

LONGUEUIL, Quebec, Aug. 09, 2016 (GLOBE NEWSWIRE) -- [Stornoway Diamond Corp.](#) (TSX:SWY); the "Corporation" or "Stornoway") announced today its results for the quarter ended June 30, 2016.

Quarter ended June 30, 2016 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 totalled \$682.0 million, or 88% of budget.
- Construction progress stood at 97.4% compared to the re-baselined plan of 95.2% at the end of the quarter. Ore processing commenced on July 15, 2016.
- On site manpower during the month of June averaged 356 workers, of which 19.9% were Crees of the Eeyou Istchee.
- Mining in the Renard 2-3 and Renard 65 open pits stood at 9,454,038 tonnes, or 102% of plan, with 859,498 tonnes of ore stockpiled. Underground mine development stood at 1,842 meters, or 85% of plan.
- During the quarter, the process plant including the crusher, water treatment facility and process kimberlite load-out were fully commissioned. At quarter-end, remaining project construction was focussed on completion of the processed kimberlite containment facility and development of the underground mine's fresh air raise.
- For the three months ended June 30, 2016, the Corporation reported a net income of \$5.8 million or \$0.01 per share and \$Nil per share fully diluted.
- Cash, cash equivalents and short-term investments stood at \$137.4 million. Prior to their expiry on Friday, July 8, 2016, 91,912,732 common share purchase warrants, representing 97.47% of the warrants issued on July 8, 2014, were exercised at a price of \$0.90 per share for total proceeds to the Corporation of \$82.7 million. This warrant exercise included 11.9 million warrants (\$10.8 million in proceeds) exercised prior to June 30, 2016. Excess financing capacity available to complete the project, comprising cash, receivables, expected mine tax credits, and available credit facilities, is now forecasted to be \$197 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: "Construction activities at Renard have now been largely completed and the ramp up of ore processing in the diamond plant has commenced. All of this has been achieved well within schedule and budget. At the project site, the hand-over from construction to operating staff has been achieved smoothly, and our mining activities are progressing satisfactorily, with no recurrence of the localised water inflow issue that hampered the progress of the underground mine ramp at the start of the year. We intend to schedule our first diamond sale based on the progress of the production ramp-up that is achieved over the next few months."

Financial Summary

Stornoway ended the quarter with cash, cash equivalents and short-term investments of \$137.4 million, compared with \$219.1 million at the end of the previous quarter. All payment deposits under Stornoway's streaming agreement with Orion Mine Finance, the Caisse de dépôt et placement du Québec and Blackstone Tactical Opportunities had been received at the end of previous quarter. Stornoway now expects to be able to draw on its \$100 million senior secured loan from Investissement Québec to complete mine development. Stornoway's current cash resources and committed funds are sufficient to cover planned mine development expenses, financing and corporate costs during calendar 2016.

The Corporation currently forecasts excess funding capacity available to complete the project of \$197 million, comprised of \$149 million of cash, undrawn debt facilities, receivables and expected mine tax credits, and \$48 million of undrawn cost overrun facilities. This forecast assumes the attainment of commercial production on or about December 31, 2016, a project cost of \$775 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 retained US dollar funds. The forecast excludes US\$26 million of revenue previously forecast to fall within the pre-production period and which, given the acceleration of the expected date of commercial production, will now fall outside of the capital expenditure period. 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 \$66.7 million, with capital expenditures to date of \$682.0 million having been incurred or committed against the total project cost.

Net income for the three month period ended June 30, 2016 ("Current Quarter") of \$5.8 million compared to a \$9.7 million net loss during the three months ended July 31, 2015 ("Comparative Quarter") is in large part due to a change of \$17.7 million in other (income) expense. Other income of \$10.3 million (Comparative Quarter - expenses of \$7.3 million) is due to derivative gains resulting from changes to fair value and foreign exchange gains and losses during each period (See below). Earnings per share for the current quarter was \$0.01 per share and \$Nil fully diluted (Comparative Quarter - \$0.01 per share for both basic and fully diluted).

Construction Highlights

During the quarter, construction of the process plant including the crusher, water treatment facility and the process kimberlite

load-out were completed and plant commissioning commenced. All principal plant equipment and control systems were installed and tested, and the hand-over by the construction team to the plant operating staff was achieved on June 22. On July 15, subsequent to the quarter-end, ore processing commenced, representing the beginning of a processing ramp-up designed to achieve 100% of plant nameplate capacity (2.16Mtonnes/annum at 78% plant utilization) within 9 months. Commercial production at Renard is defined as the maintenance of ore processing for 30 days at 60% of nameplate capacity.

Remaining items under construction at quarter-end were the processed kimberlite containment facility and the fresh air raise for the underground mine. Both are expected to be completed during the 4th quarter of 2016.

Daily manpower at site in June averaged 356 workers, of which 19.9% were Crees of the Eeyou Istchee. Stornoway employees stood at 443 as at June 30, 2016, including 371 with the on-site development team, of which 17% were Crees, 24% were from Chibougamau and Chapais, and 59% were from outside the region.

