Stornoway Reports FY2018 Second Quarter Financial Results

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LONGUEUIL, Aug. 14, 2018 - Stornoway Diamond Corp. (TSX:SWY; the “Corporation” or “Stornoway”) is pleased to report financial and operating results for the quarter ended June 30, 2018.

QUARTER ENDED JUNE 30, 2018 HIGHLIGHTS:

(All quoted figures in CAD$, unless otherwise noted)

- For the three months ended June 30, 2018, Stornoway reported a net loss of $35.9 million ($0.04 per share on a basic and fully diluted basis). Adjusted net loss[1] for the quarter was $31.3 million.
- During the quarter, two tender sales totalling 201,283 carats were completed for gross proceeds[2] of $28.6 million[3] at an average price of US$109 per carat ($142 per carat[3]). Revenue recognized was $56.9 million, derived from the sale of 328,899 carats of run of mine production in three tender sales at an average achieved price[1] of US$115 per carat ($147 per carat[1,[4]]), and the sale of 41,979 carats of incidental production in one out of tender contract sale at an average price of US$19 per carat ($25 per carat[5]).
- Diamond processing comprised 223,351 carats recovered from 562,060 tonnes of ore at a grade of 40 carats per hundred tonnes (“cpht”). Grade and carat recoveries reflect the processing of lower grade production ore and ore stockpiles as the Renard mine transitions from open pit to underground mining.
- Underground mining during the quarter comprised 366,550 tonnes, with 296,637 tonnes of ore extracted. Ramp up of the underground mine production during the quarter was impeded by equipment availability and drawpoint management. Subsequent to the quarter end, mining rates at or above the design capacity of 6,000 tonnes per day have been successfully achieved.
- Commissioning of the ore sorting plant, which commenced in March, was completed during the quarter and is now fully operational. Waste rejected represents between 15% and 30% of material sorted, with 1-2% kimberlite content in the reject stream.
- Cash operating costs per tonne processed[1] were $58.69 per tonne ($147.69 per carat) and capital expenditures[1] were $19.9 million.
- For the second quarter of FY2018, Stornoway reported adjusted EBITDA[1] of $(6.4) million, or (13.1)% of Adjusted Revenues[1], which includes an $10.9 million write-down of cash costs to bring inventory to its net realizable value.
- At quarter end, cash and cash equivalents stood at $31.6 million and Available Liquidity[1], including available credit facilities, stood at $46.5 million.

[1] See “Non-IFRS Financial Measures” section
[2] Before stream and royalty
[3] Based on an average $:US$ conversion rate of $1.30
[4] Based on an average $:US$ conversion rate of $1.29
[5] Based on an average $:US$ conversion rate of $1.33

Matt Manson, President and CEO, commented: “Our second quarter results reflect the continuing transition to underground mining at Renard, and the accompanying lower carat recoveries and sales during the first half of the year. Ramp-up of the underground mine has been slower than expected, but by the end of July, subsequent to the quarter-end, we had established sufficient drawpoints, equipment availability and manpower levels to achieve mining rates at or above our underground design capacity. As we move into the central mining areas of the Renard 2 kimberlite, and away from the ore body’s margins, we are also seeing the expected reduction in dilution and improvement in grade. Our new ore-sorting plant is performing well, costs are in line with plan, and we expect better carat recoveries and larger sales in the second half of the year. Achieving our 2018 production guidance at Renard, which was revised in May in consequence of the lower carat recoveries during the ramp-up, will be dependent on maintaining our current production levels and budgeted grade for the remainder of the year.” Matt Manson continued: “Construction of the Renard mine, the ramp-up of processing, the introduction of ore-sorting, and the construction and ramp-up of the underground mine has all been achieved with the capital structure established in our original 2014 construction funding. Sales revenue during this period has been less than initially forecast, resulting in lower financial liquidity and cash flow than expected. Consequently, and as previously reported, we are engaged with our lenders and key stakeholders on certain amendments to financing agreements designed to provide greater financial flexibility in our operations, and provide sufficient working capital to the business as we work towards attaining free cash flow. These discussions have been positive and are currently ongoing.”

