

LONGUEUIL, Québec, Nov. 14, 2016 (GLOBE NEWSWIRE) -- [Stornoway Diamond Corp.](#) (TSX-SWY); (the "Corporation" or "Stornoway") announced today its results for the quarter ended September 30, 2016.

## Quarter ended September 30, 2016 Highlights

*(All quoted figures in CAD\$)*

- The Renard Diamond Mine was officially opened on October 19, 2016, at a ceremony held in the presence of Québec's Minister of Energy and Natural Resources and Minister responsible for the Plan Nord, as well as current and former staff members, project stakeholders and local community members.
- Stornoway's first sale of Renard diamonds will be held in Antwerp, Belgium starting on November 14, 2016. This is two months earlier than previously anticipated.
- Ore processing commenced on July 15, 2016. Initial production is based on ore sourced directly from the Renard 2-3 open pits and supplemented from stockpiled ore as required. During the quarter, 91,010 tonnes were processed with attributable production of 111,556 carats.
- Construction progress stood at 99% compared to the re-baselined plan of 100% at the end of the quarter.
- Incurred project costs and commitments at the quarter-end totalled \$730 million, or 94% of budget.
- On site manpower during the month of September averaged 331 workers, of which 21.2% were Crees of the Eeyou Istchee.
- Mining in the Renard 2-3 and Renard 65 open pits stood at 11,570,023 tonnes, or 104% of plan, with 1,295,194 tonnes of ore stockpiled. Underground mine development stood at 2,630 meters, or 97% of plan.
- At quarter-end, remaining project construction activities were focused on completion of the processed kimberlite containment facility and development of the underground mine's fresh air raise.
- For the three months ended September 30, 2016, the Corporation reported a net loss of \$15.5 million or \$0.02 loss per share basic and fully diluted mainly attributable to the derivative losses resulting from change in the fair value of derivative embedded of the convertible debentures.
- Cash, cash equivalents and short-term investments stood at \$150.9 million. Prior to their expiry on Friday, July 8, 2016, 91,912,732 common share purchase warrants, representing 97.5% of the warrants issued on July 8, 2014, were exercised at a price of \$0.90 per share for total proceeds to the Corporation of \$82.7 million. Excess financing capacity available to complete the project, comprising cash, receivables and expected mine tax credits, and available credit facilities, is now forecasted to be \$149 million assuming the satisfaction of all covenants and conditions precedent relating to future funding commitments and a CAD\$:US\$ conversion rate of \$1.25. The above calculation does not include an additional \$48 million cost overrun facilities that are considered unlikely to be drawn.

Matt Manson, President and CEO, commented: "The current quarter reflects the wind-down of mine construction activities at Renard and the commencement of our production ramp-up. Our final forecast for mine capital cost continues in line with our previously reduced estimate of \$775 million, and we remain on track for commercial production by year end. Open pit mining and ore stockpiling continues comfortably ahead of plan, and the development of our underground mine ramp has largely caught-up the delays caused by water infiltration earlier in the year. As reported on October 6, our first diamond sale will commence today, November 14, in Antwerp, Belgium, which is earlier than previously planned. Based on the characteristics of our early diamond production and the rate of our ramp-up, we are on track to exceed our guidance for FY2016 carat production, albeit at a lower than expected initial diamond price owing to a higher than expected proportion of small diamonds in the early product mix. Proceeds from this diamond sale will represent un-budgeted pre-production revenue, and will supplement further our already strong balance sheet position."

## Financial Summary

Stornoway ended the quarter with cash, cash equivalents and short-term investments of \$150.9 million, compared with \$137.4 million at the end of the previous quarter. All payment deposits under Stornoway's streaming agreement with Orion Mine Finance, the Caisse de dépôt et placement du Québec and Blackstone Tactical Opportunities had been received at the end of the first quarter 2016. No draw has been made under Stornoway's \$100 million secured loan from Investissement Québec, which remains available to complete mine development. Stornoway's current cash resources and committed funds are sufficient to cover planned mine development expenses, financing and corporate costs during calendar 2016.

