
Largo Physical Vanadium Corp.
Management's Discussion and Analysis
Year ended December 31, 2023

LARGO PHYSICAL VANADIUM CORP.
Management's Discussion and Analysis
For the year ended December 31, 2023
Dated: April 24, 2024

BACKGROUND

The following Management's Discussion & Analysis ("**MD&A**") of Largo Physical Vanadium Corp. ("**we**", "**us**", "**our**", "**LPV**" or the "**Company**") for the year ended December 31, 2023 has been prepared to provide material updates regarding the business operations, liquidity and capital resources of the Company since its last annual Management's Discussion & Analysis, being the Management's Discussion & Analysis ("**Annual MD&A**") for the period from the date of incorporation, January 20, 2022, to December 31, 2022.

This MD&A has been prepared in compliance with Item 1 of Form 51-102F1, following National Instrument 51-102 – *Continuous Disclosure Obligations*. This discussion should be read in conjunction with the Company's audited annual financial statements for the period from January 1, 2023, to December 31, 2023, together with the notes thereto (the "**financial statements**"). All dollar figures included therein and in the following MD&A are quoted in United States dollars ("**U.S. dollars**"). The Company's audited financial statements and the financial information contained in this MD&A are prepared following International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

For the purposes of preparing this MD&A, management, in conjunction with the Company's board of directors (the "**Board**"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of LPV common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

FORWARD LOOKING INFORMATION AND GOING CONCERN

This MD&A has forward-looking information within the meaning of applicable Canadian securities laws ("**forward-looking information**"). All information other than statements of current and historical fact contained in this MD&A is forward-looking information and reflects management's expectations about the prospects, results of operations, performance and business of the Company based on information currently available to us. Forward-looking information is provided for the purpose of presenting information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be proper for other purposes. These statements may use forward-looking words, such as "anticipate", "continue", "could", "expect", "may", "will", "intend", "estimate", "plan", "believe" or other similar words but the absence of these words does not mean that a statement is not forward-looking.

Forward-looking information in this MD&A includes, but is not limited to, information relating to the Company's future financial and business operations outlook as set forth in the section entitled "Outlook" herein, statements regarding the Company's business, future development, future financial position, strategy and investment policies, demand for, supply and the prices of vanadium, the competitiveness of vanadium redox flow battery products ("**VRFBs**") in the long-duration energy storage (LDES) market and the ability of Largo Inc. ("**Largo**") to deploy and the Company to benefit from deployment of VRFBs, the expected payment of storage fees under the safekeeping agreement between the Company and Largo dated April 14, 2022, which was assigned by Largo to its wholly-owned subsidiary Largo Clean Energy Corp. on March 29, 2024 (the "**Safekeeping Agreement**"), the Company's ability to continue as a going concern, and general business and economic conditions. In developing the forward-looking information in this MD&A, we have applied several material assumptions, as set out here, including those under the section "Outlook" and those related to general business and economic conditions.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different

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from any future results, performance or achievements expressed or implied by the forward-looking information. Although the Company has attempted to identify important factors, in the section entitled "Risk Factors", that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be correct, as actual results and future events could differ materially from those expected in such information.

KEY PERFORMANCE INDICATORS (NON-IFRS MEASURES)

This MD&A refers to certain non-IFRS measures, which are used to provide investors with supplemental measures of the Company's operating performance and highlight trends that may not otherwise be clear when relying solely on IFRS measures. The Company also believes that providing such information to securities analysts, investors and other interested parties who often use non-IFRS measures in the evaluation of issuers will allow them to better compare the Company's performance against others in its industry. Management also uses non-IFRS measures to help operating performance comparisons from period to period, to prepare annual operating budgets and forecasts. Such non-IFRS measures are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers. Reconciliations of these non-IFRS measures to the nearest IFRS measure are provided in the section entitled "Ratios and Supplemental Data".

These non-IFRS measures are defined below:

"**Cash operating costs**" is calculated for the applicable period as total expenses per the unaudited statement of comprehensive income (loss) less non-cash listing fees, gain (loss) on revaluation of vanadium, and net of foreign exchange gains (losses).

"**Net asset value**" is equal to total assets, less total liabilities (or total equity) on the unaudited statement of financial position.

"**Net asset value per kg of vanadium**" is equal to total net asset value divided by total vanadium on hand (includes vanadium as well as prepaid assets).

"**Net asset value per share**" is equal to total net assets divided by the total number of shares outstanding.

"**Management expense ratio**" is calculated based on total expenses (including applicable Canadian taxes and excluding commissions) for the stated period and is expressed as an annualized percentage of average net asset value during the period.

COMPANY OVERVIEW AND UPDATE

The Company was incorporated on January 20, 2022, under the *Business Corporations Act* (British Columbia). The Company was formed by Largo and Term Oil, Inc. ("**Term Oil**") with the aim of creating a publicly traded investment vehicle that would invest in and hold substantially all its assets in vanadium ("**V**") in physical form. The Company aims to provide a secure, convenient and exchange-traded investment alternative for investors interested in direct investment exposure to physical vanadium and not to speculate with regard to short-term changes in vanadium prices.

The Company is listed on the TSX Venture Exchange ("**TSX-V**") under the symbol "**VAND**".

The Company's financial statements are presented in U.S. dollars, which is the functional and presentation currency of the Company.

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Effective October 1, 2022, the Company's functional currency changed from Canadian dollars to U.S. dollars because of the commencement of its strategy of vanadium purchases for the purpose of long-term price appreciation in the fourth quarter of 2022. As all vanadium purchases are made in U.S. dollars, this is the currency that best reflects the underlying transactions, events, and conditions relevant to the Company. The change in functional currency from Canadian dollars to U.S. dollars is accounted for prospectively from October 1, 2022. The exchange rate used to translate the statement of financial position to reflect the change in functional currency upon adoption is \$0.73, being the Bank of Canada Canadian dollar to U.S. dollar exchange rate on October 1, 2022. The Company also chose to change its presentation currency to U.S. dollars effective October 1, 2022.

