

# Stornoway Reports Optimized Renard Mine Design and Cost Estimates

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## Initial Capital Cost Reduced; High Operating Margin Maintained

VANCOUVER, BRITISH COLUMBIA -- (Marketwire) -- 01/28/13 -- Stornoway Diamond Corporation (TSX: SWY) is pleased to report the completion of a mine design and cost optimization exercise (the "Optimization Study") for the Renard Diamond Project, Stornoway's 100% owned mining development project located in north-central Quebec. The Optimization Study incorporates certain design refinements undertaken since the release of the project's Feasibility Study in November 2011 (the "Feasibility Study"), including the deferral of shaft access for the underground mine and a modified underground mining sequence and draw point design. As a result of these design changes, project operating and capital cost estimates have been restated, and a revised production schedule established. The Optimization Study also contains an updated project development schedule and financial model incorporating, amongst other things, the terms of the March 2012 Mecheshoo Agreement with the Cree Nation of Mistissini, the Grand Council of the Crees (Eeyou Istchee), and the Cree Regional Authority, and the November 2012 Renard Mine Road financing agreement with the Government of Quebec. Highlights of the Optimization Study are as follows:

- A revised initial capital cost of C\$752 million, including contingencies, in October 2012 terms, a reduction of C\$50 million from the previous estimate which was expressed in June 2011 terms.
- A revised operating cost averaging C\$57.63/tonne (C\$76.63/carat) life of mine in October 2012 terms, an increase of C\$2.92/tonne from the previous estimate.
- Base case estimates of Net Present Value ("NPV") of C\$683 million at a 7% discount rate and Internal Rate of Return ("IRR") of 20.3% before taxes and mining duties, and C\$391 million and 16.3% after taxes and mining duties, all improvements from the previous estimates.
- 11 years reserve-based mine life with diamond production averaging 1.6 million carats/annum life of mine, real terms net revenue of C\$4,046 million, and a cash operating margin of C\$2,693 million (67% compared to 68% in the previous estimate).

Matt Manson, President and CEO, commented: "The Optimization Study reported today confirms a robust project with strong cash flows. Since the release of the project's Feasibility Study, we have been able to bring down our initial capital cost estimate with only a modest impact on the project's operating costs. We are particularly pleased that the project has so successfully absorbed the kind of post-feasibility design adjustments and operating agreements that can negatively impact a project's value. The deferral of the shaft has been achieved without compromising the future development of the project's substantial resource upside, and the refinements made to the underground mining sequence provide greater confidence in the operating parameters for this critical part of the overall mine plan. With our Mining Lease and Quebec Certificate of Authorization in hand, and the Renard Mine Road under development, we can now move towards finalizing our project financing arrangements, and initiating project construction in the third quarter of this year."

The Optimization Study restates the project's Probable Mineral Reserves at 17.9 million carats (23.8 Mtonnes at 75 carats per hundred tonnes, or "cph"), a reduction of 0.1 million carats after allowance for revised mining dilution and ore recovery estimates. The new study does not incorporate any changes to the project's underlying National Instrument ("NI") 43-101 compliant Mineral Resources, and does not include the results of the ongoing bulk sampling program at the Renard 65 kimberlite. Including Renard 65, the project contains 17.5 million carats (31.1 Mtonnes at 56 cph) of Inferred Mineral Resources, much of which lies within the envelope of the planned mine infrastructure. Since mineral resources that are not mineral reserves do not have demonstrated economic viability, these have not been incorporated into the Optimization Study mine plan, in compliance with Canadian reporting standards. However, the project's design, processed kimberlite storage capacity, permits and Mining Lease contemplates the eventual mining of all NI 43-101 Mineral Resources over an extended mine life. In addition to the Mineral Resources, 23.5 to 48.5 million carats of non-resource exploration upside (55.1 to 75.5 Mtonnes at grades ranging from 23 to 188 cph) has been estimated to 775 meters depth, below which each kimberlite remains open. Readers are cautioned that the potential quantity and grade of any such exploration target is conceptual in nature, there

has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being delineated as a mineral resource (an Optimization Study Support Material presentation is available at [http://stornowaydiamonds.com/\\_resources/feasibility\\_support\\_materials\\_20130128.pdf](http://stornowaydiamonds.com/_resources/feasibility_support_materials_20130128.pdf)).

