

Are you ready for the Vanadium price explosion?

I have long championed vanadium as a metal of choice for the modern investor; the super-metal is predominantly used to strengthen steel, yet many more advanced uses currently litter the horizon. Decreasing prices of the last fifteen years are finally on the up, and the trend is set to continue amid a complex cocktail of mine closures, rising demand and decreasing stockpiles. As the only pure-play producer of Vanadium, Largo Resources Ltd. (TSX: LGO | OTCQB: LGORF) (“Largo”) have successfully weathered the storm with impressive financial and operational results from 2016 and Q1 2017, and CEO Mark Smith is entirely confident that vanadium is rapidly approaching a significant high, an outlook corroborated by numerous analysts.

The steady historic decline in vanadium prices is, in part, due to the fact that China has been overproducing the metal for years, exporting the excess and undercutting a myriad of global producers, as well as the considerable market share obtained by South African producers up until 2014. In spite of the tough market conditions, Largo have continued to increase revenues, production quantities and recovery rates, and, in my opinion, the company is now sitting pretty at the bottom of a rather steep price curve.

The last couple of years has witnessed some significant shifts in the structure of supply; since 2014, output from China has been reduced, some major South African mines have ceased operations, and Russia has now become the second largest contributor to feedstocks, overtaking South Africa post-2014. Even so, growth in Russian production has stagnated somewhat, but it's the fall in South African production that has caused the largest change to the metrics. Demand now exceeds supply, and moreover, according to Mark Smith, global vanadium

stockpiles have been diminishing for a number of years. Couple this with further increasing requirements and readers may see why prices have doubled since the low-point of 2015.

Looking forward, the US steel industry is to be heavily bolstered by President Trump's planned infrastructure boom, which should see offtake increased to meet the massive demands that will be placed on American steelmakers. Furthermore, new battery technologies are emerging constantly, and vanadium is pegged to feature in the energy storage boom of the next decade. While 90% of vanadium is currently used in steelmaking, the considerable interest in vanadium redox batteries for their ability to safely store industrial levels of energy is likely to be a disruptive influence on demand from 2020 onwards.

These factors should see the sharp-edge of vanadium prices come about within five years, providing an incentive for juniors the world over to reactivate older mines and begin exploring new claims, but Largo are already eminently positioned to ride the wave, and the company's consistent increases to production amid bottomed-out prices is a testament to the strength of both the team and the operation.

Maracas Menchen is the only recently commissioned vanadium project in the world, and while many others will be scrabbling to join them for the coming fair weather, there's really no substitute for experience. Company stocks are currently trading at C\$0.46 (*Source: Yahoo Finance, 14 June*) with a market capitalization of just under C\$205m; any investor that's heard the vanadium buzz should be able to see that this is a portfolio opportunity that comes around very rarely indeed.