

LARGO PHYSICAL VANADIUM CORP.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS - QUARTERLY HIGHLIGHTS

For the three months ended March 31, 2023

BACKGROUND

The following interim Management's Discussion & Analysis ("**MD&A**") of Largo Physical Vanadium Corp. ("**we**", "**us**", "**our**", "**LPV**" or the "**Company**") for the three months ended March 31, 2023 has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last annual management's discussion & analysis, being the Management's Discussion & Analysis ("**Annual MD&A**") for the period from the date of incorporation, January 20, 2022 to December 31, 2022. This Interim MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This Interim MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's Annual MD&A, audited annual financial statements for the period from date of incorporation, January 20, 2023 to December 31, 2022, together with the notes thereto, and unaudited interim financial statements for the three months ended March 31, 2022, together with the notes thereto ("**financial statements**"). All dollar figures included herein and in the following MD&A are quoted in United States dollars ("**US dollars**"). The Company's unaudited interim financial statements and the financial information contained in this Interim MD&A are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

The unaudited interim financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting. Accordingly, information contained herein is presented as of May 23, 2023, unless otherwise indicated.

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

This MD&A was approved by the Board of Directors on May 23, 2023.

FORWARD LOOKING INFORMATION AND GOING CONCERN

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

Forward-looking information in this MD&A includes, but is not limited to, information relating to the Company's future financial and business operations outlook as set in the section entitled "Outlook" herein, statements regarding the Company's business, future development, future financial position, our strategy and investment policies, demand for supply, and the prices, of vanadium, the

competitiveness of vanadium redox flow battery products (“VRFBs”) in the long-duration energy storage (“LDES”) market, the expected payment of storage fees under the safekeeping agreement (the “**Safekeeping Agreement**”) between the Company and Largo Inc. (“**Largo**”), the adoption of new use cases for vanadium, our intention to effect certain corporate changes, the impact of trading patterns on our share price, the impact of regulators’ actions and decisions on our business, the demand for our business and services, and general business and economic conditions. In developing the forward-looking information in this MD&A, we have applied several material assumptions, as set out herein, including those under the section “Outlook” and those related to general business and economic conditions.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Although the Company has attempted to identify important factors, in the section entitled “Risk Factors”, that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

KEY PERFORMANCE INDICATORS (NON-IFRS MEASURES)

This MD&A refers to certain non-IFRS measures, which are used to provide investors with supplemental measures of the Company’s operating performance and highlight trends that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that providing such information to securities analysts, investors and other interested parties who frequently use non-IFRS measures in the evaluation of issuers will allow them to better compare the Company’s performance against others in its industry. Management also uses non-IFRS measures to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts. These non-IFRS measures have been defined below:

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

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

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

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

COMPANY OVERVIEW

The Company was incorporated on January 20, 2022 under the *Business Corporations Act* (British Columbia). The Company was formed by Largo and Term Oil Inc. (“**Term Oil**”) with the aim of creating a publicly traded investment vehicle that would invest in and hold substantially all 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 to speculate with regard to short-term changes in vanadium prices.

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

2023 HIGHLIGHTS

Statement of Net and Comprehensive Loss

	Three months ended March 31, 2023	January 20, 2022, to March 31, 2022
Income		
Gain on revaluation of vanadium	\$ 3,263,061	\$ -
Expenses		
Bank charges	750	121
Professional fees	148,902	285,225
Listing fees	-	49,926
Management fees	65,936	-
General and administrative	34,188	-
Total expenses	249,776	335,272
Income (loss) from operations	3,013,285	(335,272)
Other income and expense		
Foreign exchange gain (loss)	34,966	(6,084)
Income (loss) before income taxes	3,048,251	(341,356)
Income tax expense	806,483	-
Net income (loss)	\$ 2,241,768	\$ (341,356)
Cumulative translation adjustment		1,576
Comprehensive income (loss)	\$ 2,241,768	\$ (339,780)

SELECTED FINANCIAL INFORMATION

Statement of Financial Position

As at	March 31, 2023	December 31, 2022
Total assets	\$ 31,047,482	28,058,266
Total liabilities	1,539,922	792,474
Total shareholders' equity	29,507,560	27,265,792

Results of operations:

Three months ended March 31, 2023:

The Company's net and comprehensive income (loss) for three months ended *March 31, 2023* was \$2,241,768, (March 31, 2022: \$(341,356) and \$(339,780) respectively) with basic and diluted earnings per share of \$0.13/share (March 31, 2022: \$(1.08)). Key operational highlights for the three-month periods are as follows. The differences between the two periods relates to the fact that LPV had just begun operations in March of 2022, so very few operational expenses had been incurred and no

purchases of vanadium had been completed. Other expenses such as professional fees were higher due to the added cost of legal and professional fees incurred on incorporation and start-up.