Table 1. Financial Results Highlights

(expressed in millions of Canadian dollars, except as otherwise noted)							
	Three months ended				Six months ended		
	June 30, 2018		June 30, 2017		June 30, 2018		June
Open pit tonnes mined (tonnes)	613,683		1,328,580		1,038,606		2,574
Underground ore tonnes mined (tonnes)	296,637		22,174		413,435		36,56
Ore processed (tonnes)	562,060		512,005		1,124,580		931,2
Carats Recovered	223,351		417,362		509,202		802,5
Carats Sold	370,878		350,159		685,060		809,2
Revenues	56.9		42.6		112.9		91.0
Cost of Goods Sold	74.9		32.3		118.2		65.9
Selling, General, Administrative and Exploration Expenses	7.8		5.1		12.6		10.5
Financial expenses	19.6		2.2		37.5		(0.5
Foreign exchange loss (gain)	2.3		(3.2	)	5.5		(4.3
Net (loss) income	(35.9	)	3.1		(46.8	)	1.9
Net loss per Share – Basic and Diluted	(0.04	)	Nil		(0.06	)	Nil
Adjusted Net Loss[1]	(31.3	)	(5.0	)	(45.2	)	(7.5
Adjusted EBITDA[1]	(6.4	)	(16.8	)	1.0		38.1
Adjusted EBITDA margin (%)[1]	(13.1	)%	39.5	%	1.1	%	41.8
Capital expenditures[1]	19.9		28.8		51.0		48.1

FINANCIAL SUMMARY

Revenues during the second quarter of 2018 totalled $56.9 million, compared to $42.6 million in the corresponding period of 2017. Revenues in the current quarter include $13.5 million recognized from the contract liabilities related to the upfront proceeds received under the Renard Stream agreement in consideration for future commitments to deliver diamonds at contracted prices (June 30, 2017 – $5.1 million).

Stornoway reported net loss of $35.9 million (June 30, 2017 – $3.1 million net income), and Adjusted Net Loss[1] of $31.3 million (June 30, 2017 – $5.0 million), reflecting a decrease in gross profit, which includes an $18.3 million write-down to bring stockpile, work-in-progress and finished goods inventories to their net realizable value, partially offset by an increase in deferred income tax recovery. Adjusted EBITDA[1] stood at $(6.4) million, representing (13.1)% of adjusted revenues[1] (June 30, 2017 – $16.8 million representing 39.5% of revenues), reflecting an increase in operating expenses, which includes a $10.9 million write-down of cash costs included in inventory, to bring stockpile, work-in-progress and finished goods inventories to their net realizable value, largely attributable to the processing of lower grade ore as the Renard Mine transitions from open pit to underground mining.

As at June 30, 2018, cash and cash equivalents stood at $31.6 million, and available liquidity[1], including available credit facilities, stood at $46.5 million (December 31, 2017 - $101.8 million). These amounts exclude $15.9 million of restricted cash deposits related to debt service reserve accounts. Management estimates that the Corporation’s working capital as at June 30, 2018 will not be sufficient to meet obligations, commitments and budgeted expenditures through June 30, 2019 (see “Nature of Operations and Going concern” in Note 1 of the condensed interim consolidated financial statements for the three and six months ended June 30, 2018). The Corporation’s ability to pursue future operations and fund its planned activities is dependent on Corporation’s ability to secure additional financing in the near future. During the second quarter, Stornoway was engaged in discussions with its lenders and key stakeholders to amend the terms of certain financing agreements to better suit the working capital requirements of the business pending the expected attainment of free cash flow. These discussions, which are ongoing, have thus far received a positive response, including the receipt of waivers that, among other things, defer $10.4 million principal payments up to, but excluding, September 30, 2018 in order to provide sufficient time to allow discussions to proceed.