VRFB business update

LPV's strategy is not only to achieve appreciation through the acquisition of vanadium, but to own and actively supply (via long-term rental contracts) vanadium to end users of Vanadium Redox Flow Batteries (VRFBs) to advance to integration of renewable energy in long duration storage. However, the market for VRFBs, and so, for LPV to own and actively supply (via long-term rental contracts) vanadium to end users of VRFBs and earn storage fees under the Safekeeping Agreement, is in the nascent stages. No set time frame exists, and one cannot be estimated, for market development and implementation of this objective. LPV is dependent on Largo, in its role as safekeeper under the Safekeeping Agreement, for the deployment of VRFBs, and there can be no assurance that Largo and LPV will be able to negotiate and secure opportunities to deploy VRFBs, or to do so on favourable terms.

The Company's significant shareholder has indicated to LPV that its VRFB business has been slow to commence the active supply of vanadium to end users, however, it is commissioning its first commercial 6.1MWh battery system in Spain for Italian energy giant, Enel and rental revenues may begin thereafter. It is also important to note that VRFB deployment, although growing, is still a small industry outside of China. LPV expects VRFB adoption in China to continue and thus wants to position itself early. However, as LPV focuses on deployments in OECD countries, LPV believes the market still needs to mature to offer further opportunities.

The Safekeeping Agreement provides that, to the extent opportunities are identified and executed to deploy VRFBs using the Company's vanadium, storage fees payable by Largo to LPV will be not less than 1% of the Market Price of the applicable vanadium (as defined in the Safekeeping Agreement) per annum. Such storage fees may be higher than 1% per annum, to the extent market prices for vanadium so dictate. The Safekeeping Agreement further provides that Largo as safekeeper may charge VRFB customers separate discretionary fees for the sale, supply, or servicing of the applicable VRFB by Largo (or its affiliates) that differ from a pure annual rental fee payment (i.e., storage fees), to which discretionary fees LPV would not be entitled.

Safekeeping of vanadium

The Safekeeper has arranged for storage of the Company's physical vanadium at the following warehouses: QSL Montreal (Canada), IH Mathers Halifax (Canada), C. Steinweg Rotterdam (Netherlands) and C. Steinweg Busan (South Korea), Sebang Busan (South Korea) (the "**Storage Facilities**"). C. Steinweg and Sebang are leading storage providers in the metals and vanadium industry and QSL and IH Mathers are professional warehouses based in Canada. Currently, the Company's physical vanadium is not segregated from the physical vanadium of Largo, but it is fully distributed in that specific units are distributed to LPV and easily distinguished from non-LPV materials based on lot numbers.

All Storage Facilities are well-established leading warehouse providers that are highly specialized, qualified, and ISO-certified and the jurisdictions in which the Storage Facilities are located are all advanced economies with regulations like those in Canada. Largo is the counterparty to the agreements with the Storage Facilities under which the materials are stored, which storage agreements have terms

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and conditions that are customary for industry participants in all material respects.

Supply arrangements with Largo

Largo or independent third parties perform stock counts at the Storage Facilities each quarter based on a materiality assessment (volume). Regardless of attendance at the stock count, each quarter Largo requests warehouses to complete a stock count and provide a stock report and Largo reconciles these reports back to its internal records. Any discrepancies (other than *de minimis*) are investigated.

While the Company has a right of first refusal on Largo's uncommitted vanadium on and pursuant to the terms of the supply agreement between the Company and Largo dated April 14, 2022 (the "**Supply Agreement**"), the Company is not dependent on the supply by Largo of physical vanadium under the Supply Agreement, or on Largo's production from the Maracás Menchen Mine in Brazil (nor is any vanadium of the Company stored in Brazil).

Other than where it could be provided on the most advantageous terms, the Company does not need to purchase any supply of physical vanadium from Largo and can buy from third parties. Pursuant to the Technical Advisory Agreement between the Company and Largo dated April 14, 2022, as amended November 16, 2023 (the "**Technical Advisory Agreement**"), Largo as technical advisor is required to make reasonable efforts to achieve the most advantageous terms available under the circumstances in respect of purchases of material for the Company made at the Company's request. The Company can purchase, and has purchased, physical vanadium from other third-party producers/suppliers. Since inception, the Company has purchased from approximately 10 unique third parties, as specifically contemplated by the Technical Advisory Agreement.

As a result, the Company does not believe that Largo's production ability and previously committed sales are material to investors. The Company is advised that Largo typically commits most of its future planned production under annual contracts depending on market conditions and that the rest of Largo's production is distributed to the spot market.

VANADIUM PRICE ENVIRONMENT

The value of LPV's physical vanadium fluctuated over the period, driven primarily by changes in the price of V2O5 and industry sentiment. According to the Fastmarkets Metal Bulletin, the price of V2O5 in Europe decreased in 2023, starting the year at \$9.44 per pound of V2O5 and ending the year at \$6.53 per pound of V2O5, averaging \$8.3 per pound of V2O5 throughout the year as compared to \$9.52 in 2022.

