Stornoway Reports FY2018 First Quarter Financial Results

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LONGUEUIL, Quebec, May 15, 2018 (GLOBE NEWSWIRE) -- Stornoway Diamond Corp. (TSX:SWY); (the “Corporation” or “Stornoway”) is pleased to report financial and operating results for the quarter ended March 31, 2018.

Revenues and financing expenses quoted herein reflect the initial application of IFRS 15*, Revenue from Contracts with Customers*, effective as of January 1, 2018. During the quarter, the Corporation also adopted *IFRS 9, Financial Instruments*. See “*New Accounting Standards Adopted*” below.

QUARTER ENDED MARCH 31, 2018 HIGHLIGHTS:

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

- For the three months ended March 31, 2018, Stornoway reported net loss of $11.0 million ($0.01 per share on a basic and fully diluted basis), compared to net loss of $1.2 million for the three months ended March 31, 2017 ($Nil per share basic and $0.01 fully diluted). Adjusted net loss[1] for the quarter was $14.0 million and $2.5 million in the corresponding period of 2017.
- During the quarter, three tender sales totalling 399,135 carats were completed for gross proceeds of $56.6 million at an average price of US$112 per carat ($142 per carat[2]). Revenue recognized was $55.9 million derived from the sale of 271,518 carats of run of mine production in two tender sales at an average price of US$106 per carat ($135 per carat[2]), and the sale of 42,663 carats of incidental production in one out of tender contract sale at an average price of US$19 per carat ($24 per carat[3]). Revenue from the third tender sale of the year, which comprised 127,616 carats of run of mine production sold at an average price of US$123 per carat ($156 per carat[4]), will be recognised in the second quarter.
- During the quarter, a 37 carat Type II-a, D colour, internally flawless stone was recovered and sold in the third tender sale for $1.7 million ($45,000 per carat[4]), or US$1.3 million (US$36,000 per carat), the highest price achieved for an individual stone from the Renard mine to date.
- Diamond processing comprised 285,851 carats recovered from 562,520 tonnes of ore at a grade of 51 carats per hundred tonnes (“cpht”). Grade and carat recoveries reflect the processing of lower grade production ore and ore stockpiles as the Renard mine transitions from open pit to underground mining. In response, full year production guidance has been reduced to between 1.35 and 1.40 million carats from 1.6 million carats, while full year guidance for carats sold has been reduced to between 1.20 and 1.25 million carats from 1.6 million carats.
- Mining in the Renard 2-3 and Renard 65 open pits comprised 424,923 tonnes, with 202,986 tonnes of ore extracted. By the end of the quarter, mining in the Renard 2 open pit had been completed, and a progressively higher proportion of ore was being derived from the Renard 2 underground mine. Underground mining during the quarter comprised 168,906 tonnes, with 116,798 tonnes of ore extracted.
- Commissioning of the new ore-waste sorting circuit at Renard began on schedule prior to the end of the quarter. Equipment commissioning commenced on March 25, 2018, with ore processing achieved on a consistent basis by the end of April. The volume and quality of ore-waste segregation has been positive, and initial diamond recovery results have been encouraging.
- Cash operating costs per tonne processed[1] were $50.70 per tonne ($99.77 per carat) and capital expenditures[1] were $31.1 million.

- For the first quarter, the Corporation reported adjusted EBITDA[1] of $7.4 million, or 19% of adjusted revenues[1], compared to $21.3 million, or 44% of revenues, for the corresponding quarter of 2017.
- At quarter-end, cash, cash equivalents and short-term investments stood at $51.6 million and available liquidity[1] to the Corporation, including available credit facilities, stood at $71.9 million.

