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Rapu Rapu Project Update

First Bulk Shipments of Copper and Zinc Concentrates

The loading of the first two bulk shipments of copper and zinc concentrates, produced by the Rapu Rapu Poly-metallic Project, has been successfully completed using the recently repaired concentrate out-loading facilities.

Approximately 3,400 wet metric tonnes of copper concentrate (which also included payable quantities of gold and silver) and 5,000 wet metric tonnes of zinc concentrate were shipped to smelters located in China and Korea respectively, under the long term off-take agreement with LG International.

These bulk shipments follow three smaller shipments of bagged concentrate earlier this year, while damage to the Project caused by super-typhoon Reming was being repaired.

During the course of the recent bulk concentrate out-loading operation, a number of potential minor modifications to the facility were identified that could significantly improve loading efficiency. These modifications will be evaluated and implemented in coming months.

Exploration Update

On 15 May 2007, the drilling of the first exploration drill hole, of a 7 diamond drill hole programme, was commenced by the Project's drilling contractor. Hole UMW 001 is located 150 metres from the western end of the Ungay open pit and is targeting an interpreted extension along strike of the mineralisation currently being mined.

On 23 May 2007, Hole UMW 001 intersected massive and semi-massive sulphide mineralisation in accordance with interpreted extension which is typical of exposures in the Ungay mine. The mineralisation was intersected from 113.5 metres to 124 metres consisting of massive and semi-massive sulphides as well as waste intercalations consistent with exposures in the open pit. Hole UMW001 drilling is continuing with the expectation that the interpreted occurrence will be re-intersected at depth.

An airborne geophysical survey of Lafayette's substantial tenement holding on Rapu Rapu Island, targeting repeats of the Ungay ore body, is expected to be completed by the end of July 2007.

Following completion of the 7 hole Ungay western extension drilling programme and the airborne geophysical survey, either a follow up drilling programme of Ungay West or a further drilling programme targeting other high priority targets is planned.

Mining and Processing Operations

Mining and processing operations are continuing broadly in line with expectations. Design ore throughput rates of 125 tonnes per hour have been regularly achieved since the end of the last quarter, as has the production of copper and zinc concentrates with specifications of a commercial quality. Consistent achievement of design metal recovery rates for copper, zinc, gold and silver has lagged expectations for this stage of the commissioning process.

Plant availability has been lower than expectations for a variety of reasons and our on-site management team has prepared a detailed Action Plan aimed at evaluating and implementing specific initiatives to deliver continuous improvement in operating performance. Implementation of the plan has begun and improvements in performance are expected in coming months.

Base metals plant operations will be suspended for a period of approximately eight days in early June while the semi-autogenous grinding (SAG) mill is relined. Liner bolt failures in the SAG mill have contributed to reduced availability and delayed the stabilization of the process circuit which has in turn affected metal recoveries. The reline should correct the negative impact of these factors.

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 Department of Environment and Natural Resources (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 (TLO) – a quasi-judicial process, based upon rules of procedural fairness and conducted by the Pollution Adjudication Board (PAB) 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 permitted 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.

Commissioning

During this trial period, commissioning activities proceeded smoothly with all critical sections of the plant achieving continuous 'steady state' operation at designed throughput. Testing of all environmental management systems was satisfactorily completed at commercial levels of production.

Operations at site then withstood a direct hit by Typhoon Milenyo in early October 2006. 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 within several days.

At the end of November 2006, the Project was reliably producing commercial grade copper and zinc concentrates with increasingly higher recovery rates. The inventory was increasing to a level that would fill the Project's first 5000t shipment of on-specification material.

Supertyphoon Reming

At the end of November 2006, Supertyphoon Reming hit the island causing damage to various structures including the wharf facility, camp accommodation and office facilities, but without adverse impact on environmental management systems, which once again demonstrated a robust ability to withstand the most adverse weather conditions. Pending repairs to the marine facilities, alternative arrangements for the bagging of bulk, and later commercial grade, concentrate were adopted for shipment.

Permanent/Final Lifting Order (FLO) and Resumption of Operations

On 8 February 2007, the PAB issued a Final Lifting Order (FLO) formally terminating all proceedings in connection with the discharge incidents that occurred in late 2005 as the base metals plant was being commissioned. The FLO authorised the immediate resumption of production of concentrates from the base metals plant

Since that date base metals plant commissioning activities have continued with significant progress towards the establishment of steady-state production of copper and zinc concentrate. Gold and silver are recovered from the copper concentrate.

For further information, visit: www.lafayettemining.com

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