
Largo Physical Vanadium Corp.

FINANCIAL STATEMENTS

***YEAR ENDED DECEMBER 31, 2023 AND PERIOD FROM
DATE OF INCORPORATION, JANUARY 20, 2022 TO
DECEMBER 31, 2022***

(EXPRESSED IN UNITED STATES DOLLARS)



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Largo Physical Vanadium Corp.

Opinion

We have audited the financial statements of Largo Physical Vanadium Corp. ("the Entity"), which comprise:

- the statements of financial position as at December 31, 2023 and December 31, 2022
- the statements of net loss and comprehensive loss for the years then ended
- the statements of changes in shareholders' equity for the years then ended
- the statements of cash flows for the for the years then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that 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 the sales of vanadium and to raise additional financing.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the "Material Uncertainty related to Going Concern" section of the auditor's report, we have determined that there are no other key audit matters to communicate in our auditor's report.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this independent auditor's report is Scott William Parr.

Toronto, Canada
April 24, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for Largo Physical Vanadium Corp. were prepared by management in accordance with International Financial Reporting Standards (IFRS). Management acknowledges responsibility for the fair preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. In the opinion of management, the financial statements have been prepared within acceptable limits using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

The Company's board of directors (the "Board") is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Paul Volland" **Chief Executive Officer**

"Carmelo Marrelli" **Chief Financial Officer**

Largo Physical Vanadium Corp.
Statement of Financial Position
(Expressed in United States Dollars)

	As at December 31, 2023	As at December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 781,713	\$ 6,357,417
Prepaid assets (notes 4,9)	34,718	5,385,179
Sales tax receivable (note 13)	895,780	89,281
Total current assets	1,712,211	11,831,877
Non-current assets		
Vanadium (notes 4,9)	19,084,323	16,226,389
Total non-current assets	19,084,323	16,226,389
Total assets	\$ 20,796,534	\$ 28,058,266
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accruals	\$ 448,981	\$ 462,758
Total current liabilities	448,981	462,758
Non-current liabilities		
Deferred tax liability (note 11)	-	329,716
Total non-current liabilities	-	329,716
Total liabilities	448,981	792,474
Shareholders' Equity		
Common shares (notes 1,5)	28,103,888	28,103,888
Deficit	(7,756,335)	(838,096)
Total shareholders' equity	20,347,553	27,265,792
Total liabilities and shareholders' equity	\$ 20,796,534	\$ 28,058,266

Going concern (note 1)
Commitments (note 10)
Subsequent events (note 13)

Approved on behalf of the Board of Directors:

"Jonathan Lee" Director

"Larry Ciccarelli" Director

The notes to the financial statements are an integral part of these statements.

Largo Physical Vanadium Corp.
Statement of Net Loss and Comprehensive Loss
(Expressed in United States Dollars)

	Year Ended December 31, 2023	January 20, 2022 to December 31, 2022
Income		
Interest Income	\$ -	\$ 162,162
(Loss)/gain on revaluation of vanadium (note 4)	(6,167,773)	881,954
Realized gain on sale of vanadium	46,591	-
Total Revenue	(6,121,182)	1,044,116
Expenses		
Bank charges	2,214	1,795
Professional fees	620,784	475,947
Listing fees (note 1)	53,780	1,235,489
Management fees (note 9)	215,866	58,031
General and administrative (note 8)	283,193	281,106
Total Expenses	1,175,837	2,052,368
Income/(loss)	(7,297,019)	(1,008,252)
Other income and expenses		
Foreign exchange gain	49,064	499,872
Income tax (expense) recovery	329,716	(329,716)
Total net income/(loss) and comprehensive income/(loss)	\$ (6,918,239)	\$ (838,096)
Loss per share attributable to equity holders		
Basic and diluted	\$ (0.41)	\$ (0.16)

The notes to the financial statements are an integral part of these statements.

