

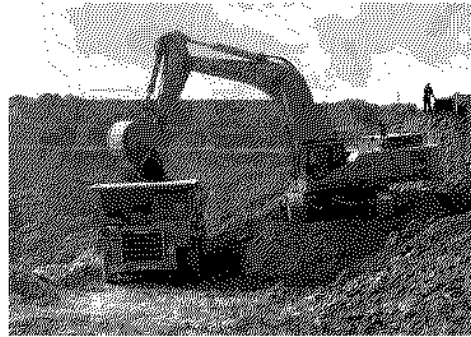


LAFAYETTE MINING LIMITED

Quarterly Report

(for the quarter ending 31 December 2005)

Contents:	<i>Page</i>
Rapu Rapu Production	2
Plant & Mining Update	2
Suspension of Processing Activity	2
Capital Raising	3
Corporate Appointments	3
Exploration	3
Analysts & Media Site Visit	4
Managing Director's Desk	4
Corporate Directory	5



Highlights

- Gold production
- Government cooperation following suspension of processing activity
- Successful placement of A\$10 million and proposed Share Purchase Plan
- Appointment of Corporate Advisors and Chief Operating Officer
- Evaluation of infill drilling at the Hixbar gold zone, resulting in resource classification and an extended mine life

Plans for the next quarter

- Formal regulatory approval allowing restart of processing activity
- Commissioning of the Base Metals Plant
- Further evaluation of the Hixbar potential for base metal sulphides
- Ongoing development of Corporate Strategic Plan

For Further Information:

Tim Hickman
Company Secretary
Lafayette Mining Limited
(ABN 88 076 390 451)

TJB Hickman
Company Secretary

30 January 2006

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Production

Prior to the suspension of processing activities in November 2005, the Rapu Rapu Project was on track for record gold production during the quarter.

The quarter saw a total of 12,775 tonnes of gold ore mined, along with 7,740 tonnes of base metal ore. A total of 42,771 tonnes of gold ore was milled for the month to produce almost 2,500 ounces of gold.



Mining Operations

With no production recorded during November 2005 due to a changeover from gold to base metals commissioning, the end of the quarter saw the final recovery of in-circuit gold.

Production figures for the quarter included:

	Au (oz)	Ag (oz)
October	2,435	11,107
November	-	-
December	258	752

Table 1: Quarterly Production

Plant and Mining Update

The commissioning phase of the base metals flotation treatment plant was announced on 7 November 2005. This process was assisted with the crushing, grinding and tails handling systems having been commissioned and operated during the operation of the gold plant in the previous quarter.

As part of the changeover to base metals production, gold production ceased in early November. It is noteworthy that during early mining operations, it was identified that more gold oxide resource exists than was originally modelled. This will be scheduled for processing at a later date.

Suspension of Processing Activity

On 10 November 2005, the Company announced that it had suspended processing activities whilst it investigated two discharges of process water earlier in the quarter.

The first incident occurred within the gold processing plant on 11 October 2005. Following an investigation by the Department of Environment and Natural Resources (DENR) and the Mines and Geosciences Bureau (MGB), approval was given to continue operations.

The second event took place on 1 November 2005 following a sustained period of torrential rain. Management made the decision to suspend operations during this period. The MGB subsequently provided the Company with notification requiring the rectification and review of a number of issues.

The Company has worked closely with the DENR, MGB and the local communities to investigate both events, remediate any adverse impacts and ensure there would be no re-occurrence.

Early in December, Lafayette advised that the Company was continuing to deliver full compliance with the conditions identified by the Philippines government as a pre-condition to start-up of the base metals commissioning process.

The month of December (which is traditionally the wettest month of the year at Rapu Rapu), saw a near record level of rain (in excess of 1.5m), so the Company used this time to further review processes and systems to ensure there were no other unforeseen events.

Subsequent to quarter end, it was announced that production would be further delayed as additional strategies were being put in place to ensure long-term production at Rapu Rapu.

Capital Raising

On 14 December 2005, it was announced that the Company had successfully completed an A\$8 million private share placement with Australian and overseas institutional and professional investors.

The placement was oversubscribed, indicating strong support from the market.

In addition, AuSelect Limited committed to invest a further A\$2 million on the same terms as the placement, conditional to Lafayette shareholder approval.

The placement was arranged by ABN AMRO Morgans Corporate Limited and was undertaken at 11 cents per share.

It was also decided to offer a Shareholder Purchase Plan (SPP) to shareholders of the Company (record date of 13 December 2005) allowing them the opportunity to acquire up to A\$5,000 worth of additional shares in Lafayette on the same terms as the placement.

The SPP documents were mailed to shareholders on 20 January 2006.

Proceeds from the placement will be targeted to supplement the Company's existing working capital prior to the restart of commissioning of the base metals plant.

