4th October 2010

African Diamonds copper-fastens AK6 mine development, sheds risk and relaunches exploration vehicle

- Lucara to acquire African Diamonds (AFD), valuing AFD at $82 million Cdn.
- Consideration of .80 of a Lucara share and 1 share in Botswana Exploration plc for every 1 share in African Diamonds.
- Botswana Exploration is a new company with cash, exploration opportunities in Botswana, and advanced stage licence applications in Zimbabwe and Cameroon.
- Botswana Exploration will seek listings on AIM and the Botswana Stock Exchange.
- Post transaction, AFD shareholders will hold 26.57% of Lucara. Lucara has a 75% stake in the Mothae Diamond Mine in Lesotho and will own 100% of AK6.
- The transaction requires 75% approval at a Special Meeting of shareholders.
- The African Diamonds board unanimously recommend the proposal.

African Diamonds (AFD) is pleased to announce that it has entered into an implementation agreement with Lucara Diamond Corp. (Lucara) pursuant to which Lucara will acquire all of the issued share capital of AFD by way of a Scheme of Arrangement.

The consideration is .80 of a Lucara share plus 1 share in Botswana Exploration plc for every 1 share in AFD. This will give AFD shareholders 26.57% of Lucara which will own 100% of AK6. Botswana Exploration will hold all of the interests of AFD apart from AK6. These interests include cash, currently at US $2.9 million, exploration ground in Botswana, including AK8, AK9 and BK5, advanced stage diamonds licence applications in the Marange area of Zimbabwe and license applications in Cameroon and indirect exposure to diamond plays in West Africa and the DRC.

Lucara’s shares are listed on the TSX-V and the intent is to list in Botswana. The current market capitalisation of Lucara is $180 million Cdn.

Botswana Exploration will seek admission to AIM and a listing on the Botswana Stock Exchange at the conclusion of the deal. Using the Lucara price and Canadian dollar exchange rate at the close of business on October 1st and imputing a director’s valuation to Botswana Exploration of 7p per AFD share, the offer values each AFD share at 51p. AFD currently has 100.4 million shares issued and outstanding, giving the transaction a total value of $82 million Cdn. This is a premium of 27% on October 1st closing price.

Lucara, as well as owning 60% of AK6 has a 75% interest in the Mothae diamond project in Lesotho. Mothae is a high diamond value, large stone kimberlite located 6.5km from the Letseng diamond mine in Lesotho. 100,000 tonnes out of a 700,000 tonnes bulk sampling programme have so far been
Lucara report that diamonds from the previous bulk sampling campaign suggest a similar diamond population to Letseng.

The transaction will be implemented by way of a scheme of arrangement in accordance with Part 26 of the UK Companies Act of 2006.

A circular containing the terms of the Scheme of Arrangement is expected to be posted to the AFD shareholders by October 31st. The detailed terms of the transaction will be set out in the circular, which once posted to shareholders, will also be available on AFD's website at www.afdiamonds.com. All shareholders are urged to read the circular once it becomes available as it will contain additional important information concerning the transaction. The implementation agreement contains customary non-solicitation provisions.

The board of AFD unanimously recommend the proposal. Each director has entered into irrevocable arrangements to vote their shares in favour of the proposal. Subject to Lucara's right to match any offer, the board of AFD may terminate the arrangement in favour of an unsolicited superior offer upon payment of a US $1 million break fee to Lucara.

John Teeling, Chairman, commented. “The logic of this deal is compelling. Marrying AFD and Lucara will create a $240 million Cdn emerging diamond producer controlling 2 new kimberlite diamond mines. The new company, with strong financial backing, will be perfectly poised to exploit an expected gap in diamond supply.

AFD shareholders win in three ways, they will hold an indirect stake in AK6 – the 26.57% holding in Lucara is close to the stake in AK6 held prior to the DeBeers takeout, they get 26.57% of the Lucara interest in the high diamond value Mothae mine in Lesotho and they will get 100% of Botswana Exploration, which will be an AIM/Botswana listed vehicle, holding all of the current AFD exploration interests.

The track record of the Lundin Group, the backers of Lucara, in building shareholder value is outstanding. The objective of the Lundin Group is to use Lucara to build a mid tier diamond producer. The board of AFD endorse and support this strategy.

The shareholders established AFD in 2001 as an early stage diamond prospector and they will return to this with the creation of Botswana Exploration. With some cash, good ground in Botswana and exciting opportunities in Zimbabwe and Cameroon, this vehicle has great potential.”

Further information:

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NOTE ON LUCARA

Lucara is a publicly traded reporting issuer based in Vancouver, Canada, with an approximate market capitalization of $180 million Cdn. Lucara currently has Cdn$47 million in cash and cash equivalents on hand.

Lucara’s exploration and development consultants are highly regarded in the diamond mining industry and Lucara possesses the in-house technical and management team required to establish Lucara as a significant diamond producer in Africa.

Lucara is a member of the Lundin Group of Companies, an internationally recognised group of 12 publicly traded natural resource companies. The Lundin Group of Companies was founded Adolf H. Lundin and today is led by his sons, Lukas and Ian Lundin. The Lundin family have long been leaders in identifying superior investment opportunities in the natural resource sector and have produced consistent long-term results. In the process, they have developed a loyal following among capital markets participants.