

**TSX: SWY**  
SWY 11-3  
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## **STORNOWAY ANNOUNCES INCREASED NI 43-101 MINERAL RESOURCE ESTIMATE FOR RENARD DIAMOND DEPOSIT**

**Stornoway Diamond Corporation (TSX-SWY)** is pleased to announce the completion of a revised National Instrument ("NI") 43-101 compliant mineral resource estimate for the Renard Diamond Project in North Central Québec. The Renard Diamond Project, which includes the Renard kimberlite pipes and the Lynx-Hibou system of kimberlite dykes, is a 50:50 joint venture with DIAQUEM INC. ("DIAQUEM"), a wholly-owned subsidiary of SOQUEM INC. ("SOQUEM"), itself a wholly-owned subsidiary of Société générale de financement du Québec ("SGF"), the Québec government's main industrial and financial holding company.

The new estimate was prepared by Mr. D. Farrow, P.Geo. (BC) of GeoStrat Consulting Inc. ("GeoStrat"), an independent consultancy. It builds upon the project's previously established NI 43-101 compliant Mineral Resource prepared by the same author (Stornoway press release dated December 8, 2009), and follows the completion of two deep drilling campaigns during 2010 (Stornoway press release dated October 12, 2010) that were designed to assess the size and composition of several kimberlite pipes outside the scope of the existing resource. This drilling successfully demonstrated that three pipes, namely Renard 3, 4 and 65, were larger at depth than previously assumed, prompting revisions to the project's estimates for Inferred Mineral Resources and non-resource Potential Mineral Deposit. Highlights of the new resource estimate are as follows:

- A total Indicated Mineral Resource of **23.8 million carats**, and a total Inferred Mineral Resource of **17.5 million carats**, increases of **3% and 31%** respectively over the previous estimate.
- A total estimate of additional resource upside in the form of a Potential Mineral Deposit of between **23.5 to 48.5 million carats**, an approximate **two-fold** increase over the previous estimate.
- Successful conversion of **12.9 million tonnes** of near-surface kimberlite at Renard 65 containing **3.7 million carats** from a Potential Mineral Deposit to an Inferred Mineral Resource.

The reader is cautioned that mineral resources that are not mineral reserves do not have demonstrated economic viability. In addition, the potential quantity and grade of any potential mineral deposit is conceptual in nature, and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

Matt Manson, President and CEO, commented: "The latest drill campaigns at Renard have confirmed a substantial increase in the project's resource value and in the scope of its potential resources at depth. We are pleased to have been able to demonstrate the successful conversion of non-resource potential mineral deposits to formal mineral resources, and are confident that significant resource growth remains to be demonstrated in the future. Renard has evolved into a major diamond resource that continues to reward aggressive drilling. The results of this new work will now be integrated into the bankable feasibility study and mine planning exercises that are currently ongoing. We are also contemplating additional drilling and sampling campaigns for 2011 to further pursue the project's exploration and growth potential."

In May 2010, Stornoway filed a National Instrument 43-101 compliant technical report for the Preliminary Economic Assessment ("PEA") at Renard that estimated the project to have the potential to produce approximately 30 million carats of diamonds over a 25 year mine life, with a pre-tax Net Present Value of C\$885 million (at an 8% discount rate) and an Internal Rate of Return of 24.8%. Total capital

investment was estimated at C\$511 million. The 2010 PEA was based upon an NI 43-101 compliant Mineral Resource published in December 2009 (the "2009 Mineral Resource") of 23.0 million carats of Indicated Mineral Resource and 13.3 million carats of Inferred Mineral Resource. At this time, a further 12 to 26 million carats was classified as a non-resource Potential Mineral Deposit ("PMD"). The new Mineral Resource published today updates, and supersedes, this previous resource estimate.

