

Stornoway Announces Second Quarter 2019 Production and Sales Results

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LONGUEUIL, July 10, 2019 - [Stornoway Diamond Corp.](#) (TSX-SWY; the "Corporation" or "Stornoway") announces production and sales results at the Renard Diamond Mine for the quarter ended June 30, 2019. Highlights are as follows:

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

- 512,423 total carats sold in two tender sales for gross proceeds¹ of \$47 million² at an average price of US\$76 per carat (\$102 per carat²). In terms of total carats sold, pricing and gross proceeds, this represents variations of +7%, -9% and -1% over the first quarter, respectively. Second quarter diamond sales represent diamonds recovered during the first quarter.
- Second quarter diamond production was 463,136 carats recovered from the processing of 695,934 tonnes of ore at an average grade of 67 carats per hundred tonnes ("cpht"). Carats recoveries increased by 4% compared to the first quarter, mainly due to greater plant utilization. The average processing rate was 7,648 tonnes per day, above the budgeted rate of 7,000 tonnes per day.

Patrick Godin, President and CEO of Stornoway, commented "During the second quarter, both mining and processing operations at Renard have demonstrated strong performance, with an average ore hauling rate of 6,813 tonnes per day from the underground mine, and an average processing rate well above the budgeted rate. The average grade recovered is lower than for the first quarter, as a result of mining of lower grade ore blocks from the block cave sequence at Renard 2. The average grade is anticipated to increase for the remainder of the year, as the extraction of higher grade production ore from the Renard 3 kimberlite pipe ramps up, and with the development of the second underground mining horizon of Renard 2, also of higher average grade. The rough diamond market continues to be challenging, with further decreases in pricing observed during the second quarter sales. Nevertheless, the Corporation maintained comparable gross proceeds relative to the first quarter, as volume of carat sold increased."

SECOND QUARTER SALES RESULTS

Two tender sales were completed during the second quarter from diamonds recovered between December 27, 2018 and March 29, 2019. Table 1 summarizes second quarter sales results and compares these results to those of the first quarter of 2019 and to those of the second quarter of 2018. Table 2 provides a breakdown between run-of-mine and supplemental diamonds sold.

Table 1. Summary of second quarter sales results.

	3 months ended June 30, 2019	3 months ended March 31, 2019	3 months ended June 30, 2018
Number of tender sales	2	2	2
Total Carats Sold (ct)	460,832	429,506	243,262
Total Gross Proceeds ¹ (\$M)	47	47	30
Total Average Price per Carat (\$/ct)	102	110	122
Total Average Price per Carat (US\$/ct)	76	83	93
Average Exchange Rate (\$: US\$)	1.34	1.33	1.31

Table 2. Summary of second quarter sales results, broken down between run-of-mine³ and supplemental carats.

	3 months ended June 30, 2019	3 months ended March 31, 2019	3 months ended June 30, 2018
Run-of-mine Carats Sold (ct)	386,459	361,404	201,283
Run-of-mine Average Price per Carat (\$/ct)	118	127	142
Run-of-mine Average Price per Carat (US\$/ct)	88	95	109
Supplemental Carats Sold (ct)	74,373	68,102	41,979
Supplemental Achieved Price (\$/ct)	17	20	25
Supplemental Achieved Price (\$US/ct)	13	15	18

The achieved pricing of US\$76 per carat for all goods sold during the quarter represents a decrease of 9% compared to the first quarter of 2019, attributed to weak market conditions. During the second quarter, pricing of higher quality goods and specials was also negatively affected by the oversupply of rough diamonds relative to demand, the high inventory levels in the mid stream and the reduced availability of bank financing in India. Smaller and lower quality goods continue to sell at the lower prices experienced in the fourth quarter of 2018 and first quarter of 2019.

