

Stornoway Diamond Reports Fourth Quarter and 2018 Financial Results

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LONGUEUIL, March 28, 2019 - [Stornoway Diamond Corp.](#) (TSX-SWY; the "Corporation" or "Stornoway") is pleased to report financial and operating results for the quarter and year ended December 31, 2018.

QUARTER AND YEAR ENDED DECEMBER 31, 2018 HIGHLIGHTS:

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

- For the year ended December 31, 2018, Stornoway reported Net loss \$329.4 million (\$ (0.39) per share on a basic and fully diluted basis), compared to Net loss of \$114.2 million in 2017 (\$ (0.14) per share basic and fully diluted). Included in 2018 results is (i) a non-cash impairment charge of \$83.2 million, (ii) a deferred income tax expense of \$77.4 million and (iii) costs of goods sold of \$227.1 million, \$58.1 million of which is a write-down on inventory to bring it to its net realizable value, all reflecting lower diamond price environment than was originally forecasted by the Corporation. Adjusted Net Loss¹ for the fourth quarter was \$ 28.6 million and \$ 133.8 million for the year.
- Mining in the Renard 65 open pit in the fourth quarter comprised 581,763 tonnes, with 102,333 tonnes of ore extracted. For the full year, mining in the Renard 2-3 and Renard 65 open pits stood at 2,265,895 tonnes, with 623,065 tonnes of ore extracted.
- A total of 485,616 carats were recovered in the fourth quarter from the processing of 605,960 tonnes of ore at a grade of 80 carats per hundred tonnes ("cph");. For the full year, a total of 1,324,123 carats were recovered from 2,328,300 tonnes of ore at 57 cph.
- Run-of-mine² diamond sales of 253,929 carats were completed in the fourth quarter with gross proceeds³ of \$31 million at an average price of US\$92 per carat (\$122 per carat⁴). For the full year, Stornoway sold 1,038,967 run-of-mine carats for gross proceeds^{3,4} of \$141 million at an average price of US\$105 per carat (\$136 per carat⁵). The company sold an additional 164,322 carats of supplemental² diamonds for gross proceeds^{3,4} of \$3.5 million at an average price of US\$16 per carat (\$21 per carat⁵).
- In the fourth quarter, cash operating costs per tonne processed¹ were \$60.1 per tonne (\$74.9 per carat recovered) and capital expenditures¹ were \$14.8 million. For the full year, cash operating costs per tonne processed¹ were \$57.1 per tonne (\$100.4 per carat) and capital expenditures¹ were \$88.2 million.
- The Corporation reported adjusted EBITDA¹ of \$2.9 million in the fourth quarter, or 8.9% of revenues, and \$(7.9) million, or (5.4)% of revenues, for the full year ended December 31, 2018.
- At year end, cash and cash equivalents stood at \$35.8 million.

Patrick Godin, President and CEO, commented: "2018, the second year of commercial production for Stornoway's Renard Diamond Mine, was one of transition from open pit mining to primarily underground production. This transition proved to be challenging, but our team overcame the difficulties we faced, safely and successfully completing the ramp up of the underground mine in August. The low diamond pricing environment in which Renard began operating persisted in 2018. This, along with the delays and initially lower than expected grades mined underground, prompted discussions with key stakeholders that led to the financing agreements announced in the fourth quarter. These transactions illustrate the strong support Stornoway has from its stakeholders, and is a strong testament to the quality of the Renard asset and our team. As the lowest cost diamond mine in Canada, Stornoway possesses unique leverage to take full advantage of an upswing in rough diamond prices. In 2019, we will be focused on efficiency, striving to maximize value generation in every aspect of our business. We will continue exploration and resource development on the Renard property, aiming to extend mine life and grasp strategic opportunities."

