
LARGO PHYSICAL VANADIUM CORP.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(EXPRESSED IN UNITED STATES DOLLARS)



KPMG LLP

Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

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, 2024 and December 31, 2023
- 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 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, 2024 and December 31, 2023, its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit 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 audit 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 to raise additional financing.



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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, 2024. 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, other than the financial statements and the auditor's report thereon, 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 audit 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



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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 auditor's report is Scott William Parr.

Toronto, Canada
April 24, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for Largo Physical Vanadium Corp. were prepared by management in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board. 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.

"Francesco D'Alessio" **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, 2024	As at December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 864,177	\$ 781,713
Prepaid assets	29,408	34,718
Sales tax receivable	12,975	895,780
Total current assets	906,560	1,712,211
Non-current assets		
Vanadium (notes 5,9)	17,304,612	19,084,323
Total non-current assets	17,304,612	19,084,323
Total assets	\$ 18,211,172	\$ 20,796,534
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accruals (note 9)	\$ 620,599	\$ 448,981
Total liabilities	620,599	448,981
Shareholders' Equity		
Common shares (note 6)	28,103,888	28,103,888
Deficit	(10,513,315)	(7,756,335)
Total shareholders' equity	17,590,573	20,347,553
Total liabilities and shareholders' equity	\$ 18,211,172	\$ 20,796,534

Going concern (note 1)

Subsequent events (note 12)

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, 2024	Year Ended December 31, 2023
Income		
Interest income	\$ 17,534	\$ -
Change in fair value of vanadium (note 5)	(1,828,717)	(6,121,182)
Total Income	(1,811,183)	(6,121,182)
Expenses		
Professional fees	390,339	620,784
Storage and customs	173,626	(9,190)
Management fees (note 9)	160,388	215,866
Director fees (note 9)	151,233	224,246
General and administrative	34,198	68,137
Bank charges	1,439	2,214
Listing fees	-	53,780
Total expenses	911,223	1,175,837
Loss for the year	(2,722,406)	(7,297,019)
Other income and expenses		
Foreign exchange (loss) / gain	(34,574)	49,064
Income tax (expense)/recovery	-	329,716
Net loss and comprehensive loss for the year	\$ (2,756,980)	\$ (6,918,239)
Loss per share attributable to equity holders		
Basic and diluted	\$ (0.16)	\$ (0.41)

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 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
Comprehensive loss for the year	-	-	(2,756,980)	(2,756,980)
Balance at December 31, 2024	16,816,799	\$ 28,103,888	\$ (10,513,315)	\$ 17,590,573

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, 2024	Year Ended December 31, 2023
Cash flows provided by (used in) operating activities		
Net loss for the year	\$ (2,756,980)	\$ (6,918,239)
Non-cash items:		
Unrealized foreign exchange gain	33,805	(39,787)
Change in fair value of vanadium (note 5)	1,828,717	6,121,182
Income tax expense	-	(329,716)
	(894,458)	(1,166,560)
Changes in non-cash working capital:		
Prepaid assets	5,310	5,350,461
Sales tax receivable	882,805	(806,499)
Accounts payable and accrued liabilities	171,618	(13,777)
Net cash provided by operating activities	165,275	3,363,625
Cash flows used in investing activities		
Purchase of vanadium	(550,351)	(9,928,619)
Proceeds on disposal of vanadium	501,345	932,948
Net cash used in investing activities	(49,006)	(8,995,671)
Foreign exchange on cash	(33,805)	56,342
Net change in cash	82,464	(5,575,704)
Cash and cash equivalents, beginning year	781,713	6,357,417
Cash and cash equivalents, end of year	\$ 864,177	\$ 781,713

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

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the years ended December 31, 2024, 2023
(Expressed in United States Dollars)

1. Nature of operations and going concern

Largo Physical Vanadium Corp. (the "Company") 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. ("Term Oil"), with the aim of creating a publicly traded investment vehicle that would invest in and hold substantially all of its assets in vanadium 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.

Going Concern

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 current fair values as shown due to changes in the following year.

As at December 31, 2024, the Company had not generated any operating revenue. We have incurred a \$2,756,980 net loss for the year ended December 31, 2024 (year ended December 31, 2023 - \$6,918,239 net loss).

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. Such adjustments may be material.

2. Basis of preparation

2.1 Statement of compliance

These financial statements of the Company have been prepared in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") as applicable to a going concern and include estimates and assumptions made by the Company that may affect the reported amounts of assets, liabilities, income, expenses and the reported amount of changes in equity during the reporting period. Actual results could differ from these estimates. The material accounting policies applied in these financial statements are presented in note 3 and are based on IFRS effective as at December 31, 2024.

