

LONGUEUIL, Quebec, Dec. 9, 2015 (GLOBE NEWSWIRE) -- [Stornoway Diamond Corp.](#) (TSX:SWY) (the "Corporation" or "Stornoway") announced today its second quarter results for the three months ended October 31, 2015.

## Second Quarter FY2016 Highlights

(All quoted figures in CAD\$)

- Progress at the Renard Diamond Project continues in line with the planned schedule and budget.
- Incurred costs and commitments at the quarter-end totaled \$472.0 million, or 58% of budget.
- Construction progress stood at 53% compared to a plan of 49%, with detailed engineering substantially complete.
- On site manpower during the month of October averaged 432 workers, of which 22% were Crees of the Eeyou Istchee.
- Mining in the Renard 2-3 and Renard 65 open pits stood at 4,819,672 million tonnes, or 92% of plan, and underground mining development stood at 837 meters, or 91% of plan.
- At the end of the quarter construction of the project's major facilities was well advanced, with the maintenance facility fully completed and commissioned and the process and power plant buildings fully enclosed prior to the onset of winter weather.
- During the quarter total project Indicated Mineral Resources were increased 11% to 30.2 million carats, including a 16% increase in Indicated Mineral Resources at Renard 2 to 21.6 million carats. New Inferred Mineral Resources at Renard 2 were defined to 850 meters depth.
- For the quarter-end, the Corporation reported net earnings of \$10.3 million or \$0.01 per share basic and fully diluted.
- Cash, cash equivalents and short-term investments stood at \$290.3 million<sup>1</sup>. On September 30 the drawdown of the second US\$80m tranche of diamond stream funding from Orion Mine Finance, Caisse de dépôt et placement du Québec and Blackstone Tactical Opportunities occurred as planned. Excess financing capacity available to complete the project, comprising surplus cash and available cost-overrun facilities, is now forecast to be \$100 million, assuming the satisfaction of all covenants and conditions precedent relating to future funding commitments and a CAD\$:US\$ conversion rate of \$1.25.

<sup>1</sup> Assuming C\$: US\$ conversion rate of \$1.3083

Matt Manson, President and CEO, commented "At the half way point in the construction of the Renard Diamond Project, we are pleased to report continued construction progress on or ahead of planned schedule and a forecast cost to complete within our fully funded C\$811 million capital budget. For another quarter, a significant foreign exchange gain on our current and committed US dollar funds is serving to strengthen our cash position as we look forward to plant commissioning and project ramp up starting late next year. We end 2015 with a record of steady progress against plan, and a stronger financial position than expected."

## Change of Fiscal Year-End

To better synchronize financial, operational and regulatory reporting, Stornoway will change its fiscal year-end from April 30<sup>th</sup> to December 31<sup>st</sup>, and will next file financial results for a truncated quarter and fiscal year ending December 31, 2015. This change is being effected prior to the expected commencement of first diamond production in late 2016. The current quarterly reporting period, described herein as the second quarter of FY2016, will be re-designated as second quarter October 31, 2015, with the quarter beginning January 1<sup>st</sup> 2016 becoming the first quarter of FY2016 under the new reporting calendar.

## Financial Summary

Stornoway ended the quarter with cash, cash equivalents and short-term investments of \$290.3 million, compared with \$270.1 million at the end of the previous quarter. On September 30 2015 the second payment deposit under the Renard stream agreement was received on schedule from Orion Mine Finance, the Caisse de dépôt et placement du Québec and Blackstone Tactical Opportunities. The US\$80 million of funds received were converted to Canadian dollars upon deposit at an exchange rate of \$1.336, representing a cash gain to the Corporation of C\$18.9 million compared to the July 2014 funding plan, which assumed a C\$:US\$ exchange rate of \$1.10. Stornoway's current cash resources are sufficient to cover planned mine development expenses, financing and corporate costs during calendar 2015. The third payment deposit under the stream agreement of US\$90 million is expected to be received in March 2016, 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 currently forecasts excess funding capacity of \$100 million comprised of \$52 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 \$90.5 million, with capital expenditures to date of \$472.0 million having been committed against the total project cost.

Net earnings for the three months ended October 31, 2015 decreased by \$1.4 million to \$10.3 million compared to earnings of

\$11.7 million in the previous year, and includes other income (expenses) of \$12.6 million. Net earnings 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 October, 2015 totaled \$2.2 million.