Table 1. Key Operational and Financial Highlights

	For the three months ended December 31,	December 31,	For the year ended December 31,	December 31,
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	2018	2017	2018	2017
OPERATIONAL HIGHLIGHTS				
Lost time incidents rate ("LTI")	1.7	Nil	1.7	0.4
Average daily manpower (workers)	306	324	306	318
Ore tonnes mined (open pit and underground)	706,066	490,237	2,115,522	2,228,273
Tonnes processed (tonnes)	605,960	518,817	2,328,300	1,956,436
Carats recovered (carats)	485,616	398,267	1,324,123	1,642,934
Carats sold (carats)	312,242	486,633	1,203,289	1,701,561
Capital expenditures ¹	14,753	47,641	88,185	126,928
Underground development (meters)	1,365	1,227	4,585	4,871
Cash operating cost per tonne processed ¹	60.1	45.0	57.1	42.1
Cash operating cost per carat recovered ¹	74.9	53.6	100.4	54.9
FINANCIAL HIGHLIGHTS				
Revenues	23,271	55,483	165,487	196,502
Cost of goods sold	54,091	43,251	227,144	149,235
Impairment charge	83,197	171,000	83,197	171,000
Selling, general and administrative expenses	3,433	4,237	18,123	17,841
Exploration expenses ⁶	(294	) 335	3,194	2,095
Financial expenses (income)	22,309	3,103	82,202	7,994
Foreign exchange loss (gain)	5,996	529	9,712	(8,332
Net (loss) income before tax	(145,461	) (166,972	) (258,085	) (142,931
Income tax (recovery) expense	99,402	(48,526	) 71,267	(28,711
Net loss	(244,863	) (118,446	) (329,352	) (114,220
Loss per share - Basic and diluted	(0.29	) (0.14	) (0.39	) (0.14
Adjusted Net (Loss) Income ¹	(28,604	) 6,864	(133,791	) (4,858
Adjusted EBITDA ¹	2,922	25,224	(7,854	) 85,002
Adjusted EBITDA margin (%) ¹	8.9	% 46	% -5.4	% 43.3

FINANCIAL SUMMARY

Revenues during the fourth quarter of 2018 were \$23.3 million, and \$165.5 million for the full year 2018. Revenues include amortization recognized from contract liabilities related to the upfront proceeds received under the Renard Stream agreement in consideration for future commitments to deliver diamonds at contracted prices.

Stornoway reported a FY2018 Adjusted EBITDA of \$(7.9) million, or (5.4)% of revenues. The Corporation incurred a non-cash impairment charge of \$83.2 million at December 31, 2018 on the carrying value of the Corporation's property, plant and equipment. These are mostly attributable to a downward revision of expected diamond pricing. On October 2, 2018 and December 7, 2018, Stornoway announced a series of financing transactions with lenders and key stakeholders designed to provide the Corporation greater financial and operational flexibility. In total, these transactions represented additional consideration and liquidity for the Corporation of \$129 million by of:

- The deferral of certain loan principal repayments for a 24 month period, representing debt service cost deferral of more than \$53.7 million;
- Amendments to the Renard diamond streaming agreement comprising a supplementary up front deposit of the US dollar equivalent of \$45 million in cash and certain sales and pricing changes;
- A private placement of units consisting of common shares and warrants for approximately \$30 million, subscribed by existing shareholders.

As at December 31, 2018, cash and cash equivalents stood at \$35.8 million. This amount excludes \$13.7 million of restricted cash deposits related to debt service reserve accounts. The Corporation acknowledges that continued downward pressure on rough diamond prices may inhibit its ability to generate positive free cash flow in 2019, and is mindful of all opportunities at hand to preserve liquidity.

OPERATIONAL SUMMARY

Environment, Health, Safety and Communities

Five lost time injury (“LTI”) incidents were recorded during the quarter, for a year to date LTI rate of 2.8 for contractors and 1.2 for Stornoway employees. No incidents of environmental non-compliance were recorded during the quarter or for the fiscal year. Daily manpower at the site averaged 306 workers, of which 13% were Crees of the Eeyou Istchee, 21% were from Chibougamau and Chapais, and 66% were from outside the region. The number of Stornoway employees stood at 585 as at December 31, 2018.

Mining and Processing

During the quarter ended December 31, 2018, 581,763 tonnes were mined from the Renard 65 open pit, with 102,333 tonnes of ore extracted. 603,733 tonnes of ore were extracted from the underground mine. 605,960 tonnes of ore were processed with a diamond recovery of 485,616 carats at an attributable grade of 80 cpht. The processed ore was derived from underground production at the Renard 2 kimberlite, underground development at the Renard 3 kimberlite and open pit production at the Renard 65 kimberlite.

For the year ended December 31, 2018, 251,179 tonnes of ore were mined in the Renard 2-3 open pit and 371,886 tonnes of ore from the Renard 65 open pit. 1,492,457 tonnes of ore were mined through underground operations. 2,328,300 tonnes of ore were processed with a diamond recovery of 1,324,123 carats at an attributable grade of 57 cpht, compared to a revised guidance of 2.35 to 2.40 million tonnes processed and 1.35 to 1.40 million carats recovered at an attributable grade of 54 to 56 cpht.

