

Stornoway Reports Third Quarter 2018 Production and Sales Results

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LONGUEUIL, Oct. 11, 2018 - [Stornoway Diamond Corp.](#) (TSX-SWY; the "Corporation" or "Stornoway") is pleased to provide production and sales results at the Renard Diamond Mine for the quarter ended September 30, 2018. Highlights are as follows:

Real pricing index for Renard diamonds at sale. Represents "like versus like" pricing on run of mine production, normalized for monthly changes in mix.

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

- 184,620 carats sold in two tender sales for gross proceeds¹ of \$24.7 million² at an average price of US\$103 per carat (\$134 per carat²). Third quarter diamond sales represent diamonds recovered during the second quarter.
- Third quarter diamond production was 329,306 carats produced from the processing of 597,761 tonnes of ore at an average grade of 55 cpht. Grade and carat recoveries improved by 39% and 47% respectively compared to the second quarter with the mining of higher grade ore.
- Ramp-up of the underground mine to its design capacity of 6,000 tonnes per day was successfully achieved at the end of August.

Matt Manson, President and CEO of Stornoway, commented: "The third quarter saw the underground mine at Renard attain its full design capacity after a challenging ramp-up period. In addition to higher mining rates, we are also seeing significant improvement in carat recoveries and grade as we open up mining panels in the main body of the Renard 2 kimberlite. Our carat recoveries have improved each month during the quarter and we expect this trend to continue into the fourth quarter. The new ore sorting circuit, operating since May, is performing well and yielding both lower levels of diamond breakage and higher levels of diamond liberation. Both bode well for future value recovery." Matt Manson continued: "During the third quarter, we saw price weakness return to smaller and lower quality diamonds after more than a year of steady price gains. Underlying polished diamond demand remains strong in the US market, but is being impacted by currency weakness in the emerging markets amidst global trade concerns. This has put pressure on certain segments of the rough diamond trade. However, attendance at our Antwerp tenders remains strong, and we continue to achieve significantly higher pricing than during 2017 based on market strength in our larger and higher quality items."

Third Quarter Diamond Sales Results

The third quarter sales of 184,620 carats represented run-of-mine production recovered between April and June 2018. Gross proceeds¹ were \$24.7 million² at an average price of US\$103 per carat (\$134 per carat²). On a segmented basis, 140,872 carats of +7 DTC sieve size diamonds were sold at an average price of US\$130 per carat (\$169 per carat²), and 43,748 carats of -7 DTC sieve size diamonds were sold at an average price of US\$17 per carat (\$22 per carat²).

In addition to the sale of run of mine production, an additional 21,367 carats of diamonds smaller than the -7 DTC sieve size were sold in an out of tender contract sale for gross proceeds of \$362,150² at an average price of US\$13 per carat (\$17 per carat²). These represent recoveries of small diamonds produced between June and July 2018 that are in excess of that expected from the Renard Mineral Resource.

The achieved pricing of US\$103 per carat for run of mine goods during the quarter represents a decrease of 7% compared to the second quarter. This reflects a market price correction since July in smaller and lower

quality items attributed to challenging trading conditions in India. Prices in the larger and higher quality items have remained firm during this period. Weaker pricing in the cheaper items is expected to continue through the remainder of 2018. Overall, Renard diamonds, on a like versus like basis, have improved in pricing by 18% to the end of September 2018 since the first sale in November 2016.

A figure accompanying this announcement is available at:

<http://www.globenewswire.com/NewsRoom/AttachmentNg/06dff569-ca40-4c3d-8789-85221e405975>

Third Quarter Production Results

Third quarter mine production was 329,306 carats recovered from the processing of 597,761 tonnes of ore at an attributable grade of 55 carats per hundred tonnes (“cpht”). During the quarter, mill feed was derived from the Renard 2 underground mine (77%) and the Renard 65 open pit (23%). Processing rates in the quarter averaged 6,500 tonnes per day, compared to an annual plan of 7,000 tonnes per day. Mining and processing operations were affected by a forest fire in early July, which saw non-essential staff evacuated from the mine site, and production halted for approximately three days.

By the end of the quarter, the ramp-up of underground production at Renard 2 was completed, and a steady feed was achieved from the underground mining operations. Mining and processing rates in September averaged 7,310 and 6,820 tonnes of ore per day, respectively.

Fourth quarter production is expected to be sourced predominantly from the 290 meter level of the underground mine, complemented by Renard 65 open pit ore. The underground mine now has 20 drawpoints available for production, with additional drawpoints positioned progressively towards the center of the Renard 2 kimberlite becoming available during October through December.

Development of the main access ramp has progressed steadily during the course of the quarter, and is expected to reach the future 470 meter production level by the end of the year. Additional development work is ongoing in the Renard 3 kimberlite at the 290 meter level in support of its inclusion in the mining schedule in 2019.