Mining

As at June 30th, 2016, a total of 9,454,038 tonnes of overburden, waste rock and ore had been extracted from the Renard 2-Renard 3 and Renard 65 open pits, compared to a plan of 9,300,063 tonnes (102%). A total of 859,498 tonnes of ore have been delivered to the stockpile compared to a plan of 577,955 tonnes (149%)

Development progress in the underground mine stood at 1,842 meters, or 85% of the plan. Progress on the ramp during the second quarter totalled 625 meters, or 116% of plan, with good ground conditions and no significant water infiltration. At current development rates, the underground mine is expected to be at 100% of plan by the end of the year.

Exploration Update

Exploration programs are ongoing on generative diamond exploration projects in Canada, which are 100% owned by the Corporation, including the 17,790 hectare Adamantin Project located approximately 100 km south of the Renard Diamond Project and 25 km west of the Route 167 Extension road. Till sampling during 2015 at Adamantin confirmed the presence of indicator mineral anomalies interpreted to be sourced from undiscovered kimberlites with diamond potential, with one till sample having a diamond in the +0.25mm-0.50mm size fraction. On May 5, 2016, Stornoway announced that kimberlite had been intersected in 18 of 78 reverse circulation drill holes testing 72 geophysical targets. These intersections are interpreted to represent 11 discrete kimberlite bodies. Intervals of undiluted (100%) hypabyssal kimberlite chips between 1.5 and 13.7 meters in length were returned from 14 of the 18 intersections. Intersections of mixed chips of kimberlite and country rock, up to 22.9 meters in length, were also recovered in the 18 holes with kimberlite. Of note, drilling at adjacent geophysical anomalies AD-50, 51 and 52 suggests the presence of a single, shallowly dipping (5-10 degrees), tabular body with an apparent true thickness of approximately 10 meters. This body lies 6-12 meters below surface, has a minimum strike extent of 260 meters and is open in all directions. Diamond recovery results for these new kimberlites are still pending. Summer exploration activities to further advance the Adamantin Property are underway.

Financial Summary

Consolidated Statements of Financial Position

| <i>(millions of Canadian dollars)</i> | June 30, 2016 | December 31, 2015 |
|---|------------------|----------------------|
| Cash, cash equivalents and short-term investments | 137.4 | 209.1 |
| Property, plant and equipment | 1,021.5 | 831.4 |
| Other assets | 49.3 | 42.7 |
| Total Assets | 1,208.2 | 1,083.2 |
| Long-term debt and convertible debentures | 236.1 | 219.6 |
| Long-term deferred revenue | 310.2 | 207.1 |
| Other liabilities | 90.5 | 80.5 |
| Equity | 571.4 | 576.0 |
| Total Liabilities and Equity | 1,208.2 | 1,083.2 |

Key Financial and Operating Highlights

| <i>(millions of Canadian dollars, except earnings per share)</i> | Three months ended June 30, 2016 | Three months ended July 31, 2015 |
|--|--|--|
| Cash used in operating activities | (3.7) | (3.4) |

| | | |
|--|---------|---------|
| Cash used in investing activities | (45.9) | (0.7) |
| Cash provided (used) in financing activities | 8.9 | (0.4) |
| Effect of foreign exchange rate changes on cash and cash equivalents | 0.0 | 6.6 |
| Increase (decrease) in cash and cash equivalents | (40.7) | 2.1 |
| Net income (loss) for the period | 5.8 | (9.7) |
| Earnings (Loss) per share – basic | 0.01 | (0.01) |
| Earnings (Loss) per share – diluted | Nil | (0.01) |

The Corporation's consolidated Financial Statements are prepared in Canadian dollars in accordance with International Financial Reporting Standards. Condensed Interim Consolidated Financial Statements for the quarter ended June 30, 2016, and Management's Discussion and Analysis have been posted on the Corporation's website www.stornowaydiamonds.com and on SEDAR at 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 8, 2014, Stornoway announced the completion of a \$946 million project financing transaction to fully fund the project to production, and construction commenced on July 10, 2014. Processing of ore commenced on July 15, 2016.

In January 2013, Stornoway released the results of an Optimized Feasibility Study at Renard, with an Updated Mine Plan and Mineral Reserve Estimate in March 2016. These studies highlight the potential of the project to become a significant producer of high value rough diamonds over an initial 14 year mine life. Probable Mineral Reserves, as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”), stand at 22.3 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 1.8 million carats per annum over the first 10 years of mining, at an average valuation of US\$155/carat based on March 2016 terms.

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 28, 2013, in respect of the January 2013 Optimization Study, 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. 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

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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 Reserves, 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 Updated Renard Diamond Project Mine Plan and Mineral Reserve Estimate, Québec, Canada, NI 43-101 Technical Report (the "2016 Technical Report"); (v) assumptions relating to gross revenues, operating cash flow and other revenue metrics set out in the 2016 Technical Report; (vi) mine expansion potential and expected mine life; (vii) expected time frames for completion of permitting and regulatory approval 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 ability to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; and (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 approval 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 depends, 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 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 Corporation's ability to meet its delivery obligations under the Steaming Agreement; 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.

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 approval 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 issuance 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 unforeseeable, new risks may arise from time to time.