

Largo Resources Reports Record Third Quarter 2018 Cash Flows Before Non-Cash Working Capital Items of \$127.5 Million, on Revenues of \$149.5 Million

November 13, 2018 (Source) –

Q3 2018 Highlights

(unless otherwise noted, all financial amounts in this news release are expressed in Canadian dollars)

- Net income of \$71.4 million and basic earnings per share of \$0.14
- Revenues of \$149.5 million in Q3 2018, a 179% increase over Q3 2017 and a 45% increase over Q2 2018
- Cash provided before non-cash working capital items¹ of \$127.5 million in Q3 2018, an increase of 64% over Q2 2018
- Cash operating costs² of \$5.41 (US\$4.14) in Q3 2018
- Record production of 2,563 tonnes of vanadium pentoxide (V₂O₅) in Q3 2018, a 4% increase over Q2 2018 and a 16% increase over Q1 2018
- Record overall V₂O₅ recovery rate of 82.2% achieved during the month of September
- Cash balance of \$128.1 million and net debt level² of ~\$35 million as of September 30, 2018
- Average V₂O₅ price of ~US\$19.66/lb V₂O₅ in Q3 2018

Largo Resources Ltd. (“**Largo**” or the “Company”) (TSX: **LGO**)

(OTCQX: LGORF) is very pleased to report record cash provided before non-cash working capital items of \$127.5 million and basic earnings per share of \$0.14 on record revenues of \$149.5 million during the third quarter 2018. Production at the Maracás Menchen Mine for the quarter was 2,563 tonnes of V₂O₅, representing a new quarterly production record and the Company's strongest quarter of production to date.

Mark Smith, Chief Executive Officer for Largo, stated

: "Largo delivered robust financial performance as a result of record operational output from the Maracás Menchen Mine in the third quarter. The Company also reported the highest ever revenues and operating cash flows to date of \$149.5 million and \$113.4 million, respectively, and continues to strengthen its balance sheet every quarter. Production at the Maracás Menchen Mine continued to be strong delivering its best quarter of the year with record production of 2,563 tonnes of V₂O₅. We continue to advance the expansion project at the Maracás Menchen Mine and the Company remains on track to achieve its increased production guidance for 2018."

1	Cash provided before non-cash working capital items is calculated prior to income tax paid of \$7.0 million.
2	Largo reports non-GAAP measures such as "Cash Operating Costs" and "Net Debt". Please see information on this non-GAAP measure in the "Non-GAAP Measures" section of this new release.

Consolidated Q3 2018 Financial and Operational Results

Financial

All financial figures are in Canadian dollars unless otherwise stated.

			Three months ended
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		September 30, 2018		September 30, 2017
Revenues	\$	149,458	\$	53,507
Direct mine and mill costs		(21,275)		(20,093)
Operating costs		(36,706)		(30,165)
Net income (loss) before tax		91,734		13,486
Income tax expense		(6,930)		–
Deferred income tax expense		(13,388)		–
Net income		71,416		13,486
Basic earnings per share		0.14		0.03
Diluted earnings per share		0.11		0.03
				Three months ended
		September 30, 2018		September 30, 2017
Cash provided before non-cash working capital items	\$	127,455	\$	29,453
Net cash provided by operating activities		113,439		8,111
Net cash (used in) provided by financing activities		(64,164)		662
Net cash used in investing activities		(3,995)		(4,982)
				As at
		September 30, 2018		September 30, 2017

Cash	\$	128,061	\$	16,049
Restricted cash		—		162
Working capital ¹		171,748		(55,913)
1.	<i>Defined as current assets less current liabilities per the consolidated statements of financial position</i>			

Operational

		Q3 2018	Q3 2017	2017 Total
V ₂ O ₅ flake produced (flake + powder) (tonnes)		2,563	2,513	9,297
Crushing recovery (%)		96.7	94.8	95.7
Milling recovery (%)		96.6	98.2	98.0
Kiln recovery (%)		86.8	87.0	86.1
Leaching recovery (%)		97.8	97.9	97.0
Chemical plant recovery (%)		97.3	96.4	96.7
Global recovery (%) ¹		77.1	76.5	75.7

1. *Global recovery is the product of crushing recovery, milling recovery, kiln recovery, leaching recovery and chemical plant recovery.*