At completion of construction and commissioning, the Corporation currently forecasts excess funding in connection with its Renard Diamond Project of approximately \$149 million comprised of cash, undrawn debt facilities, receivables and expected mine tax credits. The \$48 million of undrawn cost overrun facilities is unlikely to be drawn and is therefore excluded from the \$149 million above. This forecast assumes the attainment of commercial production on or about December 31, 2016, a project cost of \$775 million (which includes assumed levels of escalation and contingencies), the satisfaction of all covenants and conditions precedent for future funding, and a CAD\$:US\$ exchange rate of \$1.25 for unfunded US dollar denominated financing commitments. The above forecast excludes any estimate of revenue from the first sale of diamonds, which was previously expected to fall outside of the capital expenditure period which will occur in November 2016. As construction concludes and ramp-up to commercial production is achieved, this forecast is expected to change based on the timing of expenditures and receipts, volatility in the CAD\$:US\$ exchange rate, and any change to the forecast cost of the project. Capital expenditures incurred during the three and nine month periods were of \$47.5 million and \$216.8 million respectively, with capital expenditures to date of \$729.5 million having been incurred and committed against the total project cost.

Net loss for the three month period ended September 30, 2016 (&ldquo;Current Quarter&rdquo;) of \$15.5 million compared to a \$10.3 million net income during the three months ended October 31, 2015 (&ldquo;Comparative Quarter&rdquo;) is in large part due to a change of \$25.0 million in other (income) expense. Other expense of \$12.4 million (Comparative Quarter &ndash; \$12.6 million of income) is due to derivative loss resulting from changes to fair value and foreign amortization of financing fees due to drawing of the cost overrun facilities of \$48 million becoming unlikely. These fees of \$5.2 million will be amortized starting July 1, 2016 until December 31, 2017. Loss per share for the current quarter was \$0.02 per share basic and diluted. (Comparative Quarter &ndash; income of \$0.01 per share for both basic and fully diluted).

## Ore Processing

Ore Processing at Renard commenced on July 15, 2016 and during the quarter, 91,010 tonnes of ore had been processed with attributable carat production of 111,556 carats, representing an average grade of 123 carats per hundred tonnes. 21 stones were recovered during the quarter larger than 10.8 carats in size ('specials'). Stornoway&rsquo;s first diamond sale commenced today November 14, 2016 in Antwerp, Belgium, approximately 2 months earlier than previously anticipated.

Ore processing and diamond recovery during July and early August were irregular as plant equipment and material balancing issues were identified and addressed. During the month of September ore processing was achieved on a continuous basis at an average run-rate of 1,792 tonnes per day, representing 30% of plant nameplate capacity. Peak processing run-rate achieved during September was 3,130 tonnes per day, or 52% of nameplate capacity. Commercial production at Renard is defined as 60% of nameplate capacity for a 30-day period. This is expected to be achieved, on schedule, on or around December 31, 2016.

Daily manpower at site in September averaged 331 workers, of which 21.2% were Crees of the Eeyou Istchee. Stornoway employees stood at 445 as at September 30, 2016, including 383 with the on-site development team, of which 17% were Crees, 24% were from Chibougamau and Chapais, and 59% were from outside the region.

## Mining

As at September 30th, 2016, a total of 11,570,023 tonnes of overburden, waste rock and ore had been extracted from the Renard 2- Renard 3 and Renard 65 open pits, compared to a plan of 11,134,656 tonnes (104%). A total of 435,696 tonnes were delivered to the ore stockpiles in the quarter and the stockpile of ore available for processing at the end of the quarter was 1,350,441 tonnes or 149% of plan.

Development progress in the underground mine stood at 2,630 meters, or 97% of the plan. Progress on the ramp during the second quarter totalled 788 meters, or 145% of plan, with generally good ground conditions and no significant water infiltration. At current development rates, the underground mine is expected to be at 100% of plan by the end of the year.

## Construction Highlights

Construction activities at Renard were essentially complete at the end of the quarter at 99% of plan, with the remaining works focused on site landscaping, the development of the fresh air raise and the completion of the processed kimberlite containment facility. These items are expected to be completed in the 4<sup>th</sup> quarter of 2016.

