

TSX: SWY

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### STORNOWAY ANNOUNCES FY2015 RESULTS

**Stornoway Diamond Corporation (TSX-SWY; the “Corporation” or “Stornoway”)** announced today its results for the truncated quarter and fiscal year ended December 31, 2015. These results are pursuant to Stornoway’s recent change in year end from April 30 to December 31, undertaken to better align the Corporation’s financial, operational and regulatory reporting ahead of first production at the Renard Diamond Project.

#### Quarter ended December 31, 2015 and FY2015 Highlights

*(All quoted figures as at December 31, 2015 and in CAD\$)*

- Progress at the Renard Diamond Project continues well within the planned schedule and budget.
- Incurred costs and commitments at the quarter-end totalled \$548.5 million, or 71% of budget.
- Construction progress stood at 63.3% compared to (an initial) plan of 59.6%, with detailed engineering substantially complete.
- On site manpower during the month of December averaged 384 workers, of which 21% were Crees of the Eeyou Istchee.
- Mining in the Renard 2-3 and Renard 65 open pits stood at 5,975,813 tonnes, or 104% of plan, and underground mining development stood at 887 meters, or 72% of plan.
- During the two month period ended December 31, 2015, construction focused on secondary steel, mechanical, piping and electrical installation and on the project’s major facilities such as the process plant, LNG storage facility, power plant, primary crusher, water treatment facility and processed kimberlite load-out. All were well advanced at December 31, 2015.
- For the two month period ended December 31, 2015, the Corporation reported a net loss of \$4.3 million or \$0.01 per share basic and fully diluted, and for the eight-month period ended December 31, 2015 a net loss of \$3.7 million or \$Nil per share basic and fully diluted.
- Cash, cash equivalents and short-term investments stood at \$209.1 million<sup>1</sup>. Excess financing capacity available to complete the project, comprising surplus cash and available cost-override facilities, is now forecast to be \$117 million, assuming the satisfaction of all covenants and conditions precedent relating to future funding commitments and a CAD\$:US\$ conversion rate of \$1.35.

Subsequent to December 31, 2015, the project’s construction schedule was re-baselined with first ore delivery to the Renard diamond process now expected by the end of September 2016 and commercial production (60% of plant capacity achieved over 30 days) expected by December 31, 2016. This represents a five month improvement on the previous schedule, which assumed commercial production in the

<sup>1</sup> Assuming C\$: US\$ conversion rate of \$1.3840

second calendar quarter of 2017. The re-baselined schedule resulted in a commensurate reduction in the forecast cost to complete, from \$811 million to \$775 million.

Matt Manson, President and CEO, commented “Construction progress at Renard continued to track ahead of schedule during the last two months of our truncated FY2015, which gave us the confidence to re-baseline our schedule and cost to complete forecasts for future progress reporting. At the end of February construction progress stood at 74.1% compared to the new plan of 72.4%, as our construction team continued to out-perform expectations. An updated mine plan for the project, based on the results of the updated 2015 Mineral Resource and revised construction schedule, will be released shortly. With the diamond market beginning to recover after a challenging 12 months, we look forward to achieving first diamond production at Renard later this year based on a foundation of solid project execution and with a stronger than expected balance sheet.”

### **Financial Summary**

Stornoway ended the truncated quarter with cash, cash equivalents and short-term investments of \$209.1 million, compared with \$290.3 million at the end of the previous quarter. The first and second tranches of payment deposits under Stornoway’s streaming agreement with Orion Mine Finance, the Caisse de dépôt et placement du Québec and Blackstone Tactical Opportunities were received in March 2015 and September 2015 respectively. The third payment deposit of US\$90 million is expected to be received on March 31, 2016, following which Stornoway expects to draw on a \$100 million senior secured loan 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 \$117 million, comprised of \$69 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 by 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 \$1.35 for unfunded US dollar denominated financing commitments. 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. It further excludes the proceeds from the potential exercise of the Corporations’ outstanding warrants and share purchase options. 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 two-month and eight-month periods were of \$71.6 million and \$289.9 million, respectively, with capital expenditures to date of \$548.5 million having been incurred or committed against the total project cost.