SIGNIFICANT EVENTS AND TRANSACTIONS FOR 2022

Column Capital Corp. ("**Column**"), an amalgamation predecessor to the Company, was a Capital Pool Company as defined in the TSX-V Policy 2.4, with a goal to find and buy either operating assets or a business, subject to regulatory approval, which meet the criteria of a qualifying transaction as defined by the TSX-V. On April 14, 2022, Column entered into a definitive agreement (the "**Agreement**") with its wholly-owned subsidiary, 1356909 B.C. Ltd. ("**Subco**") and Largo Physical Vanadium Corp. ("**LPV PrivateCo**"), both also amalgamation predecessors to the Company, pursuant to which Column would acquire all the shares outstanding in LPV PrivateCo and the post-acquisition entity would continue the business of LPV PrivateCo, which aimed to hold substantially all of its assets in physical vanadium, providing its shareholders with an exchange-traded alternative for holding physical vanadium.

On September 13, 2022, Column filed a filing statement in respect of the transactions contemplated by the Agreement ("**Filing Statement**").

On September 15, 2022, Column completed the transactions contemplated by the Agreement which included (i) a consolidation of its common shares on a 7.547 to 1 basis and a change of its name to "Largo

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Physical Vanadium Corp.", (ii) the amalgamation of LPV PrivateCo with 1356909 B.C. Ltd, and (iii) the amalgamation of such amalgamated entity with Column to form the Company (collectively the "**Qualifying Transaction**").

While Column was the legal acquirer of LPV Private Co, LPV PrivateCo was identified as the acquirer for accounting purposes. The Qualifying Transaction is outside the scope of IFRS 3, Business Combinations ("**IFRS 3**") as Column does not meet the definition of a business in line with the guidance within IFRS 3. As such, the Qualifying Transaction is accounted for as an equity-settled share-based payment transaction following IFRS 2, Share-based Payments ("**IFRS 2**"). The Company is a continuation of LPV PrivateCo with the net identifiable assets of Column deemed to have been acquired by LPV PrivateCo in exchange for shares. Under IFRS 2, the Qualifying Transaction is measured at the fair value of the shares deemed to have been issued by LPV PrivateCo for the ownership interest in the combined entity to be the same as if the Qualifying Transaction had taken the legal form of LPV PrivateCo acquiring 100% of Column. Any difference in the fair value of the shares believed to have been issued by LPV and the fair value of Column's net identifiable assets stands for a service received by LPV PrivateCo (being the publicly listed status being achieved), recorded through profit and loss. The fair value of the shares believed to have been issued is based on the estimated fair value at the acquisition date, using management's best estimates of the fair value using the data available at the acquisition date. The financial statements and this MD&A reflect the ongoing operations of the Company.

Details of the Qualifying Transaction are summarized as follows:

Net assets acquired	
Cash	\$ 109,164
Accounts payable and accrued liabilities	<u>(11,331)</u>
	97,833
Fair value of common shares deemed to have been issued by LPV PrivateCo	669,246
Excess of fair value over net assets acquired	<u>\$ 571,413</u>

The Company incurred legal and other costs of \$651,195 in connection with the Qualifying Transaction. These costs are included in the listing fees expense within the Interim Statement of Comprehensive Loss.

SIGNIFICANT EVENTS AND TRANSACTIONS FOR 2023

There were no significant events and transactions for 2023 other than the Company announcing initiatives to reduce expenses. On November 16, 2023, LPV announced amendments to the Technical Advisory Agreement and the advisory services agreement among LPV, Term Oil and SCP Resource Finance LP ("**SCP**") dated April 14, 2022 (the "**Advisory Services Agreement**"), which included removing the requirement for LPV to pay any "transaction fees" to the applicable counterparty and removing the requirement to pay a portion of LPV's storage fee profits to the applicable counterparty, in each case including as part of the calculation of the applicable termination fee under each agreement.

2023 HIGHLIGHTS

As at March 31, 2023, the Company paid \$865,291 in advance for the purchase of 60 metric tons ("MT") of vanadium. As at March 31, 2023, the Company had not taken legal title of this vanadium and the Company sold 40 MT of vanadium for \$1,031,863 to Largo.

As at June 30, 2023, the Company completed the purchase of \$10,943,926 of vanadium, of which \$4,597,197 was paid in cash, \$1,015,308 was settled through the purchase and sale of vanadium inventories and the remainder related to vanadium prepaid in prior periods.

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As at December 31, 2023, the Company sold 40MT of vanadium for \$932,948 to Glencore International AG.

2022 HIGHLIGHTS

- On March 2, 2022, the Company (then LPV PrivateCo) issued 316,600 common shares at a price of \$1.46 (\$2.00 CAD) per share for gross proceeds of \$463,284. Of the common shares issued, 158,300 were issued to Largo.
- On April 14, 2022, the Company (then LPV PrivateCo) closed a brokered private placement through the issuance of 15,110,000 subscription receipts ("**Subscription Receipts**") at a price of \$1.46 (\$2.00 CAD) per Subscription Receipt for a gross amount of \$22,121,040. The gross funds, net of \$467,042 in certain legal expenses and fees payable to agents associated with the private placement ("**Escrowed Amount**"), were held in escrow with Computershare Trust Company of Canada ("**Subscription Receipt Agent**"), to be released to the Company upon the closing of the Qualifying Transaction. Each Subscription Receipt was exchangeable, at no added consideration, for a common share of the Company upon the satisfaction of certain escrow release conditions precedent to the Qualifying Transaction. Concurrently with the closing of the Qualifying Transaction, the Company issued 15,110,000 common shares to the holders of Subscription Receipts and the Subscription Receipt Agent released the Escrowed Amount, plus \$162,162 in the form of interest earned on the Escrowed Amount for the period ended December 31, 2022. Costs related to the private placement have been recorded against the gross receipts, as share issuance costs.
- Concurrently with the closing of the Qualifying Transaction, on September 15, 2022, the Company issued 890,000 common shares in exchange for in-kind contribution of 140,000 kilograms 140 metric ton or ("**MT**") of ferrovanadium from Largo. The value attributed to the shares was measured in reference to the fair value of the goods received. It should be noted that the in-kind contribution was made at a significant discount to market value for Largo to absorb the initial costs.
- In connection with the Qualifying Transaction, 457,135 common shares were issued in exchange for 3,450,000 common shares of Column (using the exchange ratio of 7.547:1.000). Additionally, immediately prior to the closing of the Qualifying Transaction, holders of Column's 225,000 options and 100,000 warrants exercised their rights to convert these options and warrants into common shares, which were exchanged for 43,064 (post-consolidation) shares, resulting in a total issuance of 500,199 shares with regards to the Qualifying Transaction.
- Effective October 1, 2022, the Company's functional currency changed from Canadian dollars to U.S. dollars because of the commencement of its strategy of vanadium purchases for the purpose of long-term price appreciation in the fourth quarter of 2022. As all vanadium purchases are made in U.S. dollars, this is the currency that best reflects the underlying transactions, events, and conditions relevant to the Company. The change in functional currency from Canadian dollars to U.S. dollars is accounted for prospectively from October 1, 2022. The exchange rate used to translate the statement of financial position to reflect the change in functional currency upon adoption is \$0.73, being the Bank of Canada Canadian dollar to U.S. dollar exchange rate on October 1, 2022. The Company also chose to change its presentation currency to U.S. dollars effective October 1, 2022. Prior year comparable information is also restated to reflect the change in presentation currency at the exchange rate in effect upon adoption of \$0.73.