### Significant Changes to the November 2011 Feasibility Study

The Feasibility Study included both ramp and shaft access to the Renard underground mine. Shaft sinking will now be deferred until later in the mine life and access to the underground mine will be by way of a ramp only. This will be developed to a depth of 610 meters, sufficient to extract all Mineral Reserves and the Inferred Mineral Resources, and enlarged to accommodate the planned production rate of 6,000 tonnes of ore daily. Ore will be hauled to surface by 60 tonne trucks, with ramp ventilation capacity and surface maintenance facilities expanded to accommodate the increased fleet. Plant capacity remains at 6,000 tonnes per day (2.2 Mtonnes/year) expandable to 7,000 tonnes per day (2.6 Mtonnes/year). Power requirements are expected to total 12.2 MW during operations and be provided by on-site diesel power generation.

Diamond production in Years 1 and 2 remains predominantly derived from the Renard 2/3 open pit. Diamond production from the underground mine will commence during Year 2. As with the Feasibility Study, underground ore will be mined with blast-hole shrinkage on 250 meter, 430 meter and 610 meter development levels, with waste back fill from surface. The Optimization Study contains a refined draw point design and a mining sequence incorporating a panel-retreat method to better assure geomechanical stability and militate against the unexpected onset of natural caving. Numerical analysis of blast fragmentation, and modeling of ore flow during the draw, has been conducted using REBOP™ software. This has resulted in a modest increase in the overall estimate for ore dilution and a modest decrease in the estimate for ore recovery.

No changes have been made to assumptions contained within the Feasibility Study for diamond price, exchange rate, or marketing costs. The cost of diesel fuel is based on an assumed oil price of US\$95/barrel compared to US\$90/barrel previously.

The Optimization Study incorporates the impact of a Framework Agreement between Stornoway and the Quebec Ministere des Transports, the Ministere des Ressources Naturelles, and the Ministere des Finances et de l'Economie ("MFE") for the completion of the Route 167 Extension and the Renard Mine Road, and a revised financing agreement between Stornoway and the MFE (Stornoway press releases dated November 15 and 30, 2012). The Optimization Study assumes a cost to Stornoway of \$78 million (after escalation) to complete the road. The MFE loan to Stornoway funding the Renard Mine Road is in two tranches, \$77 million at 3.35% and, to the extent required, an additional \$7.7 million at 6.3%, both with a term of 15 years, with interest accruing from January 2016 and interest and principal payments beginning in December 2016. As a result of these agreements, the new project development schedule assumes first road access to the project site by the fourth quarter of 2013 rather than July 2013 previously. Plant commissioning is now scheduled to begin in December 2015 with commercial production achieved by June 2016, compared to July 2015 and January 2016 previously.

The Optimization Study also incorporates certain financial terms of the Mecheshoo Agreement, the Impacts and Benefits Agreement between Stornoway, the Cree Nation of Mistissini, the Grand Council of the Crees (Eeyou Istchee) and the Cree Regional Authority (Stornoway press release dated March 27, 2012). The Mecheshoo Agreement includes a mechanism by which the Cree parties will benefit financially from the success of the project on a long term basis, consistent with mining industry best practices for social engagement.

The results of the Optimization Study are outlined in Table 1 below.

Table 1: Results and Key Assumptions		November 2011 Feasibility Study	January 2013 Optimization
Mining Parameters	Reserve Carats (M)	18.0	17.9
	Tonnes Processed (M)	23.1	23.8
	Recovered Grade (cpht)	78	75
	Average Ore Recovery (%)	83.5%	82.9%
	Average Mining Dilution	13.5%	17.9%