Net loss for the two and eight months ended December 31, 2015 totalled \$4.3 million and \$3.7 million respectively, and includes other income (expenses) of \$(3.0) million and \$2.2 million, respectively. Net losses were impacted by several items not reflective of Stornoway’s underlying operating performance, including changes in the fair value of a derivative and unrealized gains and losses from foreign exchange. Operating expenses for the two and eight month periods totalled \$1.2 million and \$5.9 million, respectively.



## **Construction Highlights**

At year end, overall construction progress stood at 63.3% based on man-hour estimates compared to a plan of 59.6%. Engineering was substantially complete at 99.0% compared to a plan of 99.9%. One loss time incident (“LTI”) was recorded with a contractor during the quarter, for a project-to-date LTI rate of 0.6 for contractors and 0.0 for Stornoway employees.

Construction progress during and subsequent to the quarter has focussed on the project’s major facilities including the diamond-processing plant, natural gas power plant, Liquid Natural Gas (“LNG”) storage area, primary crusher, processed kimberlite load-out and water treatment plant. At the processing plant secondary steel installation, mechanical and piping, and electrical installation are well advanced. Major equipment installed by the end of February included the dewatering centrifuges, the cone and jaw crushers, the High Pressure Grinding Roll crusher, the rotary scrubber, ore bins and the exterior conveyors. Commissioning of the LNG storage facility, distribution network and power plant began at the end of February.

Daily manpower at site in December averaged 384 workers with a peak of 568, of which 21% were Crees of the Eeyou Istchee. Stornoway employees stood at 320 as at December 31, including 246 in the on-site development team, of which 18% were Crees, 25% were from Chibougamau and Chapais, and 57% were from outside the region.

## **Mining**

By year end, a total of 5,975,813 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 5,725,429 tonnes (104%). A total of 151,591 tonnes of ore had been delivered to the stockpile compared to a plan of 100,000 tonnes (151%).

Development of the ramp for the underground mine stood at 887 meters on December 31 compared to a plan of 1,234 meters (72%). Progress on the ramp continued to be affected during November and December by water inflows on a fault structure that required extensive grouting. Progress accelerated during January, and slowed again during February as the structure was intersected a second time after the ramp had made its first turn at the 129 meter level. Overall progress in the ramp stood at 1,071 meters, or 73% of plan, at the end of February.

## **Updated Mine Plan and NI 43-101 Technical Report**

Stornoway expects to complete an update to the mine plan for the Renard Diamond Project shortly that will incorporate recent changes to the project’s Mineral Resources and its forecast schedule and cost to complete. The new plan will contemplate extended mine production, a deepening of the Renard 2-Renard 3 open pit, the commensurate deepening of the underground mine infrastructure and the inclusion of Indicated Mineral Resources at Renard 65 for open pit mining. This work will include a revised statement of project Mineral Reserves, and will be accompanied by the filing of an updated National Instrument (“NI”) 43-101 technical report.

## **Exploration Update**

Exploration programs are ongoing on several 100% owned generative diamond exploration projects in Canada, including the Adamantin Project located approximately 100 km south of the Renard Diamond Project and 25 km west of the Route 167 Extension road. Stornoway’s claim position at Adamantin now



stands at 15,080 hectares after recent additional ground acquisition. Till sampling during 2015 confirmed the presence of indicator mineral anomalies interpreted to be sourced from undiscovered kimberlites with diamond potential, with one till sample including a diamond from the +0.25mm-0.50mm size fraction. In December 2015 Stornoway's board of directors approved a budget allocation of \$2.5 million for an exploratory drill program at Adamantin which was mobilized in mid-March following the receipt of final 2015 surface sampling results and geophysical interpretation.

