

# Stornoway Reports FY2018 Third Quarter Financial Results

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LONGUEUIL, Nov. 14, 2018 - [Stornoway Diamond Corp.](#) (TSX-SWY; the "Corporation" or "Stornoway") is pleased to report financial and operating results for the quarter ended September 30, 2018.

## QUARTER ENDED SEPTEMBER 30, 2018 HIGHLIGHTS:

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

- For the three months ended September 30, 2018, Stornoway reported a net loss of \$37.6 million (\$0.05 per share on a basic and fully diluted basis). Adjusted net loss<sup>1</sup> for the quarter was \$31.7 million.
- During the quarter, two tender sales totalling 184,620 carats were completed for gross proceeds<sup>2</sup> of \$24.8 million<sup>3</sup> at an average price of US\$103 per carat (\$134 per carat<sup>3</sup>). Revenue recognized was \$29.4 million, derived from the sale of the above mentioned run of mine production and the sale of 21,367 carats of incidental production in one out of tender contract sale at an average price of US\$13 per carat (\$17 per carat<sup>1,4</sup>). 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 carats per hundred tonnes ("cpht"). Grade and carat recoveries during the quarter improved by 39% and 47% respectively compared to the second quarter with the mining of higher grade ore.
- Underground mining during the quarter comprised 571,405 tonnes, with 475,289 tonnes of ore extracted. Ramp up of the underground mine production was completed during the quarter and a steady feed was achieved from underground mining operations.
- 2018 carats produced and carats sold are expected within the low end of range for 2018 revised guidance on lower tonnes at higher average grades. Cash operating costs per tonne processed<sup>1</sup> and per carat recovered<sup>1</sup> are expected to be at the high end of the range, while capital expenditures<sup>1</sup> are expected to be below guidance. Average diamond pricing achieved<sup>1</sup> is expected to be within guidance.
- During the quarter, the new ore-sorting circuit at Renard was fully operational. Diamond recoveries since its introduction have exhibited lower levels of breakage than observed previously with comparable feed composition, and overall diamond liberation from ore has been improved.
- A program of Mineral Resource expansion and conversion was undertaken on the Renard 3 and Renard 4 kimberlites with a view to their acceleration in the Renard mine plan. Positive drilling and sampling results have been obtained.
- Cash operating costs per tonne processed<sup>1</sup> were \$57.15 per tonne (\$103.74 per carat) and capital expenditures<sup>1</sup> were \$22.5 million.
- For the third quarter of FY2018, Stornoway reported adjusted EBITDA<sup>1</sup> of \$(11.8) million, or (47.2)% of Adjusted Revenues<sup>1</sup>, which includes an \$13.9 million write-down of cash costs to bring inventory to its net realizable value.
- Subsequent to the quarter end, the corporation completed a series of financing transactions with lenders and key stakeholders that represent additional consideration and liquidity to the corporation of up to \$129 million.

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

<sup>2</sup> Before stream and royalty

<sup>3</sup> Based on an average \$:US\$ conversion rate of \$1.30

<sup>4</sup> Based on an average \$:US\$ conversion rate of \$1.31

Matt Manson, President and CEO, commented: "Our third quarter financial results reflect the sale in July and September of diamonds recovered between April and June, when the underground mine was ramping up with low grade ore. Since attaining full design capacity in the underground mine in late August, we have achieved our best two months of the year in terms of diamond production, with 130,000 carats recovered in September at a grade of 64 cpht and then, subsequent to the quarter end, 161,000 carats in October at a grade of 74 cpht. We continue to see weakness in the diamond market, particularly in smaller and lower quality items, and this has continued through into the fourth quarter. However, the Renard mine is now meeting or exceeding expectations in terms of tonnes mined, tonnes processed and carat recoveries, and we expect to come in within our revised 2018 guidance for carats produced and carats sold, albeit at the lower end of our range based on lower tonnes at a higher average grade. With our balance sheet strengthened following the \$129 million in financing agreements announced on October 2<sup>nd</sup>, and with steady state operations achieved at the Renard Mine, our outlook for the remainder of the year and into 2019 is positive."

