

# Stornoway Diamond Announces FY2016 First Quarter Results

15.09.2015 | [GlobeNewswire](#)

LONGUEUIL, Sept. 14, 2015 - [Stornoway Diamond Corp.](#) (TSX:SWY) (the "Corporation" or "Stornoway") announced today its first quarter results for the three months ended July 31, 2015.

## First Quarter FY2016 Highlights

(All quoted figures in CAD\$)

- Construction at the Renard Diamond Project continues in line with the planned schedule and budget.
- Incurred costs and commitments at the quarter-end totaled \$402.6 million, or 50% of budget.
- Overall construction progress stood at 35% compared to a planned 33%. Engineering progress stood at 80% compared to a planned 87%.
- On site manpower during the month of July averaged 329 workers, of which 24% were Crees of the Eeyou Istchee.
- At the end of the quarter principal construction on the process plant, power plant, maintenance facility and primary crusher had been initiated and were well advanced. Completion of the maintenance facility and enclosure of the process plant are expected to be completed by the end of September and October respectively, well within the planned schedule.
- During the quarter, the Corporation reported a net loss of \$9.7 million or \$0.01 per share (\$0.01 per share fully diluted).
- Cash, cash equivalents and short-term investments stood at \$270.1 million<sup>[1]</sup>. Excess financing capacity available to complete the project, comprising surplus cash and available cost-overflow facilities, is now forecast to be \$101 million, assuming the satisfaction of all covenants and conditions precedent relating to future funding commitments and a CAD\$:US\$ conversion rate of \$1.25.

Matt Manson, President and CEO, commented "During the latest quarter we continued to make excellent progress on the construction of the Renard Project, and are maintaining our forecast of completion within budget and schedule. Construction progress continues to track ahead of plan, principal engineering is nearing completion, and all major facilities are on track to be enclosed and heated prior to the onset of cold weather conditions. In addition, we continue to see an increase in the forecast amount of excess funding capacity available to complete the project given our undrawn cost overrun facilities and the impact of the depreciating Canadian dollar on the value of our current and committed US dollar funds. This foreign exchange effect continues to influence our financial results, through a fair value calculation on a portion of our carried debt and, more importantly, offers the potential for an increasingly robust cash position as we look to the project's commissioning and ramp-up period beginning late next year."

## Financial Summary

Stornoway ended the quarter with cash, cash equivalents and short-term investments of \$270.1 million, compared with \$363.6 million at the end of the previous quarter. Stornoway's current cash resources are sufficient to cover planned mine development expenses, financing and corporate costs during calendar 2015. The second and third payment deposits under the stream agreement of US\$80 and US\$90 million are expected to be received in September 2015 and March 2016 respectively, following which Stornoway expects to draw on a \$100 million senior secured loan in late 2016 to complete mine development.

Assuming the full utilization of the senior secured loan, the Corporation forecasts excess funding capacity of \$101 million comprised of \$53 million of cash, receivables and expected mine tax credits and \$48 million of undrawn cost overrun facilities. This forecast assumes a project cost of \$811 million (which includes assumed levels of escalation and contingencies), the satisfaction of all covenants and conditions precedent for future funding, and a CAD\$:US\$ exchange rate of \$1.25 for unfunded US dollar denominated financing commitments. As construction of the Renard Diamond Project progresses, this forecast is expected to change quarter to quarter based on the timing of expenditures and receipts, volatility in the CAD\$:US\$

exchange rate, and any change to the forecast cost of the project. Capital expenditures incurred during the quarter were \$96.0 million, with capital expenditures to date of \$402.6 million having been committed against the total project cost.

Net loss for the three months ended July 31, 2015 decreased by \$1.8 million to \$9.7 million compared to a loss of \$11.5 million in the previous year, and includes other income (expenses) of \$7.3 million. Net losses were impacted by several items not reflective of Stornoway's underlying operating performance, including changes in the fair value of a derivative and unrealized gains and losses from foreign exchange. Operating expenses for the three months ended July, 2015 totaled \$2.4 million.