Carat recoveries in 2018 were affected by delays in the ramp-up of the Renard 2 underground mine, which was mainly caused by delays in mobile equipment deliveries and a competitive specialized labour market for underground workers. Other contributing factors were the processing of low-grade stockpiles to curtail the shortfall in mined tonnes during the transition from open pit to underground operations, and the mining of lower than expected grades at the margin of the orebody during the initial phase of the underground ramp-up. To a lesser extent, they were also affected by a forest fire that resulted in 3-day suspension of operations at the Renard Mine in July. By the end of the third quarter, the ramp-up of underground production at Renard 2 was completed, and a steady feed was achieved from underground operations. Recovered grade improved by 39% and 45% in the third and fourth quarters, respectively compared to the previous quarters. Carat recoveries improved by 47% in both the third and fourth quarters. Carat recoveries missed the bottom end of the guidance range due to the process plant performing at lower than nameplate capacity in the second half of November and in December, due to technical issues with the front-end of the process plant. These issues are related to the coarser size distribution of head feed to the primary crusher that resulted from the transition in underground mining methods and are currently being addressed with improvements to rockbreaking capacity at the crusher pad.

Mining in the Renard 2-3 open pit was completed in April 2018. In 2018, underground development work focused on completing the excavations required for the 290 meter mining horizon of Renard 2, extending the main access ramp towards the 470 meter mining horizon and developing the access drifts to the 290 meter mining horizon of Renard 3. The development of an Assisted Block Cave as the principal mining method in the underground mine continued, and the completion of drawpoint construction and caving initiation at the 290 meter mining horizon is expected to be completed in early 2019. The first mining panels opened up at the margin of the orebody at the 290 meter mining horizon were composed of highly diluted lower grade ore which impacted carat production in the early stages of the underground mine. As expected, however, grades have increased as additional panels have been opened in less diluted ore within the main body of the kimberlite, which were the focus of mining activities in the fourth quarter and will continue to be throughout 2019.

Diamond Sales

Two tender sales were completed during the fourth quarter. In total, 253,929 carats of run-of-mine production were sold, representing recoveries between July 21st and October 5th 2018. Gross proceeds² were \$31 million³ at an average price of US\$92 per carat (\$122 per carat³). On a segmented basis, 190,187 carats of +7 DTC sieve size diamonds were sold at an average price of US\$118 per carat (\$157 per carat³), and 63,742 carats of -7 DTC sieve size diamonds were sold at an average price of US\$15 per carat (\$20 per carat³).

In addition to the sale of run-of-mine production, an additional 58,313 carats of supplemental diamonds smaller than the -7 DTC sieve size were sold in an out of tender contract sale for gross proceeds² of \$0.83 million⁷ at an average price of US\$14 per carat (\$19 per carat⁵). The supplemental diamond production represents recoveries of small diamonds produced between July 21st and October 5th that are in excess of that expected from the Renard Mineral Resource.

Capital Projects

Capital expenditures in the fourth quarter were \$14.8 million, primarily related to the development of the underground mine, the processed kimberlite containment area and mobile equipment purchases. For the year ended December 31, 2018, capital expenditures were \$88.2 million, compared to a revised guidance of \$90 - \$95 million.

Development of the underground mine in the fourth quarter focused on developing the main ramp towards the next mining horizon of the Renard 2 kimberlite, as well as developing the three levels that are to be used in the first mining horizon of the Renard 3 kimberlite. 1,365 meters of lateral development were achieved in the quarter. For the full year, 4,585 meters of lateral development were realized. In the first quarter of 2019, lateral development will be focused on accesses and infrastructure for future production levels at Renard 2, as well as on preparing the first underground mucking level of Renard 3. The initiation of production at Renard 3 is expected towards the beginning of the third quarter of 2019. No mobile equipment purchases are expected in 2019.

Mineral Reserves Update

Mineral Reserves as of December 31, 2018 have been updated based on mining depletion, changes to the Mineral Resource and changes to the Modifying Factors based on the latest information available. At December 31, 2018, Proven and Probable Mineral Reserves for the Renard Diamond Mine were 25.6 million tonnes at a grade of 71.5 carats per hundred tonnes ("cpht") for 18.3 million attributable carats.

