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For Release: 1 November 2007

PROGRESS ON RESTRUCTURING AND RECAPITALISATION

Since announcing on 3 October 2007, its plan to recapitalise and restructure the Company and its 74% owned Rapu Rapu project, Lafayette has made steady progress towards implementing the plan, working closely with stakeholders, including its bank group, the new Cornerstone Investor, South East Asian Strategic Asset Fund LP (SEASAF) and Lafayette's A\$ Convertible Note Holders.

Drawdown of Working Capital

On 10 October 2007, a Special Purpose Vehicle (SPV) owned by the Cornerstone Investor and SEASAF, signed an agreement to lend US\$10 million to the project to fund urgently needed working capital. To date, approximately US\$5.5 million of the available US\$10 million has been drawn. This loan has been made under the terms of the existing Multi Option Facility which has had its limit increased from US\$9.546 million to US\$19.546 million to facilitate the loan. This loan forms part of the New SPV Loan, as described in the announcement to the market dated 3 October 2007.

Execution of Call Option Deed

The agreement by the bank group to sell all project bank debt and (closed out) hedging obligations to the investor group has been formally documented and a Call Option Agreement was signed by all parties on 19 October 2007.

Under the terms of this agreement, the SPV will have the right but not the obligation to purchase all outstanding debt (including that associated with the close out of all hedging obligations), capitalised interest and fees owing by the project to the bank group. This right must be exercised on or before 30 November 2007 by which time the total indebtedness of the project is expected to be approximately US\$269 million. The consideration payable to the bank group on or before 31 December 2007 (Completion) for the purchase of this debt will be US\$123 million.



Settlement of Hedge Contracts

A key element of the restructure is the close out of the Rapu Rapu project's base and precious metals hedge book.

On 17 October 2007, Lafayette cash settled all of the outstanding base and precious metals hedge contracts for its Rapu Rapu project. The total cost of the settlement was US\$137.6 million, allocated as follows:

| | Quantity of Metal | Cash Settlement (US\$ million) |
|--------------|-------------------|-----------------------------------|
| Copper | 9,475 tonnes | 54.6 |
| Zinc | 11,075 tonnes | 21.5 |
| Gold | 145,887 ounces | 51.8 |
| Silver | 1,224,557 ounces | <u>9.7</u> |
| Total | | <u>137.6</u> |

In order to fund the cash settlement, US\$137.6 million was drawn under Tranche C of the senior debt facility. This amount of new debt will form part of the total debt package that is to be purchased by SPV, assuming that the Call Option granted to the investor group is exercised on or before 30 November 2007.

Conversion of A\$ Convertible Notes

It is a requirement of the proposed restructure that an agreement be reached with the holders of Lafayette's A\$8 million convertible notes, to convert their notes to Lafayette equity on terms acceptable to the Cornerstone Investor and to obtain a waiver from the note holders in respect of the 10% interest coupon and the 1% Participating Interest due for payment on 15 October 2007.

The terms of conversion originally proposed to the note holders have not been accepted by all note holders. Lafayette is continuing to work with the note holders and the Cornerstone Investor to obtain the waiver and agree conversion terms on a basis that is acceptable to all parties.

Renounceable Rights Issue

In Lafayette's announcement regarding the proposed restructure, it was stated that if underwriting could be secured by 31 October 2007, shareholders will be invited to participate in a 1 for 1 renounceable rights issue, with the funds raised to be used to reduce the US\$151.75 million invested by the SPV. If an underwriting could not be secured, a 1 for 1 renounceable rights issue at AU 2 cents per share was to proceed post Completion. SEASAF and the Cornerstone Investor agreed in principle not to take up their entitlement.

Following discussions with a potential underwriter of the rights issue and further discussions with SEASAF and the Cornerstone Investor, it has been re-confirmed that a 1 for 1 renounceable rights issue will be offered to all shareholders other than SEASAF, the Cornerstone Investor or the SPV on Completion. This offering may or may not be underwritten.



Due Diligence

SEASAF and the Cornerstone Investor have been conducting a detailed due diligence review of the Rapu Rapu project and Lafayette as a prerequisite for taking a decision to exercise their rights under the Call Option Agreement. This review is expected to conclude shortly in time for the results of the review to be considered by the SPV in determining whether to exercise the Call Option before the expiry date (30 November 2007).

Approval of Restructure by Lafayette Shareholders

As noted in our announcement of 3 October 2007, a number of the individual transactions that make up the total restructure and recapitalisation of the Lafayette group require the approval of the Company's ordinary shareholders. Work is currently in progress on the preparation of an Independent Expert's Report that will be sent to shareholders along with a Notice of Meeting in the near future. Assuming that the SPV exercises the Call Option on 30 November 2007, it is currently contemplated that the shareholders' meeting will be convened in January 2008.

For further information, visit: www.lafayettemining.com

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