## Financial Summary

### Consolidated Statements of Financial Position

<i>(millions of Canadian dollars)</i>	<b>December 31, 2015</b>	<b>April 30, 2015</b>
Cash, cash equivalents and short-term investments	<b>209.1</b>	363.6
Property, plant and equipment	<b>831.4</b>	541.5
Other assets	<b>42.7</b>	40.0
<b>Total Assets</b>	<b>1,083.2</b>	945.1
Debt and convertible debentures	<b>219.6</b>	205.0
Deferred revenue	<b>207.1</b>	101.5
Other liabilities	<b>80.5</b>	61.1
Equity	<b>576.0</b>	577.5
<b>Total Liabilities and Equity</b>	<b>1,083.2</b>	945.1

### Key Financial and Operating Highlights

<i>(millions of Canadian dollars, except earnings per share)</i>	<b>Two months ended December 31, 2015</b>	<b>Three months ended January 31, 2015</b>	<b>Eight months ended December 31, 2015</b>	<b>Year ended April 30, 2015</b>
Cash provided (used) in operating activities	<b>(10.2)</b>	(8.0)	<b>98.9</b>	79.1
Cash provided (used) in investing activities	<b>33.7</b>	(257.7)	<b>(139.3)</b>	(461.3)
Cash provided (used) in financing activities	<b>(1.1)</b>	–	<b>(2.4)</b>	434.2
Effect of foreign exchange rate changes on cash and cash equivalents	<b>4.4</b>	11.4	<b>11.4</b>	10.5
Increase (decrease) in cash and cash equivalents	<b>26.8</b>	(254.3)	<b>(31.4)</b>	62.5
<b>Net earnings (loss) for the period</b>	<b>(4.3)</b>	7.7	<b>(3.7)</b>	(0.7)
<b>Earnings (loss) per share – basic</b>	<b>(0.01)</b>	0.01	<b>Nil</b>	Nil
<b>Earnings (loss) per share – diluted</b>	<b>(0.01)</b>	0.01	<b>Nil</b>	Nil

The Corporation's consolidated Financial Statements are prepared in Canadian dollars in accordance with International Financial Reporting Standards. Consolidated financial statements for the truncated quarter and eight-month period ended December 31, 2015, and Management's Discussion and Analysis have been posted on the Corporation's website [www.stornowaydiamonds.com](http://www.stornowaydiamonds.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **About the Renard Diamond Project**

The Renard Diamond Project is located approximately 250 km north of the Cree community of Mistissini and 350 km north of Chibougamau in the James Bay region of north-central Québec. On July 8, 2014, Stornoway announced the completion of a C\$946 million project financing transaction to fully fund the project to production, and construction commenced on July 10, 2014. First ore is scheduled to be delivered to the plant at the end of September 2016, with commercial production scheduled for December 31, 2016.

In January 2013, Stornoway released the results of an Optimized Feasibility Study at Renard which highlighted the potential of the project to become a significant producer of high value rough diamonds over a long mine life. Probable Mineral Reserves, as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”), stand at 17.9 million carats. In accordance with the Corporation’s September 2015 Mineral Resource estimate, total Indicated Mineral Resources, inclusive of the Mineral Reserve, stand at 30.2 million carats, with a further 13.35 million carats classified as Inferred Mineral Resources, and 33.0 to 71.1 million carats classified as non-resource exploration upside. Average annual diamond production is forecast at 1.6mcarats/year over the first 11 years of mining, at an average valuation of US\$190/carat based on a March 2014 assessment by WWW International Diamond Consultants Ltd.

Readers are cautioned that the potential quality and grade of any target for further exploration is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the target being delineated as a Mineral Resource. All kimberlites remain open at depth. Readers are referred to the technical report dated February 28, 2013, in respect of the January 2013 Optimization Study, and the technical report dated January 11, 2016, in respect of the September 2015 Mineral Resource estimate, for further details and assumptions relating to the project. Disclosure of a scientific or technical nature in this press release was prepared under the supervision of Patrick Godin, P.Eng. (Québec), Chief Operating Officer and Robin Hopkins, P.Geol. (NT/NU), Vice President, Exploration, both Qualified Persons (“QP”) under National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”).