Exclusive of the Mineral Reserves, the Renard Diamond Mine includes additional Indicated Mineral Resources of 3.7 million carats (8.7 million tonnes at 42.3 cpht), Inferred Mineral Resources of 13.0 million carats (23.4 million tonnes at 55.8 cpht), and 32.8 to 71.3 million carats of non-resource exploration upside (76.2 to 113.2 million tonnes at grades ranging from 20 to 168 cpht). Readers are cautioned that the potential quantity and grade of any such exploration target is conceptual in nature, there has been insufficient exploration to define a mineral resource, and it is uncertain if further exploration will result in the target being delineated as a mineral resource. All kimberlites remain open at depth. The 2018 Updated Mineral Resource incorporates geological data on kimberlite contacts and internal geology as revealed by production, development and drilling activities.

Management Change

Effective January 1, 2019, Mr. Matt Manson stepped down as President and CEO of the Corporation and was succeeded by Mr. Patrick Godin. Mr. Godin was the Corporation's Chief Operating Officer, and has served in this role since 2010.

On January 28, 2019, Mr. Patrick Sévigny, previously the Corporation's Manager, Mining Operations, was appointed to the position of Vice President, Operations. In his new role, Mr. Sévigny oversees all aspects of the Renard mine, including both mining and processing operations.

On February 28, 2019, Mr. Ian Holl, who held the position of Vice President, Processing, announced his departure from the Corporation.

Annual Shareholders' Meeting

At the next Annual Shareholders' Meeting of the Corporation, announced to be on May 14, 2019,

management of the Corporation will propose to nominate each of the following persons for election as director: Patrick Godin, current CEO of the Corporation; Michele S. Darling, Hume Kyle, Hubert T. Lacroix, Angelina Mehta, Gaston Morin and Marie-Anne Tawil, all of whom are current directors of the Corporation, as well as John Hadjigeorgiou.

Four current directors, Mr. Eberhart Scherkus, Mr. Matthew L. Manson, Mr. Peter B. Nixon and Mr. John LeBoutillier, will not be standing for re-election. The Corporation wishes to express its thanks to each of these directors for their many years of valuable service and contribution.

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 and Capital Expenditures, 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 year ended December 31, 2018 for further discussion of these items, including reconciliations to IFRS measures.

CONFERENCE CALL AND WEBCAST

Stornoway will host a conference call for analysts and investors on March 28, 2019 at 11:00 a.m. EDT. This call may be accessed by calling 1 (844) 215-3287 toll free in North America, or 1 (209) 905-5939 from international locations, with Conference ID 6795086. A live webcast of the conference call will also be available at <https://edge.media-server.com/m6/p/wzu2eoib>. A recording of the conference call will be made available on Stornoway's website www.stornowaydiamonds.com.

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 Mr. Patrick Sévigny, P.Eng. (Québec), Vice President, Operations 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/ “Patrick Godin”

Patrick Godin

President and Chief Executive Officer

For more information, please contact Patrick Godin (President and CEO) at 450-616-5555 x2201 or Orin Baranowsky (CFO) at 416-304-1026 x2103 or Alexandre Burelle (Manager, Investor Relations and Business Development) at 450-616-5555 x2264 or toll free at 1-877-331-2232

Pour plus d'information, veuillez contacter Alexandre Burelle (Directeur, Relations avec les investisseurs et développement des affaires) au 450-616-5555 x2264, aburelle@stornowaydiamonds.com

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FORWARD-LOOKING STATEMENTS

This document contains forward-looking information (as defined in National Instrument 51-8209;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, carats recovered, carats sold, 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) requirements for and sources of, and access to, financing and uses of funds; (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, access to financing, 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, carats recovered, carats sold, 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 favourable 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 not 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) unfavourable 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.

¹ See "Non-IFRS Financial Measures"; section

² Run-of-Mine (ROM) carats represent the proportion of total diamonds recovered above the mineral resource bottom cut-off (+1 DTC) and normalized to a proportion of small diamonds (-7 DTC) that is consistent with the mineral resource. The excess carats recovered above the normalized, run-of-mine production is defined as supplemental carats. The supplemental goods are segregated from the run-of-mine production during the sale tender process.

³ Before stream and royalty

⁴ Based on an average \$:US\$ conversion rate of 1.33

⁵ Based on an average \$:US\$ conversion rate of 1.29

⁶ Net of a tax credit relating to resources and duties credits relating to mining tax, representing \$1.1 million in total in 2018.

⁷ Based on an average \$:US\$ conversion rate of 1.36

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