

# Stornoway Announces New Agreement to Complete Route 167 Extension

15.11.2012 | [Marketwired](#)

## Quebec and Stornoway to Partner on Road Financing and Construction

MONTREAL, QUEBEC -- (Marketwire) -- 11/15/12 -- [Stornoway Diamond Corporation](#) (TSX: SWY) is pleased to announce that its wholly-owned subsidiary Les Diamants Stornoway (Canada) Inc. has entered into a Framework Agreement and an associated Letter of Intent (collectively the "Agreement") with the Government of Quebec for the financing and completion of the Route 167 Extension under Stornoway's direct management. The Agreement is designed to ensure timely road access to the Renard Diamond Project and the commencement of mine construction during 2013, as previously contemplated. Key features of the new Agreement are as follows:

- Stornoway to assume the completion of segments "C" and "D" of the Route 167 Extension as a single lane mining grade road; and
- Quebec to provide Stornoway with an unsecured credit facility of up to C\$77m to complete the work, at an annual interest rate of 3.35% percent, amortized over 15 years, with a repayment schedule based upon planned commencement of commercial production at Renard.

In addition, and in support of Stornoway's construction schedule for Renard, Quebec has agreed that:

- The Quebec Ministere des Transports ("MTQ") shall continue with the construction of a winter road this season as previously planned, providing temporary road access to Renard by March 2013; and
- The Quebec Ministere du Developpement Durable, de l'Environnement, de la Faune et des Parcs and the MTQ shall transfer all relevant authorizations for Stornoway to commence mining road construction by April 2013.

As a result of the Agreement, Stornoway now anticipates first all-season vehicle access to the Renard project site by the 4th Quarter of 2013, compared to July 2013 previously.

Matt Manson, Stornoway's President and CEO commented: "Today's news represents the removal of a major element of uncertainty over the Renard Diamond Project. With Stornoway now responsible for the completion of the project's access road, we will be in full control of our overall development schedule for the first time. The financing terms that we have negotiated to complete this work are beneficial to Stornoway, and are expected to have a minimal impact on the project's overall valuation and financing capacity. This is an excellent example of government and the mining industry working in partnership to achieve a common goal." Mr. Manson continued: "Since Stornoway's October 29th announcement of the potential for a delay in the completion of the Route 167 Extension, we have moved quickly to re-establish a viable plan for road access to Renard during 2013. The Agreement announced today achieves this, and allows us to continue moving forward with our project financing and development activities. This positive outcome will benefit our shareholders, our community partners and Quebec in equal measure."

Construction on the 240km long Route 167 Extension began in February of this year, and is being undertaken in four segments, "A" to "D". Under the terms of the Framework Agreement executed today with the MTQ, the Quebec Ministere des Ressources Naturelles ("MRN"), and the Quebec Ministere des Finances et de l'Economie ("MFE"), Quebec will complete the first 143km of the road over segments A and B as a 70km/hr two-lane gravel highway, as previously planned. Starting in April 2013, Stornoway will commence construction of a 50km/hr single lane mining road over the remaining 97km covered by segments C and D. To facilitate this schedule, the MTQ has committed to complete a winter road by March 2013, allowing temporary access to Renard and the mobilization of fuel, road construction equipment and camps. Given the reduced scope of the mining road that will be built on segments C and D, and the progress that has been made to date on segments A and B, it is expected that this construction plan will allow all-season road access to be available to Renard starting in the 4th Quarter of 2013 and mine construction to commence forthwith. Maintenance costs on segments C and D will be borne by Stornoway, and by Quebec on segments A and B.

The cost of a mining road on segments C and D has been estimated by Stornoway at C\$77 million, including a 15% contingency. Under the terms of the Letter of Intent between Stornoway and the MFE, this cost will be financed by way of an unsecured credit facility to be provided to Stornoway by the MFE, bearing an annual interest rate of 3.35% and amortized over a fifteen year period. In order to provide additional cost contingency, the MFE is agreeing to provide Stornoway with a second facility, with the right to draw a further C\$7.7 million, bearing an annual interest rate of 6.3%, for total credit facilities of up to C\$84.7 million. Stornoway's schedule of loan repayments is based upon the schedule of financing and construction of the Renard Diamond Project, commencing upon the attainment of commercial production. Finalisation of these terms is dependent upon the conclusion of a definitive Financing Agreement between Stornoway and the MFE, which is currently under negotiation. Stornoway's obligations under the Framework Agreement are conditional upon the execution of the definitive Financing Agreement.

The Agreement provides for the termination of, and replaces, the two pre-existing agreements between Stornoway and Quebec dated August 1st 2011, wherein Stornoway agreed to contribute C\$44 million to the construction of the Route 167 Extension at a 6.3% interest rate over 10 years, and up to C\$1.215 million per year to the road's maintenance.

### **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 Quebec. 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 an estimated 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. 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 Quebec'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) the expected time frames for delivery of a winter road by the Quebec Ministère des Transports, construction of a mining grade road by Stornoway and completion generally of the Route 167 extension and the financial obligations or costs*

*incurred by Stornoway in connection with such road extension; (x) future exploration plans; (xi) future market prices for rough diamonds; and (xii) 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 approval date of 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 delivery of a winter road by the Quebec Ministère des Transports, construction of a mining grade road by Stornoway and completion generally of the Route 167 extension and the impact on the development schedule at Renard; (viii) anticipated timelines for community consultations and the impact of those consultations on the regulatory approval process; (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 or the implementation of the existing Impact and Benefits Agreement with aboriginal communities; (xiv) the effects of competition in the markets in which Stornoway operates; (xv) operational and infrastructure risks; (xvi) technical, environmental, permitting and execution risk relating to the construction by Stornoway of a mining grade road forming part of the Route 167 extension, (xvii) weather conditions or other unpredictable events which may impact the construction or planned availability of a winter road by March 2013; and (xviii) 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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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/137664--Stornoway-Announces-New-Agreement-to-Complete-Route-167-Extension.html>

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