### **Mineral Resource Estimate (January 2011)**

In compiling the new NI 43-101 compliant estimate of Indicated and Inferred Mineral Resources, summarized in Table 1, GeoStrat reviewed three dimensional geological models for each kimberlite body (prepared by Stornoway) and extensive project data collected since 2001. The mineral resource estimate comprises the integration of kimberlite volumes, density, petrology and diamond content data obtained from 88,585 meters of diamond drilling, 6,151 meters of reverse circulation ("RC") drilling, 16.4 tonnes of samples submitted for microdiamond analysis, 600.8 carats of diamonds (6,457 stones) recovered from RC drilling and 8,611.6 carats of diamonds (84,381 stones) recovered from surface trenching and underground bulk sampling.

**Table 1: Total NI 43-101 Mineral Resource Estimate<sup>1, 2, 3</sup>**

<b>INDICATED RESOURCE</b>			
<b>KIMBERLITE</b>	<b>GRADE (cpht)<sup>4, 5</sup></b>	<b>TONNES (millions)</b>	<b>CONTAINED CARATS (millions)</b>
Renard 2	103	17.63	18.09
Renard 3	106	1.75	1.85
Renard 4	53	7.25	3.81
Renard 9	--	--	--
Renard 65	--	--	--
Lynx	--	--	--
Hibou	--	--	--
<b>Total Indicated</b>	<b>89 (+2%)</b>	<b>26.63 (+0.5%)</b>	<b>23.75 (+3%)</b>
<b>INFERRED RESOURCE</b>			
<b>KIMBERLITE</b>	<b>GRADE (cpht)<sup>4, 5</sup></b>	<b>TONNES (millions)</b>	<b>CONTAINED CARATS (millions)</b>
Renard 2	118	5.21	6.14
Renard 3	118	0.54	0.64
Renard 4	44	4.76	2.09
Renard 9	47	5.7	2.69
Renard 65	29	12.93	3.72
Lynx	107	1.8	1.92
Hibou	144	0.18	0.26
<b>Total Inferred</b>	<b>56 (-25%)</b>	<b>31.12 (+75%)</b>	<b>17.45 (+31%)</b>

<sup>1</sup> Resource categories are compliant with the "CIM Definition Standards on Mineral Resources and Reserves". Mineral resources that are not mineral reserves do not have demonstrated economic viability.

<sup>2</sup> Totals may not add due to rounding.

<sup>3</sup> Changes from the December 2009 NI 43-101 compliant Mineral Resource shown in italics

<sup>4</sup> Carats per hundred tonnes.

<sup>5</sup> Estimated at a +1 DTC sieve size cut-off.

The new mineral resource estimate shown in Table 1 demonstrates an increase in both tonnage and carats when compared to the 2009 Mineral Resource used for the May 2010 PEA, reported as the NI 43-101 compliant "Updated Technical Report on the Preliminary Assessment of the Renard Project, Quebec, Canada". Providing resource assumptions and economic parameters remain the same as in this earlier NI 43-101 report, the mineral resources reported in Table 1 have reasonable prospects for economic extraction. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

### Potential Mineral Deposit

In addition to the mineral resources, GeoStrat reviewed estimates for the quantity of non-resource Potential Mineral Deposit (“PMD”) which totals 23.5 to 48.5 million carats (55.1 to 75.5 million tonnes at grades ranging from 23 to 188 cpht), as summarized in Table 2.

**Table 2: Estimate of Potential Mineral Deposit**<sup>1, 2, 3</sup>

POTENTIAL MINERAL DEPOSIT			
KIMBERLITE	RANGE OF GRADES (cpht) <sup>4, 5</sup>	RANGE OF TONNES (millions)	RANGE OF CONTAINED CARATS (millions)
Renard 2	103 to 188	4.0 to 4.6	4.1 to 8.6
Renard 3	107 to 168	0.8 to 1.6	0.8 to 2.8
Renard 4	38 to 79	11.1 to 15.3	4.2 to 12.1
Renard 9	45 to 50	3.9 to 6.3	1.7 to 3.2
Renard 65	23 to 33	29.5 to 41.6	6.8 to 13.7
Lynx	96 to 120	3.1 to 3.2	3.0 to 3.8
Hibou	104 to 151	2.7 to 2.9	2.9 to 4.3
<b>Total PMD</b>		<b>55.1 to 75.5</b> <i>(+106% and +65%)</i>	<b>23.5 to 48.5</b> <i>(+93% and +83%)</i>

<sup>1</sup> Potential Mineral Deposit does not constitute a mineral resources, and the reader is referred to the cautionary language contained within this release.