		Q3 2018	Q3 2017
V ₂ O ₅ flake produced (equivalent pounds) ¹		5,650,441	5,540,210
Cash operating costs ^{2, 3} per pound	CDN\$	\$5.41	\$4.47
	US\$⁴	\$4.14	\$3.56
	R\$⁴	\$16.34	\$11.27

1. *Conversion of tonnes to pounds, 1 tonne = 2,204.62 pounds or lbs.*

2.	<p>The cash operating costs reported are on a non-GAAP basis. Cash operating costs include all cash expenditures, the main categories being mining costs, plant and maintenance costs, sustainability costs, mine and plant administration costs, royalties and sales, general and administrative costs ("SG&A"). Cash operating costs excludes depreciation and amortization charges, interest or any other debt servicing costs and commissions on sales. Refer to the "Non-GAAP Measures" section of this press release.</p>
3.	<p>Excludes corporate SG&A or CAPEX (Capital Expenditures).</p>
4.	<p><i>Refer to Management's Discussion and Analysis for the three-month period ended September 30, 2018 for exchange rates used.</i></p>

Third Quarter Operational Results

Total production at the Maracás Menchen Mine for the third quarter 2018 was a record 2,563 tonnes of V₂O₅ compared to 2,513 tonnes in Q3 2017 and 2,458 in Q2 2018. This marks the third consecutive quarter of strong production in 2018 and the highest quarterly production recorded in the Company's history.

The global recovery rate in Q3 2018 was 77.1% which was slightly lower than Q2 2018 as a result of kiln refractory liner maintenance in July and August. The kiln performance also impacted downstream recoveries as leaching recovery and milling recovery was affected by a coarser grind size. The Company has taken steps to implement improvements in maintenance and production practices, which have resulted in a higher level of stability through all operational areas as evidenced by the increased rates exiting the quarter.

The Company uses production drilling prior to blasting to better define the ore and waste material being mined. This dilution control procedure has resulted in less ore being mined, but with a higher grade than expected. The V₂O₅ content of the mined ore and the mine sequencing is consistent with

that anticipated in the Technical Report entitled, “An Updated Mine Plan, Mineral Reserve and Preliminary Economic Assessment of the Inferred Resources”. The Company’s crushing and milling costs have benefited from the implementation of this procedure as a result of the lower throughput of material in these sections of the plant.

Total sales of V_2O_5 during Q3 2018 was 2,500 tonnes, inclusive of 260 tonnes of high-purity V_2O_5 . The Company remains focused on developing premium products with the commissioning of the high-purity and powder screening and packing systems in Q4 2018. Additionally, the Company plans to establish operational procedures and laboratory certification for quality assurance purposes.

Following the strong operational performance during the quarter, the Company has postponed the kiln refractory shutdown to Q1 2019. The shutdown in Q1 2019 is anticipated to last for 26 days, with no production expected on 17 of those days. In addition, the expansion project to achieve production of 1,000 tonnes of V_2O_5 per month (the “Expansion Project”), from the current average 2018 monthly production of approximately 800 tonnes, is progressing as planned, with a completion target of Q2 2019. The Instituto do Meio Ambiente e Recursos Hidricos recently issued the Company’s environmental license for the Expansion Project on November 2, 2018. The Company also received confirmation of the renewal of our operating license for the Maracas Menchen Mine (the “Licença de Operação” or “L.O.”) on October 5, 2018. The renewed L.O. is valid for a period of 2 years and may then be further extended within 6 months of the L.O.’s new expiry date for an additional 2-5 year period.

Third Quarter 2018 Financial Results

The Company reported robust net income before tax of \$91.7 million and net income of \$71.4 million, with basic earnings per share of \$0.14 in Q3 2018 after the recognition of an

income tax expense of \$6.9 million and deferred income tax expense of \$13.4 million. This represents another strong quarter of net income for the Company and is a \$57.9 million increase over Q3 2017. The Company's cash balance was \$128.1 million exiting the quarter.

The Company reported another quarter of record revenues in Q3 2018 of \$149.5 million, compared to \$53.5 million in the Q3 2017 and \$103.3 million in Q2 2018. This constitutes the highest revenue recorded by the Company for a single quarter to date. The significant increase in revenues over Q3 2017 is primarily attributable to an increase in V₂O₅ prices and record production in Q3 2018. The average price per pound of V₂O₅ was approximately US\$19.66 for Q3 2018, compared to approximately US\$8.24 for Q3 2017.