SECOND QUARTER PRODUCTION RESULTS

Second quarter production was 463,136 carats recovered from the processing of 695,934 tonnes of ore at an attributable grade of 67 cph. Tonnes processed and carats recoveries increased by 19% and 4% respectively compared to the first quarter mainly as a result of higher plant availability. Grade recovered decreased by 13% due to the mining of lower grade blocks as part of the mining sequence. Tonnes processed, grade and carats recovered increased by 24%, 68% and 107% year over year, due to the ramp up of underground operations and the improved mix of ore sent to the process plant.

During the quarter, process plant feed was derived from the Renard 2 underground mine (87%), the Renard 65 stockpiles (9%), and the Renard 3 underground mine (4%). Average daily processing rates in April (7,734 tonnes per day), May (7,320 tonnes per day) and June (7,899 tonnes per day) were all higher than the budgeted rate of 7,000 tonnes per day as a result of improvements in plant availability and utilization. The average ore tonnage hauled to surface from the underground mine was 6,813 tonnes per day during the second quarter, significantly above the design capacity of 6,000 tonnes per day.

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, a "qualified person" under National Instrument ("NI") 43-101.

ABOUT THE RENARD DIAMOND MINE

The Renard Diamond Mine is Québec'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.

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. 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

For more information, please contact Alexandre Burelle (Manager, Investor Relations and Business Development) at 450-616-5555 x2264 or toll free at 1-877-331-2232

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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, 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.

As relates to the financing arrangements described herein specifically, this press release contains material assumptions concerning the implementation of the SISP Process and the reorganization or restructuring of the assets, business and financial affairs of the Corporation; the availability and terms and impact of the Bridge Facility and the use of proceeds therefrom; the ability of Stornoway to continue the performance of the operations of the Renard Mine in accordance with plan and to make further improvements to support the long term viability of the Renard Mine during the SISP Process; the ability of Stornoway to meet obligations to customers, suppliers and employees during the SISP Process; the level of interest Stornoway may receive during the SISP Process; the availability and reasonableness of qualified bids under the SISP Process and the successful outcome of the SISP Process; that the Bridge Facility will be sufficient to meet Stornoway’s forecasted and budgeted expenses and that such expenses will not exceed the level of financing received; continuity in the management of the Corporation; and the satisfaction or waiver of all conditions precedent to the advance of funds under the Bridge Facility and receipt of required regulatory approval within the anticipated timeframe.

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.

As relates to the financing arrangements described herein specifically, this press release contains risks related to the level of indebtedness of the Corporation; the implementation and impact of any reorganization or restructuring of the assets, business and financial affairs of the Corporation; future co-operation of the creditors of the Corporation and the ongoing willingness of the Bridge Facility Lenders to provide funds to the Corporation; the possibility that the Corporation will be unable to implement the SISP Process or obtain advances under the Bridge Facility due to the failure of one or more of the conditions precedent to be satisfied or waived, or that the SISP Process will be unsuccessful; the unavailability of qualified bids under the SISP Process and the unsuccessful outcome of the SISP Process; delays in receiving and assessing bids under the SISP Process; the Corporation's ability to generate sufficient cash-flow from operations or to obtain adequate financing to fund capital expenditures and working capital needs and to meet the Corporation's ongoing obligations during the SISP Process and thereafter; the ability to maintain relationships with suppliers, customers, employees, shareholders and other third parties in light of the Corporation's current liquidity situation and the SISP Process; strategic alternatives not being available on reasonable terms, or at all; the Corporation's inability to maintain key personnel necessary to manage the business; the pursuit of the SISP Process may divert management time and attention away from other business matters; significant and negative impact of the foregoing on the liquidity and market price of Stornoway's securities and uncertainty as to Stornoway's ability to continue to meet the listing requirements of the TSX; the Corporation's ability to comply with its financial and other covenants; and the failure to receive required regulatory approval in a timely manner, or at all.

¹ Before stream and royalty

² Based on an average \$: US\$ conversion rate of 1.34

³ 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.

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