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NEWS RELEASE

LUCARA DIAMOND REPORTS SECOND QUARTER RESULTS

August 10, 2012 (LUC – TSX, LUC – BSE, LUC – NASDAQ OMX First North) ... Lucara Diamond Corp. (“Lucara” or the “Company”) today reports its second quarter 2012 results.

William Lamb, President and Chief Executive Officer, commented, “The first half saw Lucara transition from development stage to a producing diamond mining company. We are pleased with the pace of development at Karowe as well as the quality of diamonds being produced. Diamonds recovered during this year were sold in two sales earning proceeds in excess of \$12 million. While the diamond markets are challenging for all producers, we are focussed on sustainable levels of production, cost control and diamond quality. We continue to believe that the medium to long term fundamentals of the diamond sector remain strong with demand outpacing supply, resulting in future price improvement.”

KAROWE MINE

- The mine continued its excellent safety, health and environment record during the second quarter. There have been over 2.25 million hours worked without any loss time injuries since March 2011, including 1.06 million hours since beginning of the year. Overall, the project has achieved a lost time injury frequency rate (LTIFR) of 0.09.
- The construction of the Karowe Mine has been completed on budget at a cost of \$120 million.
- During the month of April, production commissioning activities commenced and 30,000 tonnes of kimberlite were treated yielding 10,200 carats. Commissioning and testing continued through May and June with 19,062 carats and 35,007 carats being recovered respectively. Commercial production commenced on July 1.
- As of the date of this MD&A, Karowe has successfully completed two diamond sales earning proceeds in excess of \$12 million. Management withheld goods in both auctions as the recent softening of the diamond market, especially in the high color, high-quality diamond category meant Karowe was not being offered a competitive price for the quality of goods on sale. Management will review this strategy as market conditions evolve, with the objective of maintaining healthy cash flows balanced against the preservation of long term value.
 - Karowe’s inaugural diamond sale was conducted in June. There were 35 lots totalling 29,339 carats of which 30 lots were sold for gross total proceeds of \$5.6 million or \$215 per carat.
 - Karowe’s second diamond sale was held on July 16, 2012, a total of 35 individual lots containing 36,842 carats of diamond were put up for sale, of which 32 lots were sold for gross total proceeds of \$US 6.5 million or \$179 per carat. The bidding for high-color, high-quality diamonds was particularly soft and three lots of these goods were withdrawn from the sale.

- Forecast sales in 2012 are 230,000 carats (March guidance: 300,000 carats). The reduction in sales is predominantly as a result of plant production restrictions caused by insufficient water being recovered from the initially installed dewatering wells and the processing of highly weathered ore which requires more water per tonne treated than originally expected. Installation of a number of already permitted additional water wells is advancing with a high priority to improve water supply quantity and additional steps are being taken in the plant to reduce water consumption per tonne. These modifications are anticipated to be complete by year end 2012 with the plant expected to be running at full original design capacity in Q1 2013. Ore feed from lower grade stockpiles in August and September also contribute to the reduced carat forecast. Operating costs of \$22.5/tonne are anticipated to be achieved in the fourth quarter (March guidance: \$20/tonne).
- Mining at Karowe focused on the small but high grade north lobe of the AK6 kimberlite. Diamond recoveries from this lobe have averaged in excess of 30 carats per hundred tonnes. Even when using diamond values from recent lot sales in a depressed market, margins are excellent, resulting in revenue of more than \$60 per tonne of ore milled being generated compared to the above noted operating cost projection.
- The production plan for 2012 has been reforecast taking cognizance of the ore feed and water balance. The forecast for the second half of 2012 anticipates the treatment of 1.02 million tonnes with a yield of approximately 208,000 carats. Total production for 2012 is expected to be approximately 270,000 carats for the year and tonnes milled at 1.2 million tonnes (March guidance 1.9 million tonnes). The mine plan includes waste stripping and stockpiling of lower grade ore to access better grade ore and ensure sustainable operations into 2013.

MOTHAE DIAMOND PROJECT

- Mining continued in the central portion of the south lobe, and processing was completed on the first fresh, unweathered kimberlite sample from Mothae. Extensive tests were completed on the comminution and diamond liberation properties of this material, which makes up the majority of the potential resource at Mothae. Data collected from this work is ongoing and is being incorporated in the diamond grade modeling and process' plant design parameters as part of a preliminary economic assessment of the Mothae kimberlite.
- Evaluation of drill core from the delineation drilling program completed in the first quarter of 2012 was carried out in the second quarter and is ongoing. Based on drilling results, the overall pipe shape of the Mothae kimberlite is being remodelled to a depth of 300 meters. This drill information will be used to define the resource model for the Preliminary Economic Assessment which will be completed in the fourth quarter this year.
- Evaluation of the internal geology of the Mothae kimberlite is ongoing and will be integrated with recovery grade and diamond value models to develop an overall resource model for Mothae. This work is expected to be completed in the fourth quarter of 2012.
- Work on the preliminary economic assessment of the Mothae kimberlite during the quarter focused primarily on:
 - systematic data collection from processing hard kimberlite as input for process plant design,
 - ore dressing studies (ODS) of the west resource domain of the south lobe of the pipe for determination of additional plant design parameters,
 - drill core logging and interpretation to assess the pipe's tonnage potential to a depth of 300 meters, and

- site layout and infrastructure review, including water and power options.
- Work on the Preliminary Economic Assessment is expected to continue through the third quarter and is expected to be complete during the fourth quarter of 2012.
- A sale of Mothae diamonds is forecast for September 2012.