Largo Physical Vanadium Corp.
Statement of Changes in Shareholders' Equity
(Expressed in United States Dollars)

	Common shares (#)	Common shares (\$)	Deficit	Shareholders' equity
Balance at January 20, 2022	-	\$ -	\$ -	\$ -
Comprehensive loss for the period	-	-	(838,096)	(838,096)
Issuance of common shares (note 5)	316,600	463,284	-	463,284
Private placement (note 5)	15,110,000	22,121,040	-	22,121,040
Shares issue cost (note 5)	-	(467,042)	-	(467,042)
Common share for contribution in-kind (note 4)	890,000	5,317,360	-	5,317,360
Shares issued in qualifying transaction (note 1)	500,199	669,246	-	669,246
Balance at December 31, 2022	16,816,799	\$ 28,103,888	\$ (838,096)	\$ 27,265,792
Comprehensive loss for the year	-	-	(6,918,239)	(6,918,239)
Balance at December 31, 2023	16,816,799	\$ 28,103,888	\$ (7,756,335)	\$ 20,347,553

The notes to the financial statements are an integral part of these statements.

Largo Physical Vanadium Corp.
Statement of Cash Flows
(Expressed in United States Dollars)

	Year Ended December 31, 2023	January 20, 2022, to December 31, 2022
Cash flows provided by (used in) operating activities		
Net loss for the period	\$ (6,918,239)	\$ (838,096)
Non-cash items:		
Unrealized foreign exchange gain	(39,787)	(330,677)
Loss/(gain) on revaluation of vanadium (note 4)	6,167,773	(881,954)
Excess of fair value over net assets acquired (note 1)	-	571,413
Income tax expense	(329,716)	329,716
Realized gain on sale of vanadium	(46,591)	-
	(1,166,560)	(1,149,598)
Changes in working capital balance:		
Prepaid assets	5,350,461	(5,385,179)
Sales tax receivable	(806,499)	(89,281)
Accounts payable and accrued liabilities	(13,777)	451,426
Net cash provided by (used in) operating activities	3,363,625	(6,172,632)
Cash flows used in investing activities		
Net of purchase and sale of vanadium	(8,995,671)	(9,830,821)
Cash acquired in qualifying transaction	-	109,164
Net cash used in investing activities	(8,995,671)	(9,721,657)
Cash flows from financing activities		
Proceeds from share issuance (note 5)	-	463,284
Proceeds from private placement (note 5)	-	22,121,040
Share issuance cost	-	(467,042)
Net cash provided by financing activities	-	22,117,282
Foreign exchange on cash	56,342	134,424
Net change in cash	(5,575,704)	6,357,417
Cash and cash equivalents, beginning period	6,357,417	-
Cash and cash equivalents, end of period	\$ 781,713	\$ 6,357,417

The notes to the financial statements are an integral part of these statements.

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the year ended December 31, 2023 and for the period ended December 31, 2022
(Expressed in United States Dollars)

1. Nature of operations and going concern

Largo Physical Vanadium Corp. (the "Company", "LPV") was incorporated on January 20, 2022, under the Business Corporations Act (British Columbia). The Company's registered office is located at 666 Burrard Street, Suite 1700, Park Place, Vancouver, British Columbia, V6C 2X8. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "VAND.V".

The Company was formed by Largo, Inc. ("Largo"), the ultimate parent company of LPV and Term Oil Inc., with the aim of creating a publicly traded investment vehicle that would invest in and hold substantially all of 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 speculate with regard to short-term changes in vanadium prices.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

Going concern

At December 31, 2023, the Company had not generated any operating revenue with the exception of one sale to a related party, have incurred significant losses and negative operating cash flows from inception. We have incurred a \$6,918,239 net loss and negative cash flows of approximately \$5,575,704 for the year ended December 31, 2023 (2022 - \$838,096 net loss and cash flows of \$6,357,417).

Our ability to continue as a going concern and realize our assets and discharge our liabilities in the normal course of operations is dependent on the ability to successfully execute our business plan and generate positive cash flows from operations, including through the sale of any vanadium and the ability to raise additional financing at acceptable terms in order to meet its planned operations for the next twelve months. These 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, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

1.1 Significant events and transactions

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.