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 M. Patrick Godin, P.Eng. (Québec), Chief Operating Officer a “qualified person” 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. A growth oriented company, Stornoway owns a 100% interest in the world-class Renard Mine, Québec’s first diamond mine.

On behalf of the Board

[Stornoway Diamond Corp.](#)

/s/ “Matt Manson”
Matt Manson
President and Chief Executive Officer

For more information, please contact Matt Manson (President and CEO) at 416-304-1026 x2101 or Orin Baranowsky (CFO) at 416-304-1026 x2103 or Alexandre Burelle (Manager, Investor Relations and Business Development) at 450-616-5555 x2264 or toll free at 1-877-331-2232
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FORWARD-LOOKING STATEMENTS

This document contains forward-looking information (as defined in National Instrument 51Ñ102 – 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; (xviii) the use of proceeds from the Financing Package; and (xix) the expectations regarding the timing and likelihood of approval for the moratorium from one of its lenders and the private placement of Units by RQ. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”;

“anticipates”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “schedule” or variations thereof or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are made based upon certain assumptions by Stornoway or its consultants and other important factors that, if untrue, could cause the actual results, performances or achievements of Stornoway to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business prospects and strategies and the environment in which Stornoway will operate in the future, including the recovered grade, size distribution and quality of diamonds, average ore recovery, internal dilution, and levels of diamond breakage, the price of diamonds, anticipated costs and Stornoway’s ability to achieve its goals, anticipated financial performance, regulatory developments, development plans, exploration, development and mining activities and commitments, access to financing, and the foreign exchange rate between the US and Canadian dollars. Although management considers its assumptions on such matters to be reasonable based on information currently available to it, they may prove to be incorrect. Certain important assumptions by Stornoway or its consultants in making forward-looking statements include, but are not limited to: (i) the accuracy of our estimates regarding capital and estimated workforce requirements; (ii) estimates of net present value and internal rates of return; (iii) recovered grade, size distribution and quality of diamonds, average ore recovery, carats recovered, carats sold, internal dilution, mining dilution and other mining parameters set out in the 2016 Technical Report as well as levels of diamond breakage; (iv) the expected mix of diamonds sold, and successful mitigation of ongoing issues of diamond breakage in the Renard Diamond Mine process plant and realization of the anticipated benefits from plant modification measures within the anticipated timeframe and expected capital cost; (v) the stabilization of the Indian currency market and full recovery of prices; (vi) receipt of regulatory approvals on acceptable terms within commonly experienced time frames and absence of adverse regulatory developments; (vii) anticipated timelines for the development of an open pit and underground mine at the Renard Diamond Mine; (viii) anticipated geological formations; (ix) continued market acceptance of the Renard diamond production, conservative forecasting of future market prices for rough diamonds and impact of the foregoing on various Renard financial metrics and diamond production; (x) the timeline, progress and costs of future exploration, development, production and mining activities, plans, commitments and objectives; (xi) the availability of existing credit facilities and any required future financing on favourable terms and the satisfaction of all covenants and conditions precedent relating to future funding commitments; (xii) the ability to meet Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xiii) Stornoway’s interpretation of the geological drill data collected and its potential impact on stated Mineral Resources and mine life; (xiv) the continued strength of the US dollar against the Canadian dollar and absence of significant variability in interest rates; (xv) improvement of long-term diamond industry fundamentals and absence of material deterioration in general business and economic conditions; and absence of significant variability in interest rates; (xvi) increasing carat recoveries with progressively increasing grade in LOM plan; (xvii) estimated incremental ore recovery, revenue and other mining parameters from potential additional mine life extension with minimal capital expenditures; (xviii) availability of skilled employees and maintenance of key relationships with financing partners, local communities and other stakeholders; (xix) long-term positive demand trends and rough diamond demand meaningfully exceeding supply; (xx) high depletion rates from existing diamond mines; (xxi) global rough diamond production remaining stable; (xxii) modest capital requirements post-2018 with significant resource expansion available at marginal cost; (xxiii) substantial resource upside within scope of mine plan; (xxiv) opportunities for high grade ore acceleration and processing expansion and realization of anticipated benefits therefrom; (xxv) significant potential upside from targets identified for further exploration; (xxvi) limited cash income taxes payable over the medium term; and (xxvii) the anticipated timelines for approval for the moratorium from one of its lenders and the private placement of Units by RQ.

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; (xxix) the risk that approvals may not be obtained for the moratorium from one of its lenders and the private placement of Units by RQ and that consequently, such transactions may not close ; and (xxx) 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.

¹ Before stream and royalty

² Based on an average \$: US\$ conversion rate of \$ 1.30

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