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[1] See “Non-IFRS Financial Measures” section
[2] Based on an average $:US$ conversion rate of $1.27
[3] Based on an average $:US$ conversion rate of $1.29
[4] Based on an average $:US$ conversion rate of $1.26

Matt Manson, President and CEO, commented: “Our first quarter results reflect the transitional nature of our business, as we move from open pit to underground mining. During this transition, carat production is being negatively impacted by the processing of the lower grade ore currently available to us in our stockpiles and in the first underground stopes. This has prompted us to reduce our full year production and sales guidance. At the same time, however, we have been encouraged by strong pricing in the diamond market, with first quarter prices trending well ahead of those achieved in 2017, and our operating and capital expenditures are within plan. We are also encouraged by the progress of our underground mining and the initial results from our ore-waste sorting, which is giving some very early indications of improved diamond recoveries and exceeding our expectations in terms of the volume and quality of the material sorted.” Matt Manson continued: “By the end of the second quarter the Renard Mine will have fully transitioned to underground mining supported by ore sorting, and major capital expenditures will be behind us. This will be the character of our business going forward, with growing production driven by increasing grade and excess processing capacity. All of this has been achieved with the capital structure and financial liquidity established in our original 2014 construction funding. As we move forward, we are in discussions with our lenders to amend the terms of certain debt instruments to better suit our working capital requirements as an operator and in support of the further growth of the business.”

Table 1. Financial Results Highlights

(expressed in millions of Canadian dollars, except as otherwise noted)

	Three months ended March 31, 2018	
Open pit tonnes mined (tonnes)	424,923	
Underground ore tonnes mined (tonnes)	116,798	
Ore processed (tonnes)	562,520	
Carats Recovered	285,851	
Carats Sold	314,182	
Revenues	55.9	
Cost of Goods Sold	43.3	
Selling, General, Administrative and Exploration Expenses	4.9	
Financial expenses	17.8	
Foreign exchange (gain) loss	3.2	
Net loss	(11.0	)
Net loss per Share – Basic and Diluted	(0.01	)
Adjusted Net Loss[1]	(14.0	)
Adjusted EBITDA[1]	7.4	
Adjusted EBITDA margin (%)[1]	19%	
Capital expenditures[1]	31.1	

FINANCIAL SUMMARY

Revenues during the first quarter of 2018 totalled $55.9 million, compared to $48.5 million in the corresponding period of 2017. Revenues in the current quarter include $22.0 million recognized from the contract liabilities related to the upfront proceeds received by the Corporation under the Renard Stream agreement in consideration for future commitments to deliver diamonds at contracted prices (March 31, 2017 – $6.8 million).

The Corporation reported Adjusted EBITDA[1] of $7.4 million representing 19% of adjusted revenues[1] (March 31, 2017 – $21.3 million representing 44% of revenues), largely attributable to the processing of a higher proportion of low grade stockpile material in the current quarter. Adjusted Net Loss[1] of $14.0 million (March 31, 2017 – $2.5 million) reflects a decrease in gross profit, offset by an increase in deferred income tax recovery.

As at March 31, 2018, cash and cash equivalents stood at $51.6 million, and Available Liquidity[1] to the Corporation, including available credit facilities, stood at $71.9 million (December 31, 2017 - $101.8 million). Change in the Available Liquidity position was marked by the cash flows engaged in the acquisition of property, plant and equipment, mainly for the development of the underground mine and the construction of the ore-waste sorting circuit, as well as the reduced operating cash flows due the processing of low grade ore derived from surface stockpiles and the initial stope development, as the Renard mine transitions from open pit to predominantly underground mining.

NEW ACCOUNTING STANDARDS ADOPTED

IFRS 15, Revenue from Contracts with Customers

Under the Stream, the Corporation received advances in consideration for future commitment to deliver diamonds at contracted price. Prior to the adoption of IFRS 15, the Corporation presented these advances as deferred revenue in the consolidated statements of financial position. No interest was accrued on the long-term advances received under the previous accounting policy. The Corporation concluded that the contracted price is discounted to take into consideration a significant financing component that should be accounted for separately and as a result both revenues and financial expenses have increased. IFRS 15 was applied using the modified retrospective method and consequently the comparative information has not been adjusted. The amounts by which each financial line item is affected by the application of IFRS 15 when compared to legacy revenue requirements is as follows.

