

# Stornoway Reports Second Quarter 2019 Financial Results

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LONGUEUIL, Aug. 14, 2019 - [Stornoway Diamond Corp.](#) (TSX-SWY; the "Corporation" or "Stornoway") reports its financial and operating results for the quarter ended June 30, 2019.

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

## FINANCIAL SUMMARY

Revenues during the three months ended June 30, 2019 ("Current Quarter") totalled \$189.4 million, compared to \$56.9 million for the three months ended June 30, 2018 ("Comparative Quarter"). Revenues in the Current Quarter are made up of cash sales revenues of \$40.7 million and non-cash revenues of \$148.7 million. The non-cash revenues of \$148.7 million is comprised of \$13.3 million of Stream amortisation and an increase in revenue of \$135.4 million resulting from a reduction in contract liabilities related to the upfront proceeds received by the Corporation under the Amended Stream agreement in consideration for future commitments to deliver diamonds at contracted prices (Comparative Quarter - \$13.5 million).

For the Current Quarter, cash-operating cost per tonne processed<sup>1</sup> was \$42.4, compared to \$58.7 per tonne in the Comparative Quarter. Cash operating cost per carat recovered<sup>1</sup> was \$63.8, compared to \$147.7 in the Comparative Quarter. Cash operating cost per tonne processed<sup>1</sup> and per carat recovered<sup>1</sup> decreased due to the ramp up of underground operations, the improved mix of ore sent to the process plant and cost reduction initiatives.

For the Current Quarter, the Corporation reported a net loss of \$346.3 million (Comparative Quarter &ndash; \$35.9 million) due primarily to a non-cash impairment charge of \$442.7 million partially offset by the aforementioned reduction of contract liabilities of \$135.4 million. The impairment charge was principally driven by decreasing prices of rough diamonds resulting in a write-down of property plant and equipment, right-of-use assets and deferred transaction costs.

For the Current Quarter, the Corporation's Adjusted EBITDA<sup>1,2</sup>, which adjusts for the non-cash charges mentioned above and is a good proxy of the Corporation's cash flow and business profitability, stood at \$13.1 million, a significant increase versus the Comparative Quarter's Adjusted EBITDA<sup>1,2</sup> of \$1.6 million.

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2019, cash and cash equivalents stood at \$21.3 million. These amounts exclude \$5.1 million of restricted deposits related to debt service reserve accounts.

Management estimates that the working capital as at June 30, 2019 and forecasted cash flows will not be sufficient to meet the Corporation's obligations, commitments and budgeted expenditures through June 30, 2020 in the current diamond market price conditions. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The consolidated financial statements do not reflect the adjustments, some of which could be material, to the carrying values and classifications of certain assets and

liabilities, and the related expenses that would be necessary if the application of the going concern accounting principle was no longer appropriate.

## UPDATE ON THE SALE AND INVESTMENT SOLICITATION PROCESS

Under the terms of the sale and investment solicitation process, the original deadline for a submission by third parties of a qualified non-binding indication of interest was July 15, 2019. However, subsequent to quarter-end, the Corporation and the Bridge Lenders amended the terms of the sale and investment solicitation process (as so amended, the "SISP"), with effect as of July 15, 2019, such that the deadline for submissions of qualified bids under the SISP is now September 16, 2019. The amendment also extends to September 16, 2019 the period during which the Corporation is not required to comply with a minimum tangible net worth covenant of \$225 million.

The Bridge Lenders have advised the Corporation that they remain committed to continue collaborating with the Corporation to arrive at a solution with a view to securing the long-term financial viability of the Corporation's business. The Bridge Financing Agreement continues to provide the Corporation with near-term liquidity.

As of the date hereof, the Corporation has not received a non-binding indication of interest that was considered acceptable in accordance with the terms of the SISP. The Corporation believes it is highly unlikely that the SISP could result in one or more bids that will ultimately lead to a successfully completed transaction pursuant to which Stornoway's equity securities (including securities convertible into or exercisable for equity securities) would have any recoverable value. The failure to receive a qualified indication of interest within the deadlines provided in the SISP would constitute an event of default under the Bridge Financing Agreement.