- The Company incurred certain legal, accounting and other professional fees of \$148,902 for the three months ended March 31, 2023.
- The Company incurred management fees of \$32,946 related to the Safekeeping Agreement for vanadium between the Company and Largo.
- The Company incurred director fees of \$100,000.
- The Company recorded a total gain of \$3,263,061 on the revaluation of vanadium. This balance is comprised of a \$3,060,468 on the revaluation of 1,020 MT of vanadium held as at March 31, 2023 and \$202,593 on the revaluation of 40MT of vanadium prior to sale. This transaction was done to swap trioxide for ferrovanadium and is not expected to occur on a regular basis.
- The Company recorded an unrealized foreign exchange gain of \$34,966 in relation to transactions in currencies other than the Company's functional currency.
- The Company recognized a deferred income tax expense of \$806,483.

From the date of incorporation, January 20, 2022 to March 31, 2022:

The Company's net loss for the period ended March 31, 2022 was \$341,356, with basic and diluted loss per share of \$(1.08)/share. Key operational highlights for the period are as follows:

- The Company incurred listing fees expense of \$49,926 for the period ended March 31, 2022.
- The Company incurred certain legal, accounting and other professional fees of \$285,225 for the period ended March 31, 2022.

Statement of Cash Flows

	For the three months ended March 31, 2023	January 20, 2022, to March 31, 2022
Cash flows used in operating activities	\$(986,981)	\$(15,436)
Cash flows used in investing activities	\$(3,937,922)	\$ -
Cash flows from financing activities	\$ -	\$500,000

At March 31, 2023, the Company had \$1,472,930 (March 31, 2022: 484,679) in cash and cash equivalents. At March 31, 2023, the Company held no cash equivalents.

Operating Activities:

Cash flows used in operating activities were a result of the comprehensive income for the period ended March 31, 2023 of \$2,241,768 (March 31, 2022: net loss \$341,356), with the following adjustments:

- Non-cash adjustments of \$3,060,468 (March 31, 2022: Nil) for the unrealized gain on the change in fair value of vanadium held, \$23,465 (March 31, 2022: \$6,084) for unrealized foreign exchange gain incurred in the period and a difference of \$202,593 (March 31, 2022: Nil) which was used to reduce cash payments to Largo Commodities Trading Ltd. ("LCTL") for additional purchases, and \$806,483 for the recognition of deferred tax expense which resulted in the increase of the deferred tax liability.
- Change in the Company's working capital balance resulted in a negative cash flow of \$748,706 (March 31, 2022: \$319,836).

Investing Activities:

For the period ended March 31, 2023, the Company purchased vanadium of \$8,404,051 (March 31, 2022: \$Nil). A portion of vanadium purchased was recorded as prepaid inventory and disclosed as a prepaid asset; this change in non-cash working capital totaled \$4,466,129.

Financing Activities:

No cash flows were used or raised in the Company's financing activities for the period ended March 31, 2023 (March 31, 2022: \$500,000).

Quarterly financial information

Period	Income	Net (loss) income	Basic earnings (loss) per share	Diluted earnings per share	Total assets	Non-current liabilities
Q1 2023	\$3,263,061	\$2,241,768	\$0.13	\$0.13	\$31,047,482	\$1,136,199
Q4 2022	\$15,509	\$135,056	\$(0.16)	\$(0.16)	\$28,058,266	\$329,716
Q3 2022 ¹	\$146,653	\$(1,051,587)	\$(0.35)	\$(0.35)	\$27,258,925	-
Q2 2022	-	\$(573,892)	\$(2.43)	\$(2.43)	\$22,506,234	-
Q1 2022 ²	-	\$(341,356)	\$(1.08)	\$(1.08)	\$485,238	-

¹ Total Net loss and comprehensive loss, basic and diluted earnings per share and non-current liabilities for the third quarter of 2022 has been adjusted in Q4 2022 to reflect the correction of the valuation of vanadium contributed by Largo at September 15, 2022, resulting in an overstatement of the gain on revaluation of vanadium and related foreign exchange and tax impact. This correction will be reflected prospectively in future filings containing 3rd quarter 2022 financial information.

² Q1 2022 is for the period from January 20, 2022, to March 31, 2022.