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SELECTED FINANCIAL INFORMATION

Statement of Net and Comprehensive Loss

	Year ended December 31, 2023	January 20, 2022 to December 31, 2022
Income		
Interest income	\$ -	\$ 162,162
Gain (loss) on revaluation of vanadium	(6,167,773)	881,954
Realized Gain on sale of vanadium	46,591	-
Expenses		
Bank charges	2,214	1,795
Professional fees	620,784	475,947
Listing fees	53,780	1,235,489
Management fees	215,866	58,031
General and administrative	283,193	281,106
Total expenses	1,175,837	2,052,368
Loss from Operations	(7,297,019)	(1,008,252)
Other income and expense		
Foreign exchange gain	49,064	499,872
Loss before income taxes	(7,247,955)	(508,380)
Income tax (expense) recovery	329,716	(329,716)
Net Comprehensive Loss	\$ (6,918,239)	\$ (838,096)

Statement of Financial Position

As at	December 31, 2023	December 31, 2022
Total assets	\$ 20,796,534	\$ 28,058,266
Total liabilities	448,981	792,474
Total shareholders' equity	\$ 20,347,553	\$ 27,265,792

Results of operations:

Year ended December 31, 2023:

The Company's net and comprehensive loss for the year ended December 31, 2023, was \$6,918,239, (December 31, 2022: \$838,096) with basic and diluted loss per share of \$0.41/share (2022 - \$0.16). Key operational highlights for the year ended December 31, 2023, are as follows. The reason for the deviation with the year under comparison is the fact that the Company was incorporated on January 20, 2022, very few operational expenses had been incurred and the Company had less vanadium on hand compared to 2023, which resulted in lower gains and losses related to vanadium in 2022. Other expenses such as professional and listing fees were higher in 2022 due to the added cost of legal and professional fees incurred on incorporation and start-up.

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- The Company incurred certain legal, accounting, and other professional fees of \$620,784 for the year ended December 31, 2023 (2022: \$475,947).
- The Company incurred management fees of \$215,866 related to Technical Advisory and Advisory Services Agreements among the Company and Largo, Term Oil and SCP, as applicable (2022: \$58,031). There are no fees rendered for safekeeping services provided under the Safekeeping Agreement.
- The Company incurred director fees of \$224,246 (2022: Nil).
- The Company recorded a total loss of \$6,167,773 on the revaluation of vanadium (2022: profit of \$881,954) due to a decrease in the price of vanadium. The Company recorded a total loss of \$6,121,182 on the revaluation of vanadium due to a decrease in the price of vanadium. This balance is made up of \$6,167,773 on the revaluation of 1,060 MT of vanadium held as of December 31, 2023, offset by a realized gain on the sale of vanadium of \$46,591.
- The Company recorded an unrealized foreign exchange loss of \$49,064 in relation to transactions in currencies other than the Company's functional currency.
- The Company recognized a deferred income tax recovery of \$329,716 due to the loss on revaluation of vanadium.

From October 1, 2023, to December 31, 2023:

The Company's net and comprehensive loss for the three months ended December 31, 2023, was \$1,622,213, (December 31, 2022: \$135,056). Key operational highlights for the three-month period are as follows. The differences between the two periods relate to the fact that LPV had just begun operations in January of 2022 so by December 2022 very few operational expenses had been incurred and the Company had less vanadium on hand compared to 2023, which resulted in lower gains and losses related to vanadium in 2022.

- The Company incurred certain legal, accounting, and other professional fees of \$162,251 for the three months ended December 31, 2023.
- The Company incurred management fees of \$43,653 related to Technical Advisory and Advisory Services Agreements among the Company and Largo, Term Oil and SCP, as applicable. There are no fees rendered for safekeeping services provided under the Safekeeping Agreement.
- The Company incurred director fees of \$37,397.
- The Company recorded an unrealized foreign exchange loss of \$2,237 in relation to transactions in currencies other than the Company's functional currency.
- The Company recognized a deferred income tax recovery of nil.

Year ended December 31, 2022:

The Company's net and comprehensive loss for the period from the date of incorporation (January 20, 2022) to December 31, 2022, was \$838,096, with basic and diluted loss per share of \$0.16/share. Key operational highlights for the period are as follows:

- The Company incurred listing fees expense of \$1,235,489, of which \$651,195 relates to the non-cash exchange of common shares with regards to the Qualifying Transaction.