<sup>2</sup> Totals may not add due to rounding.

<sup>3</sup> Changes from the December 2009 estimate of Potential Mineral Deposit shown in italics

<sup>4</sup> Carats per hundred tonnes.

<sup>5</sup> Estimated at a +1 DTC sieve size cut-off.

The PMD represents an estimate of potential resource upside that can be reasonably assumed for each body given the nature and grade of material within the mineral resource. The PMD within the Renard kimberlite pipes has been determined by projecting kimberlite volumes from the base of the Inferred Resource to a depth of approximately 775m below surface, representing the base of current drilling as established at Renard 4. In the case of the Lynx and Hibou dykes, the PMD was established on the basis of known drill intersections of kimberlite for which insufficient diamond sampling exists to adequately estimate a diamond resource grade. The reader is cautioned that the potential quantity and grade of any PMD is conceptual in nature, and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

### Tonnages and Grades

For each kimberlite pipe, 5m by 5m by 5m block models were created for tonnage and grade estimation using solid body geological models for each pipe, as revised by Stornoway and GeoStrat. Resource tonnages were derived by combining rock volumes from the block models with representative specific gravity measurements for each kimberlite lithology. All tonnages cited are for kimberlite lithologies only, and do not include cracked or brecciated country rock units.

Cut-off depths for the mineral resource categories were defined within each pipe based on the density of drill intersections and the consistency of grade data within the geological models. Indicated Mineral Resources at Renard 2 encompass kimberlite from surface to a depth of 600m, and Inferred Mineral Resources extend vertically for another 100m. Indicated Mineral Resources for Renard 3 and 4 extend from surface to a vertical depth of 250m. Inferred Mineral Resources extend from 250m to 400m below surface for both Renard 3 and Renard 4. Renard 65 and Renard 9 do not have large tonnage bulk samples, and consequently the Inferred Mineral Resource extends from surface to 290m below surface, and to 385m below surface, respectively. Inferred Mineral Resources for the Lynx and Hibou dyke systems are restricted to the areal extent of modeled kimberlite within 100m of surface trenches.

Grades for the kimberlite pipes were estimated by first establishing a "dilution model" derived from drill core and underground data. Representative "undiluted" grade models were constructed for each kimberlite lithology using diamond datasets obtained from caustic fusion and dense media separation ("DMS") processes. These undiluted grade models were then mapped onto the dilution model for each pipe, with the resulting resource models comprising blocks with lithology, grade and dilution parameters. As part of quality control exercises, grade and tonnage estimates were cross-checked against drill data for each kimberlite and tested for consistency with bulk sample data.

For each kimberlite body, diamond resource grades are estimated on a +1 DTC sieve size cut-off. An allowance has been made for the non-recovery of small diamonds typical in a commercial diamond production plant (i.e. the diamond resource grade has been decreased), and to make diamond resource grades consistent with the diamond valuation models, which have been established on the same basis. Following this exercise, GeoStrat is confident that the resource models for each kimberlite body are consistent with the accumulated geological and diamond sampling data to the best extent possible.

#### *Notable Changes to the Mineral Resource Estimate since December 2009*

The revised Indicated and Inferred Mineral Resource tonnages at the Renard project (26.6 million tonnes and 31.1 million tonnes, respectively) represent increases of 0.5% and 74.7% compared to the December 2009 estimate. The change to the Inferred tonnage is significantly impacted by the successful conversion of 12.9 million tonnes of Renard 65 from PMD to the Inferred Mineral Resource category. Inferred tonnage at Renard 3 was increased by approximately 250% (542,000 tonnes from 154,000 tonnes) and by approximately 4% at Renard 4 (4.76 million tonnes from 4.57 million tonnes). The changes to the Inferred Mineral Resource tonnages at Renard 3, 4 and 65 result from the creation of revised geologic models that include the additional pierce points achieved during the 2010 drill campaigns.