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the year ended December 31, 2023 and for the period ended December 31, 2022
(Expressed in United States Dollars)

1. Nature of operations and going concern (cont'd)

1.1 Significant events and transactions (cont'd)

Quarterly Vanadium transactions

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 40MT 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.

Previous year comparative

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 an objective to identify and acquire either operating assets or a business, subject to regulatory approval, that meet the criteria of a qualifying transaction as defined by the TSX-V ("Qualifying Transaction"). 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 aims 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 Qualifying Transaction.

On September 15, 2022, Column completed the Qualifying Transaction which included i) a consolidation of its common shares on a 7.547 to 1 basis and a change of its name to "Largo Physical Vanadium Corp.", and ii) the amalgamation of LPV PrivateCo with 1356909 B.C. Ltd. followed by the amalgamation of such amalgamated entity with Column to form the Company (collectively the "Qualifying Transaction").

While Column was the legal acquirer of LPV PrivateCo, 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 guidance within IFRS 3. As such, the Qualifying Transaction is accounted for as an equity-settled share-based payment transaction in accordance with IFRS 2, Share-based Payments ("IFRS 2"). The Company is considered to be 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 transaction is measured at the fair value of the shares deemed to have been issued by LPV PrivateCo in order for the ownership interest in the combined entity to be the same as if the transaction had taken the legal form of LPV PrivateCo acquiring 100% of Column. Any difference in the fair value of the shares deemed to have been issued by LPV PrivateCo and the fair value of Column's net identifiable assets represents a service received by LPV PrivateCo (being the publicly listed status being achieved), recorded through profit and loss. The fair value of the shares deemed 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. These financial statements reflect the ongoing operations of the Company and all prior period comparative amounts are those of the Company.

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the year ended December 31, 2023 and for the period ended December 31, 2022
(Expressed in United States Dollars)

1. Nature of operations and going concern (cont'd)

1.1 Significant events and transactions (cont'd)

Details of Qualifying Transaction are summarized as follows;

Net assets acquired		
Cash	\$	109,164
Accounts payable and accrued liabilities		(11,331)
		97,833
Fair value of common shares deemed to have been issued by LPV Private Co. (note 5)		669,246
Excess of fair value over net assets acquired	\$	571,413

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 Statement of Net and Comprehensive Loss.

2. Basis of preparation

2.1 Statement of compliance

These financial statements of the Company, including comparatives, have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB") as applicable to a going concern. The significant accounting policies applied in these financial statements are presented in note 3 and are based on IFRS effective as at December 31, 2023.

The financial statements were authorized for issuance by the Board on April 24, 2024.

2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis except for vanadium balances which are carried at fair value. In addition, these financial statements have been prepared using the historical cost basis of accounting.

2.3 Functional and presentation currency

These financial statements are presented in United States Dollars, which is also the Company's functional currency and presentation currency.

IFRS requires that the functional currency be determined using the currency of the primary economic environment in which the Company operates. Effective October 1, 2022, the Company's functional currency changed from Canadian dollars to United States dollars ("U.S. dollars") as a result 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 notes to the financial statements are an integral part of these statements.

3. Summary of significant accounting policies

3.1 Significant accounting judgments and estimates

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 is required to apply judgment and estimates in determination of appropriate accounting for the Qualifying Transaction, classification of physical vanadium and any 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.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and highly liquid short-term investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. At December 31, 2023, the Company held no cash equivalents.

3.3 Vanadium

The Company acquires physical vanadium with the intention of holding the asset for long term price appreciation. Investments in physical vanadium are measured at fair value determined by reference to published price quotations, with unrealized and realized losses recorded in income based on the IAS 40, Investment Property ("IAS 40") fair value model as IAS 40 is the most relevant standard to apply. Investment transactions in physical vanadium are recognized when control is established over the same, as determined by the passing of title over purchased vanadium to the Company. Gains or losses of holdings of physical vanadium are calculated on a weighted-average cost basis and recorded in the statement of loss and comprehensive loss.