Table 1. Financial Results Highlights

*(expressed in millions of Canadian dollars, except as otherwise noted)*

	Three months ended		Six months ended	
	Sept 30, 2018	Sept 30, 2017	Sept 30, 2018	Sept 30, 2017
Open pit tonnes mined (tonnes)	645,527	1,074,148	1,684,133	3,648,133
Underground ore tonnes mined (tonnes)	475,289	52,162	888,724	88,730
Ore processed (tonnes)	597,761	506,381	1,722,341	1,437,133
Carats Recovered	329,306	442,154	838,507	1,244,133
Carats Sold	205,987	405,643	891,047	1,214,133
Revenues	29,356	49,977	142,216	141,011
Cost of Goods Sold	54,834	40,084	173,053	105,981
Selling, General, Administrative and Exploration Expenses	5,536	4,460	18,178	15,364
Financial expenses	22,439	5,410	59,893	4,891
Foreign exchange loss (gain)	(1,737)	(4,601)	3,716	(8,861)
Net (loss) income	(37,645)	2,289	(84,489)	4,226
Net loss per Share – Basic and Diluted	(0.05)	Nil	(0.10)	0.01
Adjusted Net Loss <sup>1</sup>	(31,726)	(4,212)	(76,948)	(11,722)
Adjusted EBITDA <sup>1</sup>	(11,766)	21,685	(10,776)	59,778
Adjusted EBITDA margin (%) <sup>1</sup>	-47.2	% 43.4	% -9.6	% 42.4
Capital expenditures <sup>1</sup>	22,457	31,222	73,432	79,287

## FINANCIAL SUMMARY

Revenues during the third quarter of 2018 were \$29.4 million compared to \$50.0 million in the third quarter of 2017. Revenues in the current quarter include \$7.5 million recognized from contract liabilities related to the upfront proceeds received under the Renard Stream agreement in consideration for future commitments to deliver diamonds at contracted prices (\$6.0 million Q3 2017).

Stornoway reported a net loss of \$37.6 million (net income of \$2.3 million Q3 2017) and an Adjusted Net Loss of \$31.7 million (Q3 2017 \$4.2 million) reflecting a decrease in gross profit, which includes a \$22.4 million write down to bring stockpile, work in progress and finished goods inventories to their net realizable value, partially offset by an increase in deferred income tax recovery. Adjusted EBITDA<sup>1</sup> was a loss of \$11.8 million, reflecting an increase in operating expenses including a \$13.9 million write down of inventories to their net realizable value due to processing of lower grade materials. Capital expenditures were \$22.5 million in the quarter and \$73.4 million year to date.

## OPERATIONAL SUMMARY

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

Zero lost time incidents (“LTI”) were recorded during the quarter, for a year to date LTI rate of 0.53 for Stornoway employees and 1.73 for contractors for a combined LTI frequency of 0.90. Stornoway employees stood at 571 as at September 30, 2018, including 515 mine located employees, of which 14% were Crees, 22% were from Chibougamau and Chapais, and 64% were from outside the region. There were no incidences of environmental non-compliance reported in the quarter.

### *Mining and Processing*

During the third quarter, 645,527 tonnes were mined from the Renard 65 open pit, with 160,933 tonnes of ore extracted. A total of 571,405 production and development tonnes were mined from the Renard 2 underground mine during the quarter, of which 475,289 tonnes ore were extracted. Production during the quarter was 329,306 carats recovered from the processing of 597,761 tonnes of ore at an attributable grade of 55 cpht. Grade and carat recoveries during the quarter reflect the improvement in grades in the underground mine relative to the second quarter. Mining and processing were affected by a forest fire in early July, which saw non-essential staff evacuated from the mine site, and production halted for 3 days. Processing rates in the third quarter averaged 6,500 tonnes per day, with rates in September averaging 6,820 tonnes per day.