### Construction Highlights

At quarter end, overall construction progress stood at 35% based on man-hour estimates compared to a planned 33%. Calendar 2015 construction activities represent approximately 36% of the total execution plan, with 46% of the work scheduled for 2016 and 3% for 2017. On July 31, engineering progress stood at 80% compared to a planned 87%. Engineering relating to the project's major facilities is expected to be substantially complete by the end of September as planned. No loss time incidents ("LTIs") were recorded during the quarter. One restricted work injury incurred by a contractor in the prior quarter has been reclassified subsequently as an LTI, for a project-to-date LTI rate of 0.9 for contractors and 0.0 for Stornoway employees.

Construction of the project's process plant, maintenance facility, power plant and primary crusher are well advanced. The maintenance facility is expected to be substantially complete and operational on September 30, allowing the maintenance of the major equipment currently being utilized in the mining activities to relocate from temporary facilities approximately 6 months earlier than was planned. The concrete pour for the natural gas fueled power plant began on May 11 and structural steel erection began on August 6. All seven planned 2.055 MW Caterpillar LNG generators were delivered to the site by August 21. Completion of the power plant is now scheduled for March 2016, allowing the transition of on-site power supply from temporary diesel gen-sets to occur several months earlier than expected.

Construction of the 2.2 million tonne per annum process plant represents the project's critical path activity. The project's overall construction schedule requires the plant building to be completed and heated by the fourth quarter of calendar 2015, allowing the installation of the temperature sensitive crushing and recovery circuits through the first half of calendar 2016. The concrete foundations were completed on June 17, structural steel erection commenced on June 15, and the building is expected to be fully enclosed and heated by October 30, allowing interior fitting to commence well ahead of plan. The plant is scheduled to be energized in the second half of calendar 2016 with wet commissioning beginning in the fourth quarter of that year. An 8 month commissioning ramp-up is planned, with a view to commercial production being achieved in the second quarter of calendar 2017 and full production by the summer of 2017. The project remains on schedule to achieve these milestones.

Daily manpower at site in July averaged 329 workers, of which 24% were Crees of the Eeyou Istchee. Stornoway employees, at site and in the development team, stood at 274 on July 31, of which 18% were Crees, 22% were from Chibougamau and Chapais, and 60% were from outside the region.

### Mining

By quarter end, a total of 3,267,903 tonnes of overburden and waste rock had been extracted from the Renard 2-Renard 3 and Renard 65 open pits, compared to a budget of 3,724,211, or 88% of plan. Since April, mining activities have focused on the Renard 2-Renard 3 pit with the Renard 65 pit serving as a sump for surface water collection. The open pit mining team are now maintaining a consistent production rate of more than 500,000 tonnes per month (542,593 tonnes in July), with the new mining fleet performing well. Open pit mining of Renard 2 and Renard 3 during the construction phase of the project is expected to result in the availability of a 700,000 tonne ore stockpile by the time plant commissioning begins in late 2016. The project remains on schedule to achieve this target.

Development of the ramp for the underground mine accelerated during the quarter and stood at 486 meters on July 31 compared to a budget of 504 meters, or 96% of plan. Delays experienced during March and April due to cold weather and difficult initial ground conditions have now been essentially made-up, with

development during July achieving a rate of 122% of plan (164 meters compared to a budget of 135 meters).

#### Renard Resource Update

During 2014, a resource expansion drill program was completed on the Renard 2 kimberlite with a view to convert Inferred Mineral Resources below the base of the current Indicated Mineral Resource at 600 meters depth and the exploration of additional kimberlite to depth. In total, 12,145 meters of deep directional drilling was completed, with the deepest kimberlite intersection being at 1,012 vertical metres below surface. A revised Mineral Resource estimate for the Renard Project incorporating the results of this work, and including updated Mineral Resource estimates for the Renard 3 and 4 kimberlites and a revised estimate of the further exploration potential of Renard kimberlites 1, 2, 3, 4, 7 and 10, is under final preparation and will be announced shortly.