3.4 Financial instruments

Financial assets and financial liabilities are recognized on the Statement of Financial Position when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value on initial recognition plus, for a financial asset or financial liability at amortized cost, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognized immediately in profit or loss.

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income ("FVTOCI"), or FVTPL. The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial asset as a whole is assessed for classification.

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the year ended December 31, 2023 and for the period ended December 31, 2022
(Expressed in United States Dollars)

3. Summary of significant accounting policies (cont'd)

3.4 Financial instruments (cont'd)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial assets that would be classified as FVTPL or FVTOCI. Amortized cost assets are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest rate method, less any impairment losses.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as financial liabilities at FVTPL other liabilities at amortized cost. Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Financial instrument	Classification
Cash and cash equivalents	Financial assets at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost

The notes to the financial statements are an integral part of these statements.

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the year ended December 31, 2023 and for the period ended December 31, 2022
(Expressed in United States Dollars)

3. Summary of significant accounting policies (cont'd)

3.5 Income taxes

Deferred tax

Deferred tax expense is recognized on temporary differences arising between the tax bases and their carrying amounts in the Statement of Financial Position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets:

- (i) are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- (ii) are reviewed at the end of the 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 not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Current tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

3.6 Provisions

Provisions represent liabilities for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

3.7 Foreign currency

Foreign currency monetary assets and liabilities are translated into the Company's functional currency using the closing rate at the end of each reporting period. Non-monetary assets and liabilities are translated at the rates on the date the fair value was determined or at historical cost using the rate at the date of the transaction. Revenues and expenses arising from foreign currency denominated transactions are translated at the average exchange rates in effect during the month of the transaction. Translation gains and losses are included in profit or loss. The Company's functional and presentation currency is the U.S. dollar.

The notes to the financial statements are an integral part of these statements.

3. Summary of significant accounting policies (cont'd)

3.8 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3.9 Loss per share

The Company presents basic and diluted earnings per share data for its common shares (Note 5). Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for treasury shares held. Diluted loss per share is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential common shares. As the Company is in a net and comprehensive loss position in the current period, and has no other equity instruments with dilutive properties, basic loss per share equals diluted loss per share.

3.10 New standards, amendments and interpretations

The following amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after January 1, 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12).

The Company has determined that the amendments have no impact on the financial statements as at December 31, 2023.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning January 1, 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Company is currently assessing the impact of these new accounting standards and amendments.

4. Vanadium assets

During the year ended December 31, 2023, the Company entered into various agreements relating to the purchase and sale of physical vanadium, as described below. A continuity of vanadium held by the Company during the year ended December 31, 2023 and period ended December 31, 2022 is as follows:

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4. Vanadium assets (cont'd)

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

Related party disclosure is given in note 9.
Segmented information is given in note 12.

	Volume (MT)	Amount (\$)
Opening balance as at January 20, 2022	-	-
In-kind contribution	140	5,317,360
Purchases during the period	460	10,027,075
Change in fair value	-	881,954
Ending balance as at December 31, 2022	600	16,226,389

Purchases of vanadium

For the year ended December 31, 2023, the Company purchased 540 MT of vanadium from Largo Commodities Trading Ltd. ("LCTL"), a Largo subsidiary, (see Note 9) with a total fair value of \$10,943,926 (December 31, 2022: 460 MT of vanadium from Largo with a total fair value of \$10,027,075).

Sale of vanadium

During the year ended December 31, 2023, the Company sold 80 MT of vanadium for \$1,964,810 (December 31, 2022 - \$nil) which was originally purchased for \$1,918,219. Of this, 40 MT of vanadium was sold to LCTL on January 18, 2023 for \$1,031,863 which was originally purchased on January 16, 2023 for \$829,269. The difference of \$202,593 resulting from the transaction was used to reduce cash payments owed to LCTL for additional purchases. The purpose of the transaction was done to swap vanadium trioxide for ferrovandium. The purchase and sale of vanadium to LCTL is considered a related party transaction, see Note 9). Additionally, the Company sold 40MT of vanadium to Glencore International AG on October 2, 2023 for \$932,948 which was originally purchased for \$1,088,950.