Ramp up of the Renard 2 underground mine production progressed during the third quarter and was completed by the end of the quarter. The development of an Assisted Block Cave as the principal mining method in the underground mine continued, with current focus on achieving optimum granulometry for the blasted ore and opening up multiple panels to support the planned mining rate. The ramp up in the underground mine was completed during the quarter and a steady feed to the process plant was achieved. The underground mine now has sufficient equipment and manpower to achieve designed mining rates. The first mining panels opened up at the margin of the orebody at the 290 meter production level were composed of highly diluted lower grade ore which impacted carat production in the early stages of the underground mine. As expected, however, grades have increased as additional panels have been opened in less diluted ore within the main body of the kimberlite, which will be the focus of mining activities in the fourth quarter.

The new ore sorting plant at Renard was commissioned during the second quarter, and has been processing ore on a consistent basis since mid-May. The diamonds recovered since its introduction have exhibited lower levels of breakage than observed previously with comparable feed composition and, overall, breakage has been successfully maintained at sustainably low levels despite the high level of highly diluted, lower grade material supplied to the plant during this period. In addition, higher than expected diamond recoveries have also been observed since the beginning of ore-sorting, indicating that a more efficient liberation of diamonds is being achieved from the ore passed through to the main process plant.

During the quarter, the volume and quality of waste segregated during ore-sorting has exceeded expectations, with waste rejected representing between 15% and 30% of material sorted. Kimberlite content in the waste stream has averaged between 1% and 2%. This has resulted in a significant reduction in process plant head-feed and opened up new plant capacity for future production. Because the waste within the Renard ore is hard and difficult to crush, its rejection from the main process plant has also resulted in a net reduction in power consumption for processing even with the addition of the new sorting circuit.

### *Diamond Sales*

During the quarter, two tender sales totalling 184,620 carats were completed for gross proceeds<sup>2</sup> of \$24.7 million<sup>3</sup> at an average price of US\$103 per carat (\$134 per carat<sup>1,3</sup>). Revenue recognized during the quarter was derived from run of mine production recovered during the second quarter. In addition to the sale of run of mine production, an additional 21,367 carats of diamonds smaller than the #20/7 DTC sieve size were sold during the quarter in an out of tender contract sale for gross proceeds<sup>2</sup> of \$0.4 million<sup>3</sup> at an average price of US\$13 per carat (\$17 per carat<sup>4</sup>). These represent recoveries of small diamond “incidentals” produced between June and August 2018 that are in excess of that expected from the Renard Mineral Resource.

On a segmented basis, including the results of the sale of “incidentals”, 140,872 carats of +7

DTC sieve size diamonds were sold at an average price of US\$130 per carat (\$169 per carat<sup>4</sup>), and 65,115 carats of -7 DTC sieve size diamonds were sold at an average price of US\$15 per carat (\$20 per carat<sup>3</sup>).

### *Capital Projects*

Capital expenditures of \$22.5 million in the quarter were principally related to the development of the underground mine, the purchase of additional underground mining equipment and open pit development in Renard 65.

Development capital expenditures in the underground mine during the third quarter focused on lateral development on the 290 meter level access and drilling drifts for the upper portion of the mine, as well as development of the main ramp towards the 470 meter level. A total of 944 meters of lateral development were completed. Underground mine development in the fourth quarter will focus on development of the ramp towards 470 meter level and level access to the Renard 3 kimberlite.

### *2018 Production and Financial Guidance*

On May 14, 2018, the Corporation issued revised production guidance for the Renard Mine. Based on production rates achieved since the attainment of full underground mining in late August, and the scheduled sales remaining in 2018, carats produced and carats sold are expected to be at the low end of 2018 guidance as a result of lower tonnes processed, with average grades at the top end of the range, or slightly higher. Overall tonnes mined in the open pit and underground are expected to be lower due to lower waste mining in both the open pit and underground mine, and the slower than forecast ramp up of underground mining in 2018. Capital expenditures are expected to be below guidance due to the cancellation or deferral of certain capital projects. Pricing is expected to be within guidance.