- For the three months ended March 31, 2023, the Company had an unrealized gain on physical vanadium of \$3,060,468 (March 31, 2022 - Nil).
- For the three months and period ended March 31, 2023, the Company sold vanadium for \$1,031,862 to Largo which was originally purchased for \$829,269. This resulted in a difference of \$202,593 which was used to reduce cash payments to LCTL for additional purchases. This transaction was done to swap trioxide for ferrovanadium.
- The Company pays safekeeper fees, technical advisory fees, legal and accounting fees, management fees, general and administrative fees, filing and listing fees payable to applicable securities regulatory authorities and the TSX-V. During the three months ended March 31, 2023 and March 31, 2022, the Company incurred expenses of \$249,776 and \$335,272, respectively. This included \$65,936 (March 31, 2022 - \$nil) in management fees payable to Largo, Sprott and Term Oil, and \$nil in transaction and/or technical advisory fees.
- The Company held 1,020MT of physical vanadium products comprised of ferrovanadium, vanadium pentoxide and vanadium trioxide as at March 31, 2023. As at March 31, 2023, the spot price of physical vanadium was \$40.36 per kg V compared to the weighted average cost of \$33.26 per kg V.

- The Company's common shares closed at \$1.29 per share (\$1.75 CAD) on the TSX-V on March 31, 2023.
- The Company's cash operating costs for the three months and period ended March 31, 2023 was \$249,776, and amounted to approximately 0.85%, of the average net assets. Cash operating costs is a non-IFRS measure and is calculated for the applicable period as total expenses per the unaudited statement of comprehensive income (loss) less non-cash listing fees, gain (loss) on revaluation of vanadium, and net of foreign exchange gains (losses).

Ratios and Supplemental Data

Physical vanadium:

During the period ended March 31, 2023, the Company entered into various agreements relating to the purchase of physical vanadium as described below. A reconciliation of vanadium products, held by the Company as at March 31, 2023 is as follows:

	Volume (MT)	Amount (\$)
Opening balance as at January 1, 2023	600	\$16,226,389
Purchases during the period	460	9,418,962
Sales during the period	(40)	(1,031,862)
Change in fair value	-	3,263,061
Ending balance as at March 31, 2023	1,020	\$27,876,550

Prepaid vanadium

As at March 31, 2023 the Company paid \$865,291 in advance for the purchase of 60 MT of vanadium. As at March 31, 2023, the Company had not taken legal title of this vanadium, and as such the advance payment has been recorded in prepaid assets.

Other ratios and supplemental data:

		March 31, 2023	December 31, 2022
Total net asset value ¹	\$	\$29,507,560	27,265,792
Number of common shares outstanding		16,816,799	16,816,799
Quarterly management expense ratio ²		0.85%	-%
Annual management expense ratio		-%	7.53%
Net asset value per share	\$	1.75	1.62
Net asset value per kg of vanadium ³	\$	28.93	45.44
Closing share price - TSX-V	\$	1.29	1.47

¹ Net asset value is a non-IFRS measure and is equal to total assets, less total liabilities on the unaudited statement of financial position.

² Management expense ratio is a non-IFRS measure and is calculated based on total expenses (including applicable Canadian taxes and excluding commissions) for the stated period and is expressed as a percentage of average net asset value during the period.

³ Net asset value per kg of vanadium is a non-IFRS measure and is calculated as total net asset value divided by the amount of vanadium on hand (includes vanadium as well as prepaid inventory).

Total Net asset value

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

	March 31, 2023	December 31, 2022
Total assets	\$ 31,047,482	28,058,266
Total liabilities	(1,539,922)	(792,474)
Total net asset value	\$ 29,507,560	27,265,792

Management expense ratio

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

	Three months ended March 31, 2023	January 20, 2022, to December 31, 2022
Total expenses	\$ 249,776	2,052,368
Average net assets	29,507,560	27,265,792
Management expense ratio	\$ 0.85%	7.53%

Net asset value per share

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

	Three months ended March 31, 2023	January 20, 2022, to December 31, 2022
Total net assets	\$ 29,507,560	27,265,792
Total shares outstanding	16,816,799	16,816,799
Net asset value per share	\$ 1.75	1.62

Net asset value per kg of vanadium

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

	Three months ended March 31, 2023	January 20, 2022, to December 31, 2022
Total net assets	\$ 29,507,560	27,265,792
Total vanadium (KG)	1,020,000	600,000
Net asset value per KG	\$ 28.93	45.44

LIQUIDITY

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

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

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

Sources and uses of funds

As at March 31, 2023, the Company had cash of \$1,472,930 (December 31, 2022: \$6,357,417), which it expects to primarily use to fund operating costs and some small purchases of physical vanadium in accordance with the Company's business plan. It is intended that, after accounting for the costs of the Qualifying Transaction and 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, 90% of the total net assets of the Company will be held in physical vanadium, provided however that in circumstances where the Company's Board believes that it is in the best interests of LPV, LPV may sell some or all of its holdings in physical vanadium, which circumstances may include where insufficient cash is available to fund operating costs.

