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Commissioning of Rapu Rapu Base Metals Plant

Commissioning of the Rapu Rapu base metals plant in the Philippines has progressed satisfactorily with routine production of on-specification copper and zinc concentrates and improved plant availability.

We are encouraged by the increasingly reliable production of both concentrates as the process plant continues to demonstrate its ability to perform at above the nameplate 1 million tonnes per annum capacity. We have now stockpiled at the mine wharf a total of 1200t of marketable concentrates and discussions are progressing with the Project off-taker, LG International, on payment terms (including the stockpile financing arrangements disclosed in previous announcements) and the finalisation of shipping schedules moving forward.

The plant continues to operate under the authority of a Temporary Lifting Order (TLO), which has recently been extended as a consequence of certain force majeure events primarily associated with the impact of Typhoon Milenyo, which interrupted plant operations for a period. The extension period of 30 days granted by the Pollution Adjudication Board (PAB) should be more than adequate to allow the completion and final review of the independent reports required by the Department of Environment and Natural Resources under the terms of the original TLO. These reports relate to the integrity of the environmental management systems on site – systems that successfully withstood the full impact of the typhoon, reinforcing our confidence in the ability of the Project to meet world's best practice in environmentally sustainable mining.

Accordingly, Lafayette is confident that the PAB will be able to assess and confirm compliance with all relevant conditions that would justify the issuance of a Permanent Lifting Order within the period of the extension.

About Lafayette Mining Limited (ASX: LAF)

Lafayette Mining Limited, through its subsidiary companies and Philippine partners, holds an interest in the Rapu-Rapu polymetallic project in the Philippines. Rapu Rapu Island is approximately 350kms south of Manila.

The Rapu-Rapu mineral resource currently supports an eight year mine life capable of producing approximately 10,000 tonnes of copper in concentrates, 14,000 tonnes of zinc in concentrates, 50,000 ounces of gold and 600,000 ounces of silver annually.



The project was suspended by the national government's DENR after two incidents in late 2005 which resulted in relatively minor volume discharges of low level contaminated liquid. Public opposition mounted in early 2006 following a mercury hoax that was falsely attributed to the operation of the project and which caused significant hardship to the many fisherfolk in the surrounding region, who were unable to sell their fish.

The initiation of a Presidential Fact Finding Commission, to examine the health effects of the project followed, thereby delaying the processing of the project's application for a Temporary Lifting Order – a quasi-judicial process, based upon rules of procedural fairness and conducted by the Pollution Adjudication Board under the auspices of the DENR.

The Fact Finding Commission delivered its report on 19 May 2006. The Company understands that the report did not identify any credible health risks from the operation of the project.

The TLO was subsequently issued by the DENR on 10 July 2006. The order permits the base metals plant to operate and to 'sample' and 'test' environmental management systems to demonstrate 'best practice'. The granting of the TLO by the DENR followed an extensive review process which verified the completion of extensive remedial measures.

Stage 1 commissioning commenced the next day. The test run involved the circulation of water into the system to test for leakages. This stage was completed in three days, which was two days ahead of the schedule contemplated by the TLO.

On 18 July, 2006, DENR issued an order confirming that RRPI had fully complied with all of the requirements of the Stage 1 of testing and, accordingly, granted permission for RRPI to proceed with the Stage 2 of the test run. This involved the processing of non-ore bearing materials to test the electro-mechanical systems within the plant.

All of these commissioning activities have proceeded smoothly with all critical sections of the plant achieving continuous 'steady state' operation at designed throughput. Permission to commence Stage 3 commissioning (which was received on 24 August 2006) was the final regulatory approval required to ramp up production from the plant, pending a successful application for a Permanent Lifting Order (PLO).

On 13 September 2006, a 60 day extension of the TLO (backdated to 9 September 2006) was granted, enabling the Group to continue commissioning its base metals plant and testing its environmental management systems at commercial levels of production.

Operations at site then withstood a direct hit by typhoon Milenyo in early October. All critical operational areas, from the tailings dams to the processing plant, were undamaged despite the severity of the tempest, proving the competency of infrastructure construction and the robust quality of the environmental remediation and emergency procedures at site. Power supply to the process water pumps was quickly restored with processing activities resuming on 6 October, 2006.

On 9 October 2006, Lafayette announced that an indicative terms sheet in respect of a US\$10 to 15 million convertible note issue had been agreed with South East Asian Strategic Assets Fund (SEASAF) and its advisor CIMB Standard Strategic Asset Advisors Pte Ltd. On satisfaction of applicable conditions and formal documentation, it is expected that this funding will be used to accelerate a targeted exploration program on Rapu Rapu and provide a working capital safety net pending the receipt of increasing Project revenues as production ramps up.



For further information, visit: www.lafayettemining.com

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