

Stornoway Announces Second Quarter 2015 Results

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MONTREAL, QUEBEC--(Marketwired - Dec 15, 2014) - [Stornoway Diamond Corp. \(TSX:SWY\)](#) (the "Corporation" or "Stornoway") announced today its second quarter results for the three months ended October 31, 2014 (Fiscal Year 2015).

Second Quarter 2015 Highlights

(All quoted figures as at October 31st, 2014, in C\$)

- Construction mobilization at the Renard Diamond Project continues to proceed rapidly and in line with planned schedule and budget.
- Incurred costs and commitments at the quarter-end totaled \$179.7 million, or 22.1% of budget.
- Overall construction progress stood at 10% compared to a planned 9%, and 68% for scheduled 2014 activities compared to a planned 62%. Work progress under Stornoway's EPCM contract stood at 11% compared to a planned 14%.
- On site manpower during the month of October averaged 260 workers, of which more than 50% were Crees of the Eeyou Istchee.
- An optimization of the diamond plant design during the quarter resulted in the inclusion of a large diamond recovery circuit to the plant's primary flow sheet within the existing capital budget and with no change in scope to overall planned processing capacity.
- A total of 12,010 meters of deep direction drilling was completed as part of the 2014 resource expansion drill program, indicating an estimated tonnage range of between 9 and 12mTonnes from the base of the current Mineral Reserve at 600m depth to 1,000m depth, below which the kimberlite remains open.
- Cash and cash equivalents stood at \$388 million⁽¹⁾, with net earnings for the quarter of \$11.7 million, or basic earnings of \$0.02 per share and \$0.01 per share fully diluted. Net earnings for the six months ended October 31, 2014 were \$0.2 million or \$Nil per share.

Matt Manson, President and CEO of Stornoway stated "Stornoway's second quarter of fiscal 2015 showed continued solid progress with our construction mobilization at the Renard Diamond Project. Unseasonably temperate weather conditions at the project site towards the end of the quarter allowed our civil works to advance modestly ahead of the planned schedule. Integration of our owner's and EPCM teams for engineering is progressing, and contractor efficiency at site has met our expectations. We are particularly gratified by the high proportion of local participation in employment and contracting that we have been able to achieve in the short time since construction began. Both the resource drilling and the diamond plant design optimization completed during the quarter offer potential value upside through an extended mine life and large diamond recovery respectively. The project remains on schedule for first ore in the plant in the second half of calendar 2016 and for commercial production in the second quarter of calendar 2017. The forecast cost to complete remains within our fully funded capital budget of \$811 million."

Financial Summary

Stornoway ended the quarter with cash and cash equivalents of \$387.9 million, compared with \$438.3 million at the end of the previous quarter. Stornoway's current cash resources are sufficient to cover planned mine development expenses, financing and corporate costs during calendar 2015; the first payment deposits under the stream agreement of US\$80 million each are expected to be received in March and September

2015 with the final payment of US\$90 million expected in March 2016, following which Stornoway expects to draw on a \$100 million senior secured loan in late 2016 to complete mine development at Renard.

Mine development capital expenditures incurred during the quarter were \$41.8 million (\$66.1 million for the six months ending October 31, 2014), with total capital expenditures of \$179.7 million having been committed against the total project cost estimate of \$811 million (including contingencies and capital escalation allowances) as at October 31, 2014.

Net earnings for the three and six months ended October 31, 2014 totaled \$11.7 million and \$0.2 million respectively, and include other income of \$12.7 million and \$4.6 million, respectively. Net earnings were impacted by several items not reflective of Stornoway's underlying operating performance, including changes in the fair value of a derivative and unrealized gains and losses from foreign exchange. Operating expenses for the three and six months ended October 31, 2014 totaled \$0.95 million and \$4.1 million, respectively.

Construction Highlights

At quarter end overall construction progress stood at 10% based on man-hour estimates compared to a planned 9%, and scheduled 2014 activities stood at 68% compared to a planned 62%. 2014 construction activities represent approximately 15% of the total execution plan, with 36% of work scheduled for 2015, 46% for 2016 and 3% for 2017. No lost time incidents were recorded during the quarter for Stornoway employees or contractors. Two lost time incidents were recorded subsequent to the quarter end.

Construction of the major civil works at the project site, begun in the first quarter, were 88% complete at the end of the second quarter and are expected to be substantially complete by year end. Approximately 205,000 tonnes of aggregate has been produced at the borrow pit established at the Renard 65 pit area, and dry pads have been established in the areas of the camp, process plant, power plant, machine shops, fuel storage, explosives emulsion plant, ramp portal and lay downs. Completion of the system of drainage ditches and culverts for onsite surface water management stood at 77% at quarter end. Engineering and procurement on both the waste water treatment facility and the potable water intake system has been completed, and both are expected to be operational prior to the end of the year. A final gravel top-coat was applied to the Renard Mine Road/Route 167 Extension during the quarter and airport facilities construction completed at 95%; both the road and airstrip are presently in use. The box-cut for the underground ramp portal has been opened, and development of the ramp is expected to begin in February 2015, four months ahead of plan.