## Exploration Update

Exploration programs are ongoing on the Corporation&rsquo;s 100% owned generative Canadian diamond projects, including the Adamantin property located approximately 100 km south of the Renard Diamond Project and 25 km west of the Route 167 Extension road. Adamantin now comprises 28,171 hectares of claims in three blocks, following recent additional land acquisitions. Till sampling at Adamantin during 2015 confirmed the presence of indicator mineral anomalies interpreted to be sourced from undiscovered kimberlites with diamond potential, with one till sample having a diamond in the +0.25mm-0.50mm size fraction. Drilling during March and April of 2016 resulted in the discovery of 11 distinct kimberlite bodies, as announced on May 5<sup>th</sup>, 2016. A total of 300 kilograms of reverse circulation chips were submitted for micro-diamond recovery by caustic dissolution, and 2,500 kilograms for macro-diamond recovery by dense media separation. As announced September 1<sup>st</sup>, 2016, no diamonds were recovered from these samples, leaving the source of the diamond in till unexplained. Further exploration efforts will focus on geochemical sampling and geophysics within the expanded land position. During July and August field crews collected ground geophysical data to better define known kimberlites and to outline untested anomalies for potential future drilling. Till samples were also collected in specific areas of interest to better constrain existing targets, as well within the newly acquired land packages where historical data suggests the presence of additional kimberlites. An airborne geophysical survey over the new landholdings has been commissioned to identify new targets.

## Financial Summary

### Consolidated Statements of Financial Position

<i>(millions of Canadian dollars)</i>	September 30, 2016	December 31, 2015
Cash, cash equivalents and short-term investments	150.9	209.1
Property, plant and equipment	1073.3	831.4
Other assets	60.2	42.7
Total Assets	1284.4	1,083.2
Long-term debt and convertible debentures	249.7	219.6
Long-term deferred revenue	306.1	207.1
Other liabilities	99.9	80.5
Equity	628.7	576.0
Total Liabilities and Equity	1284.4	1,083.2

## Key Financial and Operating Highlights

<i>(millions of Canadian dollars, except earnings per share)</i>	Three months ended September 30, 2016	Three months ended Oct 31, 2015
Cash used in operating activities	(5.7 )	112.6
Cash used in investing activities	(57.5 )	(172.3 )
Cash provided (used) in financing activities	70.9	(0.9 )
Effect of foreign exchange rate changes on cash and cash equivalents	0.3	0.3
Increase (decrease) in cash and cash equivalents	8.0	(60.3 )
Net income (loss) for the period	(15.5 )	10.3
Earnings (Loss) per share &ndash; basic and diluted	(0.02 )	0.01

The Corporation's consolidated Financial Statements are prepared in Canadian dollars in accordance with International Financial Reporting Standards. Condensed Interim Consolidated Financial Statements for the quarter ended September 30, 2016, and Management's Discussion and Analysis have been posted on the Corporation's website [www.stornowaydiamonds.com](http://www.stornowaydiamonds.com) and on SEDAR at [www.sedar.com](http://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 8, 2014, Stornoway announced the completion of a \$946 million project financing transaction to fully fund the project to production, and construction commenced on July 10, 2014. Processing of ore commenced on July 15, 2016.

In March 2016, Stornoway released the results of an Updated Mine Plan and Mineral Reserve Estimate in March 2016. The study highlighted the potential of the project to become a significant producer of high value rough diamonds over an initial 14 year mine life. Probable Mineral Reserves, as defined in National Instrument 43-101 &ndash; Standards of Disclosure for Mineral Projects (&ldquo;NI 43-101&rdquo;), stand at 22.3 million carats. In accordance with the Corporation's September 2015 Mineral Resource estimate, total Indicated Mineral Resources, inclusive of the Mineral Reserve, stand at 30.2 million carats, with a further 13.35 million carats classified as Inferred Mineral Resources, and 33.0 to 71.1 million carats classified as non-resource exploration upside. Average annual diamond production is forecast at 1.8 million carats per annum over the first 10 years of mining, at an average valuation of US\$155/carat based on March 2016 terms.

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 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.