In-kind contribution

On September 15, 2022, concurrently with the closing of the Qualifying Transaction, the Company received an in-kind contribution of 140 MT of vanadium from Largo in exchange for the issuance of 890,000 common shares of the Company. This contribution was initially recognized in accordance with IFRS 2, with reference to the fair value of vanadium acquired. The fair value of vanadium at the date of acquisition was \$5,317,360.

Prepaid vanadium

The Company had \$ nil prepayments of as at December 31, 2023 for the purchase of vanadium from Largo (December 31, 2022- \$5,331,421 for the purchase of 260 MT).

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5. Share capital

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Issued

The following table represents the common shares issued by the Company as at December 31, 2022, and December 31, 2023:

		Number	Amount(\$)
Balance as at January 20, 2022		-	-
Issuance of shares	(i)	316,600	463,284
Private placement	(ii)	15,110,000	21,653,998
Issuance of shares for in-kind contribution	(iii)	890,000	5,317,360
Shares issued in qualifying transaction	(iv)	500,199	669,246
Balance as at December 31, 2022		16,816,799	28,103,888
Balance as at December 31, 2023		16,816,799	28,103,888

- (i) 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.
- (ii) 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 additional 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.
- (iii) 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 vanadium from Largo. The value attributed to the shares was measured in reference to the fair value of the goods received.
- (iv) In connection with the Qualifying Transaction, on September 15, 2022, 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.

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6. Financial instruments

The Company has classified its financial instruments in accordance with IFRS into various categories as described in its accounting policies.

The fair values of financial instruments are classified and measured according to the following three levels based on the fair value hierarchy.

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data.

There were no transfers between levels during the year.

Physical vanadium is measured at fair value. The fair value measurement of all vanadium falls within Level 1 of the hierarchy and is based on published price quotations.

The carrying values of cash and cash equivalents and accounts payable and accrued liabilities approximate their fair values due to the immediate or short-term nature of these securities.

The Company does not have any instruments carried at fair value categorized in Level 2 or 3 as at period end.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. The Company uses leading commodities media organizations that provide commodity prices and publish these prices and methodologies used which is also publicly disclosed. There is sufficient volume of vanadium transactions such that the Company can rely on the listed price of commodity obtained from the sources. Additionally, the published prices differ depending on where the vanadium is located. The vanadium industry generally relies on these prices as well. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Risk management

The Company's Board has overall responsibility for the determination of the Company's risk management objectives and policies while retaining 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 carried out by the Board, who identify 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, as a result 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 maintaining adequate liquidity in order to meet operating working capital requirements and capital expenditures.

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6. Financial instruments (cont'd)

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 change in fair value of such investments. The Company closely monitors vanadium prices to determine appropriate investment strategies. If the price of vanadium increased or decreased 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 holds cash and makes certain operating expenditures 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 Canadian dollars may result in adverse impact for the Company.

7. Capital management

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

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order 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 objectives. As at December 31, 2023, management believes that the going concern basis of accounting is appropriate, however material uncertainties exist (Note 1).

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

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8. General and administrative expenses

Description	December 31, 2023	December 31, 2022
Director fees	\$ 224,246	\$ -
Subscriptions	26,225	15,633
Website design and maintenance	21,811	-
Travel	13,502	-
Interest expenses	1,769	-
Income taxes	74	-
Miscellaneous expenses	4,756	-
Publications	-	5,400
Storage and customs	(9,190)	258,969
Rent	-	1,104
Total general and administrative expenses	\$ 283,193	\$ 281,106

9. Related party transactions

Key management personnel are those persons having 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, (ii) corporate secretarial services and regulatory filing services, and (iii) bookkeeping services.