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

The following table sets forth the funds anticipated to be spent in the 18 months commencing immediately after the completion of the Amalgamation in accordance with the Filing Statement, as well as the funds expended for the year to date:

	Estimated amount per the Filing Statement	January 20, 2022 to March 31, 2023	Variance
Total available funds ¹	\$ 21,666,095	\$ 2,767,209	\$ (18,898,886)
Funds used:			
General and administrative expenses ²	1,683,600	1,704,182	20,582
Purchases of vanadium ³	19,836,066	19,446,038	(390,028)
Total funds used	\$ 21,519,666	\$ 21,150,220	\$ (369,446)

¹ Total available funds as at March 31, 2023 calculated as the difference between the Company's total current assets and current liabilities.

² General and administrative expenses excludes the non-cash listing fees of \$780,618 related to the LPV Acquisition. Further, one-time legal and accounting fees related to the LPV Acquisition of \$816,741 have been included above.

³ Excludes purchase of 140MT of physical vanadium in-kind through the issuance of 890,000 common shares of the Company.

ADDITIONAL DISCLOSURES FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

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

	Three months ended March 31, 2023	For the period from January 20, 2022 to March 31, 2022
Bank fees	\$ 750	\$ 121
Legal and accounting fees	126,324	285,225
Listing fees	-	49,926
Management fees	65,936	-
Directors fees	100,000	-
Recovery of storage and custom fees	(78,483)	-
Subscriptions	6,391	-
Other professional fees	28,858	-
Total	\$ 249,776	335,272

CAPITAL MANAGEMENT

The Company defines its managed capital as shareholders' equity, including common shares, and accumulated net and comprehensive loss. As at March 31, 2023, total managed capital was \$29,507,560 (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 March 31, 2023, management believes that the Company has sufficient resources to fund its investment objectives for the next 18 months.

The Company manages its capital structure under supervision of its board of directors. 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.

OFF-BALANCE SHEET ARRANGEMENTS

In the period from January 1, 2023 to March 31, 2023, the Company did not have nor was it subject to any off-balance sheet arrangements.

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 period ended March 31, 2023, the Company paid professional fees totaling \$7,519 respectively (March 31, 2022: Nil), to Marrelli Support Services Inc, and certain of its affiliates, together referred to as the "Marrelli Group" for: (i) Carmelo Marrelli, beneficial owner of the Marrelli Group, to act as the Chief Financial Officer of the Company, and (ii) corporate secretarial services and regulatory filing services. The Company also accrued \$100,000 related to director fees to be paid to the directors for their service. This has been recorded as an accrued liability at March 31, 2023 (2022: Nil).

For the period ending March 31, 2023, the Company entered into various transactions relating to the purchase of vanadium from Largo (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 during the three-month and period ended March 31, 2023 were as follows:

- For the period ending March 31, 2023, the Company purchased 460MT of vanadium from LCTL with a total fair value of \$9,418,962 (2022: \$Nil) (Note 4). 40MT of vanadium was subsequently sold to LCTL for \$1,031,863 (Note 4).
- During the three months and period ended March 31, 2023, the Company paid \$865,291 (2022: \$Nil) in advance for the purchase of 60MT of vanadium. See Note 4.
- During the three months and period ended March 31, 2023, the Company incurred management fees of \$32,946 (2022: \$Nil) to Largo in exchange for management services. No transaction fees in relation to the supply agreements with Largo were incurred for the three-months and period ended March 31, 2023. As at the period ended March 31, 2023, the Company had accounts payable and accrued liabilities payable to Largo of \$72,508.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Management is required to apply judgment and estimates in determination of appropriate 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.

RISK FACTORS

The Company's business is, and will be, subject to numerous risks and uncertainties. Investment in the Company should be undertaken only by investors who have the ability to assume these risks. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's Annual MD&A for the period from the date of incorporation, January 20, 2022, to December 31, 2022.