(expressed in millions of Canadian dollars, except as otherwise noted)

For the three months ended March 31, 2018	Legacy standards (pro forma)	Impacts	IFRS 15
Revenues	38.6	17.3	55.9
Cost of Goods Sold	42.0	1.3	43.3
Selling, General, Administrative and Exploration Expenses	4.9	–	4.9
Financial expenses	3.3	14.5	17.8
Foreign exchange (gain) loss	3.2	–	3.2
Total income tax recovery	(2.7)	0.4	(2.3)
Net loss	(12.1)	1.1	(11.0)
Loss per share – Basic and Diluted	(0.01)	–	(0.01)

IFRS 9, Financial Instruments

The adoption of IFRS 9 has impacted the manner in which some derivative financial instruments designated as cash flow hedges are recognized in the Corporation’s statement of other comprehensive income. Under the legacy standard, changes in the time value of foreign currency options designated as cash flow hedges was recognized directly to net income (loss), while under IFRS 9, it is recognized by the Corporation in the costs of hedging reserve within equity. The Corporation applied IFRS 9 retrospectively with restatement of prior periods. The period ended March 31, 2017 was not impacted by the adoption of IFRS 9, as no derivative financial instruments designated as cash flow hedges were then outstanding.

OPERATIONAL SUMMARY

Environment, Health, Safety and Communities

Four lost time incidents (“LTI”) were recorded during the quarter (employees/contractors slipped on ice/snow), for a year to date LTI rate of 2.0 for both contractors and Stornoway employees. Daily manpower at site in March averaged 419 workers (Stornoway and contractors) of which 10% were Crees of the Eeyou Istchee. Stornoway employees stood at 539 as at March 31, 2018, including 475 mine located employees, of which 12% were Crees, 23% were from Chibougamau and Chapais, and 65% were from outside the region. No incidences of environmental non-compliance were reported in the quarter.

Mining and Processing

During the first quarter, 424,923 tonnes were mined from the Renard 2-3 and Renard 65 open pits, with 202,986 tonnes of ore extracted. A total of 168,906 underground production and development tonnes were mined during the quarter, of which 116,798 tonnes ore were extracted, including more than 70,000 tonnes of ore delivered to the process plant.

First quarter production was 285,851 carats recovered from the processing of 562,520 tonnes of ore from the Renard 2, Renard 3 and Renard 65 kimberlites, at an attributable grade of 51 cpht. Carat production was lower than planned in the first quarter due to the unscheduled processing of lower grade ore derived from surface stockpiles and the initial underground mine stopes, based on availability.

Mining in the Renard 2 open pit concluded in March and in the Renard 3 open pit in April. Underground mine production commenced in the first quarter on schedule, with a focus on production blasting and the build-up of ore inventory in the production stopes. The initial experience with the mining method is that the kimberlites’ host rocks are proving more competent than initially expected, and kimberlite is caving naturally into the draw points. This offers the opportunity to develop an Assisted Block Cave as the principal mining method, with less longer term development expense and less stope backfill. Ore available for processing is expected to be derived predominantly from the underground mine by the beginning of the third quarter.

Equipment commissioning of the new ore-waste sorting circuit at Renard commenced on March 25, 2018. Ore processing through the new circuit was achieved on a consistent basis by the end of April, and progressively higher volumes of ore are expected to be processed during the second quarter as spectral sorting configurations are established and the main process plant is re-balanced. The volume and quality of ore-waste segregation has been positive, and initial diamond recovery results encouraging.

In the first quarter of 2018, cash operating costs per tonne processed[1] were $50.70 per tonne ($99.77 per carat recovered[1]), compared to $52.67 per tonne[1] ($57.33 per carat recovered[1]) in the corresponding period of 2017. The increase in cash operating costs per carat recovered is explained by the processing of lower grade ore during the first quarter of 2018.

Diamond Sales

During the quarter, 3 tender sales totalling 399,135 carats were completed for gross proceeds of $56.6 million at an average price of US$112 per carat ($142 per carat[2]). The third tender sale of year, completed in March 2018, comprised 127,616 carats of run of mine production sold for gross proceeds of $19.9 million at an average price of US$123 per carat ($156 per carat[4]). Proceeds from this sale will be recognised as revenue in the second quarter since deliveries to clients were made subsequent to the quarter-end. In addition, during the quarter, the Corporation sold 42,663 carats of incidental production in one out of tender contract sale at an average price of US$19 per carat ($24 per carat3). This compares to 459,126 carats sold in three tender sales events and three out of tender contract sales in the first quarter of 2017, with gross proceeds of $44.5 million at US$73 per carat ($97 per carat[5]).