## Construction Highlights

At quarter end, overall construction progress stood at 53% based on man-hour estimates compared to a plan of 49%. On October 31 engineering progress stood at 94% compared to a planned 98%. Detailed engineering is substantially complete, with remaining work comprising field engineering services relating to the final construction of the project's major facilities. No loss time incidents ("LTIs") were recorded during the quarter, for a project-to-date LTI rate of 0.5 for contractors and 0.0 for Stornoway employees.

Construction of the project's maintenance facility, process plant, power plant and primary crusher have been proceeding since April simultaneously. The maintenance facility was completed on September 24 and is operational ahead of schedule. The project's 2.2 million tonne per annum process plant was fully enclosed by October 21 and has been heated since October 15, allowing the installation of temperature sensitive crushing and recovery circuits to begin through the winter months. Interior progress can be followed on a newly installed webcam at [www.stornowaydiamonds.com](http://www.stornowaydiamonds.com) which currently shows the process of installation and fitting of the plant's Dense Media Separation modules. Concrete and structural steel installation at the project's primary crusher and processed kimberlite loadout were well advanced by the end of October. Concrete and structural steel work at the natural gas fueled power plant was completed on September 19 and the building has been enclosed. All seven planned 2.06 MW Caterpillar LNG generators were delivered to the site by August 21, and mechanical, piping, electrical and instrumentation installation has been underway since August 12. Concrete works and mechanical work at the LNG storage facility commenced on September 9, approximately 3 weeks later than planned, but the three large 300m<sup>3</sup> LNG containment vessels were successfully delivered to the project site on the Renard Mine Road on November 14. The LNG storage facility and the project's power plant are expected to be operational by March 2016, several months earlier than planned.

Daily manpower at site in October averaged 432 workers, of which 22% were Crees of the Eeyou Istchee. Stornoway employees stood at 303 on October 31, including 231 in the on-site development team, of which 19% were Crees, 25% were from Chibougamau and Chapais, and 56% were from outside the region.

## Mining

By quarter end, a total of 4,819,672 tonnes of overburden, waste rock and ore had been extracted from the Renard 2-Renard 3 and Renard 65 open pits, compared to a budget of 5,210,884, or 92% of plan. Since March, mining activities have focussed 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 have successfully maintained a consistent production rate of approximately 500,000 tonnes per month despite un-seasonally high levels of rainfall in both July and October. Blasting of Renard 3 ore began in September and by November 30 138,846 tonnes of ore had been delivered to the stockpile.

Development of the ramp for the underground mine stood at 837 meters on October 31 compared to a budget of 916 meters, or 91% of plan. Development during July to September peaked at a rate 122% of plan, but higher than expected water inflows during the month of October slowed progress to an average 53% of plan as grouting was undertaken and modified explosives handling was adopted. Progress has continued behind plan since the quarter end as mitigation measures are undertaken.

## Updated Mineral Resource and Mine Plan

During the quarter, the Corporation announced an updated Mineral Resource for the Renard Project derived from a deep directional drill program completed in 2014 (Stornoway press release dated September 24, 2015). Indicated Mineral Resources at Renard 2 are estimated to have increased 16%, or 2.92 million carats, to 21.58 million carats at a depth cut-off of 700m (comprising 25.70 million tonnes at a grade of 84 carats per hundred tonnes, or "cpht"). Additional Inferred Mineral Resources were added at Renard 2 to a depth of 850 meters. The Renard Mineral Resource Estimate, effective September 2015, now stands at 30.2 million carats of Indicated Mineral Resources (representing 42.6 million tonnes at an average 71 carats per hundred tonnes, or "cpht") and 13.4 million carats of Inferred Mineral Resources (representing 24.5 million tonnes at an average 54 cpht). These resources are contained within the Renard 2, 3, 4, 65, and 9 kimberlite pipes and the Lynx and Hibou kimberlite dykes. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The exploration potential of the Renard Project in the form of Targets for Further Exploration is 33.0 to 71.1 million carats within 76.2 to 113.2 million tonnes, with grades ranging variously by body from a low of 20 cpht to a high of 168 cpht. This exploration potential is contained within the Renard 1, 2, 3, 4, 65, 7, 9 and 10 kimberlite pipes and the Lynx and Hibou kimberlite dykes. The potential quantity and grade of any exploration target is conceptual in nature, there has been insufficient information to define a mineral resource and it is uncertain if further exploration will result in it being delineated as a mineral resource.