Cash provided before non-cash working capital items³ was \$127.5 million in Q3 2018, a 64% increase over Q2 2018 and compared to \$29.5 million in Q3 2017. Net cash provided by operating activities was \$113.4 million in Q3 2018 increasing 63% over Q2 2018 and compared to \$8.1 million in Q3 2017.

Direct mine and mill costs for Q3 2018 were \$21.3 million as compared to \$19.1 million in Q2 2018 and \$20.1 million in Q3 2017. Cash operating costs⁴ for the quarter were \$5.41 per pound of V₂O₅ compared to \$4.97 in Q2 2018 and \$4.47 in Q3 2017. The cost per pound for Q3 2018 was higher when compared with Q2 2018, primarily due to the higher specific consumption of sodium carbonate and ammonium sulphate, as well as significantly higher Heavy Fuel Oil "HF0" prices. Cash operating costs¹ also include royalties, which vary based on the price of V₂O₅. Royalties for Q3 2018 were \$8.0 million (\$1.42 or US\$1.09 per lb of V₂O₅) as compared to \$2.0 million (\$0.36 or US\$0.29 per lb of V₂O₅) in Q3 2017.

Debt Repayment

The Company announced on August 2 that it had repaid in full an aggregate of US\$144.1 million in debt owing to the Brazilian Development Bank (“BNDES”) and to Largo’s syndicate of commercial lenders comprised of Itaú Unibanco S.A., Banco Bradesco S.A. and Banco Votorantim S.A. (collectively, the “Syndicate”), being all amounts owing to the BNDES and the Syndicate (the “Repayment”). The Repayment was a condition of Largo’s US\$150 million note offering (the “Offering”) which was completed on May 22, 2018 pursuant to which Largo was provided with 180 days in which to satisfy the escrow release conditions and provide a pledge over all of the shares it holds in its operating subsidiary, Vanadio de Maracás S.A (the “Pledge”). Having completed the Repayment, Largo has discharged the existing security and is now working to register the existing security and anticipates having the Pledge in place in advance of the deadline provided for under the Offering. On October 26, 2018, the Company completed the registration of the Pledge and has now provided the required evidence of same to the trustee under the indenture governing the Notes.

Also, on September 19, 2018 the Company announced that it would redeem US\$15 million in aggregate principal amount, representing 10% of the US\$150 million aggregate principal amount currently outstanding, of its 9.25% Senior Secured Notes due in 2021 on September 20, 2018. This redemption was completed on September 20, 2018.

In addition, the Company announced on September 27, 2018 that it had repaid in full to Banco Pine S.A. its outstanding debt (the “BP Debt”) of R\$80.0 million. The BP Debt was the only long-term debt that remained outstanding in Brazil following the repayment of the Company’s facilities in August 2018. The Company has always maintained a strategic objective to repay debt and further strengthen its balance sheet. As of September 30, 2018 the Company’s net debt⁵ level was approximately \$35.0 million.

3	Cash provided before non-cash working capital items is calculated prior to income tax paid of \$7.0 million .
4	Largo reports non-GAAP measures such as “Cash Operating Costs” and “Net Debt”. Please see information on this non-GAAP measure in the “Non-GAAP Measures” section of this new release.
5	Net debt is a non-GAAP measure and is defined as cash and restricted cash less current portion of long-term debt and long-term debt per the consolidated statements of financial position. Please see information on this and other non-GAAP measures in the “Non-GAAP Measures” section of this new release

Conference Call

Largo Resources’ management will host a conference call on Thursday, November 15, 2018, at 11:00 a.m. EDT, to discuss both operational and financial results for the third quarter of 2018.

Conference Call Details:

Date:	Thursday, November 15, 2018
Time:	11:00 a.m. EDT
Dial-in Number:	Local / International: +1 (416) 764-8688
	North American Toll Free: (888) 390-0546
	Brazil Toll Free: 08007621359
Conference ID:	05557008
Replay Number:	Local / International: + 1 (416) 764-8677
	North American Toll Free: (888) 390-0541
	Replay Passcode: 557008#

Website:	To view press releases or any additional financial information, please visit our Investor Relations section of the Largo Resources website at: www.largoresources.com/investors
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A playback recording and webcast slides will be available on the Company's website for a period of 60-days following the conference call and webcast.