There is also no assurance that the Corporation will not be required, or will not determine, that it is in its best interests to file for any form of creditor protection proceeding whether or not in connection with any bid or transaction, including shortly following the date hereof.

## CAUTIONARY STATEMENTS REGARDING SISP PROCESS AND EQUITY VALUE

Investors are cautioned that there can be no assurance that the SISP will result in a successfully completed transaction.

The Corporation believes it is highly likely that any transaction or any other outcome of the SISP will result in Stornoway's equity securities (including securities convertible into or exercisable for equity securities) having no recoverable value. Furthermore, there can be no assurance that the Corporation's common shares and/or the Convertible Debentures will continue to trade on TSX or on any other trading platform.

As a result of all of the foregoing, Stornoway's securityholders (including common shareholders, holders of Convertible Debentures and holders of Warrants) are cautioned that trading in such securities is highly speculative, and that the trading prices for such securities may bear little or no relationship to the actual realization of value, if any, by holders thereof as a result of the SISP.

## OPERATIONAL SUMMARY

### *Environment, Health, Safety and Communities*

During the quarter, 3 lost time incidences ("LTI") were recorded, for a year to date LTI rate of 1.5 for both contractors and Stornoway employees (3.2 for contractors and 1.1 for Stornoway employees). No incidences of environmental non-compliance were recorded during the quarter. Stornoway employees stood at 556 as at June 30, 2019, of which 11.3% were Crees of Eeyou Istchee, 19.6% were from

Chibougamau or Chapais, and 69.1% were from outside the region.

### *Mining and Processing*

During the quarter ended June 30, 2019, 741,698 tonnes were mined from the underground mine, including 619,942 tonnes of ore. Tonnes mined from Renard 65 open pit totaled 110,884 tonnes, including 101,032 tonnes of ore. Average ore tonnage hauled to surface was 6,813 tonnes per day (tpd), significantly above the design capacity of the underground mine of 6,000 tpd. Due to having sufficient ore stockpiled from Renard 65 to meet planned processing requirements into the second quarter of 2020, Stornoway announced on April 9, 2019 that it was temporarily suspending the open pit mining operations in the Renard 65 pit. The suspension of open pit mining activities in the Renard 65 pit enables the idling of part of the surface equipment fleet, realizing operating cost savings and delaying capital expenditures. All surface equipment operators have been trained and transitioned to underground operating roles or occupy open positions.

In April, production was initiated in the first underground mining horizon of the Renard 3 kimberlite, which has since been ramping up, contributing higher average grade ore to process plant feed. During the quarter, a total of 695,934 tonnes of ore were processed with 463,136 carats recovered at an average grade of 67 cph. The processed ore was derived from underground production and development at the Renard 2 kimberlite (87%), open pit production and stockpiles from the Renard 65 kimberlite (9%) and underground production and development ore from the Renard 3 kimberlite (4%). Tonnes processed in the Current Quarter increased year over year by 24%, due to the underground mine achieving full-ramp up in the second half of 2018. Carats recovered increased 107% year over year, due to the delivery of higher-grade ore from the underground mine to the process plant. Due to lower ore availability attributable to delays in the ramp-up of the underground mine, 2018 ore feed to the plant had to be supplemented from low grade stockpiles, which reduced the recovered grade compared to plan. Improvements in availability and utilization rate enabled the process plant throughput in the Current Quarter to be higher than budgeted. The plant operated above its targeted rate of 7,000 tonnes per day in April (7,734 tpd), May (7,320 tpd) and June (7,899 tpd). This strong performance in the Current Quarter has allowed the process plant to fully catch up on the tonnes processed shortfall that was experienced due to mechanical issues caused by very cold weather during the first quarter of 2019.