	May 14, 2018 Guidance Updated Guidance	
Carats Recovered	1.35 to 1.40 million	Low End of Range
Grade	54 to 56 cpht	High End of Range or Slightly Above
Tonnes Processed	2.5 million	2.35 to 2.4 million
Carats Sold	1.20 to 1.25 million	Low End of Range
Average Diamond Price Achieved (+7)	US\$125-165	Middle of Range
Average Diamond Price Achieved (-7)	US\$15-19	Middle of Range
Open Pit Tonnes Mined (Ore and Waste)	2.7 million	2.4 to 2.5 million
Underground Tonnes Mined (Ore and Waste)	2.2 million	1.80 to 1.85 million
Capital Expenditures	\$100 million	\$90 to \$95 million
Cash Operating Cost/Tonne	\$48-\$50	High End of Range or Slightly Above
Cash Operating Cost/Carat	\$88-\$90	High End of Range or Slightly Above

### *Exploration*

During the third quarter, a program of resource development work was undertaken on the Renard 3 and Renard 4 kimberlites with a view to the conversion of certain Mineral Resources to Mineral Reserves, and the acceleration of both ore bodies in the Renard mine plan.

At Renard 3, a program of underground drilling was undertaken to test the depth potential of the Renard 3 kimberlite below the base of the currently defined Mineral Reserves at a depth of 255 meters below surface. Renard 3 was successfully delineated over 5,345 meters of drilling between 255 meters and 290 meters depth, with additional intersections of kimberlite confirmed over mineable widths to as deep as 315 meters below surface, below which Renard 3 remains open. The new data are being incorporated into a revised geological model and Mineral Resource estimate for Renard 3, with a view to the incorporation of new Renard 3 Mineral Reserves above the 290 meter level into the 2019 mining schedule.

At Renard 4, a new surface sample was excavated from an area of the kimberlite that occurs close to surface adjacent to Lagopède Lake. The Renard 4 kimberlite currently comprises 1.67 mcarats of Probable Mineral Reserves (3.46 mtonnes at an average grade of 48 cpht) in the underground mine plan, as well as

1.99 mcarats of Indicated Mineral Resources (2.93 mtonnes at an average grade of 68 cpht) and 2.46 mcarats of Inferred Mineral Resources (4.75 mtonnes at an average grade of 52 cpht). In 2007, a 2,104 tonne surface sample located on a nearby outcrop of the high grade Renard 4d unit returned 2,722 carats of diamonds at a grade of 129 cpht. The new sampling is designed to recover parcels of diamonds from the lower grade Renard 4a and 4b units which comprise the remainder of the Renard 4 diatreme. Sample processing is ongoing. However, to date, a parcel of 574 carats of diamonds have been recovered from the Renard 4b unit (1,287 tonnes at 45 cpht), and 2,444 carats have been recovered from the Renard 4a unit (10,359 tonnes at 24 cpht). Of note, three “special” stones have been recovered so far: a 14.89 carat white octahedral gem, a 12.42 carat white octahedral gem, and a 11.12 carat brown clivage stone. Initial indications are that the grade, size distribution and quality assortment of the diamonds recovered are consistent with previous sampling.

In the Renard Mine Plan, the Renard 4 kimberlite is scheduled for mining by underground method only following the completion of mining at the Renard 2 and Renard 3 kimberlites. The Corporation is investigating the potential for open pit mining at the Renard 4 and nearby Renard 9 kimberlites to supply additional ore feed earlier in the mine life. Such a pit would allow the extraction of a portion, or all, of the approximately 1.99 million carats of diamonds estimated to be contained in the top 140 meters of the Renard 4 kimberlite. These diamonds are contained within the project’s Indicated Mineral Resources, but are outside the current Mineral Reserve as they occur in the area of the proposed crown pillar for the Renard 4 underground mine. The results of the current sampling will be used to support an economic assessment for the development of a Renard 4-Renard 9 open pit, which will require a water retention structure within Lagopède Lake. If successful, such a pit would provide sufficient ore to take full advantage of the increased process plant capacity created by the introduction of the new ore-sorting circuit.

## NON-IFRS FINANCIAL MEASURES

This document refers to certain financial measures, such as Adjusted Net Loss, Adjusted Revenues, Adjusted EBITDA, Adjusted EBITDA Margin, Average Diamond Pricing Achieved, Cash Operating Cost per Tonne Processed, Cash Operating Cost per Carat Recovered and Capital Expenditures, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. As a result, these measures may not be comparable to similar measures reported by other corporations.

