs:		
Interest expense and guarantee fees	$ 32,191	$ 6,088
Accretion	3,080	1,162
	$ 35,271	$ 7,250
Employee compensation amounts included in statement of loss:		
Compensation	$ 2,983	$ 2,547
Stock-based compensation	2,252	2,848
	$ 5,235	$ 5,395

22) Subsequent events

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 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 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).

Short term loan amendment

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 is required to pay a restructuring fee of US$100 through the delivery of common shares of the Company by April 24, 2017. The revised loan documents were duly executed on March 24, 2017. The new schedule of payments for the short term loan are as follows:

- March 31 to May 31, 2017: monthly interest payments (between approximately US$40 and US$49);
- June 30, 2017 to March 31, 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.

2017 Facility amendment

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 Vanadio, a term which the three commercial banks had required in connection with the 2017 Facility (see note 9(c)).

In connection with the granting of this temporary waiver, the three commercial banks and the Company are in discussions for the Company to fund certain payment obligations to the three commercial banks which had previously been delayed.