## 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, 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 Corp.](#)  
/s/ &ldquo;Matt Manson&rdquo;  
Matt Manson  
President and Chief Executive

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*This press release contains "forward-looking information" within the meaning of Canadian securities legislation. This information and these statements, referred to herein as &ldquo;forward-looking statements&rdquo;, 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.*

*These forward-looking statements include, among others, statements with respect to Stornoway&rsquo;s objectives for the ensuing year, Stornoway&rsquo;s medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to Stornoway&rsquo;s beliefs, plans, objectives, expectations, anticipations, estimates and intentions. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.*

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 Reserves, 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, size distribution and quality of diamonds, average ore recovery, internal dilution, mining dilution and other mining parameters set out in the 2016 Technical Report; (v) assumptions relating to gross revenues, operating cash flow and other revenue metrics set out in the 2016 Technical Report; (vi) mine expansion potential and expected mine life; (vii) expected time frames for completion of permitting and regulatory approvals related to construction activities at the Renard Diamond Project; (viii) the expected time frames for the completion of the open pit and underground mine at the Renard Diamond Project; (ix) the expected time frames for the completion of construction, ramp-up, achievement of commercial production and achievement of plant nameplate capacity at the Renard Diamond Project and the financial obligations or costs incurred by Stornoway in connection with such mine development; (x) future exploration plans; (xi) 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 effectiveness, funding or availability, as the case may require, of the Senior Secured Loan, the COF and the Equipment Facility and the use of proceeds therefrom; (xv) the Corporation&rsquo;s ability to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xvi) the impact of the Financing Transactions on the Corporation&rsquo;s operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; (xvii) the foreign exchange rate between the US dollar and the Canadian dollar; and (xviii) the availability of excess funding for the construction and operation of the Renard Diamond Project. 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 &ldquo;expects&rdquo;, &ldquo;anticipates&rdquo;, &ldquo;plans&rdquo;, &ldquo;projects&rdquo;, &ldquo;estimates&rdquo;, &ldquo;assumes&rdquo;, &ldquo;intends&rdquo;, &ldquo;strategy&rdquo;, &ldquo;goals&rdquo;, &ldquo;objectives&rdquo;, &ldquo;schedule&rdquo; or variations thereof or stating that certain actions, events or results &ldquo;may&rdquo;, &ldquo;could&rdquo;, &ldquo;would&rdquo;, &ldquo;might&rdquo; or &ldquo;will&rdquo; 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&rsquo;s ability to achieve its goals, anticipated financial performance, regulatory developments, development plans, exploration, development and mining activities and commitments, 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) 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) anticipated timelines for completion of construction, ramp-up, achievement of commercial production and achievement of plant nameplate capacity at the Renard Diamond Project, as well as continuous development of an open pit and underground mine at the Renard Diamond Project (v) anticipated geological formations; (vi) market prices for rough diamonds and the potential impact on the Renard Diamond Project; (vii) the satisfaction or waiver of all conditions under each of the Senior Secured Loan,

the COF and the Equipment Facility to allow the Corporation to draw on the funding available under those financing elements for the completion of 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; (ix) future exploration plans and objectives; (x) the Corporation's ability to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; and (xi) the continued strength of the US dollar against the Canadian dollar. 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](http://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, 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 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, operating and sustaining capital 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) risks relating to the receipt of regulatory approvals or the implementation of the existing Impact and Benefits Agreement with aboriginal communities; (xiii) the effects of competition in the markets in which Stornoway operates; (xiv) operational and infrastructure risks; (xv) execution risk relating to the development of an operating mine at the Renard Diamond Project; (xvi) failure to satisfy the conditions to the funding or availability, as the case may require, of the Senior Secured Loan, the COF and the Equipment Facility; (xvii) changes in the terms of the Forward Sale of Diamonds, the Senior Secured Loan, the COF or the Equipment Facility; (xviii) the funds of the Senior Secured Loan, the COF or the Equipment Facility not being available to the Corporation; (xix) the Corporation being unable to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xx) future sales or issuances of Common Shares lowering the Common Share price and diluting the interest of existing shareholders; and (xxi) the additional risk factors described herein and in Stornoway's annual and interim MD&A's, most recently filed AIF, 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.