Commentary on Diamond Production and Revised Guidance

During the first quarter, diamond production was lower than budgeted due to the unscheduled processing of lower grade ore based on availability. As the Renard mine transitions from open pit to predominantly underground mining, the processing of low grade ore derived from surface stockpiles and the initial stope development is expected to continue into the second quarter. This will impact Stornoway’s full year production forecast negatively.

In consequence, full year production guidance has been revised downwards to between 1.35 million carats and 1.40 million carats from 1.6 million carats at a recovered grade of between 54 and 56 cpht from 65 cpht. Full year guidance for carats sold has been revised downwards to between 1.20 million carats and 1.25 million carats from 1.60 million carats.

No change to guided diamond pricing is being made at this time. To date in 2018, including goods sold in the third tender sale event of 2018, Stornoway has sold +7 DTC sized diamonds at an average price of US$148 per carat (compared to guidance of US$125 to US$165 per carat), and -7 DTC sized diamonds at an average price of US$20 per carat (compared to guidance of US$15 to US$19 per carat).

No change to guided tonnes mined and tonnes processed is being made at this time. No change to guided capital or operating cost expenditures are being made at this time. Cash operating cost per carat is expected to be between $88 and $90 per carat owing to the lower expected carat production.

Capital Projects

Capital expenditures of $31.1 million in the first quarter of 2018 were principally related to the development of the underground mine and the construction of the ore-waste sorting circuit.

During the quarter, 1,302 meters of lateral development in the underground mine were completed on drilling levels and at production drawpoints on the 290 meter level, which will support mine production at Renard for the next three years. At the same time, development of the main ramp is ongoing towards the 470 meter level. Full transition to underground mine production and ore-waste sorting is expected to be completed by the end of the second quarter, with a commensurate reduction in development capital expenditures.

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[5] Based on an average $:US$ conversion rate of $1.32

EXPLORATION

On January 18, 2018, Stornoway announced a program of brownfield and grassroots exploration aimed at both the development of the existing resource upside potential at the Renard Mine and new discoveries. Highlights of the work completed to date are as follows.

RIL Property

Drilling has resulted in the discovery of a new kimberlite at the RIL Property, a grassroots project located approximately 80km north of the town of Elliot Lake, Ontario. A single geophysical target under a small lake was tested with diamond drilling in February 2018. The first of four inclined holes intersected 124m of volcanoclastic diatreme breccia containing abundant indicator minerals (including olivine, chrome diopside and ilmenite) as well as numerous mantle nodules.

Preliminary modelling of a pipe shell, based on 1,297m of drilling and subsequent detailed core logging, suggests an elongate intrusive pyroclastic body measuring about 190m by 100m. Mineralogical studies to establish the petrological affinity of this diatreme are ongoing, but approximately 150 kilograms of material have been submitted for microdiamond recovery (by caustic fusion) and another 1.3 tonnes for macrodiamond recovery (by dense media separation). Results are not currently available.

The nearest cluster of kimberlite intrusions to the RIL discovery occurs more than 130 km away. The RIL Property is notable for good access infrastructure and, following the recent lifting of a staking moratorium in Ontario, Stornoway has acquired approximately 8,590 ha of new claims in the region.

Renard Property

At Renard, a total of 95 shallow reverse circulation (RC) drill holes have been completed testing 91 geophysical anomalies for new kimberlite diatremes. The testing of certain promising lake targets were not completed due to deteriorating ice conditions.

Kimberlite chips were recovered at 3 targets indicating the presence of new dyke-like bodies. Of greater significance, chips of Country Rock Breccia (“CRB”) or related alteration were recovered at nine targets. CRB is a clast supported country rock breccia, with or without kimberlitic components, and at Renard is an integral part of the volcanic emplacement process. It forms a halo around the kimberlite pipes, and commonly has gradational contacts with the main volcanoclastic kimberlite units. These new CRB discoveries now make a total of 14 CRB occurrences identified through current or historical drilling. The Renard Property can be considered to be a widespread zone of volcanic activity characterised by country rock breccias, kimberlite dykes, and (to date) nine centrally located diatremes.