Temporary construction camps currently established total 285 beds, with 225 beds at site and 60 beds at two nearby road construction camps. Onsite manpower averaged 150 persons in August and increased to an average of 260 persons in October. The 325 bed permanent accommodation complex, including dormitories, kitchen and recreational areas, has been erected and staff transfer from temporary construction camps to the permanent facility is scheduled for January 2015 well ahead of the commencement of construction of the major site facilities scheduled for April 2015.

Engineering, Procurement and Construction Management services at Renard ("EPCM") are proceeding under a contract with SNC-Lavalin Inc. for on-site utilities such as the liquid natural gas power plant, the processing plant building, service buildings, water treatment facilities, and on-site infrastructure. The agreement with SNC-Lavalin incorporates sub-contracts with AMEC Americas Ltd. ("AMEC") and DRA Americas Inc. ("DRA") for certain specialized engineering and field support services relating to the project's diamond processing plant and diamond recovery circuits. At quarter end, progress under Stornoway's EPCM contract stood at 11% compared to a planned 14%. The engineering work completed to date on the diamond process plant has shown that sufficient design efficiencies and cost savings exist to allow the addition of a Large Diamond Recovery ("LDR") circuit to the plant's primary flow-sheet within the existing capital budget and with no change in scope to the existing ore processing capacity of 2.2mtonnes per annum. The addition of the LDR circuit will allow the recovery of diamonds up to 45mm in diameter compared to 30mm previously, for an estimated direct capital cost of \$147.1 million compared to \$162.7 million previously.

Resource Drilling Highlights

On November 17, Stornoway announced the successful conclusion of the field portion of its 2014 resource expansion drill program. 12,010m of deep directional drilling was completed at the Renard 2 kimberlite in 33

branches from 3 pilot holes. The deepest kimberlite intersection returned was 1,012 vertical metres below surface, more than 400m below the base of the current Mineral Reserve. At that depth, Renard 2 is interpreted to have a cross sectional area of greater than 1 hectare and is open at depth. The overall dimensions of the Renard 2 kimberlite below 600m appear comparable to the dimensions in the upper section of the pipe and a preliminary geological model suggests a tonnage range of 9 to 12 mTonnes between 600m and 1,000m depth.

Detailed core logging, 3D modelling, sampling and other data collection is ongoing. Approximately 50 tonnes of drill core will be submitted for macrodiamond recovery by dense media separation and approximately 3.5 tonnes of core for microdiamond extraction by caustic dissolution, with additional sampling for indicator mineral work, geochemical analyses, petrography and density determinations. Each of the four characteristic geological units that comprise the Renard 2 kimberlite in the area of the Mineral Reserve have been intersected at depth. Diamond recovery work will be undertaken at Microlithics Laboratories Inc. in Thunder Bay, Ontario, with an updated Mineral Resource update expected at the end of calendar Q2 2015.

Financial Summary (con't.)

Consolidated Statements of Financial Position

<i>(millions of Canadian dollars)</i>	Oct 31, 2014	April 30, 2014
Cash and cash equivalents	388.0	27.0
Property, plant and equipment	365.4	260.7
Other assets	31.9	11.6
Total Assets	785.3	299.3
Long-term debt and convertible debentures	178.8	57.2
Other liabilities	30.9	32.4
Equity	575.6	209.7
Total Liabilities and Equity	785.3	299.3

Key Financial and Operating Highlights

(millions of Canadian dollars, except earnings (loss) per share and common shares outstanding)

	Three Months Ended		Six Months Ended	
	Oct 31, 2014	Oct 31, 2013	Oct 31, 2014	Oct 31, 2013
Cash provided by (used in) operating activities	(13.5)	3.3	(14.9)	(7.9)
Cash used in investing activities	(41.1)	(31.6)	(66.8)	(40.7)
Cash provided from (used in) financing activities	(1.5)	28.7	435.4	40.7
Effect of foreign exchange rate changes on cash and cash equivalents	5.8	-	7.4	-
Net earnings (loss) for the period ended October 31, 2014	11.7	(1.6)	0.2	(3.1)
Net Earnings (loss) per share - basic	0.02	(0.01)	Nil	(0.02)
Net Earnings (loss) per share - diluted	0.01	(0.01)	Nil	(0.02)
Weighted Average Number of Common Shares issued and outstanding (basic)	730.9	163.4	522.9	162.6
Weighted Average Number of Common Shares issued and outstanding (diluted)	822.6	163.4	580.7	162.6

The Corporation's unaudited condensed interim consolidated Financial Statements are prepared in Canadian dollars in accordance with International Financial Reporting Standards. Unaudited condensed interim consolidated financial statements for the three and six months ended October 31, 2014 and Management's Discussion and Analysis have been posted on the Corporation's website www.stornowaydiamonds.com and on SEDAR at www.sedar.com.