CORPORATE

- In April the Company signed a definitive agreement with the Bank of Nova Scotia for a \$25 million revolving term credit facility with a maturity date of March 26, 2014, which may be extended if both parties agree. As of the date of this MD&A, the Company has not drawn from this facility.
- In July 2012, the Company renegotiated the terms of its \$50 million debenture. Under the amended terms of the agreement each scheduled principal payment has been extended by six months resulting in payments commencing in March 31, 2013 and a final maturity date of June 30, 2014. All other terms and conditions of the debenture agreement remain unchanged with no penalties being incurred.

SUMMARY OF QUARTERLY RESULTS *(unaudited)*

US\$ millions (except per share amounts)	Three months ended June 30	
	2012	2011
Exploration Expenditure	2.8	2.9
Net loss for the period	7.6	5.9
Basic and diluted loss per common share	0.02	0.02
US\$ millions	As at June	As at December
	2012	2011
Net cash position	7.7	48.6
Total assets	232.8	241.3

Exploration Expenditure

The exploration expenditures for the past two years relate primarily to the on-going trial mining program, which commenced in May 2010 at Mothae, offset in part by the value of diamonds recovered and sold, based on management's best estimate at the time of recovery. The difference between the carrying value and the subsequent proceeds from the sale of diamonds is treated as a gain or loss as it is a change in market conditions during the period. The Company has completed two diamond sales to date in March and December 2011.

Net Loss

Net loss for the three months ended June 30, 2012 was \$7.6 million reflecting increased administration expenses and foreign exchange losses during the period.

Liquidity and Cash Resources

As at June 30, 2012, the Company had cash and cash equivalents of \$7.7 million and a working capital deficit of \$(19.8) million, as compared to cash and cash equivalents of \$48.6 million and a working capital surplus of \$29.0 million at December 31, 2011.

Cash used in operating activities for the six months ended June 30, 2012 was \$18.4 million, and consists mainly of the net loss of \$11.8 million adjusted for the impact of non-cash items and changes in non-cash working capital items which include cash used for the recovery of rough diamond inventories of \$8.3 million.

Net cash from financing activities for the six months ended June 30, 2012 was \$2.1 million which resulted from the exercise of stock options.

Net cash used in investing activities for the six months ended June 30, 2012 was \$24.1 million for expenditures primarily related to the development of the Karowe Mine.

In April the Company signed a definitive agreement with the Bank of Nova Scotia for a \$25 million revolving term credit facility with a maturity date of March 26, 2014, which may be extended if both parties agree. As of the date of this MD&A, the Company has not drawn from this facility.

The facility contains financial and non-financial covenants customary for a facility of this size and nature. The applicable interest rate of any loan under the facility will be determined by the Company's leverage ratio at any given time. The Company will provide security on the two year facility by way of a charge over the Company's Karowe assets and a guarantee by the Company's subsidiaries, which hold the Karowe assets.

The Company intends to use the facility to meet periodic working capital requirements.

FUTURE PLANS AND OUTLOOK

Karowe

Due to the water consumption and water supply constraints while the mine extracts and treats weathered ore, the Company expects to achieve approximately 85% of design capacity through the remainder of 2012.

The Company held its second sale of diamonds on July 16. There are four further sales planned in 2012. The sales in September and October will include viewings in Antwerp as well as Gaborone.

Mothae Diamonds

The Company intends to continue with its trial mining program and project evaluation through to the end of the third quarter of 2012.

Resource modeling based on the recently completed drill program is ongoing and expected to be completed in the third quarter of 2012. Detailed ore dressing studies are underway and are also expected to be completed in the fourth quarter.

The results of the resource modeling and ore dressing studies will be integrated into the ongoing preliminary economic assessment of the Mothae project which is expected to be completed in the fourth quarter of 2012.

The Company expects ongoing diamond recoveries during the trial mining phase. A sale of Mothae diamonds is scheduled for September 2012.

About Lucara

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 Karowe diamond mine in Botswana and the Mothae diamond mine in Lesotho. The 100% owned Karowe Mine is in the construction stage with mine commissioning scheduled to commence in the first quarter of 2012. The 75% owned Mothae mine is currently in the trial mining stage. Both Mothae and Karowe are large scale assets with tonnage and throughput upside; diamond values from both could significantly increase with the continued recovery of Type IIA and large stones.

On Behalf of the Board,

William Lamb
President and CEO

Lucara's Certified Advisor on NASDAQ OMX First North is Pareto Öhman AB.

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