While RC drilling facilitates rapid cost effective preliminary testing of targets, core drilling will be required to follow up the CRB discoveries for adjacent or blind kimberlite diatremes. Equipment and samples from the Renard field program are currently being demobilized from site, and all sample materials will be reviewed in more detail under laboratory conditions.

NON-IFRS FINANCIAL MEASURES

This document refers to certain financial measures, such as Adjusted Net Loss, Adjusted Revenues, Adjusted EBITDA, Adjusted EBITDA Margin, Average Diamond Pricing Achieved, Cash Operating Cost per Tonne Processed, Cash Operating Cost per Carat Recovered, Capital Expenditures, and Available Liquidity, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. As a result, these measures may not be comparable to similar measures reported by other corporations.

Each of these measures have been derived from the Corporation’s financial statements and have been defined and calculated based on management’s reasonable judgement. These measures are used by management and by investors to assist in assessing the Corporation’s performance. The measures are intended to provide additional information to the user and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Refer to the “Non-IFRS Financial Measures” section of the Corporation’s Management Discussion and Analysis as at and for the quarter ended March 31, 2018 for further discussion of these items, including reconciliations to IFRS measures.

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 PERSON

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. Robin Hopkins, P.Geol. (NT/NU), Vice President, Exploration, both “qualified persons” under National Instrument (“NI”) 43-101.

ABOUT STORNOWAY DIAMOND CORPORATION

Stornoway is a leading Canadian diamond exploration and production company listed on the Toronto Stock Exchange under the symbol SWY and headquartered in Montreal. A growth oriented company, Stornoway owns a 100% interest in the world-class Renard Mine, Québec’s first diamond mine.

On behalf of the Board
Stornoway Diamond Corp.
/s/ “Matt Manson”
Matt Manson
President and Chief Executive Officer

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FORWARD-LOOKING STATEMENTS

This document contains forward-looking information (as defined in National Instrument 51‑102 – Continuous Disclosure Obligations) and forward-looking statements within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995 (collectively referred to herein as “forward-looking information” or “forward-looking statements”). These forward-looking statements are made as of the date of this document 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 relate to future events or future performance and 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 management’s beliefs, plans, objectives, expectations, estimates, intentions and future outlook and anticipated events or results. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward-looking statements 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 estimated amount of future production over any period; (iii) net present value and internal rates of return of the mining operation; (iv) expectations and targets 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) expectations, targets and forecasts relating to gross revenues, operating cash flows and other revenue metrics set out in the 2016 Technical Report, growth in diamond sales, cost of goods sold, cash cost of production, gross margins estimates, planned and projected diamond sales, mix of diamonds sold, and capital expenditures, liquidity and working capital requirements; (vi) mine and resource expansion potential, expected mine life, and estimated incremental ore recovery, revenue and other mining parameters from potential additional mine life extension; (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 financial obligations or costs incurred by Stornoway in connection with the ongoing development of the Renard Diamond Mine; (x) mining, development, production, processing and exploration rates, progress and plans, as compared to schedule and budget, and planned optimization, expansion opportunities, timing thereof and anticipated benefits therefrom; (xi) future exploration plans and potential upside from targets identified for further exploration; (xii) expectations concerning outlook and trends in the diamond industry, rough diamond production, rough diamond market demand and supply, and future market prices for rough diamonds and the potential impact of the foregoing on various Renard financial metrics and diamond production; (xiii) the economic benefits of using liquefied natural gas rather than diesel for power generation; (xiv) sources of and anticipated financing requirements; (xv) the ability to meet Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xvi) the foreign exchange rate between the US dollar and the Canadian dollar; and (xvii) the anticipated benefits from recently approved plant modification measures and the anticipated timeframe and expected capital cost thereof. 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 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) the accuracy of our estimates regarding capital 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) the expected mix of diamonds sold, and successful mitigation of ongoing issues of diamond breakage in the Renard Diamond Mine process plant and realization of the anticipated benefits from plant modification measures within the anticipated timeframe and expected capital cost; (v) the stabilization of the Indian currency market and full recovery of prices; (vi) receipt of regulatory approvals on acceptable terms within commonly experienced time frames and absence of adverse regulatory developments; (vii) anticipated timelines for the development of an open pit and underground mine at the Renard Diamond Mine;‎ (viii) anticipated geological formations; (ix) continued market acceptance of the Renard diamond production, conservative forecasting of future market prices for rough diamonds and impact of the foregoing on various Renard financial metrics and diamond production; (x) the timeline, progress and costs of future exploration, development, production and mining activities, plans, commitments and objectives; (xi) the availability of existing credit facilities and any required future financing on favorable terms and the satisfaction of all covenants and conditions precedent relating to future funding commitments; (xii) the ability to meet Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xiii) Stornoway’s interpretation of the geological drill data collected and its potential impact on stated Mineral Resources and mine life; (xiv) the continued strength of the US dollar against the Canadian dollar and absence of significant variability in interest rates; (xv) improvement of long-term diamond industry fundamentals and absence of material deterioration in general business and economic conditions; and absence of significant variability in interest rates; (xvi) increasing carat recoveries with progressively increasing grade in LOM plan; (xvii) estimated incremental ore recovery, revenue and other mining parameters from potential additional mine life extension with minimal capital expenditures; (xviii) availability of skilled employees and maintenance of key relationships with financing partners, local communities and other stakeholders; (xix) long-term positive demand trends and rough diamond demand meaningfully exceeding supply; (xx) high depletion rates from existing diamond mines; (xxi) global rough diamond production remaining stable; (xxii) modest capital requirements post-2018 with significant resource expansion available at marginal cost; (xxiii) substantial resource upside within scope of mine plan; (xxiv) opportunities for high grade ore acceleration and processing expansion and realization of anticipated benefits therefrom; (xxv) significant potential upside from targets identified for further exploration; and (xxvi) limited cash income taxes payable over the medium term.