The financial statements were authorized for issuance by the board of directors of the Company on April 24, 2025.

2.2 Basis of measurement

These financial statements have been prepared on a historical cost basis except for vanadium which is carried at fair value.

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the years ended December 31, 2024, 2023
(Expressed in United States Dollars)

2. Basis of preparation (cont'd)

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.

3. Material accounting policies

3.1 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, 2024, the Company held no cash equivalents.

3.2 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. 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.

3.3 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.

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the years ended December 31, 2024, 2023
(Expressed in United States Dollars)

3. Material 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.

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.

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

3. Material 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 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.

3.7 Loss per share

The Company presents basic and diluted earnings per share data for its common shares (Note 6). 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.

3. Material accounting policies (cont'd)

3.8 New accounting standards issued and effective

Recent Accounting Pronouncements Issued but not yet Effective

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 18, Presentation and Disclosure in Financial Statements (“IFRS 18”)

In April 2024, the IASB issued a new accounting standard, IFRS 18, to improve the reporting of financial performance, which will replace IAS 1, while maintaining many of the existing requirements in IAS 1. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the Consolidated Statements of Operations and Comprehensive Income, provide disclosures on management-defined performance measures in the notes to consolidated financial statements and adding new principles for the aggregation and disaggregation of information. In addition, some of the requirements in IAS 1 will be moved to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7, as well as minor amendments to IAS 7 and IAS 33, Earnings per Share. IFRS 18 is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. The Company is currently evaluating the impact of the standard on its consolidated financial statements.

4. Significant accounting judgments, estimates and assumptions

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 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 the 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.

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the years ended December 31, 2024, 2023
(Expressed in United States Dollars)

5. Vanadium assets

Vanadium assets are held on the financial statements at fair value, determined by multiplying the current market price at on the date of the statements, by the total amount held at the date of the statements.

	Amount (\$)
Opening balance as at January 1, 2024	19,084,323
Purchases during the year	550,351
Proceeds on sales during the year	(501,345)
Change in fair value	(1,828,717)
Ending balance as at December 31, 2024	17,304,612
Change in fair value during 2024:	
Realized loss on disposals during the year	(144,463)
Change in unrealized appreciation (depreciation) during the year	(1,684,254)

Segmented information is given in note 11.

	Amount (\$)
Opening balance as at January 1, 2023	16,226,389
Purchases during the year	10,943,926
Proceeds on sales during the year	(1,964,810)
Change in fair value	(6,121,182)
Ending balance as at December 31, 2023	19,084,323
Change in fair value during 2023:	
Realized gain on disposals during the year	46,591
Change in unrealized appreciation (depreciation) during the year	(6,167,773)

During the year ended December 31, 2024, the Company has entered into one new agreement relating to the purchase and sale of physical vanadium with Largo Commodities Trading Ltd. ("LCTL"), a Largo subsidiary.

Purchases of vanadium

For the year ended December 31, 2024, the Company purchased vanadium from LCTL for total consideration of \$550,351. (December 31, 2023: vanadium was purchased from LCTL, for total consideration of \$10,943,926)

Sale of vanadium

During the year ended December 31, 2024, the Company sold vanadium to LCTL for total consideration of \$501,345. The cost of the vanadium sold was \$645,808, the company realized a loss of \$144,463.

During the year ended December 31, 2023, the Company sold vanadium to LCTL for total consideration of \$1,964,810. The cost of the vanadium sold was \$1,918,219, the company recognized a gain of \$46,591.

The sales and purchases of vanadium during the year ended December 31, 2024 were settled in cash on a net basis resulting in a \$49,006 outgoing payment, the sales and purchases of vanadium during the year ended December 31, 2023 were settled in cash on a net basis resulting in a \$46,591 incoming payment.

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the years ended December 31, 2024, 2023
(Expressed in United States Dollars)

6. 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, 2024, and December 31, 2023:

	Number	Amount (\$)
Balance as at December 31, 2022 & December 31, 2023	16,816,799	28,103,888
Balance as at December 31, 2024	16,816,799	28,103,888

7. 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. 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.

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 3 as at period end.

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.