In mid December 2005, Lion Selection Group Limited, which holds A\$1.38 million of convertible notes, advised the Company that it would exercise its right to convert these notes into approximately 18 million fully paid ordinary shares. This conversion will maintain Lion Selection's holding in the Company at approximately 20% following the issue of shares in the placement.

Corporate Appointments

During the quarter, Lafayette appointed Gryphon Partners Pty Ltd as its financial advisors following the commencement of a strategic review of the Company. The focus of this appointment is the review of corporate initiatives with the aim of strengthening the Company's balance sheet and enhancing shareholder value.

The Company was also pleased to announce the appointment of Mr Brad Marwood as Chief Operating Officer for Lafayette Mining Limited. Mr Marwood is currently in the Philippines overseeing operational activities with the Rapu Rapu Project. He brings a wealth of mining and corporate experience and has been in the resources industry for over 25 years.

Exploration

Early in the quarter, the Company announced that final evaluation of infill drilling at the Hixbar gold zone had delivered the potential for an extended mine life of the Rapu Rapu mine. The Hixbar deposit is located approximately 3kms west of the Rapu Rapu mine.

This enables a considerable percentage of the Hixbar resource to be moved from Inferred to the more confident levels of Measured and Indicated. It also allows for inclusion into the mine plan.

The revised JORC compliant resource shifts 90% of the resource into the Measured and Indicated (77% and 13% respectively) categories and lifts the production profile of the Rapu Rapu mine from six to at least eight years.

Class	Tonnes	Gold (g/t)	Silver (g/t)	Au Equiv (ozs)
Measured	988,000	1.64	10.69	57,580
Indicated	157,000	1.59	17.59	9,460
Inferred	135,000	1.27	12.79	6,410
Total	1,280,000	1.59	11.76	73,450

Table 2: Hixbar Resource

Significant results from the latest infill drilling program at Hixbar included:

Drill Hole	Depth (m)	Grade Au (g/t)
HXRRC-088	13	2.78
HXRRC-095	15	16.82
HXRRC-125	11	5.57
HXRRC-132	8	10.30
HXRRC-175	10	3.00

Table 3: Infill Drilling Results

The focus for the ongoing exploration program for the next six months will be further evaluation of the Hixbar potential for base metal sulphides.

Analysts / Media Visit

To coincide with the 6th Asia Pacific Mining Conference held in Manila in early October, the Company co-hosted a visit of 10 Australian-based resources analysts and fund managers and eight resources media.

The conference had a strong focus on the resurgence of the Philippine mining industry. Lafayette's presentation was well received and the conference allowed the visitors to place in perspective our considerable achievements.

The visiting group was able to see the progress made on site and to see for themselves how the plant will operate when fully commissioned.

It was an opportunity to meet the teams - both expatriate and national - who have helped achieve this progress.

Additionally, the group visited one of the local communities and were keen to see some of the benefits the project has brought to the region.



Local Primary School

From the Managing Director's Desk

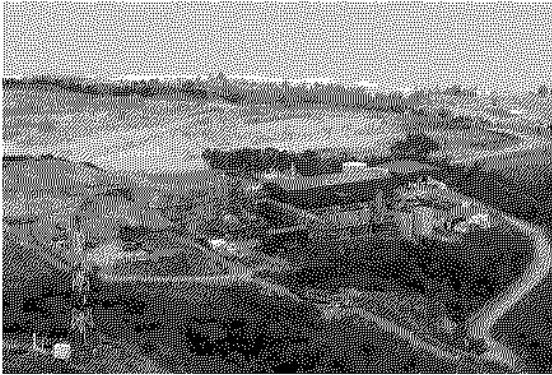
Lafayette Mining Limited's Managing Director, Andrew McIlwain, acknowledged the Company's disappointment at the current delays experienced with the commissioning of the base metals plant.

Early indications of record gold production following the October results saw the Company on track for a successful quarter with stable production expected by the fourth quarter (June 2006).

Additionally, favourable exploration results provided the Project with an extended mine life to eight years following the release of a revised JORC compliant resource estimate at nearby Hixbar.

The two discharge events were unacceptable and the Company is committed to working closely with government and local communities to ensure full compliance with all remediation requirements.

Following rigorous process reviews, the Company is anticipating a resumption of mining operations at Rapu Rapu in the near future and delivering production that will sustain profitability and local employment as well as providing important local and national benefit.



Plant and Minesite

Subsequent to quarter end, the Company has announced additional corporate strategies to strengthen both the Rapu Rapu Project in the Philippines and the parent company in Australia. These were detailed in an announcement to the ASX on 17 January 2006.

We are looking forward to building further on this range of initiatives.