Using the grade estimation methodology described above, Indicated and Inferred Mineral Resource grades for each pipe remain similar to those previously published, other than at Renard 4 where grades have increased 20% and 7% respectively (to 53 cpht and 44 cpht). These increases are due to the collection of additional microdiamond and dilution data during 2010, and are the principal reason for the 3% increase in carats contained within the overall Indicated Mineral Resource.

Significant increases to the project's non-resource PMD estimate (+106% for the low range tonnage and +66% in the high range tonnage) result primarily from increases in the interpreted size of Renard 3, Renard 4 and Renard 65 at depth, and in the addition of a PMD estimate for Renard 2 to 775m below surface.

#### *Diamond Valuation*

Diamond valuation data utilized in the new mineral resource estimate were taken from a September 2009 valuation exercise undertaken by WWW International Diamond Consultants Ltd. ("WWW"). The September 2009 valuation exercise, the most recent performed, utilized WWW's rough diamond price

book applied to the existing valuation models established during valuation exercises in September 2007 and March 2008. At this time, WWW recommended a modeled "Base Case" diamond price estimate for both the Renard 2 and Renard 3 valuation samples of US\$117 per carat (estimated at a +1 DTC sieve size cut-off), with a "High" modeled price estimate of US\$131 per carat and a "Low" modeled price estimate of US\$103 per carat. Previous resource work examined the diamond size frequency distributions of all bodies in detail with consideration given to the diamond breakage and plant recovery characteristics of each diamond sample. Consistent with the results of that work, which demonstrated similar diamond populations for all four pipes, the \$117 per carat was also applied to Renard 4 and Renard 9. WWW recommended a "Base Case" diamond price estimate for the Lynx valuation sample of US\$57 per carat, with a "High" modeled price estimate of US\$85 per carat and a "Low" modeled price estimate of US\$48 per carat.

Since September 2009, market reports have suggested that rough diamond prices have increased substantially. Stornoway intends to undertake an updated market valuation exercise in the spring of 2011 in conjunction with the preparation of the ongoing feasibility study.

### **Next Steps**

On July 22 2010, Stornoway announced the commencement of a feasibility program of work, including a bankable feasibility study that will now utilize the revised mineral resource estimate. It is expected that completion of this feasibility study will allow the declaration of a Mineral Reserve derived from the project's Indicated Mineral Resources. Concurrently, a long term business plan for the Renard Project will be prepared that utilizes both the Indicated and Inferred Mineral Resources. These studies are on schedule for completion in the 3<sup>rd</sup> Quarter of 2011.

On December 14<sup>th</sup>, 2010, Stornoway announced an agreement to acquire DIAQUEM'S 50% interest in the Renard Diamond Project in a transaction that would make DIAQUEM a significant shareholder of Stornoway. Upon the closure of the acquisition, which is subject to the approval of Stornoway's existing shareholders at an extraordinary meeting to be held in Toronto on February 10<sup>th</sup>, 2011, Stornoway will have acquired sole ownership of the project.

### **Qualified Persons**

Mr. David Farrow, P.Geo. (BC) of GeoStrat Consulting Inc. is the independent Qualified Person responsible for the preparation of the mineral resource estimate for the Renard Diamond Project. Stornoway's diamond exploration programs are conducted under the direction of Robin Hopkins, P.Geo. (NT/NU), Vice President, Exploration, a Qualified Person under NI 43-101. All of these Qualified Persons have reviewed and approved the contents of this release. Stornoway will publish a NI 43-101 compliant technical report on the new mineral resource estimate within 45 days.