#### Exploration Update

Stornoway retains an ownership interest in two diamond exploration projects operated by [North Arrow Minerals Inc.](#) ("North Arrow"). During 2014, North Arrow collected a sample of approximately 1,500 tonnes at the Qilalugaq Project in Nunavut with a view to the recovery of a diamond parcel for valuation purposes. On June 9, 2015 North Arrow announced that a 384 carat diamond parcel had been estimated by WWW International Diamond Consultants to have an average price of US\$36 per carat, with a range of modeled values between a "possible low" of US\$43 per carat and a "possible high" of US\$92 per carat. With the completion of this work program North Arrow satisfied its earn-in obligations to the Qilalugaq Project under the terms of its 2013 option agreement with Stornoway. On July 20, Stornoway informed North Arrow that it would not be exercising its back-in right to the project, resulting in an 80-per-cent (North Arrow)/20-per-cent (Stornoway) joint venture arrangement being formed. At this time, North Arrow has not informed Stornoway of any potential future work programs at Qilalugaq.

Exploration is also being conducted with North Arrow at the Pikoo Project in northern Saskatchewan. Kimberlites were first discovered at Pikoo in 2013 including the PK150 kimberlite which showed encouraging early microdiamond counts. At time of writing, seven kimberlites have been drill confirmed and microdiamond results from the PK314 kimberlite discovered during the winter 2015 drill program remain outstanding. Exploration of the Pikoo Project is being conducted under an 80% (North Arrow) / 20% (Stornoway) participating joint venture arrangement.

Summer exploration programs are ongoing on several 100% owned generative diamond exploration projects in Canada with an overall budget for the current fiscal year of \$1 million. This work currently includes till sampling, prospecting and claim acquisition. Further details on individual exploration programs will follow should results warrant the commencement of ground geophysics and drilling.

#### Financial Summary

##### Consolidated Statements of Financial Position

<i>(millions of Canadian dollars)</i>	July 31, 2015	April 30, 2015
Cash, cash equivalents and short-term investments	270.1	363.6
Property, plant and equipment	637.0	541.5
Other assets	39.9	40.0
Total Assets	947.0	945.1
Debt and convertible debentures	224.3	208.0
Deferred revenue	101.5	101.5
Other liabilities	52.0	58.1
Equity	569.2	577.5
Total Liabilities and Equity	947.0	945.1

## Key Financial and Operating Highlights

*(millions of Canadian dollars, except earnings (loss) per share and common shares outstanding)* Three Months Ended

	July 31, 2015	July 31, 2014
Cash provided by (used in) operating activities	(3440)	(1438)
Cash used in investing activities	(692)	(2576)
Cash provided from (used in) financing activities	(387)	436,9
Effect of foreign exchange rate changes on cash and cash equivalents	6,649	1,536
Net increase (decrease) in cash and cash equivalent	2,130	411,2
Net loss for the period	(9708)	(1157)
Net loss per share – basic and diluted	(0.01)	(0.04)
Weighted Average Number of Common Shares issued and outstanding (basic and diluted)	732,310,440	314,7

The Corporation's consolidated Financial Statements are prepared in Canadian dollars in accordance with International Financial Reporting Standards. Unaudited consolidated financial statements for the quarter ended July 31, 2015 and Management's Discussion and Analysis have been posted on the Corporation's website [www.stornowaydiamonds.com](http://www.stornowaydiamonds.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## About the Renard Diamond Project

The Renard Diamond Project 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. On July 8th, 2014 Stornoway announced the completion of a \$946 million<sup>[2]</sup> project financing transaction to fully fund the project to production, and construction commenced on July 10th, 2014. First ore is scheduled to be delivered to the plant in the second half of 2016 with commercial production scheduled for the 2nd quarter of 2017.