OPERATIONAL SUMMARY

Environment, Health, Safety and Communities

One lost time incident (“LTI”) was recorded during the quarter, for a year to date LTI rate of 1.3 for both contractors and Stornoway employees. Stornoway employees stood at 570 as at June 30, 2018, including 507 mine located employees, of which 13% were Crees, 23% were from Chibougamau and Chapais, and 64% were from outside the region. No incidences of environmental non-compliance were reported in the quarter.

Mining and Processing

During the second quarter, 613,682 tonnes were mined from the Renard 3 and Renard 65 open pits, with 156,813 tonnes of ore extracted. A total of 366,550 production and development tonnes were mined from the Renard 2 underground mine during the quarter, of which 296,637 tonnes ore were extracted, including 295,846 tonnes of ore delivered to the process plant. Production during the quarter was 223,351 carats recovered from the processing of 562,060 tonnes of ore at an attributable grade of 40 cpht. Grade and carat recoveries during the quarter reflect the processing of lower grade ore as the Renard Mine transitions from open pit to underground mining. Ore processed during the quarter was sourced primarily from the underground mine, from low grade stockpiles, and from the Renard 65 open pit. The first mining panels opened up at the margin of the orebody at the 290 meter production level of the Renard 2 underground mine are composed of highly diluted lower grade ore which has impacted carat production. As expected, however, grades have increased as additional panels have been opened in less diluted ore within the main body of the kimberlite.

Ramp up of the Renard 2 underground mine production progressed during the second quarter. The development of an Assisted Block Cave as the principal mining method in the underground mine continued, with current focus on achieving optimum granulometry for the blasted ore and opening up multiple panels to support the planned mining rate. Subsequent to the quarter end, sufficient draw points have been opened, the minimum required equipment has been delivered and improved manpower levels have been established to allow the underground mine ore production to be reached at or above the 6,000 tonnes per day design capacity.

The new ore sorting plant at Renard was commissioned during the quarter, and has been processing ore on a consistent basis since mid-May. The volume and quality of waste segregated from the ore-feed has exceeded expectations, with waste rejected representing between 15% and 30% of material sorted. Kimberlite content in the waste stream has averaged between 1% and 2%. This has resulted in a significant reduction in process plant head-feed and opened up new plant capacity for future exploitation. Because the waste within the Renard ore is hard and difficult to crush, its rejection from the main process plant has also resulted in a net reduction in power consumption for processing even with the addition of the new sorting circuit. Considering the highly abrasive characteristics of the ore processed to date through the OSP, consisting mainly of highly diluted, low grade material, the diamonds recovered since its introduction have exhibited lower levels of breakage than observed previously with comparable feed composition.

In the second quarter of 2018, cash operating cost per tonne processed[1] was $58.69 ($147.69 per carat recovered[1]), compared to $44.69 per tonne[1] ($54.83 per carat recovered[1]) in the corresponding period of

2017. The increase in cash operating cost per tonne processed is explained the transition to underground mining, while the increase in cash operating cost per carat recovered is explained by the processing of lower grade ore during the quarter.

Diamond Sales

During the quarter, two tender sales totalling 201,283 carats were completed for gross proceeds[2] of $28.6 million at an average price of US$109 per carat ($142 per carat[1,3]). Revenue recognized during the quarter was derived from 328,899 carats of run of mine production recovered between January and March 2018. Gross proceeds[2] were $48.4 million[4] at an average price[1] of US$115 per carat ($147 per carat[4]). These results include sales from the third tender sale of the first quarter, being 127,616 carats sold at an average price of US$123 per carat ($156 per carat[6]), which were recorded as revenues as deliveries to clients were made at the beginning of the second quarter. In addition to the sale of run of mine production, an additional 41,979 carats of diamonds smaller than the ‐7 DTC sieve size were sold during the quarter in an out of tender contract sale for gross proceeds[2] of $1.0 million[5] at an average price of US$19 per carat ($25 per carat[5]). These represent recoveries of small diamond “incidentals” produced between March and May 2018 in excess of that expected from the Renard Mineral Resource. This compares to 350,159 carats sold in two tender sales events in the first second of 2017, with gross proceeds[2] of $40.9 million at US$87 per carat ($117 per carat[7]).