Each of these measures have been derived from the Corporation’s financial statements and have been defined and calculated based on management’s reasonable judgement. These measures are used by management and by investors to assist in assessing the Corporation’s performance. The measures are intended to provide additional information to the user and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Refer to the “Non-IFRS Financial Measures” section of the Corporation’s Management Discussion and Analysis as at and for the quarter ended September 30, 2018 for further discussion of these items, including reconciliations to IFRS measures.

## CONFERENCE CALL AND WEBCAST

Stornoway will host a conference call for analysts and investors on November 14, 2018 at 11:00 a.m. EST. This call may be accessed by calling 1 (844) 215-3287 toll free in North America, or 1 (209) 905-5939 from international locations, with Conference ID 8380317. A live webcast of the conference call will also be available at <https://edge.media-server.com/m6/p/4wb8hnhv>. A recording of the third quarter earnings conference call will be made available on Stornoway’s website [www.stornowaydiamonds.com](http://www.stornowaydiamonds.com).

## ABOUT THE RENARD DIAMOND MINE

The Renard Diamond Mine is Quebec’s first producing diamond mine and Canada’s sixth. It is located approximately 250 km north of the Cree community of Mistissini and 350 km north of Chibougamau in the James Bay region of north-central Québec. Construction on the project commenced on July 10, 2014, and commercial production was declared on January 1, 2017. Average annual diamond production is forecast at 1.8 million carats per annum over the first 10 years of mining. Readers are referred to the technical report dated January 11, 2016, in respect of the September 2015 Mineral Resource estimate, and the technical report dated March 30, 2016, in respect of the March 2016 Updated Mine Plan and Mineral Reserve Estimate for further details and assumptions relating to the project.

## QUALIFIED PERSON

Disclosure of a scientific or technical nature in this press release was prepared under the supervision of Mr. Patrick Godin, P.Eng. (Québec), Chief Operating Officer and Mr. Robin Hopkins, P.Geol. (NT/NU), Vice President, Exploration, both "qualified persons" under National Instrument (NI) 43-101.

## ABOUT STORNOWAY DIAMOND CORPORATION

Stornoway is a leading Canadian diamond exploration and production company listed on the Toronto Stock Exchange under the symbol SWY and headquartered in Montreal. 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

Pour plus d'information, veuillez contacter Alexandre Burelle (Directeur, Relations avec les investisseurs et développement des affaires) au 450-616-5555 x2264, [aburelle@stornowaydiamonds.com](mailto:aburelle@stornowaydiamonds.com)

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## FORWARD-LOOKING STATEMENTS

*This document contains forward-looking information (as defined in National Instrument 51-102 – Continuous Disclosure Obligations) and forward-looking statements within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995 (collectively referred to herein as "forward-looking information" or "forward-looking statements"). These forward-looking statements are made as of the date of this document and, the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.*

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

*Forward-looking statements reflect current expectations or beliefs regarding future events and include, but are not limited to, statements with respect to: (i) the amount of Mineral Reserves, Mineral Resources and exploration targets; (ii) the estimated amount of future production over any period; (iii) net present value and internal rates of return of the mining operation; (iv) expectations and targets relating to recovered grade, size distribution and quality of diamonds, average ore recovery, carats recovered, carats sold, internal dilution, mining dilution and other mining parameters set out in the 2016 Technical Report as well as levels of diamond breakage; (v) expectations, targets and forecasts relating to gross revenues, operating cash flows and other revenue metrics set out in the 2016 Technical Report, growth in diamond sales, cost of goods sold, cash cost of production, gross margins estimates, planned and projected diamond sales, mix of diamonds sold, and capital expenditures, liquidity and working capital requirements; (vi) mine and resource expansion potential, expected mine life, and estimated incremental ore recovery, revenue and other mining parameters from potential additional mine life extension; (vii) expected time frames for completion of permitting and regulatory approvals related to ongoing construction activities at the Renard Diamond Mine;*