In January 2013, Stornoway released the results of an Optimized Feasibility Study at Renard which highlighted the potential of the project to become a significant producer of high value rough diamonds over a long mine life. Probable Mineral Reserves, as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"), stand at 17.9 million carats. Total Indicated Mineral Resources, inclusive of the Mineral Reserve, stand at 27.1 million carats, with a further 16.85 million carats classified as Inferred Mineral Resources, and 25.7 to 47.8 million carats classified as non-resource exploration upside. Average annual diamond production is forecast at 1.6mcarats/year over the first 11 years of mining, at an average valuation of US\$190/carat based on a March 2014 assessment by WWW International Diamond Consultants Ltd.

Readers are cautioned that the potential quality and grade of any target for further exploration 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. Readers are referred to the technical report dated February 28th, 2013 in respect of the January 2013 Optimization Study, and the press release dated July 23, 2013 in respect of the July 2013 Mineral Resource estimate, for further details and assumptions relating to the project. Disclosure of a scientific or technical nature in this press release was prepared under the supervision of Patrick Godin, P.Eng. (Québec), Chief Operating Officer and Robin Hopkins, P.Geol. (NT/NU), Vice President, Exploration, both "qualified persons" under NI 43-101.

[1] Assuming C\$: US\$ conversion rate of \$1.3047

[2] For illustrative purposes. Assumes a C\$: US\$ conversion rate of \$1.10. Actual proceeds of each financing tranche are measured at the C\$: US\$ exchange rate in effect the date the funds are received.

## About Stornoway Diamond Corporation

Stornoway is a leading Canadian diamond exploration and development company listed on the Toronto Stock Exchange under the symbol SWY and headquartered in Montreal. Our flagship asset is the 100% owned Renard Diamond Project, on track to becoming Québec's first diamond mine. Stornoway is a growth oriented company with a world class asset, in one of the world's best mining jurisdictions, in one of the world's great mining businesses.

On behalf of the Board

[Stornoway Diamond Corp.](#)

/s/ "Matt Manson"

Matt Manson

President and Chief Executive

This press release contains "forward-looking information" within the meaning of Canadian securities legislation. This information and these statements, referred to herein as "forward-looking statements," are made as of the date of this press release and the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

These forward-looking statements include, among others, statements with respect to Stornoway's objectives for the ensuing year, Stornoway's medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to Stornoway's beliefs, plans, objectives, expectations, anticipations, estimates and intentions. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward-looking statements relate to future events or future performance and reflect current expectations or beliefs regarding future events and include, but are not limited to, statements with respect to: (i) the amount of Mineral Resources and exploration targets; (ii) the amount of future production over any period; (iii) net present value and internal rates of return of the mining operation; (iv) assumptions relating to recovered grade, average ore recovery, internal dilution, mining dilution and other mining parameters set out in the 2011 Feasibility Study or the Optimization Study; (v) assumptions relating to gross revenues, operating cash flow and other revenue metrics set out in the 2011 Feasibility Study or the Optimization Study; (vi) mine expansion potential and expected mine life; (vii) expected time frames for completion of permitting and regulatory approvals related to construction activities at the Renard Diamond Project; (viii) the expected time frames for the completion of the open pit and underground mine at the Renard Diamond Project; (ix) the expected time frames for the completion of construction, start of mining and commercial production at the Renard Diamond Project and the financial obligations or costs incurred by Stornoway in connection with such mine development; (x) future exploration plans; (xi) future market prices for rough diamonds; (xii) the economic benefits of using liquefied natural gas rather than diesel for power generation; (xiii) sources of and anticipated financing requirements; (xiv) the effectiveness, funding or availability, as the case may require, of the Stream, the Senior Secured Loan, the COF and the Equipment Facility and the use of proceeds therefrom; (xv) the Corporation's expectations regarding receipt of the remaining deposits under the Stream and its ability to meet its delivery obligations thereunder; (xvi) the impact of the Financing Transactions on the Corporation's operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; (xvii) the foreign exchange rate between the US dollar and the Canadian dollar; and (xviii) the availability of excess funding for the construction and operation of the Renard Diamond Project. 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 price of diamonds, anticipated costs and Stornoway's ability to achieve its goals, anticipated financial performance, regulatory developments, development plans, exploration, development and mining activities and commitments, and the foreign exchange rate between the US and Canadian dollars. Although management considers its assumptions on such matters to be reasonable based on