(%)			
Dilution Grade (cpht)	0	0	
Processing Rate (Mtonnes/ annum)	2.2	2.2	
Mine Life (years)	11	11	
Cost Parameters			
Initial Cap-ex (C\$M)(1)	\$802	\$752	
LOM Cap-ex (C\$M)(3)	\$994	\$1,013	
Oil Price (US\$/barrel)(1)	\$90	\$95	
LOM Op-ex (C\$/tonne)(1)	\$54.71	\$57.63	
LOM Op-ex (C\$/carat)(1)	\$70.27	\$76.63	
Revenue Parameters			
Gross Revenue (C\$M)(1)	\$4,112	\$4,268	
Marketing Costs	2.7%	2.7%	
DIAQUEM Royalty	2.0%	2.0%	
Cash Operating Margin (C\$M)(1)	\$2,677	\$2,693	
% Operating Margin	68%	67%	
Income Tax, Mining Duties and IBA payments (C\$M)(1)	\$571	\$625	
After Tax Net Cash Flow (C\$M)	\$1,151	\$1,084	
Diamond Price Parameters(2)			
Renard 2 and Renard 3 (US\$/carat)	\$182	\$182	
Renard 4 (US\$/carat)	\$164	\$164	
Diamond Price Escalation	2.5%	2.5%	
Exchange rate	1C\$=1US\$	1C\$=1US\$	
Schedule Parameters			
Effective Date for NPV Calculation	January 1 2012	January 1 2013	
Construction Mobilization (Early Works)	July 1 2013	August 1 2013	
Plant Commissioning Commences	July 1 2015	December 1 2015	
Commercial Production Declared	January 1 2016	June 1 2016	
Valuation Parameters(4)			
Pre-Tax NPV7% (C\$M)	\$672	\$683	
Pre-Tax IRR	18.7%	20.3%	
After-Tax NPV7% (C\$M)	\$376	\$391	
After-Tax IRR	14.9%	16.3%	

1. November 2011 Feasibility Study expressed in June 2011 terms. January 2013 Optimization expressed in October 2012 terms.
2. Prices are expressed in May 2011 terms.
3. Expressed in nominal terms.
4. De-escalated nominal terms.

## Capital and Operating Costs

Capital and operating costs in the Optimization Study were adjusted on the basis of modified deliverables and material take offs arising from the mine design scope changes. No changes were made to quantity estimates where no design changes had been made. Capital cost is estimated at an accuracy of -11% and +19%. All estimated costs were escalated to October 2012 terms from June 2011 terms previously by applying market inflation indices. Indirect, owners and EPCM costs were re-assessed on the basis of the revised project schedule including early works and infrastructure availability. Contingencies, risk and escalation factors were all re-assessed.

Initial capital costs are now estimated at C\$752.1 million, including a contingency of C\$64.7 million, expressed in October 2012 terms. Life of Mine capital cost, including escalation commencing in Q4 2012, the Renard Mining Road, sustaining and deferred capital, less credits for pre-production revenue and salvage value, are estimated at C\$1,012.9 million.

Table 2: Estimate of Capital Costs(1)	November 2011	January 2013
	Feasibility Study	Optimization
Site Preparation & General	\$ 22.9	\$ 32.7
Mining	\$ 236.9	\$ 151.2
Mineral processing plant	\$ 168.4	\$ 175.4
Onsite utilities and infrastructures	\$ 102.4	\$ 114.8
Owner's Cost	\$ 86.2	\$ 94.7
Spares, fills, tools	\$ 10.2	\$ 7.1
EPCM services	\$ 45.0	\$ 47.9
Field indirect costs, vendor representatives	\$ 22.5	\$ 33.9
Construction camp & Catering	\$ 25.0	\$ 24.5
Freight and duties	\$ 8.1	\$ 5.5
Contingency	\$ 74.3	\$ 64.7
<b>Total Initial Capital</b>	<b>\$ 801.8</b>	<b>\$ 752.1</b>
Escalation Allowance on Initial Capital	\$ 57.3	\$ 45.1
Pre-Production Revenue	\$ (24.6)	\$ (25.0)
Deferred & Sustaining Capital(2)	\$ 138.8	\$ 175.9
Deferred Capital (Route 167 Extension)	\$ 44.0	\$ 0.0
Renard Mine Road(2)	\$ 0.0	\$ 78.0
Salvage Value(2)	\$ (22.9)	\$ (13.3)
<b>Total Life of Mine Capital, After Contingency, Escalation, Deferred and Sustaining Capital</b>	<b>\$ 994.4</b>	<b>\$ 1,012.9</b>

All figures in C\$ million.