For further information, visit www.lafayettemining.com

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Investor Relations: Kay Donehue***

Lafayette Mining Limited: (03) 9654 6044

Media: Gavan Collery: Mobile: +61 (0)419 372 210

Corporate Directory

Directors

Reginald Gillard (Non-Executive Chairman)
Andrew McIlwain (Chief Executive Officer)
Kevin Robinson (Non-Executive Director) – *Retired 14 January 2006*
Paul Taylor (Non-Executive Director) – *Retired 13 January 2006*
Robin Widdup (Non-Executive Director) – *Appointed 14 January 2006*
Carlos Dominguez (Non-Executive Director) – *Appointed 17 January 2006*

Company Secretary

Tim Hickman

Registered and Administration Office

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Share Registry

Advanced Share Registry Services
110 Stirling Highway
Nedlands, Western Australia 6009
Telephone: +61 (0)8 9389 8033
Facsimile: +61 (0)8 9389 7871

Stock Exchange Listings

ASX: LAF
Frankfurt OTC: LFY Cusip No. 908514

Current Shareholders

Lion Selection Group:	20%
Institutions:	33%
Retail Investors:	45%

Issued Share Capital

As at 31 December 2005: 606,989,949

Share Price Movement

October to December 2005: High:	16.0 cents	
	Low:	12.0 cents
	Last:	13.5 cents
	Latest	15.5 cents (27/01/2006)

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Lafayette Mining Limited

ABN

88 076 390 451

Quarter ended ("current quarter")

31 December 2005

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	1,877	3,108
1.2 Payments for		
(a) exploration and evaluation	(111)	(446)
(b) development	(807)	(807)
(c) production	(4,974)	(8,596)
(d) administration	(4,916)	(5,871)
(e) inventories	(89)	(2,984)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	32	63
1.5 Interest and other costs of finance paid	(463)	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(9,451)	(15,533)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(1,446)	(1,489)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities (associated)	548	(958)
1.11 Loans repaid by other entities	-	-
1.12 Other - Purchase of Royalty	-	-
Net investing cash flows	(898)	(2,447)
1.13 Total operating and investing cash flows (carried forward)	(10,349)	(17,980)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(10,349)	(17,980)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	9,833	10,411
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	4,000	9,188
1.17	Repayment of borrowings	(1,675)	(1,675)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
Net financing cash flows		12,158	17,924
Net increase (decrease) in cash held		1,809	(56)
1.20	Cash at beginning of quarter/year to date	2,724	4,577
1.21	Exchange rate adjustments to item 1.20	115	127
1.22	Cash at end of quarter	4,648	4,648

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	406
1.24	Aggregate amount of loans to the parties included in item 1.10	958

1.25 Explanation necessary for an understanding of the transactions

Directors Remuneration	74
Directors Fees	33
Advances for exploration, administration and development costs	299

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not Applicable

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	46,598	46,598
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

+ See chapter 19 for defined terms.

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	6,100
Total	6,100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	4,632	2,709
5.2 Deposits at call	16	20
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,648	2,724

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements acquired or increased	N/A		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	*Ordinary securities	606,989,949			
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	100,494,879			
7.5	*Convertible debt securities <i>(description)</i>	\$1 convertible notes convertible to shares at 8 cps, with a 10% coupon payable in shares at 8 cents per share. 1,480,000. \$1 convertible notes convertible to shares at 20 cps, with a 10% coupon payable in shares at 20 cents per share. 4,000,000.			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- 1,675,000 convertible notes convertible to shares @ 8 cps			

+ See chapter 19 for defined terms.

7.7	Options <i>(description and conversion factor)</i>		<i>Exercise price</i>	<i>Expiry date</i>
	5,000,000		<i>10 cents</i>	<i>5/1/2006</i>
	3,000,000		<i>9 cents</i>	<i>1/7/2007</i>
	750,000		<i>10 cents</i>	<i>1/7/2007</i>
	4,500,000		<i>17.25cents</i>	<i>1/7/2009</i>
	750,000		<i>18 cents</i>	<i>31/10/2009</i>
	1,875,000		<i>18 cents</i>	<i>30/11/2009</i>
	2,750,000		<i>12 to 20 cents</i>	<i>1/7/2010</i>
	1,200,000		<i>20 cents</i>	<i>30/9/2006</i>
	450,000		<i>20 cents</i>	<i>28/02/2010</i>
7.8	Issued during quarter	-	-	-
7.9	Exercised during quarter	1,000,000	<i>9 cents</i>	<i>90,000</i>
7.10	Expired during quarter	-	-	-
7.11	Debentures <i>(totals only)</i>			
7.12	Unsecured notes <i>(totals only)</i>			

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 30 January 2006

Company secretary

Print name: Timothy James Bruce HICKMAN

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.