

TORONTO, Jan. 29, 2016 /CNW/ - [Largo Resources Ltd.](#) ("Largo" or the "Company") is pleased to announce today that (i) it has closed a first tranche of its US\$26,500,000 (approximately CDN\$39,000,000) non-brokered offering (the "Offering") of Units (as defined below) previously announced in the Company's news release dated January 19, 2016 (the "First Tranche"), and (ii) the Company has signed a binding term sheet with its consortium of existing commercial banks in Brazil (collectively, the "Lenders") for a new debt facility (the "New Facility") and the restructuring of its export credit facilities (the "Export Facilities") for its Maracás Menchen Mine.

Mark Smith, President and Chief Executive Officer for Largo, stated: "We sincerely appreciate the support of both our new and existing shareholders as well as our Lenders, who all remain committed to the on-going success of Largo and its Maracás Menchen Mine. Working together with all of our stakeholders we have been able to push through a challenging few months and are now more confident than ever in the future success of the Maracás Menchen Mine."

Closing of the First Tranche of the Offering

The Company is very pleased to announce that the closing of the First Tranche resulted in gross proceeds to the Company of CDN\$13,285,982 from the sale of 75,919,898 units of the Company (the "Units"). The proceeds realized from the First Tranche will be used for ongoing working capital requirements at the Company's Maracás Menchen Mine which is a condition of the Company's restructuring of its existing Export Facilities with the Lenders, and for general corporate and working capital purposes. The remainder of the Offering is expected to close in full on or about February 4, 2016 (the "Second Tranche").

Each Unit was sold at a price of CDN\$0.175 and consists of one common share of the Company (each, a "Common Shares"), and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable into one Common Share at a price of CDN\$0.29 per share for a period of five years from closing of the Offering.

Funds managed by Arias Resource Capital Management LP (the "ARC Funds") purchased an aggregate of 62,176,283 Units in the First Tranche for gross proceeds to the Company of CDN\$10,880,849.53. The ARC Funds are a "Control Person" of the Company (as defined in the TSX Venture Exchange Corporate Finance Manual). Prior to the closing of the Offering, the ARC Funds owned approximately 46.30% of the Company's issued and outstanding Common Shares and following closing of the First Tranche, the ARC Funds own approximately 55.98% of the Company's then issued and outstanding Common Shares (or approximately 64.72% of the Company's issued and outstanding Common Shares in the event that the ARC Funds exercised all of the convertible securities held by them). The Company anticipates that the ARC Funds will subscribe for additional Units in the Second Tranche. The shareholders of the Company approved the creation of the ARC Funds as a Control Person of the Company at the annual and special meeting of the shareholders of the Company held on June 27, 2013. The ARC Funds' participation in the Offering was conditional upon several conditions, including the execution and delivery of an amendment to the director nomination agreement entered into on May 22, 2015 pursuant to which Largo will permit the ARC Funds to designate one additional person to be nominated for election to Largo's board of directors by Largo shareholders, including at the next annual meeting of Largo shareholders, for so long as the ARC Funds, whether individually or together, own at least 50% of the issued and outstanding Common Shares. These nomination rights are in addition to the ARC Funds' existing nomination rights more fully set out in the Company's press release issued on May 22, 2015 and, accordingly, assuming the ARC Funds ownership remains equal to or above 50% of the issued and outstanding Common Shares, the ARC Funds will designate four of the seven persons to be nominated for election as directors at the next annual meeting of Largo's shareholders.

In addition, Mr. Mark Smith, President and Chief Executive Officer and a director of Largo, subscribed for an aggregate of 2,500,000 Units in the First Tranche.

The Offering was considered and approved by the board of directors of the Company. J. Alberto Arias, a director of Largo who is also the sole director of each of the general partners of the ARC Funds and indirectly controls Arias Resource Capital Management LP, Sam Abraham, a director of Largo and an employee of Arias Resource Capital Management LP, and Mark Smith, President, Chief Executive Officer and a director of Largo, each declared a conflict and recused themselves from voting on the Offering. The remaining directors voted unanimously to approve the Offering.

Pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"), the purchase by the ARC Funds of the Units under the Offering is a "related party transaction". The Company is exempt from the requirements to obtain a formal valuation or minority shareholder approval in connection with the Offering in reliance on section 5.5(g) of MI 61-101, as the Company is in serious financial difficulty and the Company's board of directors, acting in good faith, have all determined that (i) the Company is in serious financial difficulty, (ii) the Offering is designed to improve the financial position of the Company, and (iii) the terms of the Offering are reasonable in the circumstances of the Company. In addition, the Company is currently not subject to any court approval under bankruptcy or insolvency law or section 191 of the Canada Business Corporations Act or any equivalent legislation of another jurisdiction and the Company has one or more independent directors in respect of the Offering. The material change report is being filed less than 21 days before the closing of the Offering as the Company requires the consideration it will receive in connection with the Offering immediately for working capital purposes.

Entering into of New Facility and the Restructuring of the Export Facilities

Largo is pleased to announce that, further to its press release dated December 17, 2015, it has entered into a binding term sheet with the Lenders for its New Facility and the restructuring of its Export Facilities. The terms of the New Facility include:

- Working capital facility of up to R\$104,596,000 (Brazilian reais), disbursed in 11 monthly payments over 2016 (the "Disbursement Date").
- Working capital facility of up to R\$8,151,000 (Brazilian reais), disbursed in 11 monthly payments over 2016.
- Working capital facility in an amount equivalent to the mark-to-market value of the swap contract applicable to one of the Company's Export Facilities.
- Margin equal to the Interbank rate ("CDI") + 5.70% per annum.
- Two-year grace period on the payment of interest and principal, measured from the Disbursement Date. Quarterly repayment (in arrears) of the New Facility commences after the end of the grace period.
- Final maturity 84 months after the Disbursement Date.
- Use of proceeds strictly to pay interest and principal falling due under the Company's existing construction debt facility and to pay the swap settlements pertaining to one of the Company's Export Facilities.

The restructuring of the Export Facilities includes the amendment to set forth that the principal and interest installments due for the 12 months after the Disbursement Date shall be payable on the same payment terms of the New Facility. The binding term sheet requires the Company to comply with various amended financial and non-financial covenants during the term of the grace periods. At the completion of the grace period, the Company will be obligated to comply with the covenants set forth in the existing debt facilities.

Mark Smith, President and Chief Executive Officer for Largo, stated: "We believe the Maracas Menchen Mine has now proven its technical merit and will benefit greatly from any increase in Vanadium prices from the current historic lows."

About Largo

Largo (TSX-V: LGO) is a growing strategic mineral company focused on continuing the production of vanadium at its Vanadio de Maracás Menchen Mine.

Vanadium is primarily used as an alloy to strengthen steel and reduce its weight. Vanadium enhanced steels are used in a vast and growing range of products that are used and encountered every day; including, rebar, automobiles, transport infrastructure etc. With consumption increasing at a compound annual growth rate of over 8% for the past several years (Roskill, 2015), vanadium is a burgeoning commodity which lacks opportunities for investment in the wider market place. As trends in the steel industry now demand increasingly stronger and lighter products for advanced applications, the use of vanadium is expected to continue this growth over the medium and long term.

Largo also has interests in a portfolio of other projects, including: a 100% interest in the Currais Novos Tungsten Tailings Project in Brazil; a 100% interest in the Campo Alegre de Lourdes Iron-Vanadium Project in Brazil; and a 100% interest in the Northern Dancer Tungsten-Molybdenum property in the Yukon Territory, Canada.

Largo is listed on the TSX Venture Exchange under the symbol "LGO".

For more information please refer to Largo's website: www.largoresources.com

Join our mailing list: <http://www.largoresources.com/English/about-us/email-alerts/default.aspx>

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 completion of any financings; Largo's development potential and timetable of its operating, development and exploration assets; Largo's ability to raise additional funds necessary; the future price of vanadium, tungsten and molybdenum; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; 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.

Continue to Follow, Like and Watch our progress!

NEITHER THE TSX VENTURE EXCHANGE (NOR ITS REGULATORY SERVICE PROVIDER) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY OR ACCURACY OF THIS RELEASE

SOURCE [Largo Resources Ltd.](#)

Contact

Alex Guthrie, Coordinator, Corporate Communications, 416.861.9797, aguthrie@largoresources.com