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 levels of diamond breakage; (iii) the uncertainty as to whether further exploration of exploration targets will result in the targets being delineated as Mineral Resources; (iv) risks associated with our dependence on the Renard Diamond Mine and the limited operating history thereof; (v) unfavorable developments in general economic conditions and in world diamond markets; (vi) variations in diamond valuations and fluctuations in diamond prices from those assumed; (vii) insufficient demand and market acceptance of our diamonds; (viii) risks associated with the production and increased consumer demand for synthetic gem-quality diamonds; (ix) risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar and variability in interest rates; (x) inaccuracy of our estimates regarding future financing and capital requirements and expenditures, significant additional future capital needs and unavailability of additional financing and capital, on reasonable terms, or at all; (xi) uncertainties related to forecasts, costs and timing of the Corporation’s future development plans, exploration, processing, production and mining activities; (xii) increases in the costs of proposed capital, operating and sustainable capital expenditures; (xiii) increases in financing costs or adverse changes to the terms of available financing, if any; (xiv) tax rates or royalties being greater than assumed; (xv) uncertainty of mine life extension potential and results of exploration in areas of potential expansion of resources; (xvi) changes in development or mining plans due to changes in other factors or exploration results; (xvii) risks relating to the receipt of regulatory approvals or the implementation of the existing Impact and Benefits Agreement with aboriginal communities; (xviii) the failure to secure and maintain skilled employees and maintain key relationships with financing partners, local communities and other stakeholders; (xix) risks associated with ongoing issues of diamond breakage in the Renard Diamond Mine process plant and the failure to realize the anticipated benefits from plant modification measures within the anticipated timeframe and expected capital cost, or at all; (xx) the negative market effects of recent Indian demonetization and continued impact on pricing and demand; (xxi) the effects of competition in the markets in which Stornoway operates; (xxii) operational and infrastructure risks; (xxiii) execution risk relating to the development of an operating mine at the Renard Diamond Mine; (xxiv) the Corporation being unable to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xxv) future sales or issuances of Common Shares lowering the Common Share price and diluting the interest of existing shareholders; (xxvi) the risk of failure of information systems; (xxvii) the risk that our insurance does not cover all potential risks; (xxviii) the risks associated with our substantial indebtedness and the failure to meet our debt service obligations; and (xxix) 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.*