information currently available to it, they may prove to be incorrect. Certain important assumptions by Stornoway or its consultants in making forward-looking statements include, but are not limited to: (i) required capital investment and estimated workforce requirements; (ii) estimates of net present value and internal rates of return; (iii) receipt of regulatory approvals on acceptable terms within commonly experienced time frames; (iv) anticipated timelines for completion of construction, commencement of mine production and development of an open pit and underground mine at the Renard Diamond Project, which heavily depend, among other things, on adequate availability and performance of skilled labour, engineering and construction personnel, performance of mining and construction equipment and timely delivery of components; (v) anticipated geological formations; (vi) market prices for rough diamonds and the potential impact on the Renard Diamond Project; (vii) the satisfaction or waiver of all conditions under each of the Stream, the Senior Secured Loan, the COF and the Equipment Facility to allow the Corporation to draw on the funding available under those financing elements for the completion of the development and construction of the Renard Diamond Project; (viii) Stornoway's interpretation of the geological drill data collected and its potential impact on stated Mineral Resources and mine life; (ix) future exploration plans and objectives; (x) the receipt of the remaining deposits under the Stream and the Corporation's ability to meet its delivery obligations thereunder; and (xi) the continued strength of the US dollar against the Canadian dollar. Additional risks are described in Stornoway's most recently filed Annual Information Form, annual and interim MD&A, and other disclosure documents available under the Corporation's profile at: [www.sedar.com](http://www.sedar.com).

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important risk factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, including the assumption in many forward-looking statements that other forward-looking statements will be correct, but specifically include, without limitation: (i) risks relating to variations in the grade, kimberlite lithologies and country rock content within the material identified as Mineral Resources from that predicted; (ii) variations in rates of recovery and breakage; (iii) the uncertainty as to whether further exploration of exploration targets will result in the targets being delineated as Mineral Resources; (iv) developments in world diamond markets; (v) slower increases in diamond valuations than assumed; (vi) risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar; (vii) increases in the costs of proposed capital and operating expenditures; (viii) increases in financing costs or adverse changes to the terms of available financing, if any; (ix) tax rates or royalties being greater than assumed; (x) uncertainty of results of exploration in areas of potential expansion of resources; (xi) changes in development or mining plans due to changes in other factors or exploration results; (xii) changes in project parameters as plans continue to be refined; (xiii) risks relating to the receipt of regulatory approvals or the implementation of the existing Impact and Benefits Agreement with aboriginal communities; (xiv) the effects of competition in the markets in which Stornoway operates; (xv) operational and infrastructure risks; (xvi) execution risk relating to the development of an operating mine at the Renard Diamond Project; (xvii) failure to satisfy the conditions to the effectiveness, funding or availability, as the case may require, of each of the Stream, the Senior Secured Loan, the COF and the Equipment Facility; (xviii) changes in the terms of the Stream, the Senior Secured Loan, the COF or the Equipment Facility; (xix) the funds of the Stream, the Senior Secured Loan, the COF or the Equipment Facility not being available to the Corporation; (xx) the Corporation being unable to meet its delivery obligations under the Stream; (xxi) future sales or issuances of Common Shares lowering the Common Share price and diluting the interest of existing shareholders; and (xxi) the additional risks described in Stornoway's most recently filed Annual Information Form, annual and interim MD&A 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.

## **CONTACT:**

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