

# Stornoway Reports First Quarter 2018 Production and Sales Results

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LONGUEUIL, Quebec, April 11, 2018 (GLOBE NEWSWIRE) -- [Stornoway Diamond Corp.](#) (TSX:SWY) (the "Corporation" or "Stornoway") is pleased to provide production and sales results at the Renard Diamond Mine for the first quarter ended March 31, 2018. Highlights are as follows:

*(All quoted figures in CAD\$ unless otherwise noted)*

- 399,135 carats sold in three tender sales for gross proceeds<sup>1</sup> of \$56.4 million<sup>2</sup> at an average price of US\$112 per carat (\$141 per carat<sup>2</sup>).
- Included in the sales was a 37 carat Type II-a, D colour, internally flawless stone that sold for US\$1.3 million (US\$36,000 per carat), the highest price achieved for an individual stone from the Renard Diamond Mine to date.
- First quarter diamond production was 285,851 carats produced from the processing of 562,520 tonnes of ore at an average grade of 51 cpht. Grade and carat recoveries during the quarter reflect the processing of lower grade production ore and ore stockpiles as the Renard mine transitions from open pit to underground mining.
- Subsequent to the quarter end, the Corporation recovered a 189 carat stone that, while of relatively low quality, is notable for being one of the largest diamonds ever reported to have been recovered in Canada.

Matt Manson, President and CEO of Stornoway commented: "The first quarter saw a strong performance for Stornoway in sales and pricing, with successively higher prices at each of our three sales reflecting an improved size and quality mix and a strong start to the year for the diamond market. The quarter also saw the sale of our highest value stone to date, and ended with the recovery of the largest stone to date. To our knowledge, this is one of the largest diamonds ever reported recovered in Canada since diamond mining began in 1998. Our first quarter also saw lower than expected carat production, which was primarily due to the processing of lower grade ore from stockpile as we complete mining in the Renard 2-Renard 3 open pit and transition to underground mining. This transition, and the commissioning of our new ore-waste sorting circuit, are progressing satisfactorily. Both are scheduled to be complete by the end of the second quarter, at which time the principal capital expenditure of this long-life project will be behind us."

## First Quarter Diamond Sales Results

The first quarter sales of 399,135 carats represented run-of-mine production recovered between October 2017 and January 2018. Gross proceeds<sup>1</sup> were \$56.4 million<sup>2</sup> at an average price of US\$112 per carat (\$141 per carat<sup>2</sup>). On a segmented basis, 286,051 carats of +7 DTC sieve size diamonds were sold at an average price of US\$148 per carat (\$187 per carat<sup>2</sup>), and 113,083 carats of -7 DTC sieve size diamonds were sold at an average price of US\$20 per carat (\$26 per carat<sup>2</sup>). Revenue from the third sale of the quarter will be recorded in the second quarter, as deliveries to clients were made subsequent to the quarter-end.

In addition to the sale of run of mine production, an additional 42,663 carats of diamonds smaller than the -7 DTC sieve size were sold in an out of tender contract sale for gross proceeds of \$1.0 million<sup>3</sup> at an average price of US\$18.50 per carat (\$24 per carat<sup>3</sup>). These represent recoveries of small diamond "incidentals" produced between October 2017 and February 2018 that are in excess of that expected from the Renard Mineral Resource. The sale of such incidentals represents incremental revenue above that provided in Stornoway's FY2018 segmented sales guidance.

<sup>1</sup> Before stream and royalty.

<sup>2</sup> Based on an average \$: US\$ conversion rate of \$1.2661

<sup>3</sup> Based on an average \$: US\$ conversion rate of \$1.2894

#### First Quarter Production Results

First quarter mine production was 285,851 carats recovered from the processing of 562,520 tonnes of ore at an attributable grade of 51 carats per hundred tonnes (&ldquo;cpht&rdquo;). During the quarter, mining in the Renard 2-Renard 3 open pit was hampered by poor weather conditions which restricted mining access and impacted equipment availability. In addition, approximately 55,000 tonnes of high grade Renard 2 ore which was scheduled for mining at the base of the pit could not be recovered due to unsafe working conditions adjacent to the west pit wall. This resulted in a higher proportion of low grade stockpile material being processed during the quarter than was planned, with a commensurate reduction in carat recoveries. In addition, the extreme weather conditions resulted in lower than expected plant availability, as ore froze in feed-bins. Processing rates in the quarter averaged 6,250 tonnes per day compared to an annual plan of 7,000 tonnes per day.