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- The Company incurred certain legal, accounting, and other professional fees of \$475,947.
- The Company incurred management fees of \$58,031 related to Technical Advisory and Advisory Services Agreements among the Company and Largo, Term Oil and SCP, as applicable. There are no fees rendered for safekeeping services provided under the Safekeeping Agreement.
- The Company recorded an unrealized gain of \$881,954 on the revaluation of vanadium held.
- The Company recognized a foreign exchange gain of \$499,872 in relation to transactions in currencies other than the Company's functional currency.
- The Company recognized a deferred income tax expense of \$329,716.

From October 1, 2022, to December 31, 2022:

The Company's net and comprehensive income for the three months ended December 31, 2022, was \$135,056. Key operational highlights for the period are as follows:

- The Company recorded an unrealized gain of \$429,087 on vanadium held.
- The Company incurred certain legal, accounting, and other professional fees of \$113,909.
- The Company incurred management fees of \$40,137 related to Technical Advisory and Advisory Services Agreements between the Company and Largo, Term Oil and SCP, as applicable. There are no fees rendered for safekeeping services provided under the Safekeeping Agreement.
- The Company recognized a foreign exchange gain of \$301,653 in relation to transactions in currencies other than the Company's functional currency.
- The Company recognized deferred income tax expense of \$176,331.

Statement of Cash Flows

	For the year ended December 31, 2023	January 20, 2022, to December 30, 2022
Cash flows used in operating activities	\$ 3,363,625	\$(6,172,632)
Cash flows used in investing activities	\$(8,995,671)	\$(9,721,657)
Cash flows from financing activities	\$ -	\$22,117,282

On December 31, 2023, the Company had \$781,713 (December 31, 2022: \$6,357,417) in cash. As of December 31, 2023, the Company held no cash equivalents (December 31, 2022: nil).

Operating Activities:

Cash flows used in operating activities were a result of the comprehensive loss for the year ended December 31, 2023, of \$6,918,239 (December 31, 2022: \$838,096), with the following adjustments:

- Non-cash adjustments of \$6,167,773 (December 31, 2022: 881,954) for the unrealized gain on the change in fair value of vanadium held which is offset by a realized gain on sale of vanadium for \$46,591.

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- Non-cash adjustment of \$39,787 (December 31, 2022: \$330,677) for unrealized foreign exchange gain incurred for the year.
- Non-cash adjustment of \$329,716 for the recognition of deferred tax recovery which resulted in a nil balance for the deferred tax liability on December 31, 2023.
- Change in the Company's working capital balance and non-cash adjustments resulted in a negative cash flow of \$3,363,625 (December 31, 2022: \$6,172,632).

Investing Activities:

- For the year ended December 31, 2023, the Company completed the purchase of \$10,943,926 of vanadium, of which \$4,597,197 was paid in cash, \$5,331,421 related to vanadium prepaid in prior periods, and \$1,015,308 was settled through the purchase and sale of vanadium inventories.
- As of December 31, 2023, the Company sold 80MT of vanadium for \$1,918,219.

Financing Activities:

- No cash flows were used or raised in the Company's financing activities for the period ended December 31, 2023 (December 31, 2022: \$22,117,282).

Quarterly financial information

Period	Income (loss) ¹	Net (loss) income	Basic earnings (loss) per share	Diluted loss per share	Total assets	Non-current liabilities
Q4 2023	\$(1,294,396)	\$(1,622,213)	\$(0.10)	\$(0.10)	\$20,796,534	-
Q3 2023	\$(2,322,103)	\$(2,683,125)	\$(0.16)	\$(0.16)	\$22,238,088	-
Q2 2023	\$(5,767,744)	\$(5,990,868)	\$(0.29)	\$(0.29)	\$24,837,169	-
Q1 2023	\$3,263,061	\$2,241,768	\$0.13	\$0.13	\$31,047,482	\$1,136,199
Q4 2022	\$15,509	\$135,056	\$(0.16)	\$(0.16)	\$28,058,266	\$329,716
Q3 2022²	\$(238,156)	\$(1,112,830)	\$(0.37)	\$(0.37)	\$27,167,848	-
Q2 2022	-	\$(277,478)	\$(0.88)	\$(0.88)	\$22,506,234	-
Q1 2022³	-	\$(341,356)	\$(1.08)	\$(1.08)	\$485,238	-

1. Income (loss) includes the gain or loss on revaluation of vanadium.

2. Total Net and comprehensive loss and comprehensive loss, basic and diluted loss per share and non-current liabilities for the third quarter of 2022 has been adjusted in Q4 2022 to reflect the correction of the valuation of vanadium contributed by Largo on September 15, 2022, resulting in an

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overstatement of the gain on revaluation of vanadium and related foreign exchange and tax impact. This correction will be reflected prospectively in future filings having 3rd quarter 2022 financial information.