### *Diamond Sales*

Two tender sales were completed in the second quarter for a total of 460,832 carats sold. During the quarter, revenue recognized was derived from 386,459 run-of-mine<sup>3</sup> carats and 74,373 supplemental<sup>3</sup> carats that were sold for gross proceeds<sup>4</sup> of \$46.8 million at an average price of US\$76 per carat (\$102 per carat<sup>5</sup>). 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, attributable to weak market conditions which management believes are driven primarily from the oversupply of rough diamonds relative to demand, the high inventory levels in the mid stream and the reduced availability of bank financing. Smaller and lower quality diamonds continue to sell at the lower prices experienced in the fourth quarter of 2018 and first quarter of 2019. The average pricing achieved in 2018 was US\$93 per carat, and the 2014 independent pre-financing evaluation of diamonds recovered during the bulk sampling of the Renard 2 and Renard 3 kimberlites was US\$147 per carat for a comparable size frequency distribution.

### *Capital Projects*

Capital expenditures<sup>1</sup> in the Current Quarter were \$13.5 million, compared to \$19.9 million in the Comparative Quarter. Capital expenditures<sup>1</sup> in the second quarter were primarily related to the development of the next underground mining horizon in the Renard 2 ore body (450-470m level), of the first underground mining horizon in the Renard 3 ore body (290m level), the underground access ramp and the development of ventilation raises. Underground lateral development of 1,388 meters and underground vertical development of 157 meters were achieved in the quarter. Capital expenditures<sup>1</sup> declined compared to the Comparative Quarter, as the Comparative Quarter capital expenditures<sup>1</sup> included expenses related to the ore-waste sorting circuit that was completed in the first half of 2018 and for equipment purchases related to the underground mining fleet. Stornoway completed the purchases of its initial underground fleet in 2018 and does not expect to require additional mobile equipment in 2019.

## 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 quarter ended June 30, 2019 for further discussion of these items, including reconciliations to IFRS measures.

## CEO PATRICK GODIN COMMENTS ON CURRENT QUARTER

Patrick Godin, President and CEO, commented: "Production during the second quarter at our Renard Mine exceeded the results of the first quarter: ore processed was up 19% and at an all-time high, and carats recovered were up 4% quarter-on-quarter. This is mainly due to an increase in the utilization factor of the Renard process plant, as we had experienced challenges due to very cold weather in the course of the first quarter and have improved the efficiency of preventive maintenance shutdowns. The diamond market continued to show significant weakness, with average prices further declining from already low levels. However, our operation was able to generate significant reductions in capital expenditures and cash operating cost, in great part attributable to the cost reduction initiatives we announced during the second quarter.

I am extremely proud of all our employees, contractors and suppliers for their dedicated efforts in generating further production and cost efficiencies. I am very thankful for their strong support and commitment. We also appreciate the support of the Bridge Lenders, providing us the runway to work on a sustainable solution for the operations."

## 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. Stornoway owns a 100% interest in the 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 Alexandre Burelle (Manager, Investor Relations and Business Development)

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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 and significant resource expansion potential at marginal cost; (xxiii) potential resource upside within the scope of the mine plan; (xxiv) opportunities for high grade ore acceleration and expanding processing plant throughput and the realization of anticipated benefits therefrom; (xxv) potential upside from targets identified for further exploration; and (xxvi) limited cash income taxes payable over the medium term.

This management discussion and analysis also contains material assumptions concerning the SISP Process and the reorganization or restructuring of the assets, business and financial affairs of the Corporation; the availability and terms of the Bridge Facility and the use of proceeds therefrom; the ability of Stornoway to continue operating 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; the likelihood that the outcome of the SISP Process may not result in any recoverable value whatsoever for the holders of Stornoway's equity securities and securities convertible into or exercisable for equity securities; the available capacity under the Bridge Facility to support Stornoway meeting its forecasted and budgeted expenses and that such expenses will not exceed the level of financing received; continuity in the management of the Corporation; the ability of Stornoway to retain adequate resources at the mine to support continued operations; 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 management discussion and analysis 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 absence 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 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.*

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<sup>1</sup> See "Non-IFRS Financial Measures" section

<sup>2</sup> The calculation of Adjusted net loss, Adjusted EBITDA and Adjusted EBITDA margin was modified

<sup>3</sup> Run-of-Mine (ROM) carats, represents 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 resources. 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.

<sup>4</sup> Before stream and royalty

<sup>5</sup> Based on an average \$:US\$ conversion rate of \$1.34

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