

Largo Resources ready to ramp up production as vanadium prices to increase in 2015

The Canadian group Largo Resources ('Largo', TSXV: LG0 |  OTCMKTS: LGORF), through its Brazilian subsidiary Maracas Vanadium, started production of vanadium ore, last March, in the Municipality of Maracas in the southwest of Bahia, Brazil; shipments began in early September. It is the first vanadium project in the Americas and its target is to reach 11,700 tons at full capacity. Largo's CEO, Mark Brennan is confident that Maracas has, simply put, one of the best and highest grade vanadium deposits in the world with grades of 1.3% – twice as high as the majority of known vanadium deposits. Largo has very favorable prospects for 2015 thanks to its own performance and production ramp up capabilities and thanks to improving market conditions for vanadium.

Last December, Largo published an update of its activities at Maracas, reporting that vanadium production and commercial shipments have been increasing steadily and that current output is around 11-18 tons of vanadium pentoxide a day (45% – 65% of production capacity). Despite some difficulties due to heavy rains and some equipment malfunction, Largo has already shipped 1.6 million pounds of vanadium pentoxide and Brennan expects production to exceed 20 tons /day in the near future and possibly within the first half of 2015. Largo can also boast high efficiency, being the lowest cost (and therefore lowest risk) vanadium producer in the world. Largo alone could end up producing almost 10% of the world's total supply of vanadium pentoxide; moreover, its deposit is considered to be of exceptional quality because of its low silica content, which makes it easier and cheaper to process.

Vanadium is becoming essential for the production of steel as

aircraft and automotive manufacturers address demand for lighter and tougher materials, which contribute to reducing fuel consumption and reduce emissions. Steel companies are now offering high strength low alloy steels which the fastest growing segment of the steel market and vanadium is key for its production. China is another important driver of vanadium demand because of its use in high strength steel for construction. In fact, rising consumption of vanadium began in 2004, driven by China, which began to use it to construct more structurally sound buildings, after a series of devastating earthquakes in the country. Largo also expects to address demand from customers in Canada, USA, Germany, Korea, China, Japan, India, Argentina and Scandinavia through an offtake agreement with Glencore. Most of Largo's competition is in South Africa, Russia and China, which together control more than 97% of global production.

The growing demand for efficient batteries will also have a favorable impact on vanadium demand thanks to such innovations in technology as the vanadium-redox battery, which shall make it possible to store energy produced from wind turbines. In 2014, vanadium prices and demand were stable but prices did not increase as expected because of excess inventory and the pressure continued and growing Chinese steel producers that are suffering because of the low prices of the metal. However, considering the overall downward pressure in metals prices overall in 2014, vanadium has emerged in much better shape than most. Currently the prices of vanadium are in the neighborhood of USD\$ 11/kg and some analysts predict demand growing by 8% in 2015, which is not surprising given that in 2008 vanadium hit a price of USD\$ 70/kg in following a devastating earthquake in China.

The dramatic Sichuan earthquake of 2008, which killed more than 68,000 people, has highlighted the importance of vanadium for the construction of more resistant buildings. Earthquakes can cause buildings to catch fire, which heats the metal

structures to melting point causing them to collapse. Metal structures alloyed with vanadium not suffer from this problem. China now uses about 40% of all the vanadium produced in the world and the trend is heading for further growth. The good news is that analysts consider the current price of vanadium pentoxide to be very low. In the next year or two, prices are projected to reach USD\$ 14/kg – and this before any considerations about the possible impact of political tensions in Russia, a world leader in the production of vanadium. Apart from increased demand from the battery industry, western economic sanctions could cut off supplies of Russian vanadium, sending prices higher and faster than expected.