

Lucara Diamond Operations Update

VANCOUVER, BRITISH COLUMBIA--(Marketwire - Oct. 17, 2011) - Lucara Diamond Corp. ("Lucara" or the "Company") (TSX:LUC)(BOTSWANA:LUC) is pleased to provide the following update on the development of its AK6 diamond mine in Botswana which is rapidly nearing completion as well as the trial mining program at the Mothae diamond mine in Lesotho which, based on continued good results, will soon be moving into the pre-feasibility stage.

AK6 Project

Excellent progress was made on the development of the AK6 Project at the Company's wholly owned subsidiary, Boteti Mining (Pty) Ltd ("Boteti"). The continued focus on safety, health and environment by Boteti, the EPCM contractor and all sub-contractors resulted in 220,000 hours worked with no lost time injuries or environmental incidents. As of the end of September the project had worked 809,474 hours with a LTIFR of 0.25.

Construction advanced from 55% complete at the end of Q2 to 84% complete at the end of Q3. This is as per the August re-baselined schedule, which reflects the impact of the steel industry strike in July. During the quarter, engineering, procurement and fabrication were essentially completed in support of construction activities and the focus of the EPCM contractors and Boteti is fully on the AK6 project site activities. The project is still trending within the initial capital budget, and expenditure to end Q3 is 46% of budget with a total of 83% of the approved capital budget being committed.

In addition to the civils, structural and mechanical activities, in Q3 building works, piping and electrical installation contractors commenced work on site. By the end of Q3 over 3km of piping around the open pit and to the process plant raw water dam had been installed. Equipping of the required eight dewatering wells is on schedule for delivery of water to the process facility for commissioning. The medium voltage (MV) and low voltage (LV), communications and instrumentation contracts have been awarded. The MV contractor has mobilized to site and work is progressing well. The LV, communications and instrumentation contractor will be mobilizing to site in October.

The AK6 sub-station is currently being commissioned and the overhead power-line from the Orapa sub-station to site has been completed. The permanent tie in at the Orapa substation will be completed before the end of October. Initial grid power for commissioning activities will come from a temporary tie in to the Letlhakane line by end of October.

The owner's team has made excellent progress with recruitment of key operations personnel for site. The mining contractor has mobilized to site and the sinking cut for the first production bench has commenced – the first blast in the pit took place on October 8. Extraction and stockpiling of ore will start in October in preparation for commissioning activities early in Q1, 2012. The plant operations and maintenance contractors are busy mobilizing to site and have commenced local recruiting. The contracts management team is working with the Boteti metallurgical team on finalizing operational and critical stores holdings and operational procedures.

In Gaborone the sorting, sales and marketing offices have been completed and senior sorting personnel have been recruited. The stock control software platform has been selected and operational procedures are being developed.

On September 2, Lucara was pleased to host Dr. Ponatshego Kedikilwe, Minister of Minerals, Energy and Water Resources, and other regional and local officials at the AK6 project site. The Minister was impressed by the work completed and the safety, health and environmental accomplishments.

Mothae Project

On the Mothae trial mining project in Lesotho, sampling during the quarter focused on the 'F' and 'G' kimberlite domains. Results continue to be very good with above average grades returned. Samples F2A and G2B were completed and summary tonnage and grade results are shown in the following table:

Table 1. *Mothae Trial Mining Results as of 3 October 2011*

Bulk Sample	Dry Tonnage	Stones	Carats	Ave Stn Size (cts/stone)	Dry Grade (cpht)
F1D	1,592	111	77.65	0.70	4.88
C4A	29,649	1,453	757.70	0.52	2.55
C5A	48,542	3,119	1,117.07	0.36	2.29

C6A	7,296	525	259.54	0.49	3.40
C8A	49,152	3,511	1,440.49	0.41	2.93
C9A	40,370	3,835	1,938.66	0.51	4.78
G2A	33,691	4,245	1,906.87	0.45	5.65
F2A	50,181	4,077	1,978.33	0.49	3.93
G2B	22,689	2,997	1,280.23	0.43	5.64
G3A*	19,721	2,248	985.07	0.44	5.00
Totals	302,883	26,121	11,741.61	0.45	3.88

*Sample G3A is currently in progress, with final results expected during Q4.

Sample F2A yielded 2 stones larger than 20 carats, 10 stones between 10 and 20 carats, 19 stones between 5 and 10 carats, and 95 stones between 2 and 5 carats. The three largest diamonds recovered were 29.94, 22.86, and 19.21 carats.

Sample G2B yielded 2 stones larger than 20 carats, 2 stones between 10 and 20 carats, 9 stones between 5 and 10 carats, and 48 stones between 2 and five carats. The largest 3 diamonds were 28.91, 25.09 and 12.00 carats.