### **About Stornoway Diamond Corporation**

Stornoway Diamond Corporation is one of Canada's leading diamond exploration and development companies, involved in the discovery of over 200 kimberlites in seven Canadian diamond districts. The Company benefits from a diversified diamond property portfolio, a strong financial platform and management and technical teams with experience in each segment of the diamond "pipeline" from exploration to marketing.

### **About SGF**

Société générale de financement du Québec (sgfqc.com), an industrial and financial holding company, has a mission to carry out economic development projects, particularly in the industrial sector, in cooperation with partners and in compliance with accepted profitability requirements and with the

economic development policy of the Québec government. As part of its new mandate, SGF is authorized by the Québec government to go beyond its traditional role as an equity investor by offering complementary solutions, such as loans, debentures or preferred shares.

SOQUEM, a wholly-owned subsidiary of Société générale de financement du Québec, is to undertake exploration, development and mining activities throughout the province of Québec.

### About GeoStrat Consulting Inc.

GeoStrat Consulting Services Inc., a focused mineral resource consultancy, was established to leverage 50 years' experience of its founders, David Farrow and Darrell Farrow, in exploration, geological modelling, resource evaluation, production, resource reconciliation and accounting of diamond deposits around the globe. GeoStrat focuses on client interaction and involvement in developing resource models.

On behalf of the Board  
**STORNOWAY DIAMOND CORPORATION**  
/s/ "Matt Manson"  
Matt Manson  
President and Chief Executive Officer

For more information, please contact Matt Manson (President and CEO) at 416-304-1026 or Nick Thomas (Manager Investor Relations) at 604-983-7754, toll free at 1-877-331-2232

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*This document contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. This information and these statements, referred to herein as "forward-looking statements" are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.*

*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 potential mineral deposits; (ii) the amount of future production over any period; (iii) net present value and internal rates of return of the proposed mining operation; (iv) capital costs and operating costs; (v) mine expansion potential and expected mine life; and (vi) expected time frames for completion of permitting and regulatory approvals, completion of a Feasibility Study and making a production decision. 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" 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*

*All forward-looking statements are based on Stornoway's or its consultants' current beliefs as well as various assumptions made by and information currently available to them. Many of these assumptions are set forth in the news release and include: (i) estimates of net present value and internal rates of return; (ii) estimates of potential production and duration of mine life; (iii) estimated completion date for the Feasibility Study; (iv) required capital investment and estimated workforce requirements; (v) receipt of regulatory approvals on acceptable terms within commonly experienced time frames; (vi) the assumption that the partners will make a production decision, and that decision will be positive; (vii) anticipated timelines for the commencement of mine production. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Many forward-looking statements are made assuming the correctness of other forward looking statements, such as statements of net present value and internal rate of return, which are based on most of the other forward-looking statements and*

assumptions herein. The cost information is also prepared using current values, but the time for incurring the costs will be in the future and it is assumed costs will remain stable over the relevant period.

*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 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, risks relating to variations in the grade, kimberlite lithologies and country rock content within the material identified as mineral resources from that predicted, variations in rates of recovery and breakage; the greater uncertainty of potential mineral deposits, developments in world diamond markets, slower increases in diamond valuations than assumed, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, increases in the costs of proposed capital and operating expenditures, increases in financing costs or adverse changes to the terms of available financing, if any, tax rates or royalties being greater than assumed, results of exploration in areas of potential expansion of resources, changes in development or mining plans due to changes in other factors or exploration results of Stornoway or its joint venture partners, changes in project parameters as plans continue to be refined, risks relating to receipt of regulatory approvals or settlement of an Impact and Benefits Agreement, the effects of competition in the markets in which Stornoway operates, operational and infrastructure risks and the additional risks described in Stornoway's most recently filed Annual Information Form, annual and interim MD&As, 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. When relying on our forward-looking statements to make decisions with respect to Stornoway, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Stornoway does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by Stornoway or on our behalf, except as required by law.*