

LONGUEUIL, Québec, Feb. 23, 2017 (GLOBE NEWSWIRE) -- Stornoway Diamond Corp. (TSX:SWY) (the "Corporation" or "Stornoway") is pleased to announce financial and operating results for the twelve months ended December 31, 2016.

Year Ended December 31, 2016 Highlights:

(All quoted figures in CAD\$, unless otherwise noted)

- The Renard Diamond Mine was officially opened on October 19, 2016 at a ceremony held in the presence of local and regional dignitaries, current and former staff members, project stakeholders and community members;
- Following the commencement of ore processing on July 15, 2016, Commercial Production was formally declared on January 1, 2017. The attainment of Commercial Production marks the end of the project's initial capital expense period;
- Total project costs at December 31, 2016 were \$771.2 million, or 99% of budget. \$2.8 million of costs have been deferred to 2017, giving a final cost to complete estimate of \$774 million, \$37 million below the initial capital budget established in July 2014;
- As previously released on February 6, 2017, 2,074,827 tonnes of open pit ore were mined in FY2016, with 399,162 tonnes processed, increases of 136% and 77% respectively over plan. 448,887 carats were recovered at an attributable grade of 112 carats per hundred tonnes ("cpht"), increases of 106% and 15% respectively over plan;
- The first sale of Renard Diamonds was held during November in Antwerp in Belgium. In total, 38,913 carats were sold at an average price of US\$195 per carat, for proceeds of \$10.2 million (US\$7.6 million) representing un-budgeted pre-production revenue;
- For the three months ended December 31, 2016, the Corporation reported a net income of \$52.0 million or \$0.06 earnings per share basic and \$0.05 fully diluted, and for the year ended December 31, 2016, it reported net income of \$19.6 million or \$0.03 earnings per share basic and fully diluted;
- Cash, cash equivalents and short-term investments stood at \$86.0 million. At the end of construction, total financial liquidity, comprising cash, receivables and expected mine tax credits, and available credit facilities, stood at \$165 million assuming the satisfaction of all covenants and conditions precedent relating to future funding commitments and a CAD\$:US\$ conversion rate of \$1.30. The above calculation excludes an additional \$48 million of Cost Overrun Facility that was terminated subsequent to the year-end.

Matt Manson, President and CEO commented: "Stornoway's FY2016 results confirm the final completion of the Renard Mine well below our original budget estimates and ahead of schedule. With the capital period now over and the attainment of commercial production, we are continuing our processing ramp-up and steadily increasing the volume of goods offered at our diamond sales. Two additional tenders have now been completed subsequent to the year end, and while pricing continues to be impacted by Indian market conditions and our diamond recovery profile, we are seeing improvements in the market for the lower quality items and strong premiums in larger, higher quality goods. Stornoway will complete one additional sale prior to the end of the current quarter." Matt Manson continued: "Our successful project build and earlier operational start-up has contributed to a greatly strengthened balance sheet compared to what was contemplated in our original July 2014 project financing plan. With \$165 million of total liquidity at year-end, including \$100 million of undrawn senior debt, and our sales proceeding, we are in a strong position as we start 2017."

Financial Summary

Stornoway ended the year with cash, cash equivalents and short-term investments of \$86.0 million, compared with \$150.9 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 senior secured loan from Investissement Quebec, which remains available to the Corporation.

As of December 31, 2016 and the completion of project construction, total financial liquidity stood at \$165 million comprised of cash, undrawn debt facilities, receivables and expected mine tax credits net of payables. This calculation excludes an additional \$48 million of available cost overrun facilities terminated subsequent to year-end. Capital expenditures incurred during year were of \$278.2 million with capital expenditures to date of \$772.5 million having been incurred and committed against the total project cost. This cost estimate excludes any credit from pre-production revenue derived from the sale of diamonds in November, 2016.

Net income for the year ended December 31, 2016 ("Current Period") of \$19.6 million increased compared to a \$3.7 million net loss during the eight months ended December 31, 2015 ("Comparative Period") is in large part due to a change of \$46.4 million deferred tax asset recorded in the fourth quarter of 2016. Net income per share for the current year was \$0.03 per share basic and diluted. (Comparative Period – income of \$Nil per share for both basic and fully diluted).

Financial Summary

Consolidated Statements of Financial Position

(millions of Canadian dollars)

December 31, 2016 December 31, 2015

Cash, cash equivalents and short-term investments	86.0	209.1
Property, plant and equipment	1,102.1	831.4
Other assets	123.5	42.7
Total Assets	1,311.6	1,083.2
Long-term debt and convertible debentures	231.7	219.6
Long-term deferred revenue	296.7	207.1
Other liabilities	93.7	80.5
Equity	689.5	576.0
Total Liabilities and Equity	1,311.6	1,083.2

Key Financial and Operating Highlights

	Twelve months ended Dec 31, 2016	Eight months ended Dec 31, 2015
<i>(millions of Canadian dollars, except earnings per share)</i>		
Cash provided in operating activities	74.8	98.9
Cash used in investing activities	(165.9)	(139.3)
Cash provided (used) in financing activities	77.3	(2.4)
Effect of foreign exchange rate changes on cash and cash equivalents	(2.0)	11.4
Increase (decrease) in cash and cash equivalents	(15.8)	(31.4)
Net income (loss) for the year	19.6	(3.7)
Earnings (Loss) per share – basic and diluted	0.03	Nil

