



LAFAYETTE MINING LIMITED

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18 January 2006

Dear Shareholder

SHAREHOLDER PURCHASE PLAN

The Board of Directors of Lafayette Mining Limited are pleased to advise you of the opportunity to participate in a Shareholder Share Purchase Plan (“**SPP**”). This letter sets out the terms and conditions of the offer under the SPP.

On 14 December 2005, the Company announced that it had raised A\$8.4 million by the placement of shares to Australian and overseas institutions and professional investors at a price of 11 cents per share. In addition, AuSelect Limited committed to invest a further A\$2.0 million on the same terms as the placement subject to Lafayette shareholder approval. The Directors of the Company now wish to ensure eligible shareholders have the same opportunity to participate in the future success of their Company, and invite them to purchase shares on the same terms as those offered to the institutional and professional investors, at a price of 11 cents per share.

The SPP entitles all shareholders in the Company registered as at 13 December 2005 irrespective of the size of their shareholding, to purchase up to A\$5,000 worth of shares in the Company (the “**Offer**”). No brokerage, commission or stamp duty will apply in taking up shares under the Offer.

As previously advised, operations at Rapu Rapu have been suspended while the plant is being reconfigured from gold processing to base metals processing. The two recent unscheduled discharges of waste water previously announced to the market have caused the relevant authorities in the Philippines to require that certain conditions are met before milling operations can re-commence. Management is on track to fulfill these conditions, and advise that the funds raised from the SPP, together with the proceeds raised from the private placement announced on 14 December 2005, will be used to supplement the Company’s working capital through the commissioning phase of the base metals plant. The Board considered a number of funding options and concluded that the private placement, combined with an SPP for existing investors was the most appropriate means for the Company to fund its working capital requirements given the market conditions and its requirements from a timing perspective.

The Company believes the success of the placement, which was considerably oversubscribed, confirms the market view that significant value exists in the Rapu Rapu project. This is notwithstanding the recent suspension of commissioning activities at Rapu Rapu following the two unscheduled waste water discharge events, which has impacted on the Company’s working capital position.

The Company has also been working with its financial advisers, Gryphon Partners Pty Ltd, on completing a strategic review of the Company with a focus on reviewing corporate initiatives with the aim of strengthening the Company’s balance sheet and enhancing shareholder value.

Contemporaneously with this strategic review, Lafayette has been working with the Philippine Government’s Mines and Geosciences Bureau to assure them the Company has satisfactorily dealt with the conditions identified by them as a pre-condition to start-up of the base metals plant. Once achieved,

Lafayette can start commissioning the base metals plant, which is planned for early in the year to avoid the height of the wet season which traditionally ends in early January.

Eligible shareholders who wish to participate in the SPP must complete and lodge an application form together with payment in full for the shares they wish to subscribe for, with the Company's share registry by **17 February 2006**. By forwarding your Application Form and cheque, you acknowledge that you have read, understood, and agree to be bound by the terms and conditions of the SPP.

All shares issued under the SPP will rank equally with the existing fully paid ordinary shares of the Company and will carry the same voting rights, dividend and other entitlements. The Company will seek quotation of the shares issued pursuant to the SPP on the Australian Stock Exchange (ASX) as soon as possible, or in any event, within 10 business days after allotment.

PARTICIPATION

Participation in the SPP is open to all persons registered as holders of shares in the Company as at the close of business on 13 December 2005 (the "**Record Date**") who have an address (as recorded in the Company's register of members) in Australia or New Zealand ("**Eligible Members**"). The Board does not consider that it is practical to lawfully extend the Offer to shareholders in jurisdictions outside Australia or New Zealand. This letter will not constitute an offer in any jurisdiction in which it would not be lawful to make such an offer or to any person to whom it would not be lawful to make such an offer.

Participation in the SPP is entirely at the discretion of Eligible Members.

An Eligible Member may apply for one of three parcels of shares as follows:

- 45,450 shares (totalling A\$4,999.50); or
- 22,750 shares (totalling A\$2,502.50); or
- 9,100 shares (totalling A\$1,001).

Offers are non-renounceable, meaning that Eligible Members cannot transfer their entitlement to purchase Shares under this offer to another person.

The offer is being made pursuant to the Australian Securities and Investments Commission's Class Order 02/831 "Small Offers of Shares to Existing Shareholders by Listed Companies -- Share Purchase Plans" and will comply with the requirements for relief under that Class Order. Class Order 02/831 allows companies listed on the ASX to make small offers of shares to existing shareholders without a prospectus.

In order to comply with the requirements of ASIC Class Order 02/831, an Eligible Member may not acquire more than \$A5,000 worth of shares under a SPP in any 12 month period, taking into account all applications by the Eligible Member, including joint applications and other beneficial interests. The maximum subscription limitation will apply even if an Eligible Member has received more than one Offer (whether in respect of a joint holding or because the Eligible Member has more than one holding under separate share accounts).

By agreeing to purchase Shares under the SPP, you will agree to be bound by the terms and conditions of the SPP. The Company reserves the right to reject any acceptance where there is non-compliance with this requirement or any other term of the SPP.

PRICING

The purchase price for shares under the SPP is 11 cents (the "**SPP Price**"). The SPP Price represents a 14% discount to the weighted average traded price of the Company's shares for the 5 trading days prior to 13 December 2005. This price is the same price at which securities were placed to institutional and professional investors in a placement announced to the market on 14 December 2005.

The market price of the Company's shares may rise or fall between the date of this Offer and the date on which shares are allotted to you. This means that the SPP Price you pay for shares may exceed the market price of the shares as at the date of allotment of shares under the Offer. You should obtain your own financial advice in relation to the Offer and consider price movements of the Company's shares prior to accepting the Offer.

UNDERWRITING

This offer is not being underwritten.

LODGEMENT INSTRUCTIONS

If you are an Eligible Member and would like to participate in the SPP, please return your completed Application Form, together with your cheque for the subscription amount, in the envelope provided, to reach Advanced Share Registry Services, on or before the

CLOSING DATE OF: 5.00PM ON 17 FEBRUARY 2006.

Your completed form may be mailed or delivered to Advanced Share Registry Services:

Lafayette Mining Limited c/- Advanced Share Registry Services PO Box 1156 NEDLANDS WESTERN AUSTRALIA 6909	Lafayette Mining Limited c/- Advanced Share Registry Services 110 Stirling Highway Nedlands Western Australia, 6009
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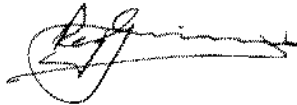
Once an application has been made it cannot be revoked. Valid applications will be taken to have been accepted on the Closing Date.

DECLARATIONS AND ACKNOWLEDGEMENTS

By forwarding a cheque and completing the Application Form, you:

- Acknowledge that you have read, understood and agree to be bound by the terms and conditions of the SPP;
- Confirm that the total cost of all shares purchased by you (including through joint and beneficial holdings) under the SPP and any similar offer in the 12 months prior to this application does not exceed A\$5,000; and
- Agree to be bound by the constitution of Lafayette Mining Limited in respect of the Shares issued to you.

Yours sincerely



R N Gillard
Chairman