

Stornoway Arranges a \$20 Million Unsecured Debt Facility for Renard Diamond Project Pre-Development Work

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VANCOUVER, BRITISH COLUMBIA --

(lwp=<http://www.marketwire.com/press-release/stornoway-arranges-20-million-unsecured-debt-facility-renard-diamond> - May 4, 2012) - [Stornoway Diamond Corporation](#) (TSX:SWY) is pleased to announce that on May 3, 2012, it entered into a \$20 million unsecured debt facility with the Fonds de solidarité FTQ, the Fonds régional de solidarité FTQ Nord-du-Québec, S.E.C. (collectively, the "Fonds") and Investissement Québec, through its indirect wholly-owned subsidiary Diaquem Inc. (collectively with the Fonds, the "Lenders"). The proceeds of the facility shall be used to finance pre-development work at the Renard Diamond Project, including the initiation of detailed engineering, the ordering of long-lead mining equipment and the expansion of Stornoway's Quebec based mining team. The loan has been provided 75% by the Fonds and 25% by Diaquem.

Matt Manson, Stornoway's President and CEO, stated: "This financing announcement is another important milestone in the development of Quebec's first diamond mine. This loan will provide Stornoway with good funding flexibility as we begin the ramp-up to the capital programs anticipated at Renard in 2013 and 2014. We are particularly pleased to be able to announce the support of the Fonds in the development of the project, and the continued support of our major shareholder, Investissement Québec. Combined with our recent equity financings, Stornoway has now raised a total of \$40 million since March in difficult market conditions. These funds have been raised in a ratio of 50% debt and 50% equity that is respectful of shareholder value. Our objective is to continue to move Renard ahead on schedule as we work to complete project permitting and senior project financing."

In connection with the debt facility, Stornoway has granted the Lenders, on a proportionate basis, a total of 15 million share purchase warrants (the "Warrants"), each of which entitles the holder to acquire one common share in the share capital of Stornoway at a price of \$1.21 for a period of 5 years following closing, representing a 40% premium to the 20-day volume weighted average price of Stornoway common shares on the TSX ending on the day prior to the May 3 closing date. Stornoway may accelerate the exercise of the Warrants if Stornoway's shares trade at a significant premium to the exercise price during the term of the Warrants. The closing price of Stornoway's common shares on the TSX on May 3, 2012 was \$0.86. The Warrants and any common shares issued upon exercise thereof will be subject to a hold period of four months and one day from closing.

The loan will bear interest at a rate of 12% per annum, payable 100% in cash or 50% in cash and 50% in Stornoway shares prior to commencement of commercial production, and 100% in cash thereafter. Principal is to be repaid in equal monthly instalments commencing approximately one month following the date of commercial production at Renard, but not before May 3, 2016 and not later than May 3, 2017. The final maturity is May 3, 2021. In connection with the loan, Stornoway's subsidiary has granted the Lenders a 1% contingent secured royalty interest in the Renard Project which is only triggered upon the occurrence of certain specified events, such as a payment default or a default following a change of control of Stornoway, in each case capped at an amount equal to the aggregate value of the principal and interest then outstanding on the loan. The loan agreement contains additional representations, covenants and commitments customary for a facility of this nature.

The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any offer, solicitation or sale of the securities in any state in which such offer, solicitation or sale would be unlawful.

About the Renard Diamond Project

The Renard Diamond Project 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. In November 2011, Stornoway released the results of a Feasibility Study for Renard that highlighted the potential of the project to become a significant producer of high value rough diamonds over a long mine life. NI 43-101 compliant Probable Mineral Reserves stand at 18.0 million carats, with a further 17.5 million carats classified as Inferred Mineral Resources, and 23.5 to 48.5 million carats classified as non-resource exploration upside. All kimberlites remain open at depth. Pre-production capital cost stands at C\$802 million, with a life of mine operating cost of C\$54.71/tonne giving a 68% operating margin over an initial 11 year mine life. Production start-up is scheduled for 2015. Readers are referred to the technical report dated December 29, 2011 in respect of the Renard Diamond Project for further details and assumptions relating to the project.

About Stornoway Diamond Corporation

[Stornoway](#) is a leading Canadian diamond exploration and development company listed on the Toronto Stock Exchange under the symbol SWY. Our flagship asset is the 100% owned Renard Diamond Project, on track to becoming Québec's first diamond mine. Stornoway also maintains an active diamond exploration program with both advanced and grassroots programs in the most prospective regions of Canada. Stornoway is a growth oriented company with a world class asset, in one of the world's best mining jurisdictions, in one of the world's great mining businesses.

On behalf of the Board STORNOWAY DIAMOND CORPORATION

Matt Manson
President and Chief Executive Officer

This press release contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. This information and these statements, referred to herein as "forward-looking statements", are made as of the date of this press release and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

Forward-looking statements relate to future events or future performance and reflect current expectations or beliefs regarding future events and include, but are not limited to, statements with respect to: (i) the amount of mineral resources and exploration targets; (ii) the amount of future production over any period; (iii) net present value and internal rates of return of the mining operation; (iv) assumptions relating to capital costs, operating costs and other cost metrics set out in the Feasibility Study; (v) assumptions relating to gross revenues, operating cash flow and other revenue metrics set out in the Feasibility Study; (vi) assumptions relating to recovered grade, average ore recovery and other mining parameters set out in the Feasibility Study; (vii) mine expansion potential and expected mine life; (viii) expected time frames for completion of permitting and regulatory approvals and making a production decision; (ix) future exploration plans; (x) future market prices for rough diamonds; and (xi) sources of and anticipated financing requirements. 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" 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 strategies and the environment in which Stornoway will operate in the future, including the price of diamonds, anticipated costs and ability to achieve goals. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward-looking statements include, but are not limited to: (i) estimated completion date for the Environmental and Social Impact Assessment; (ii) required capital investment and estimated workforce requirements; (iii) estimates of net present value and internal rates of return; (iv) receipt of regulatory approvals on acceptable terms within commonly experienced time frames; (v) the assumption that a production decision will be made, and that decision will be positive; (vi) anticipated timelines for the commencement of mine production; (vii) anticipated timelines related to the Route 167 extension and the impact on the development schedule at Renard; (viii) anticipated timelines for community consultations; (ix) market prices for rough diamonds and the potential impact on the Renard Project's value; and (x) future

exploration plans and objectives.

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, kimberlite lithologies and country rock content within the material identified as mineral resources from that predicted; (ii) variations in rates of recovery and breakage; (iii) the greater uncertainty of exploration targets; (iv) developments in world diamond markets; (v) slower increases in diamond valuations than assumed; (vi) risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar; (vii) increases in the costs of proposed capital and operating expenditures; (viii) increases in financing costs or adverse changes to the terms of available financing if any; (ix) tax rates or royalties being greater than assumed; (x) results of exploration in areas of potential expansion of resources; (xi) changes in development or mining plans due to changes in other factors or exploration results of Stornoway; (xii) changes in project parameters as plans continue to be refined; (xiii) risks relating to receipt of regulatory approvals; (xiv) the effects of competition in the markets in which Stornoway operates; (xv) operational and infrastructure risks; and (xvi) the additional risks described in Stornoway's most recently filed Annual Information Form, annual and interim MD&A, 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.

When relying on our forward-looking statements to make decisions with respect to Stornoway, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Stornoway does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by Stornoway or on our behalf, except as required by law.

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