Operational Update

Declaration of Commercial Production and Completion of Construction

Commercial Production at Renard is defined as an average processing rate of 60% of plant name-plate capacity over a 30 day period. This was achieved on December 3, 2016, with an average processing rate of 4,120 tonnes per day over the preceding 30 day period compared to a name-plate capacity of 6,000 tonnes per day. Stornoway formally declared commercial production on the first day of the month following the month in which it is achieved, which was January 1, 2017. The company expects to continue the ramp-up of the process plant to full production over the next two quarters.

The attainment of Commercial Production marked the end of the project's initial capital expense period. Total project costs at December 31, 2016 totalled \$771.2 million, or 99% of budget. \$2.8 million of costs related principally to the fresh air raise for the underground mine will be incurred in 2017, giving a final cost to complete estimate of \$774 million, \$37 million below the initial capital budget established in July 2014.

Three lost time incidents ("LTI") were recorded during the quarter. The project lost time incident ("LTI") rate for FY2016 was 1.5 for Stornoway employees, and 1.7 for contractors. The project-to-date LTI rate stands at 0.9 for Stornoway employees and 1.8 for contractors.

No incidences of environmental non-compliance were recorded during the quarter and year to date. Two incidences of non-compliance have been recorded during the project to date.

Daily manpower at site in December averaged 278 workers, of which 19.1% were Crees of the Eeyou Istchee. Stornoway employees stood at 429 as at December 31, 2016, including 379 from the on-site development team, of which 16% were Crees, 24% were from Chibougamau and Chapais, and 60% were from outside the region.

Mining and Processing

For the year ended December 31, 2016, Stornoway extracted a total of 7,840,130 tonnes of ore, waste and overburden from the Renard 2- Renard 3 and Renard 65 open pits, compared to a plan of 6,339,501 tonnes (+24%). 2,074,827 tonnes of ore were mined compared to a plan of 879,641 tonnes (+136%).

At year end, a total of 1,842,068 tonnes of ore have been delivered to the stockpile compared to a plan of 735,898 tonnes (+150%), excluding an additional 63,243 tonnes of non-resource Renard 3 material.

During 2016 2,729 meters of development was completed in the underground mine, compared to a plan of 2,768 meters (-1%). At year-end total development in the underground mine stood at 3,616 meters, or 99% of the plan. There has been no recurrence of the water inflow issues that slowed ramp development towards the end of 2015. The Renard 2 kimberlite was intersected at the 160 meter level on December 4, 2016 and by year end 117 meters of development within ore had been completed in good ground conditions.

Ore processing commenced on July 15, 2016. By year-end, a total of 399,162 tonnes of ore had been processed with carat production of 448,887 carats, compared to a plan of 218,400 carats (+106%). The attributable grade was 112 cph compared to a plan of 97 cph (+15%). The higher tonnage of ore processed was due to the earlier than expected availability of the plant, and the higher grade was due to a better than expected mix of ore units available in the Renard 2-3 open pit.

Sales

Stornoway's first diamond sale occurred between November 14 -23, 2016 in Antwerp, Belgium. In total, 38,913 carats were sold at an average price of US\$195 per carat, for proceeds of \$10.2 million (US\$7.6 million). The diamonds sold in this first sale represent a portion of our production recovered during the initial commissioning and ramp-up of the Renard project during August and September 2016. Recent events in India surrounding demonetization impacted pricing and demand for certain smaller and lower quality items, as a result, a quantity of these were withdrawn from the sale. Because of this, and because of a higher than expected proportion of small diamonds recovered during the ramp-up period attributable, in part, to plant-induced diamond breakage, the result of this first sale cannot be taken as representative of the longer term pricing profile of the project.

Two additional tender sales of Renard diamonds have occurred subsequent to the year end, with a third scheduled prior to the end of the first quarter of 2017.

Mineral Reserves and Mineral Resources

At December 31, 2016, Proven and Probable Mineral Reserves for the Renard Diamond Mine were 33 million tonnes at a grade of 67 carats per hundred tonnes ("cph") for 21.95 million attributable carats. Exclusive of Mineral Reserves, the Renard Diamond Mine includes an additional Indicated Mineral Resource of 2.9 million carats (6.3 million tonnes at 46 cph), Inferred Mineral Resources of 13.3 million carats (24.5 million tonnes at 54 cph) and 33.0 million to 71.1 million carats of non-resource exploration upside (76.2 million to 113.2 million tonnes at grades ranging from 25 to 168 cph) [1]. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Readers are cautioned that the potential quantity and grade of any 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.

[1] Indicated Mineral Resources have been adjusted by an additional 2.9 million tonnes of ore and 2 million carats previously excluded from the indicated Mineral Resources cited in the February 6, 2017 Press Release of the Corporation.