By the end of the quarter, open pit mining at Renard 2 had been completed, and a progressively higher proportion of processed ore was being derived from the Renard 2 underground mine. Processing in March averaged 6,750 tonnes per day. Second quarter production is expected to be sourced predominantly from the underground mine as production from the 290 meter level ramps-up, supplemented by Renard 3 open pit ore, Renard 65 open pit ore and low grade stockpile. Underground mine production commenced in the first quarter on schedule, with a focus on production blasting, the build up of ore inventory in the production stopes, and rock mass monitoring as experience is gained with the mining method. Ore available for processing will be derived predominantly from the underground mine by the beginning of the third quarter.

Equipment commissioning of the new ore-waste sorting circuit at Renard commenced on March 25<sup>th</sup>. During the second quarter, a progressively higher volume of ore will be processed through the new circuit as spectral sorting configurations are established and the main process plant is re-balanced. Full transition to underground mine production and ore-waste sorting is expected to be completed by the end of the second quarter.

#### FY2018 Guidance

Sales pricing achieved during the first quarter was within or above FY2018 guidance provided in January 2018, which on a segmented basis US\$125 to US\$165 per carat for +7 DTC sieve size production and US\$15 to \$19 per carat for -7 DTC sieve size production.

Carat production during the first quarter was lower than planned. Higher than budgeted carat production in the remainder of the year will be required to achieve Stornoway&rsquo;s full year FY2018 production guidance of 1.6 million carats produced and 1.6 million carats sold.

#### Notable Diamond Recoveries

Included in Stornoway&rsquo;s March 2018 tender sale was a 37 carat Type II-a, D colour, internally flawless stone that sold for US\$1.3 million (US\$36,000 per carat). This is the highest price achieved for an individual stone from the Renard Diamond Mine to date. The stone is believed to have been derived from the Renard 65 kimberlite. Subsequent to the quarter end, a 189 carat diamond was recovered from the processing of blended Renard 2-Renard 3 ore. While of relatively low &ldquo;clivage&rdquo; quality, this stone is notable for being amongst the largest diamonds ever reported to have been recovered in Canada. The largest gem quality diamond reported recovered in Canada to date was the 187.7 Foxfire diamond recovered at the Diavik Diamond Mine in 2015. In 2017, fragments of a Renard stone believed to have originally exceeded 200 carats in size were recovered, with the largest individual fragment weighing 77 carats.

#### About the Renard Diamond Mine

The Renard Diamond Mine is Quebec&rsquo;s first producing diamond mine and Canada&rsquo;s sixth. It is

located approximately 250 km north of the Cree community of Mistissini and 350 km north of Chibougamau in the James Bay region of north-central Québec. Construction on the project commenced on July 10, 2014, and commercial production was declared on January 1, 2017. Average annual diamond production is forecast at 1.8 million carats per annum over the first 10 years of mining. Readers are referred to the technical report dated January 11, 2016, in respect of the September 2015 Mineral Resource estimate, and the technical report dated March 30, 2016, in respect of the March 2016 Updated Mine Plan and Mineral Reserve Estimate for further details and assumptions relating to the project.

#### Qualified Person

Disclosure of a scientific or technical nature in this press release was prepared under the supervision of M. Patrick Godin, P.Eng. (Québec), Chief Operating Officer and a "qualified person" under National Instrument (NI) 43-101.

#### About Stornoway Diamond Corporation

Stornoway is a leading Canadian diamond exploration and production company listed on the Toronto Stock Exchange under the symbol SWY and headquartered in Montreal. A growth oriented company, Stornoway owns a 100% interest in the world-class Renard Mine, Québec's first diamond mine.