(viii) the expected time frames for the completion of the open pit and underground mine at the Renard Diamond Mine; (ix) the expected financial obligations or costs incurred by Stornoway in connection with the ongoing development of the Renard Diamond Mine; (x) mining, development, production, processing and exploration rates, progress and plans, as compared to schedule and budget, and planned optimization, expansion opportunities, timing thereof and anticipated benefits therefrom; (xi) future exploration plans and potential upside from targets identified for further exploration; (xii) expectations concerning outlook and trends in the diamond industry, rough diamond production, rough diamond market demand and supply, and future market prices for rough diamonds and the potential impact of the foregoing on various Renard financial metrics and diamond production; (xiii) the economic benefits of using liquefied natural gas rather than diesel for power generation; (xiv) requirements for and sources of, and access to, financing and uses of funds; (xv) the ability to meet Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xvi) the foreign exchange rate between the US dollar and the Canadian dollar; and (xvii) the anticipated benefits from recently approved plant modification measures and the anticipated timeframe and expected capital cost thereof. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "schedule" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

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

*By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important risk factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, including the assumption in many forward-looking statements that other forward-looking statements will not be correct, but specifically include, without limitation: (i) risks relating to variations in the grade, size distribution and quality of diamonds, kimberlite lithologies and country rock content within the material identified as Mineral Resources from that predicted; (ii) variations in rates of recovery and levels of diamond breakage; (iii) the uncertainty as to whether further exploration of exploration targets will result in the targets being delineated as Mineral Resources; (iv) risks associated with our dependence on the Renard Diamond Mine and the limited operating history thereof; (v) unfavourable developments in general economic conditions and in world diamond markets; (vi) variations in diamond valuations and fluctuations in diamond prices from those assumed; (vii) insufficient demand and market acceptance of our diamonds; (viii) risks associated with the production and increased consumer demand for synthetic gem-quality diamonds; (ix) risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar and variability in interest rates; (x) inaccuracy of our estimates regarding future financing and capital requirements and expenditures, significant additional future capital needs and unavailability of additional financing and capital, on reasonable terms, or at all; (xi) uncertainties related to forecasts, costs and timing of the Corporation's future development plans, exploration, processing, production and mining activities; (xii) increases in the costs of proposed capital, operating and sustainable capital expenditures; (xiii) increases in financing costs or adverse changes to the terms of available financing, if any; (xiv) tax rates or royalties being greater than assumed; (xv) uncertainty of mine life extension potential and results of exploration in areas of potential expansion of resources; (xvi) changes in development or mining plans due to changes in other factors or exploration results; (xvii) risks relating to the receipt of regulatory approvals or the implementation of the existing Impact and Benefits Agreement with aboriginal communities; (xviii) the failure to secure and maintain skilled employees and maintain key relationships with financing partners, local communities and other stakeholders; (xix) risks associated with ongoing issues of diamond breakage in the Renard Diamond Mine process plant and the failure to realize the anticipated benefits from plant modification measures within the anticipated timeframe and expected capital cost, or at all; (xx) the negative market effects of recent Indian demonetization and continued impact on pricing and demand; (xxi) the effects of competition in the markets in which Stornoway operates; (xxii) operational and infrastructure risks; (xxiii) execution risk relating to the development of an operating mine at the Renard Diamond Mine; (xxiv) the Corporation being unable to meet its Subject Diamonds Interest delivery obligations under the Purchase and Sale Agreement; (xxv) future sales or issuances of Common Shares lowering the Common Share price and diluting the interest of existing shareholders; (xxvi) the risk of failure of information systems; (xxvii) the risk that our insurance does not cover all potential risks; (xxviii) the risks associated with our substantial indebtedness and the failure to meet our debt service obligations; and (xxix) the additional risk factors described herein and in Stornoway's annual and interim MD&A, its other disclosure documents and Stornoway's anticipation of and success in managing the foregoing risks. Stornoway cautions that the foregoing list of factors that may affect future results is not exhaustive and new, unforeseeable risks may arise from time to time.*

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