[6] Based on an average $:US$ conversion rate of $1.26
[7] Based on an average $:US$ conversion rate of $1.34

Capital Projects

Capital expenditures[1] of $19.9 million in the quarter were principally related to the development of the underground mine, open pit development in Renard 65, as well as the construction and commissioning of the ore-waste sorting circuit.

Capital expenditures in the underground mine during the second quarter focussed on lateral development on the 290 meter level access and drilling drifts for the upper portion of the mine, as well as development of the main ramp towards the 470 meter level. A total of 976 meters of lateral development were completed. Underground mine development in the third quarter will focus on development of the ramp towards 470 meter level and level access to the Renard 3 kimberlite.

As the mine completes its transition from open pit to underground mining operations, the second half of the year is expected to see a reduction in development capital expenditures, with emphasis placed on ore production.

EXPLORATION

On January 18, 2018, Stornoway announced an exploration program to both develop existing resource upside potential at the Renard Mine and to make new discoveries. Highlights of the work completed to date are as follows.

RIL Property

Drilling has resulted in the discovery of a new kimberlite at the RIL Property, a grassroots project located approximately 80km north of the town of Elliot Lake, Ontario. A single geophysical target under a small lake was tested with diamond drilling in February 2018. Although no diamonds were recovered from 150kg of rock submitted for microdiamond recovery, or from a 1.3t mini-bulk sample processed for macrodiamond recovery, kimberlite clusters commonly comprise bodies with variable diamond contents.

Detailed aeromagnetic surveying completed during the quarter confirms the presence of additional promising targets on Stornoway’s current 8,590 ha claim package. Final results of the geophysical survey are pending, but new staking to cover more targets identified from preliminary data is underway.

Renard Property

During March and April 2018, three light reverse circulation (RC) drill rigs tested a total of 91 geophysical anomalies with 95 holes. Kimberlite chips were recovered at three targets, indicating the presence of dyke-like bodies, and chips of Country Rock Breccia or related alteration were recovered at nine targets. While RC drilling facilitates rapid cost effective preliminary testing of targets, core drilling will be required to follow up the CRB discoveries for adjacent or blind kimberlite diatremes.

NON-IFRS FINANCIAL MEASURES

This document refers to certain financial measures, such as Adjusted Net Loss, Adjusted Revenues, Adjusted EBITDA, Adjusted EBITDA Margin, Average Diamond Pricing Achieved, Cash Operating Cost per Tonne Processed, Cash Operating Cost per Carat Recovered, Capital Expenditures, and Available Liquidity, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. As a result, these measures may not be comparable to similar measures reported by other corporations.

Each of these measures have been derived from the Corporation’s financial statements and have been defined and calculated based on management’s reasonable judgement. These measures are used by management and by investors to assist in assessing the Corporation’s performance. The measures are intended to provide additional information to the user and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Refer to the “Non-IFRS Financial Measures” section of the Corporation’s Management Discussion and Analysis as at and for the quarter ended June 30, 2018 for further discussion of these items, including reconciliations to IFRS measures.

CONFERENCE CALL AND WEBCAST

Stornoway will host a conference call for analysts and investors on August 14, 2018 at 11:00 a.m. EDT. This call may be accessed by calling 1 (844) 215-3287 toll free in North America, or 1 (209) 905-5939 from international locations, with Conference ID 9348237. A live webcast of the conference call will also be available at https://edge.media-server.com/m6/p/um4rmfby. A replay of the second quarter earnings conference call will be made available on Stornoway’s website, at www.stornowaydiamonds.com.

ABOUT THE RENARD DIAMOND MINE

The Renard Diamond Mine is Quebec’s first producing diamond mine and Canada’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 Mr. Robin Hopkins, P.Geol. (NT/NU), Vice President, Exploration, both “qualified persons” 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

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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, average ore recovery, carats recovered, carats sold, 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) requirements for and sources of, and access to, financing and uses of funds; (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, access to financing, 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, carats recovered, carats sold, 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 favourable 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 not 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) unfavourable 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.*