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. On July 8th 2014 Stornoway announced the completion of a \$946 million⁽²⁾ project financing transaction to fully fund the project to production, and construction commenced on July 10th, 2014. First ore is scheduled to be delivered to the plant in the second half of 2016 with commercial production scheduled for the 2nd quarter of 2017.

In January 2013, Stornoway released the results of an Optimized Feasibility Study at Renard which highlighted the potential of the project to become a significant producer of high value rough diamonds over a

long mine life. Probable Mineral Reserves, as defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101"), stand at 17.9 million carats. Total Indicated Mineral Resources, inclusive of the Mineral Reserve, stand at 27.1 million carats, with a further 16.85 million carats classified as Inferred Mineral Resources, and 25.7 to 47.8 million carats classified as non-resource exploration upside. Average annual diamond production is forecast at 1.6mcarats/year over the first 11 years of mining, at an average valuation of US\$190/carats based on a March 2014 assessment by WWW International Diamond Consultants Ltd.

Readers are cautioned that the potential quality and grade of any target for further exploration 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. All kimberlites remain open at depth. Readers are referred to the technical report dated February 28th, 2013 in respect of the January 2013 Optimization Study, and the press release dated July 23, 2013 in respect of the July 2013 Mineral Resource estimate, for further details and assumptions relating to the project. Disclosure of a scientific or technical nature in this press release was prepared under the supervision of Robin Hopkins, P.Geol. (NT/NU), Vice President, Exploration, a "qualified person" under NI 43-101.

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 Québec's first diamond mine. 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

This press release contains "forward-looking information" within the meaning of Canadian securities legislation. This information and these statements, referred to herein as "forward-looking statements", are made as of the date of this press release and the Corporation 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 recovered grade, average ore recovery, internal dilution, mining dilution and other mining parameters 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) mine expansion potential and expected mine life; (vii) expected time frames for completion of permitting and regulatory approvals and making a production decision; (viii) future exploration plans; (ix) future market prices for rough diamonds; (xii) the economic benefits of using liquefied natural gas rather than diesel for power generation; (xiii) sources of and anticipated financing requirements; (xiv) the completion, effectiveness or availability, as the case may require, of the other elements of the Financing Transactions and the use of proceeds therefrom; and (xv) the impact of the Financing Transactions on the Corporation's operations, infrastructure, opportunities, financial condition, access to capital and overall strategy. 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 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. 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 in making forward-looking statements include, but are not limited to: (i) required capital investment and estimated workforce requirements; (ii) estimates of net present value and internal rates of return; (iii) receipt of regulatory approvals on acceptable terms within commonly experienced time frames; (iv) the assumption that a production decision will be made, and that decision will be positive; (v) anticipated timelines for the commencement of mine production; (vi) market prices for rough diamonds and the potential impact on the Renard Diamond Project; (vii) Stornoway's ability to consummate the Financing Transactions to enable it finance the development and construction of the Renard Diamond Project; (viii) Stornoway's interpretation of the geological drill data collected and its potential impact on stated Mineral Resources and mine life, and (ix) future exploration plans and objectives. Additional risks are described in Stornoway's most recently filed Annual Information Form, annual and interim MD&A, and other disclosure documents available under the Corporation's profile at: www.sedar.com.

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 uncertainty as to whether further exploration of exploration targets will result in the targets being delineated as mineral resources; (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) uncertainty of 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; (xii) changes in project parameters as plans continue to be refined; (xiii) risks relating to the 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) timeframe and potential benefits relating to the issuance of an updated Mineral Resource Estimate in 2015; (xvii) failure to receive regulatory approvals (including stock exchange), or other approvals or otherwise satisfy the conditions to the completion, effectiveness or availability, as the case may require, of each of the elements of the Financing Transactions; (xviii) the funds of some of the elements of the Agreement not being available to the Corporation; (xix) future sales or issuances of Common Shares lowering the Common Share price and diluting the interest of existing shareholders; (xx) Stornoway being unable to meet its diamond delivery obligations under the Streaming Agreement, and (xxi) 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, and new, unforeseeable risks may arise from time to time.

(1) Assuming C\$: US\$ conversion rate of \$1.1275

(2) For illustrative purposes. Assumes a C\$: US\$ conversion rate of \$1.10. Actual proceeds of each financing tranche are measured at the C\$: US\$ exchange rate in effect the date the funds are received.

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