## **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 CORPORATION  
/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 Resources and exploration targets; (ii) the amount of future production over any period; (iii) net present value and internal rates of return of the mining operation; (iv) assumptions relating to recovered grade, average ore recovery, internal dilution, mining dilution and other mining parameters set out in the 2011 Feasibility Study or the Optimization Study; (v) assumptions relating to gross revenues, operating cash flow and other revenue metrics set out in the 2011 Feasibility Study or the Optimization Study; (vi) mine expansion potential and expected mine life; (vii) expected time frames for completion of permitting and regulatory 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 expectations regarding receipt of the remaining deposits under the Stream and its ability to meet its delivery obligations thereunder; (xvi) the impact of the Financing Transactions on the Corporation's operations, infrastructure, opportunities, financial condition, access to capital and overall strategy; (xvii) the foreign exchange rate between the US dollar and the Canadian dollar; and (xviii) the availability of excess funding for the construction and operation of the Renard Diamond Project. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "schedule" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.*

*Forward-looking statements are made based upon certain assumptions by Stornoway or its consultants and other important factors that, if untrue, could cause the actual results, performances or achievements of Stornoway to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business prospects and strategies and the environment in which Stornoway will operate in the future, including the price of diamonds, anticipated costs and Stornoway's ability to achieve its goals, anticipated financial performance, regulatory developments, development plans, exploration, development and mining activities and commitments, and the foreign exchange rate between the US and Canadian dollars. Although management considers its assumptions on such matters to be reasonable based on information currently available to it, they may prove to be incorrect. Certain important assumptions by Stornoway or its consultants in making forward-looking statements include, but are not limited to: (i) required capital investment and estimated workforce requirements; (ii) estimates of net present value and*

internal rates of return; (iii) receipt of regulatory 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 Stream, the Senior Secured Loan, the COF and the Equipment Facility to allow the Corporation to draw on the funding available under those financing elements for the completion of the development and construction of the Renard Diamond Project; (viii) Stornoway's interpretation of the geological drill data collected and its potential impact on stated Mineral Resources and mine life; (ix) future exploration plans and objectives; (x) the receipt of the remaining deposits under the Stream and the Corporation's ability to meet its delivery obligations thereunder; and (xi) the continued strength of the US dollar against the Canadian dollar. Additional risks are described in Stornoway's most recently filed Annual Information Form, annual and interim MD&A, and other disclosure documents available under the Corporation's profile at: [www.sedar.com](http://www.sedar.com).

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that estimates, forecasts, projections and other forward-looking statements will not be achieved or that assumptions do not reflect future experience. We caution readers not to place undue reliance on these forward-looking statements as a number of important risk factors could cause the actual outcomes to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates, assumptions and intentions expressed in such forward-looking statements. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, including the assumption in many forward-looking statements that other forward-looking statements will be correct, but specifically include, without limitation: (i) risks relating to variations in the grade, kimberlite lithologies and country rock content within the material identified as Mineral Resources from that predicted; (ii) variations in rates of recovery and breakage; (iii) the uncertainty as to whether further exploration of exploration targets will result in the targets being delineated as Mineral Resources; (iv) developments in world diamond markets; (v) slower increases in diamond valuations than assumed; (vi) risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar; (vii) increases in the costs of proposed capital and operating expenditures; (viii) increases in financing costs or adverse changes to the terms of available financing, if any; (ix) tax rates or royalties being greater than assumed; (x) uncertainty of results of exploration in areas of potential expansion of resources; (xi) changes in development or mining plans due to changes in other factors or exploration results; (xii) changes in project parameters as plans continue to be refined; (xiii) risks relating to the receipt of regulatory 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 (xxii) 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.