Work continues on an updated mine plan for the Renard project that will incorporate the updated Mineral Resource. The new plan will contemplate extended mine production, a deepening of the Renard 2-Renard 3 open pit, the commensurate deepening

of the underground mine infrastructure and the inclusion of Indicated Mineral Resources at Renard 65 for open pit mining. This work is expected to be completed in the second quarter of 2016 and will include a revised statement of project Mineral Reserves, if warranted.

The current development plan for the Renard Project envisions the process plant being 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 would then follow, with a view to commercial production being achieved in the second quarter of calendar 2017 and full production by the summer of 2017. Stornoway defines commercial production as the maintenance of 60% of rated plant capacity for 30 days, and capitalizes all construction and operation expenses to this date.

## Exploration Update

Exploration programs are ongoing on several 100% owned generative diamond exploration projects in Canada within an overall budget for the current fiscal year of \$1 million. As part of this work, Stornoway has acquired 15,135 hectares of exploration claims at a new project designated "Adamantin". The Adamantin Project lies approximately 100km south of the Renard Diamond Project and 25km west of the Route 167 Extension road. Till sampling over the summer has confirmed the presence of indicator mineral anomalies interpreted to be sourced from un-discovered kimberlites with diamond potential. One till sample has returned a diamond from the +0.25mm-0.50mm size fraction. Additional till samples remain to be processed and, conditional upon results, further work on the Adamantin Project may include ground geophysics and drilling.

Stornoway retains an ownership interest in three diamond exploration projects operated by [North Arrow Minerals Inc.](#) ("North Arrow"). During the quarter North Arrow announced the confirmation of the sixth and seventh kimberlite occurrences at the Pikoo Project in northern Saskatchewan, and micro diamond results from the PK314 kimberlite. Detailed airborne geophysical surveying has been completed to better delineate additional kimberlite targets for drill testing. Exploration of the Pikoo Project is being conducted under an 80% (North Arrow) / 20% (Stornoway) participating joint venture arrangement.

## Financial Summary

### Consolidated Statements of Financial Position

(millions of Canadian dollars)	October 31, 2015	April 30, 2015
Cash, cash equivalents and short-term investments	290.3	363.6
Property, plant and equipment	759.9	541.5
Other assets	35.2	40.0
Total Assets	1,085.4	945.1
Debt and convertible debentures	218.6	208.0
Deferred revenue	207.3	101.5
Other liabilities	79.5	58.1
Equity	580.0	577.5
Total Liabilities and Equity	1,085.4	945.1

### Key Financial and Operating Highlights

(millions of Canadian dollars, except earnings per share and common shares outstanding)	Three months ended October 31, 2015		Six months ended October 31, 2015	
Cash provided (used) in operating activities	112.6	(13.5)	109.1	(14.9)
Cash used in investing activities	(172.3)	(41.1)	(173.0)	(66.8)
Cash provided (used) in financing activities	(0.9)	(1.5)	(1.3)	435.4
Effect of foreign exchange rate changes on cash and cash equivalents	0.3	5.8	7.0	7.3
Increase (decrease) in cash and cash equivalents	(60.3)	(50.3)	(58.2)	361.0
Net earnings for the period	10.3	11.7	0.6	0.2
Earnings per share &ndash; basic	0.01	0.02	Nil	Nil
Earnings per share &ndash; diluted	0.01	0.01	0.01	Nil

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 October 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 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. In accordance with the Corporation's September 2015 Mineral Resource estimate, total Indicated Mineral Resources, inclusive of the Mineral Reserve, stand at 30.2 million carats, with a further 13.35 million carats classified as Inferred Mineral Resources, and 33.0 to 71.1 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 technical report dated October 14, 2015 in respect of the September 2015 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 ("QP") under National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). Darrell Farrow, PrSciNat, P.Geo.(BC), Ordre des géologues du Québec (Special Authorisation # 332) of GeoStrat Consulting Services Inc. is the independent Qualified Person responsible for preparation of the mineral resource estimate for the Renard Diamond 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. 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.](http://www.stornowaydiamonds.com)  
/s/ "Matt Manson"  
Matt Manson  
President and Chief Executive

For more information, please contact Matt Manson (President and CEO) at 416-304-1026 x2101 or Orin Baranowsky (Director, Investor Relations) at 416-304-1026 x2103 or toll free at 1-877-331-2232

Pour plus d'information, veuillez contacter M. Ghislain Poirier, Vice-président Affaires publiques de Stornoway au 418-254-6550, [gpoirier@stornowaydiamonds.com](mailto:gpoirier@stornowaydiamonds.com)

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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.