1. Totals may not add due to rounding.
2. After Escalation

Life of mine operating cost is estimated at C\$57.63/tonne (C\$76.63 per carat; Table 3). The majority of open pit costs at Renard 2 and 3 occur before June 2016 and are contained within the capital cost estimates.

Table 3: Estimate of Operating Costs(1,2)

	November 2011 Feasibility Study	January 2013 Optimization		
	Unit Cost C\$ millions	Unit Cost \$/Tonne	Unit Cost C\$ millions	Unit Cost \$/Tonne
Open Pit Mine	\$ 6	\$ 0.27	\$ 10	\$ 0.43
Underground Mine(3)	\$ 556	\$ 24.45	\$ 555	\$ 23.64
Processing	\$ 344	\$ 15.13	\$ 359	\$ 15.29
G&A	\$ 338	\$ 14.86	\$ 429	\$ 18.27
Total Life of Mine	\$ 1,244	\$ 54.71	\$ 1,352	\$ 57.63
Operating Costs		(\$70.27/ct)		(\$76.63/ct)

1. Totals may not add due to rounding. November 2011 Feasibility Study costs are expressed in Q3 2011 terms. January 2013 Optimization costs are expressed in Q3 2012 terms.
2. Excludes capitalized preproduction costs.
3. Unit cost per processed tonnes. Unit cost per mined tonnes were \$26.13 in the November 2011 Feasibility Study and are \$25.53 in the 2013 Optimization Study.

### Qualified Persons

Jean-Francois St-Onge, Eng. of SNC Lavalin Inc. is the independent Qualified Person responsible for infrastructure design, the operating and capital cost estimate, and risk management.

Dr. Lynton Gormely, P.Eng. of AMEC Americas Limited is the independent Qualified Person responsible for process plant design.

Mr. William Bagnell, P.Eng. of AMEC Americas Limited is the independent Qualified Person responsible for underground mine design and mineral reserves.

Mr. Louis-Pierre Gignac, Eng. of G Mining Services Inc. is the independent Qualified Person responsible for open pit design and mineral reserves, and financial analysis.

Mr. Martin Magnan, Eng. of Roche Lte. is the independent Qualified Person responsible for permitting and environmental and social considerations.

Mr. Paul Bedell, P.Eng. of Golder Associates Ltd. is the independent Qualified Person responsible for geotechnical, water management and processed kimberlite containment facility design.

Ms. Valerie Bertrand, Geo. of Golder Associates Ltd. is the independent Qualified Person responsible for geochemical classification.

Dr. Richard Brummer, P.Eng. of Itasca Consulting Canada Inc. is the independent Qualified Person responsible for geomechanical and hydrogeological considerations.

Mr. Charles Gagnon, Eng. of Roscoe Postle Associates Inc. is the independent Qualified Person responsible for underground ventilation design.

Mr. David Farrow, P.Geo. (BC) of GeoStrat Consulting Inc. is the independent Qualified Person responsible for the preparation of the mineral resource estimate for the Renard Diamond Project.

All of these Qualified Persons have reviewed and approved the contents of this press release for which they are responsible.

Stornoway will file a NI 43-101 compliant technical report on the Optimization Study, representing an amended Feasibility Study, within 45 days.

## 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 Renard results in the November 2011 Feasibility Study followed with the January 2013 Feasibility Study Optimization which 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 17.9 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\$752 million, with a life of mine operating cost of C\$57.63/tonne giving a 67% operating margin over an initial 11 year mine life. Readers are referred to the technical report dated December 29, 2011 in respect of the November 2011 Feasibility Study for 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 and headquartered in Montreal. 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 or the Optimization Study; (v) assumptions relating to gross revenues, operating cash flow and other revenue metrics set out in the Feasibility Study or the Optimization Study; (vi) assumptions relating to recovered grade, average ore recovery and other mining parameters set out in the Feasibility Study or the Optimization 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 Ministere 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*

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*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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