Largo Physical Vanadium Corp.
Notes to the Financial Statements
For the years ended December 31, 2024, 2023
(Expressed in United States Dollars)

7. Financial instruments (cont'd)

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 arises from accounts payable and accrued liabilities and commitments. The Company's approach to managing liquidity risk is to monitor forecast spending so that it will have sufficient liquidity to meet liabilities when due. Being able to maintain sufficient liquidity is dependent upon many factors including, but not limited to the Company's 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. Adverse changes in one or more of these factors negatively impact the Company's ability to maintain sufficient liquidity. The Company continues to focus on maintaining adequate liquidity in order to meet operating working capital requirements and capital expenditures.

As at December 31, 2024, the Company had cash of \$864,177 (December 31, 2023: \$781,713), which it expects to primarily use to fund operating costs. Taking into consideration amounts required to fund operating costs, the Company will expend substantially all funds raised on the purchase of physical vanadium. Pursuant to the Company's investment policy, 95% 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 of its holdings in physical vanadium, which circumstances may include where insufficient cash is available to fund operating costs.

At December 31, 2024, the Company had not generated any operating revenue and requires additional financing 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. 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.

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 \$865,231 (December 31, 2023: \$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.

8. Capital management

The Company defines its managed capital as shareholders' equity, including common shares, and net deficit. As at December 31, 2024, total managed capital was \$17,590,573 (December 31, 2023: \$20,347,553).

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, 2024, 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.

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, 2024, the Company paid professional fees totaling \$94,995 (December 31, 2023 - \$61,852), 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.

During the year ended December 31, 2024, the Company incurred \$151,233 (December 31, 2023 - \$224,246) related to fees paid to the Board.

Transactions entered with Largo and LCTL during the year ended December 31, 2024 and December 31, 2023 were as follows:

- For the year ended December 31, 2024, the Company entered into a swap transaction of purchase and sale of vanadium with Largo, where it purchased vanadium for \$550,351 and sold vanadium with an original weighted average cost of \$645,808 for \$501,345. For the year ended December 31, 2023, the Company purchased vanadium from LCTL for total consideration of \$10,943,926 and sold vanadium to LCTL with an original weighted average cost of \$1,918,219 for \$1,964,810. See note 5.
- During the year ended December 31, 2024, the Company incurred management fees of \$160,388 (December 31, 2023: \$215,866) to Largo, Term Oil and SCP Resource Finance in exchange for management services under the technical advisory agreement between the Company and Largo as well as the Company, Term Oil and SCP Resource Finance 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, 2024 (December 31, 2023 - \$nil).
- As at December 31, 2024, the Company had accounts payable and accrued liabilities payable to Largo of \$167,518 (December 31, 2023 - \$93,398).

Largo Physical Vanadium Corp.
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10. Income Taxes

The Company's income tax expense (recovery) for the year ended December 31, 2024, is comprised of the following:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Current income tax expense (recovery)	\$ -	\$ -
Deferred income tax expense (recovery)	-	(329,716)
Income tax expense (recovery)	\$ -	\$ (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, 2024, as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Loss before income taxes	\$ (2,756,980)	\$ (7,181,515)
Canadian statutory tax rate	26.50%	26.50%
Expected income tax at statutory tax rate	(730,600)	(1,903,101)
Permanent differences	19	-
Taxable benefit not recognized / (utilization of previously unrecognized benefits)	730,581	1,573,385
Income tax expense/(recovery)	\$ -	\$ (329,716)

The statutory tax rate used in the 2024 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, 2024:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Opening balance	\$ -	\$ 329,716
Deferred income tax expense	-	(329,716)
Ending balance	\$ -	\$ -

Largo Physical Vanadium Corp.
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10. 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, 2024.

	Year Ended December 31, 2024	Year Ended December 31, 2023
Non-capital losses	\$ 2,880,879	\$ 1,534,764
Vanadium	6,607,816	4,923,562
Share issuance cost	214,072	324,112
Property plant and equipment	877,311	923,486
	\$ 10,580,078	\$ 7,705,924

As at December 31, 2024, the Company has a non-capital loss of \$2,880,879 can be carried forward to reduce taxable income in future years. The losses are scheduled to expire between 2040 and 2044.

11. 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. The segmented information on a geographic basis as at December 31, 2024 and 2023 is as follows:

	South Korea	Netherlands	Canada	Total
December 31, 2024				
Current Assets	\$ -	\$ -	\$ 906,560	\$ 906,560
Non-current Assets -Vanadium	2,337,099	6,994,125	7,973,388	17,304,612
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

12. Subsequent Events

On February 4, 2025, Largo has amended its Safekeeping and Supply Agreements with LPV and assigned its Safekeeping Agreement to Storion, a joint venture between Largo and Styrtten.