3. Q1 2022 is for the period from January 20, 2022, to March 31, 2022.

- For the three months and year ended December 31, 2023, the Company had an unrealized loss on physical vanadium of \$1,138,393 and \$6,167,773, respectively (for the three and period months ended December 31, 2022 – \$429,087 and \$881,954 respectively).
- During the year ended December 31, 2023, the Company sold 80MT of vanadium for \$1,964,810 which was originally bought for \$1,918,219, of which the Company sold 40MT to Largo for \$1,031,863 which was originally bought for \$829,269. This resulted in a difference of \$202,594 which was used to reduce cash payments to Largo Commodities Trading Limited (LCTL) for more purchases. This transaction was done to swap trioxide for ferrovandium.
- The Company pays technical advisory fees advisory services fees, legal and accounting fees, general and administrative fees, filing and listing fees payable to applicable securities regulatory authorities and the TSX-V. During the three months and year ended December 31, 2023, the Company incurred expenses of \$325,580 and \$1,175,837 (2022-\$434,862 and \$2,052,368), respectively. This included \$43,653 and \$215,866 (for the three and year ended December 31, 2022 – \$40,137 and \$58,031 respectively) in management fees payable to Largo, SCP and Term Oil, and \$nil in transaction and/or technical advisory fees.
- The Company held 1,060MT of physical vanadium products made up of ferrovandium, vanadium pentoxide and vanadium trioxide as of December 31, 2023. As of December 31, 2023, the spot price of physical vanadium was \$15.21 per kg V compared to the weighted average cost of \$18.67 per kg V.
- The Company's common shares closed at \$ 0.83 (\$1.10 CAD) per share on the TSX-V on December 31, 2023.
- The Company's cash operating costs for the three months and year ended December 31, 2023, were \$325,580 and \$1,175,837 respectively and amounted to approximately 1.60% and 5.78% of the average net assets respectively.

Ratios and Supplemental Data

Physical vanadium:

As of December 31, 2023, the Company entered into various agreements relating to the purchase of physical vanadium as described below. A reconciliation of vanadium products, held by the Company as of December 31, 2023, is as follows:

	Volume (MT)	Amount (\$)
Opening balance as of January 1, 2023	600	16,226,389
Purchases during the period	540	10,943,926
Sales during the period	(80)	(1,918,219)
Change in fair value	-	(6,167,773)
Ending balance as of December 31, 2023	1,060	19,084,323

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Location wise segmented information:

	South Korea	Netherlands	Canada	Total
December 31, 2023				
Current assets	\$ -	\$ -	\$ 1,712,211	\$ 1,712,211
Non-current assets - vanadium	2,558,686	8,416,272	8,109,365	19,084,323
Revenue	-	-	-	-

	South Korea	Netherlands	Canada	Total
December 31, 2022				
Current assets	\$ -	\$ -	\$ 11,831,877	\$ 11,831,877
Non-current assets - vanadium	3,288,698	7,649,714	5,287,977	16,226,389
Revenue	-	-	-	-

Other ratios and supplemental data:

	December 31, 2023	December 31, 2022
Total net asset value ¹	\$ 20,347,553	\$ 27,265,792
Number of common shares outstanding	16,816,799	16,816,799
Quarterly management expense ratio ²	1.60%	-%
Annual management expense ratio	5.78%	7.53%
Net asset value per share	\$ 1.21	\$ 1.62
Net asset value per kg of vanadium ³	\$ 19.20	\$ 45.44
Closing share price - TSX-V	\$ 1.10	\$ 1.47

1. Net asset value is a non-IFRS measure and is equal to total assets, less total liabilities on the unaudited statement of financial position.
2. Management expense ratio is a non-IFRS measure and is calculated based on total expenses (including applicable Canadian taxes and excluding commissions) for the stated period and is expressed as a percentage of average net asset value during the period.
3. Net asset value per kg of vanadium is a non-IFRS measure and is calculated as total net asset value divided by the amount of vanadium on hand (includes vanadium as well as prepaid inventory).

Net asset value

Net asset value is a non-IFRS measure and is equal to total assets, less total liabilities on the statement of financial position.

	December 31, 2023	December 31, 2022
Total assets	\$ 20,796,534	\$ 28,058,266
Total liabilities	(448,981)	(792,474)
Total net asset value	\$ 20,347,553	\$ 27,265,792

Management expense ratio

Management expense ratio is a non-IFRS measure and is calculated based on total expenses (including applicable Canadian taxes and excluding commissions) for the stated period and is expressed as a percentage of average net asset value during the period.

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	December 31, 2023	January 20, 2022, to December 31, 2022
Total expenses	\$ 1,175,837	\$ 2,052,368
Average net assets	20,347,553	27,265,792
Management expense ratio	5.78%	7.53%

Net asset value per share

Net asset value per share is a non-IFRS measure and is equal to total net assets divided by the total number of shares outstanding.

	December 31, 2023	December 31, 2022
Total net assets	\$ 20,347,553	\$ 27,265,792
Total shares outstanding	16,816,799	16,816,799
Net asset value per share	\$ 1.21	\$ 1.62

Net asset value per kg of vanadium

Net asset value per kg of vanadium is a non-IFRS measure and is calculated as total net asset value divided by the quantity of vanadium on hand (does not include prepaid inventory).

	Year ended December 31, 2023	January 20, 2022, to December 31, 2022
Total net assets	\$ 20,347,553	\$ 27,265,792
Total vanadium (KG)	1,060,000	600,000
Net asset value per KG	\$ 19.20	\$ 45.44

Cash operating costs

Cash Operating Costs	Three months ended December 31, 2023 Amount (\$)	Year ended December 31, 2023 Amount (\$)
Bank Charges	420	2,214
Professional fees	162,251	620,784
Listing fees	53,780	53,780
Management fees	43,653	215,866
General and administrative	65,476	283,193
Total cash operating costs	325,580	1,175,837
Net assets	20,347,553	20,347,553
Average net assets	1.60%	5.78%

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2023, the Company's operations have been financed from cash held. The cash was generated through the issuance of shares. The period from incorporation on January 20, 2022, to December 31, 2023, consisted of the issuance of shares as summarized below:

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	Number	Amount (\$)
Issuance of shares	316,600	463,284
Private placement	15,110,000	21,653,998
Issuance of shares for in-kind contribution ¹	890,000	5,317,360
Shares issued in Qualifying Transaction	500,199	669,246
Total	16,816,799	28,103,888

1. The in-kind contribution from Q3 2022 was adjusted in Q4 2022 to reflect the correction of the valuation of vanadium contributed by Largo on September 15, 2022, resulting in an overstatement of the gain on revaluation of vanadium and related foreign exchange and tax impact. This correction is reflected prospectively in filings holding 3rd quarter 2022 financial information.

