

LEPANTO CONSOLIDATED MINING CO.

BA-Lepanto Building, 8747 Paseo de Roxas, 1226 City of Makati, Philippines

January 26, 2006

Disclosure Department
The Philippine Stock Exchange
Exchange Road, Ortigas Center
Pasig City

Attention: **Ms. Jurisita Quintos**
Senior Vice President-Operations Group

Re: **Lepanto and Dresdner Sign Gold Delivery Agreement**

Gentlemen:

As previously reported, Lepanto had various hedging contracts/transactions with NM Rothschild & Sons (Australia) Ltd. ("Rothschild") and Dresdner Kleinwort Wasserstein ("Dresdner"). However, it has been Lepanto's position that these hedging contracts/transactions are null and void and in August 2005 Lepanto filed with the Regional Trial Court of Makati a case to annul the hedging contracts/transactions with Rothschild. Subsequently, Rothschild had closed Lepanto's hedge position under the questioned hedging contracts/transactions.


While Dresdner was substantially in the same position as Rothschild, it looked to a commercial solution to the problem. After months of discussions and negotiations, Lepanto and Dresdner have arrived at a commercial resolution to the controversy.

We are now pleased to advise that Lepanto and Dresdner have reached an understanding and have signed a Gold Delivery Agreement (GDA) whereby Lepanto would undertake to deliver a minimum of 200 ounces of gold or its US\$ equivalent at spot price monthly to Dresdner running to the end of September 2009. In entering into the GDA, it was understood that Lepanto does not recognize any obligations under the hedging contracts/transactions.

Lepanto will continue to prosecute its action to have the hedging contracts/transactions with Rothschild declared null and void.

With these developments, Lepanto can now benefit fully from the rising gold prices.

Very truly yours,


ODETTE A. JAVIER
Asst. Corporate Secretary