Exploration Update

Stornoway conducts exploration programs on 100% owned generative Canadian diamond projects, and maintains a number of non-material, grass-roots exploration properties, including the Adamantin project in Quebec. The Adamantin property comprises 28,169 hectares of claims in three blocks, located approximately 100 km south of the Renard Diamond Mine and 25 km west of the Route 167 Extension road. Indicator mineral till sampling during 2015 identified promising results, including a diamond in the +0.25mm-0.50mm size fraction. An initial exploratory drill program in March and April of 2016 discovered 11 discrete kimberlite bodies at Adamantin. No diamonds were recovered from available kimberlite material, and unsourced indicator mineral anomalies remain on the property. Further till sampling and geophysical surveys undertaken in 2016, have identified additional targets of interest. In January 2017, Stornoway's board of directors approved a 2017 budget allocation of up to \$2.0 million at the Adamantin Project, including additional drilling. This work will commence in March 2017.

Subsequent to the year-end, on February 16, 2017, the Corporation completed a property purchase agreement with North Arrow under which North Arrow has acquired the Corporation's remaining interests in the Qilalugaq and Pikoo Diamond Projects in exchange of 2,000,000 common shares of North Arrow. As additional consideration, the Corporation will receive 0.5% and 1.0% gross overriding royalties on diamonds and 0.5% and 1.0% net smelter returns royalties on base and precious royalties mine from the Qilalugaq and Pikoo Projects, respectively. North Arrow will also make a \$2.5 million and a \$1.25 million cash payment to the Corporation at the same time that first royalties payments relating to the Qilalugaq and Pikoo projects, respectively, are payable.

About the Renard Diamond Mine

The Renard Diamond Mine is Quebec's first producing diamond mine and Canada's sixth. It 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. Construction on the project commenced on July 10, 2014, and commercial production was declared on January 1, 2017. Average annual diamond production is forecast at 1.8 million carats per annum over the first 10 years of

mining. 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.

Qualified Persons

Disclosure of a scientific or technical nature in this press release was prepared under the supervision of M. Patrick Godin, P.Eng. (Québec), Chief Operating Officer, and Mr. David Farrow, Pr.Sci.Nat (South Africa) and P.Geo. (BC), Vice President Diamonds, both "qualified persons" 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, 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/ "Matt Manson"
Matt Manson
President and Chief Executive

For more information, please contact Matt Manson (President and CEO) at 416-304-1026 x2101 or Orin Baranowsky (Vice President, Investor Relations and Corporate Development) at 416-304-1026 x2103 or toll free at 1-877-331-2232

Pour plus d'information, veuillez contacter M. Ghislain Poirier, Vice-président Affaires publiques de Stornoway au 418-254-6550, gpoirier@stornowaydiamonds.com

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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 "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.

These forward-looking statements include, among others, statements with respect to Stornoway's objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our 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 as well as levels of diamond breakage; (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 ongoing construction activities at the Renard Diamond Mine; (viii) the expected time frames for the completion of the open pit and underground mine at the Renard Diamond Mine; (ix) the expected time frames for the ramp-up and achievement of plant nameplate capacity of the Renard Diamond Mine (x) the expected financial obligations or costs incurred by Stornoway in connection with the ongoing development of the Renard Diamond Mine; (xi) future exploration plans; (xii) future market prices for rough diamonds; (xiii) the economic benefits of using liquefied natural gas rather than diesel for power generation; (xiv) sources of and anticipated financing requirements; (xv) the effectiveness, funding or availability, as the case may require, of the Senior Secured Loan and the remaining Equipment Facility and the use of proceeds therefrom; (xvi) the Corporation's ability to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xvii) the impact of the Financing Transactions on the Corporation's operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; (xviii) the foreign exchange rate between the US dollar and the Canadian dollar; and (xix) the availability of excess funding for the operation of the Renard Diamond Mine. 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" or "could" or "will" occur) are forward-looking statements.

“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 recovered grade, size distribution and quality of diamonds, average ore recovery, internal dilution, and levels of diamond breakage, 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, 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) 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 as well as levels of diamond breakage, (iv) receipt of regulatory approvals on acceptable terms within commonly experienced time frames; (v) anticipated timelines for ramp-up and achievement of nameplate capacity at the Renard Diamond Mine, (vi) anticipated timelines for the development of an open pit and underground mine at the Renard Diamond Mine; (vii) anticipated geological formations; (viii) market prices for rough diamonds and their potential impact on the Renard Diamond Mine; (ix) the satisfaction or waiver of all conditions under the Senior Secured Loan and the remaining Equipment Facility to allow the Corporation to draw on the funding available under those financing elements; (x) Stornoway’s interpretation of the geological drill data collected and its potential impact on stated Mineral Resources and mine life; (xi) future exploration plans and objectives; (xii) the Corporation’s ability to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; and (xiii) the continued strength of the US dollar against the Canadian dollar.

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 diamond 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 sustainable 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 Mine; (xvi) failure to satisfy the conditions to the funding or availability, as the case may require, of the Senior Secured Loan and the Equipment Facility; (xvii) changes in the terms of the Forward Sale of Diamonds, the Senior Secured Loan or the Equipment Facility; (xviii) the funds of the Senior Secured Loan 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, 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.