Sources and uses of funds

As of December 31, 2023, the Company had cash of \$781,713 (December 31, 2022: \$6,357,417), which it expects to primarily be used to fund operating costs and some small purchases of physical vanadium following the Company's business plan. It is intended that, after accounting for the costs of the Qualifying Transaction and amounts needed to fund operating costs, the Company will spend substantially all funds raised on the purchase of physical vanadium. Pursuant to the Company's investment policy, 90% of the total net assets of the Company will be held in physical vanadium, provided however that in circumstances where the Company's Board believes that it is in the best interests of LPV, LPV may sell some or all its holdings in physical vanadium, which circumstances may include where insufficient cash is available to fund operating costs.

As of December 31, 2023, 94% (December 31, 2022: 60%) of the total net assets are held in vanadium.

The following table sets forth the funds expected to be spent in the 21 months beginning at once after the completion of the Qualifying Transaction following the Filing Statement, as well as the funds spent for the year to date:

	Estimated amount per the Filing Statement	Year End December 31, 2023	Variance
Total available funds ¹	\$ 21,666,095	\$ 1,263,231	\$ (20,402,864)
Funds used:			
General and administrative expenses ²	1,683,600	2,373,598	689,998
Purchases of vanadium	19,836,066	20,971,001	1,134,935
Total funds used	\$ 21,519,666	\$ 23,344,599	\$ 1,824,933

1. Total available funds as of December 31, 2023, calculated as the difference between the Company's total current assets and current liabilities.
2. Excludes purchase of 140MT of physical vanadium in-kind through the issuance of 890,000 common shares of the Company.

The Company has revised its funds expected to be spent for calendar 2024 to the following:

Funds Expected to be Spent for Calendar 2024	
Total available funds (approximate)	\$ 1,263,000
Funds expected to be used:	
General and administrative expenses	760,000
Purchases of vanadium	-
Total expected funds to be used	\$ 760,000

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As of December 31, 2023, the Company did not generate any operating revenue except for one sale to a related party and requires additional financing to fund its planned operations for the next twelve months. Both factors indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, on ability to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon the ability of the Company to generate positive cash flows from its operations, including through any sales of vanadium and to raise additional financing.

The MD&A does not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Management must apply judgment and estimates in determination of proper provisions. By their nature, these judgments and estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

From time to time, the Company has been subject to review of its tax filing positions, which arise in the normal course of business. As a result of a Harmonized Sales Tax ("HST") review is being carried out by the Canada Revenue Agency ("CRA"), in December 2023, the Company submitted the required documents subject to review. The balance owed to the Company for HST was \$895,780.

Post year end December 31, 2023, CRA completed its assessment approving the refund owed to the company in its notice of assessment dated February 8, 2024. The amount of refund of \$696,438 was received by the Company in February and \$199,342 in March.

On March 29, 2024, the Safekeeping Agreement was assigned by Largo to its wholly-owned subsidiary Largo Clean Energy Corp., in accordance with and as permitted by the Safekeeping Agreement.

CAPITAL MANAGEMENT

The Company defines its managed capital as shareholders' equity, including common shares, and accumulated net and comprehensive loss. As of December 31, 2023, total managed capital was \$20,347,553 (December 31, 2022: \$27,265,792).

The Company's goal when managing capital is to keep its ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders. Management continuously assesses its working capital needs to assess whether it will be able to meet its investment goals. As of December 31, 2023, management believes that the going concern basis of accounting is proper, however material uncertainties exist.

The Company manages its capital structure under the supervision of its Board. The Company adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company could adjust its capital structure by issuing new equity or debt and controlling the amount it distributes to shareholders.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2023, the Company did not have nor was it subject to any off-balance sheet

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arrangements.

ADDITIONAL DISCLOSURES FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The table below presents a breakdown of operating and general and administrative expenses:

	Year ended December 31, 2023	For the period from January 20, 2022 to December 31, 2022
Bank fees	\$ 2,214	\$ 1,795
Legal and accounting fees	475,651	452,918
Listing fees	53,780	1,235,489
Management fees	215,866	58,031
Directors' fees	224,246	-
Storage and custom fees	(9,190)	258,969
Subscriptions	26,225	15,633
Other professional fees	145,132	23,029
Other expenses	41,913	6,504
Total	\$ 1,175,837	\$ 2,052,368

RELATED PARTY TRANSACTIONS

Key management personnel are those people who have authority and responsibility for planning, directing, and controlling the activities of the Company, comprised of the Company's directors and executive officers. During the year ended December 31, 2023, the Company paid professional fees totaling \$61,852 (December 31, 2022: \$30,066), to Marrelli Support Services Inc, and certain of its affiliates, together referred to as the "Marrelli Group" for: (i) Carmelo Marrelli, beneficial owner of the Marrelli Group, to act as the Chief Financial Officer of the Company, and (ii) corporate secretarial services and regulatory filing services.

The Company also paid \$224,246 related to director fees to the directors for their service.

For the year ending December 31, 2023, the Company entered various transactions relating to the purchase of vanadium from Largo. Additionally, the Company has entered certain safekeeping and supply arrangements with Largo for the management and safekeeping of its physical vanadium.