During the year ended December 31, 2023, the Company incurred \$224,246 (December 31, 2022 - \$nil) related to fees paid to the Board.

For the year ended December 31, 2023, the Company entered into various transactions relating to the purchase and sale of vanadium from Largo under the supply agreement between the Company and Largo dated April 14, 2022 (Note 4). Additionally, the Company has entered into certain safekeeping and supply arrangements with Largo for the management and safekeeping of its physical vanadium. Transactions incurred with Largo and LCTL (LCTL a Largo subsidiary) during the year ended December 31, 2023 are noted in Note 4 and below.

- During the year ended December 31, 2023, the Company incurred management fees of \$215,866 (December 31, 2022: \$58,031) to Largo, Term Oil and SCP in exchange for management services under the technical advisory agreement between the Company and Largo dated April 14, 2022, as amended November 16, 2023. No transaction fees in relation to the supply agreements with Largo were incurred for the year ended December 31, 2023 (December 31, 2022: \$nil). As at December 31, 2023, the Company had accounts payable and accrued liabilities payable to Largo of \$93,398 (December 31, 2022: \$50,682).

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10. Commitments

As at December 31, 2023, the Company did not hold any commitments.

11. Income Taxes

The Company's income tax expense (recovery) for the period ended December 31, 2023, is comprised of the following:

	year ended December 31, 2023	year ended December 31, 2022
Current income tax expense (recovery)	\$ -	\$ -
Deferred income tax expense (recovery)	(329,716)	329,716
Income tax expense (recovery)	\$ (329,716)	\$ 329,716

The provision for income tax differs from the amount that would have resulted by applying the combined Canadian statutory income tax rate of approximately 26.5% for the period ended December 31, 2023, as follows:

	year ended December 31, 2023	year ended December 31, 2022
Loss before income taxes	\$ (7,181,515)	\$ (508,380)
Canadian statutory tax rate	26.50%	26.50%
Expected income tax at statutory tax rate	(1,903,101)	(134,721)
Permanent differences	-	(4,247)
Taxable benefit not recognized / (utilization of previously unrecognized benefits)	1,573,385	468,684
Income tax expense (recovery)	\$ (329,716)	\$ 329,716

The statutory tax rate used in the 2023 effective tax rate reconciliation reflects the Canadian federal tax rate of 15.0% plus the provincial (Ontario) tax rate of 11.5%.

The following table reflects the changes in deferred income tax liability for fiscal years ended December 31, 2023:

	year ended December 31, 2023	year ended December 31, 2022
Opening balance as at January 01, 2023	\$ 329,716	\$ -
Deferred income tax expense (recovery)	(329,716)	329,716
Ending balance as at December 31, 2023	\$ -	\$ 329,716

The notes to the financial statements are an integral part of these statements.

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11. Income Taxes (cont'd)

The deferred tax liability is comprised entirely of the tax liability relating to the change in fair value of vanadium.

Deferred tax assets have not been recognized in respect of the following deductible temporary differences as at December 31, 2023.

	year ended December 31, 2023	year ended December 31, 2022
Non-capital losses	\$ 1,534,764	\$ 362,679
Vanadium	4,923,562	-
Share issuance cost	324,112	433,850
Property plant and equipment	923,486	972,090
	\$ 7,705,924	\$ 1,768,619

As at December 31, 2023, the Company has a non-capital loss of \$1,534,764 can be carried forward to reduce taxable income in future years. The losses are scheduled to expire between 2040 and 2042.

12. Segmented Disclosure

The Company has determined that it has one reportable segment. The Company's operations are substantially related to its investment in vanadium. Substantially all of the Company's revenues, costs and assets of the business that support these operations are derived or located in Canada except for its inventory in vanadium. During the year ended December 31, 2023 and December 31, 2022, the segmented information on a geographic basis is as follows;

	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	-	-	-	-
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	-	-	-	-

The notes to the financial statements are an integral part of these statements.

13. 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.