On behalf of the Board

[Stornoway Diamond Corp.](#)

/s/ "Matt Manson"

Matt Manson

President and Chief Executive Officer

For more information, please contact Matt Manson (President and CEO) at 416-304-1026 x2101 or Orin Baranowsky (CFO) at 416-304-1026 x2103 or Jodi Hackett (Manager, Communications) at 416-304-1026 x2104 or toll free at 1-877-331-2232

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#### Forward-Looking Statements

*This document contains forward-looking information (as defined in National Instrument 51-102 – Continuous Disclosure Obligations) and forward-looking statements within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995 (collectively referred to herein as "forward-looking information" or "forward-looking statements"). These forward-looking statements are made as of the date of this document and, the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.*

*These forward-looking statements relate to future events or future performance and include, among others, statements with respect to Stornoway's objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our management's beliefs, plans, objectives, expectations, estimates, intentions and future outlook and anticipated events or results. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.*

*Forward-looking statements reflect current expectations or beliefs regarding future events and include, but are not limited to, statements with respect to: (i) the amount of Mineral Reserves, Mineral Resources and exploration targets; (ii) the estimated amount of future production over any period; (iii) net present value and*

internal rates of return of the mining operation; (iv) expectations and targets relating to recovered grade, size distribution and quality of diamonds, carat production during any period, average ore recovery, internal dilution, mining dilution and other mining parameters set out in the 2016 Technical Report as well as levels of diamond breakage; (v) expectations, targets and forecasts relating to gross revenues, operating cash flows and other revenue metrics set out in the 2016 Technical Report, growth in diamond sales, cost of goods sold, cash cost of production, gross margins estimates, planned and projected diamond sales, mix of diamonds sold, and capital expenditures, liquidity and working capital requirements; (vi) mine and resource expansion potential, expected mine life, and estimated incremental ore recovery, revenue and other mining parameters from potential additional mine life extension; (vii) expected time frames for completion of permitting and regulatory approvals related to ongoing construction activities at the Renard Diamond Mine; (viii) the expected time frames for the completion of the open pit and underground mine at the Renard Diamond Mine; (ix) the expected financial obligations or costs incurred by Stornoway in connection with the ongoing development of the Renard Diamond Mine; (x) mining, development, production, processing and exploration rates, progress and plans, as compared to schedule and budget, and planned optimization, expansion opportunities, timing thereof and anticipated benefits therefrom; (xi) future exploration plans and potential upside from targets identified for further exploration; (xii) expectations concerning outlook and trends in the diamond industry, rough diamond production, rough diamond market demand and supply, and future market prices for rough diamonds and the potential impact of the foregoing on various Renard financial metrics and diamond production; (xiii) the economic benefits of using liquefied natural gas rather than diesel for power generation; (xiv) sources of and anticipated financing requirements; (xv) the ability to meet Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xvi) the foreign exchange rate between the US dollar and the Canadian dollar; and (xvii) the anticipated benefits from recently approved plant modification measures and the anticipated timeframe and expected capital cost thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "schedule" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are made based upon certain assumptions by Stornoway or its consultants and other important factors that, if untrue, could cause the actual results, performances or achievements of Stornoway to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business prospects and strategies and the environment in which Stornoway will operate in the future, including the recovered grade, size distribution and quality of diamonds, average ore recovery, internal dilution, and levels of diamond breakage, the price of diamonds, anticipated costs and Stornoway's ability to achieve its goals, anticipated financial performance, regulatory developments, development plans, exploration, development and mining activities and commitments, and the foreign exchange rate between the US and Canadian dollars. Although management considers its assumptions on such matters to be reasonable based on information currently available to it, they may prove to be incorrect. Certain important assumptions by Stornoway or its consultants in making forward-looking statements include, but are not limited to: (i) the accuracy of our estimates regarding capital and estimated workforce requirements; (ii) estimates of net present value and internal rates of return; (iii) recovered grade, size distribution and quality of diamonds, average ore recovery, the number of carats produced during any period, internal dilution, mining dilution and other mining parameters set out in the 2016 Technical Report as well as levels of diamond breakage; (iv) the expected mix of diamonds sold, and successful mitigation of ongoing issues of diamond breakage in the Renard Diamond Mine process plant and realization of the anticipated benefits from plant modification measures within the anticipated timeframe and expected capital cost; (v) the stabilization of the Indian currency market and full recovery of prices; (vi) receipt of regulatory approvals on acceptable terms within commonly experienced time frames and absence of adverse regulatory developments; (vii) anticipated timelines for the development of an open pit and underground mine at the Renard Diamond Mine; (viii) anticipated geological formations; (ix) continued market acceptance of the Renard diamond production, conservative forecasting of future market prices for rough diamonds and impact of the foregoing on various Renard financial metrics and diamond production; (x) the timeline, progress and costs of future exploration, development, production and mining activities, plans, commitments and objectives; (xi) the availability of existing credit facilities and any required future financing on favorable terms and the satisfaction of all covenants and conditions precedent relating to future funding commitments; (xii) the ability to meet Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xiii) Stornoway's interpretation of the geological drill data collected and its potential impact on stated Mineral Resources and mine life; (xiv) the continued strength of the US dollar against the Canadian dollar and absence of significant variability in interest rates; (xv) improvement of long-term diamond industry