The information provided within this release should be read in conjunction with Largo's unaudited condensed consolidated interim financial statements and management's discussion and analysis for the three and nine months ended September 30, 2018, which are available on our website at www.largoresources.com and on SEDAR.

Technical Disclosure/Qualified Person

Mr. Robert Campbell M.Sc, P.Geo is a Qualified Person as defined under National Instrument 43-101 Standards of Disclosure for Mineral Projects and has reviewed the technical information in this press release.

About Largo Resources

Largo is a Toronto-based strategic mineral company focused on the production of vanadium flake, high purity vanadium flake and high purity vanadium powder at the Maracás Menchen Mine located in Bahia State, Brazil. The Company's common shares are principally listed on the Toronto Stock Exchange under the symbol "LGO". For more information on Largo, please visit our website at www.largoresources.com.

Neither the Toronto Stock Exchange (nor its regulatory service provider) accepts responsibility for the adequacy or accuracy of this release.

Forward Looking Information

Disclaimer: This press release contains forward-looking information under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to timing for and completion of the Maracás Menchen Mine expansion project and the costs associated therewith; Largo's development potential and timetable of its operating, development and exploration assets; Largo's ability to raise additional funds as may be necessary; the future price of vanadium; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; the realization of mineral reserve estimates; the timing and amount of estimated future production, development and exploration; costs of future activities; capital and operating expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". All information contained in this news release, other than statements of current and historical fact, is forward looking information. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Largo to be materially different from those expressed or implied by such forward looking statements, including but not limited to those risks described in the annual information form of Largo and in its public documents filed on SEDAR from time to time. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. Although management of Largo has attempted to identify important

factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Largo does not undertake to update any forward-looking statements, except in accordance with applicable securities laws. Readers should also review the risks and uncertainties sections of Largo's annual and interim MD&As.

Non-GAAP⁶ Measures

The Company uses certain non-GAAP financial performance measures in its MD&A, which are described in the following section.

6	GAAP – Generally Accepted Accounting Principles.
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Cash Operating Costs

The Company's MD&A refers to cash operating costs per pound produced, a non-GAAP performance measure, in order to provide investors with information about a key measure used by management to monitor performance. This information is used to assess how well the Maracás Menchen Mine is performing compared to plan and prior periods, and also to assess its overall effectiveness and efficiency.

Cash operating costs includes mine site operating costs such as mining costs, plant and maintenance costs, sustainability costs, mine and plant administration costs, royalties and sales, general and administrative costs, but excludes depreciation and amortization, share-based payments, foreign exchange gains or losses, commissions, reclamation, capital expenditures and exploration and evaluation costs. These costs are then divided by the pounds of production from the

Maracás Menchen Mine to arrive at the cash operating costs per pound produced.

The measure, along with revenues, is considered to be one of the key indicators of the Company's ability to generate operating earnings and cash flow from its. These cash operating costs do not have any standardized meaning prescribed by IFRS and differ from measures determined in accordance with IFRS. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of net earnings or cash flow from operating activities as determined under IFRS.

The following table provides a reconciliation of cash operating costs per pound produced for the Maracás Menchen Mine to operating costs, excluding depreciation expense as per the consolidated financial statements.

	Three months ended			
		September 30, 2018		September 30, 2017
Operating costs ¹	\$	36,706	\$	30,165
Professional, consulting and management fees ²		710		2,186
Other general and administrative expenses ²		564		455
Less: depreciation and amortization expense ¹		(7,402)		(8,064)
Cash operating costs	\$	30,578	\$	24,742
V ₂ O ₅ flake produced (000s lb)		5,650		5,540

Cash operating costs per pound produced (\$/lb)	\$	5.41	\$	4.47
		Nine months ended		
		September 30, 2018		September 30, 2017
Operating costs ¹	\$	98,109	\$	89,691
Professional, consulting and management fees ²		7,068		5,607
Other general and administrative expenses ²		1,411		410
Less: depreciation and amortization expense ¹		(23,684)		(24,296)
Cash operating costs	\$	82,904	\$	71,412
V ₂ O ₅ flake produced (000s lb)		15,950		14,899
Cash operating costs per pound produced (\$/lb)	\$	5.20	\$	4.79
1.	<i>Refer to note 20 in the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 and 2017.</i>			
2.	<i>Refer to the Mine properties segment in note 16 in the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 and 2017.</i>			