Transactions incurred with Largo during the year ended December 31, 2023, were as follows:

- For the year ending December 31, 2023, the Company purchased 540MT of vanadium from LCTL at a cost of \$10,943,926 (2022: 460MT at a cost of \$10,027,075 was acquired). LCTL purchased all such material from unrelated third parties on LPV's behalf and then onward transferred to LPV on a pure "passthrough" basis (i.e., Largo did not receive valuable consideration for such purchases, and accordingly they were not subject to Multilateral Instrument 61-101 – *Protection of Security Holders in Special Transactions* ("MI 61-101")). Even if such transactions were subject to MI 61-101, the Company does not expect any transaction with Largo that constitutes a related party transaction for the purposes of MI 61-101 will not be entitled to rely on the exemption in section 5.7(1)(a) of MI 61-101 or another exemption from minority approval under MI 61-101. As it relates to conflicts of interest, the Technical Advisory Agreement provides a process to manage any conflicts including the involvement of the Company's independent board members. The Company also addresses conflicts and expertise related matters via the financial advisory services provided by SCP under the Advisory

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Services Agreement, pursuant to which SCP provides recommendations on whether purchases of vanadium products reflect capital market conditions at the time of such purchase.

- In 2023, 40MT of vanadium products were sold to LCTL for \$932,947. This was a swap transaction to profit from arbitrage opportunities between different vanadium products. LCTL sold all such material to unrelated third parties on LPV's behalf and then transferred the proceeds to LPV on a pure "passthrough" basis (i.e., Largo passed through the consideration received from the third parties to LPV and therefore did not itself pay valuable consideration to LPV, and accordingly the transaction was not subject to MI 61-101). Even if such sale were subject to MI 61-101, as previously noted the Company does not expect any transaction with Largo that constitutes a related party transaction for the purposes of MI 61-101 will not be entitled to rely on the exemption in section 5.7(1)(a) of MI 61-101 or another exemption from minority approval under MI 61-101 and has procedures in place to manage conflicts of interest.
- During the year ended December 31, 2023, the Company incurred management fees of \$110,091 (2022: \$29,139) to Largo in exchange for management services. No transaction fees in relation to the supply agreements with Largo were incurred for the year ended December 31, 2023. As of December 31, 2023, the Company had accounts payable and accrued liabilities payable to Largo of \$93,398.

Risk Management

The Company's board of directors has overall responsibility for the determination of the Company's risk management goals and policies while keeping ultimate responsibility for them. The Company is exposed to a variety of financial risks by virtue of its activities: market risk, credit risk, interest rate risk, liquidity risk and foreign currency risk.

Risk management is conducted by the Board, who find and evaluate financial risks in close cooperation with management. The Company is not exposed to significant interest rate or credit risks arising from its financial instruments.

Liquidity risk

Liquidity risk is the risk that the Company encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, because of operational liquidity requirements, the Company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover financial assets. Liquidity risk arises from accounts payable and accrued liabilities and commitments. The Company continues to focus on keeping adequate liquidity to meet operating working capital requirements and capital expenditures.

The Company continues to focus on maintaining adequate liquidity in order to meet operating working capital requirements and capital expenditures. As at December 31, 2023, the Company had cash of \$781,713 (December 31, 2022: \$6,357,417). Pursuant to the Company's investment policy, 90% of the total net assets of the Company will be held in physical vanadium, provided however that in circumstances where the Board believes that it is in the best interests of the Company, the Company may sell some or all of its holdings in physical vanadium, which circumstances may include where insufficient cash is available to fund operating costs.

Market risk

Market risk arises from the possibility that changes in the market price of the Company's investment in vanadium will result in a change in the fair value of such investments. The Company closely checks vanadium prices to decide proper investment strategies. If the price of vanadium increased or decreased

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by 5% with all other variables held constant, this would result in an increase or decrease in net income before tax of \$954,216.

Currency risk

Currency risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company's assets include cash held in Canadian dollars. Therefore, the Company is exposed to currency risk as fluctuations in the foreign exchange rate between the Company's functional currency and the Canadian dollar may result in adverse impact for the Company.

RISK FACTORS

The Company's business is, and will be, subject to numerous risks and uncertainties, including, but are not limited to, the following:

- the Company has a limited operating history.
- the performance of the Company is highly dependent upon the price of vanadium.
- the Company is dependent on certain key agreements with third parties.
- the Company is subject to risks relating to the business and operations of Largo.
- Largo may not be able to build, finance and successfully run its VRFB business.
- the vanadium market is small and highly concentrated, and therefore susceptible to swings in the availability of supply.
- demand for vanadium is highly dependent on demand for steel.
- there can be no assurance regarding the adoption of new use cases for vanadium.
- developments in China, the EU and USA could have a negative impact on demand for vanadium.
- directors and officers of the Company may from time to time have conflicts of interest with the counterparties to key agreements.
- the business of the Company depends on key personnel and any inability to recruit and retain key personnel may adversely affect the business.
- there are risks associated with the safekeeping of vanadium.
- it may not be possible to obtain more financing on acceptable terms, or at all.
- the goals and benefits of transactions in vanadium may not be realized.
- there are risks associated with calculation and realization of net asset value (NAV).
- there are risks associated with vanadium lending or relocation.
- the activities and financial results of the Company will be affected by changes in foreign exchange rates.
- the business of the Company is exposed to global economic conditions.

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- reliance on various operating and financial systems and data which may expose LPV to cyber security threats.
- the Company is subject to risks associated with the production of vanadium.
- a large purchase of physical vanadium by the Company in connection with an offering may temporarily affect the price of vanadium.
- the requirements of being a public company may strain the Company's resources, divert management's attention, and affect its ability to attract and retain executive management and qualified Board members.
- an active trading market may not develop for the Company's shares; and
- shareholders of the Company are at risk of equity dilution.

ADDITIONAL INFORMATION

Additional information relating to LPV is available under LPV's SEDAR+ profile at www.sedarplus.com.