Tonnage estimates are based on daily plant weightometer readings and moisture content measurements to determine a dry tonnage estimate. The process plant is being operated by Minopex under contract to Mothae Diamonds and operates at a 2mm bottom cut off size for diamond recovery. Diamond recovery and characterization work is carried out independently by the diamond sorting staff of Remote Exploration Services, also under contract to Mothae Diamonds.

In August, the Bourestnik X-ray machine was commissioned on site. The unit has been installed in an audit capacity and is being used to audit recovery tailings. Once audit work has been completed, the unit will be included as part of the sample plant flowsheet, reducing the current bottleneck constraints with currently installed equipment.

A primary crushing unit was delivered to site in early September and has been fully commissioned. A larger capacity secondary crusher will be installed in the Q4. Both units are required to efficiently process harder kimberlite and basalt xenoliths, and in particular, to process unweathered kimberlite samples that are planned for late in the trial mining program.

A core drilling contract was awarded to Remote Drilling Services to conduct a 5,400m delineation drilling program. The objectives of the program are to define the internal geology of the Mothae kimberlite as well as to extend the currently defined kimberlite volume from a depth of 200m to 320m, to collect suitable sample material for ore dressing studies, and to collect core for geotechnical evaluation.

During October, a contract was awarded to ADP Project, to conduct a pre-feasibility level study on Mothae. The objective of this study will be to gain an increased understanding of the economic potential of the Mothae project through greater definition of the capital and operating costs required for the development of a mine at Mothae.

The Company plans to sell a parcel of diamonds recovered from the trial mining program in December 2011.

Lucara has a 75% interest in the Mothae kimberlite project through its subsidiary, Mothae Diamonds (PTY) Ltd.

William Lamb, President and CEO, commented, "Great progress is being made on both of our main projects. It's been exciting to witness the transformation of the AK6 project over the last 12 months. Soon AK6 will join the ranks of producing diamond mines – a rare and exclusive community. The Mothae project is also progressing well. Results have been consistently good from the trial mining program that we are now ready to enter into pre-feasibility for this project. Both of these projects have produced extremely high quality diamonds – not only valuable gem quality but large sizes as well which is anticipated to make Lucara one of the key diamond companies to watch in the world."

Namibia

Following an evaluation of the exploration work conducted to-date on the Kavango Project in eastern Namibia, by the Company's joint venture partner, Namdeb Diamond Corporation, the Company has made a determination not to renew the licenses which expire at the end of this month. The Company is currently preparing the documentation required to formally relinquish its interest in all ten of the prospecting licenses.

Corporate

In September, the Company was notified that the plaintiffs (Leon Robert MacDaniels and Mark Scowcroft), in the legal proceedings instituted against African Diamonds plc ("AFD"), had filed an appeal of the decision of the High Court of Botswana

dismissing the plaintiffs claims with costs awarded in favour of AFD. At this stage the Company does not have any further details as to the timing of when the Appeal will be heard.

Lucara is a well positioned emerging new diamond producer. The Company has an experienced board and management team with years of diamond development expertise. The Company's two key assets are the AK6 diamond mine in Botswana and the Mothae diamond mine in Lesotho. The 100% owned AK6 project is in the construction stage with mine commissioning scheduled to commence in the fourth quarter of 2011. The 75% owned Mothae mine is currently in the trial mining stage. Both Mothae and AK6 are world class assets with tonnage and throughput upside; diamond values from both could significantly increase with the continued recovery of Type IIA and large stones.

The technical content of Mothae section of this release has been reviewed and verified by Dr. L.E. Ott, Lucara's Vice President, Exploration, and a qualified person as defined by NI 43-101.

The technical content of the AK6 section of this release have been reviewed and verified by Mr. Anthony George, P. Eng., a mining engineer and Lucara's V.P. Development, who is a Qualified Person pursuant to NI 43-101.

Forward Looking Statements: This document contains statements about expected or anticipated future events and financial results of Lucara that are forward-looking in nature and are based on Lucara's current expectations, estimates and projections. This forward-looking information is subject to certain risks and uncertainties, such as legal and political risk, civil unrest, general economic, market and business conditions, the regulatory process and actions, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. The actual results, activities, performance or achievements of Lucara may differ materially from those projected by management. A discussion of factors that may affect Lucara's actual results, performance, achievements or financial position is contained in the filings by Lucara with the Canadian provincial securities regulatory authorities on the system for electronic document analysis and retrieval ("SEDAR") at www.sedar.com.

On Behalf of the Board,

William Lamb, President and CEO

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