fundamentals and absence of material deterioration in general business and economic conditions; and absence of significant variability in interest rates; (xvi) increasing carat recoveries with progressively increasing grade in LOM plan; (xvii) estimated incremental ore recovery, revenue and other mining parameters from potential additional mine life extension with minimal capital expenditures; (xviii) availability of skilled employees and maintenance of key relationships with financing partners, local communities and other stakeholders; (xix) long-term positive demand trends and rough diamond demand meaningfully exceeding supply; (xx) high depletion rates from existing diamond mines; (xxi) global rough diamond production remaining stable; (xxii) modest capital requirements post-2018 with significant resource expansion available at marginal cost; (xxiii) substantial resource upside within scope of mine plan; (xxiv) opportunities for high grade ore acceleration and processing expansion and realization of anticipated benefits therefrom; (xxv) significant potential upside from targets identified for further exploration; and (xxvi) limited cash income taxes payable over the medium term.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important risk factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, including the assumption in many forward-looking statements that other forward-looking statements will be correct, but specifically include, without limitation: (i) risks relating to variations in the grade, size distribution and quality of diamonds, kimberlite lithologies and country rock content within the material identified as Mineral Resources from that predicted; (ii) variations in rates of recovery and levels of diamond breakage; (iii) the uncertainty as to whether further exploration of exploration targets will result in the targets being delineated as Mineral Resources; (iv) risks associated with our dependence on the Renard Diamond Mine and the limited operating history thereof; (v) unfavorable developments in general economic conditions and in world diamond markets; (vi) variations in diamond valuations and fluctuations in diamond prices from those assumed; (vii) insufficient demand and market acceptance of our diamonds; (viii) risks associated with the production and increased consumer demand for synthetic gem-quality diamonds; (ix) risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar and variability in interest rates; (x) inaccuracy of our estimates regarding future financing and capital requirements and expenditures, significant additional future capital needs and unavailability of additional financing and capital, on reasonable terms, or at all; (xi) uncertainties related to forecasts, costs and timing of the Corporation's future development plans, exploration, processing, production and mining activities; (xii) increases in the costs of proposed capital, operating and sustainable capital expenditures; (xiii) increases in financing costs or adverse changes to the terms of available financing, if any; (xiv) tax rates or royalties being greater than assumed; (xv) uncertainty of mine life extension potential and results of exploration in areas of potential expansion of resources; (xvi) changes in development or mining plans due to changes in other factors or exploration results; (xvii) risks relating to the receipt of regulatory approvals or the implementation of the existing Impact and Benefits Agreement with aboriginal communities; (xviii) the failure to secure and maintain skilled employees and maintain key relationships with financing partners, local communities and other stakeholders; (xix) risks associated with ongoing issues of diamond breakage in the Renard Diamond Mine process plant and the failure to realize the anticipated benefits from plant modification measures within the anticipated timeframe and expected capital cost, or at all; (xx) the negative market effects of recent Indian demonetization and continued impact on pricing and demand; (xxi) the effects of competition in the markets in which Stornoway operates; (xxii) operational and infrastructure risks; (xxiii) execution risk relating to the development of an operating mine at the Renard Diamond Mine; (xxiv) the Corporation being unable to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xxv) future sales or issuances of Common Shares lowering the Common Share price and diluting the interest of existing shareholders; (xxvi) the risk of failure of information systems; (xxvii) the risk that our insurance does not cover all potential risks; (xxviii) the risks associated with our substantial indebtedness and the failure to meet our debt service obligations; and (xxix) the additional risk factors described herein and in Stornoway's annual and interim MD&A, its other disclosure documents and Stornoway's anticipation of and success in managing the foregoing risks. Stornoway cautions that the foregoing list of factors that may affect future results is not exhaustive and new, unforeseeable risks may arise from time to time.

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