



LEPANTO CONSOLIDATED MINING CO.

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

2 February 2017

Disclosure Department
Listings and Disclosure Group
Philippine Stock Exchange, Inc.
PSE Centre, Ayala Triangle
Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Re: Private placement with Yapster e-Trade, Inc.

Gentlemen:

Below is our reply to your request for additional information:

1. **Description of the proposed transaction including the timetable for implementation, and related regulatory requirements;**
Lepanto shall issue 3,350,000,000 common shares consisting of 2,010,000,000 "A" and 1,340,000,000 "B" shares ("Private Placement Shares") out of its unissued capital to Yapster e-Trade, Inc. in consideration of the latter's payment of P502,500,000.00, which payment shall be made not later than February 15, 2017. The shares shall be issued upon approval by the PSE of the listing application which application shall be filed not later than February 15, 2017, following the submission of a Notice of Exempt Transaction with the SEC. The DST for the Private Placement Shares shall be paid not later than March 5, 2017.
2. **Rationale for the transaction including the benefits which are expected to be accrued to the Company as a result of the transaction;**
The Company will benefit from the transaction, and Private Placement was the chosen mode of raising capital because:
 - a. Funding is urgently needed and is readily available only through a Private Placement;
 - b. Banks loans are not accessible considering that the Company's operations are not yet profitable; furthermore, bank loans will require a lengthy negotiation and due diligence period.

- c. A stock rights offering (SRO) will require an underwriter which is difficult to procure; furthermore, the funds from an SRO will become collectible only upon PSE approval of the listing application, another lengthy process;
- d. With immediately available funds, Lepanto can reduce its debts and interest costs and proceed with the further exploration of orebody(ies) adjacent to the Victoria towards a bankable feasibility study that will enhance the value of the company.

3. **Terms of any agreements for payment;**

Payment by Yapster e-Trade, Inc. shall be made not later than February 15, 2017. This is not a loan so it is free of interest. The Private Placement Shares shall be issued upon PSE approval of the listing application and shall be subject to a two-year lock-up period.

4. **The basis upon which the consideration or the issue value was determined;**

The Private Placement Shares shall be issued at a discount in consideration of the weak market condition of the stock in terms of both trading volume and price since last year. We found that there will be no takers of the shares except at a considerable discount.

5. **Application of proceeds;**

Settlement of debts	: P300.0 million
Exploration/Feasibility Study	: 200.0 million
DST and Listing Fee	: 2.5 Million
TOTAL	: P502.5MILLION

6. **Timetable and manner of issuance;**

The shares shall be issued to Yapster on a scripless basis as soon as the PSE approves the pertinent listing application.

7. **Identity and/or corporate background of Yapster;**

Yapster e-Trade is an online securities broker with principal office at the 17th Floor, Lepanto Building, Paseo de Roxas, Makati City. It is owned by the following shareholders:

Yapster e-Conglomerate, Inc: 25%
 F. Yap Securities, Inc: 25%
 Christine Karen U. Yap: 25%; and
 Chase Leonard S. Yap: 25%.

8. **The interest which directors of the parties to the transaction have in the proposed transaction;**

The owners of the corporate shareholders of Yapster e-Trade are relatives of Felipe U. Yap, Lepanto chairman; Bryan U. Yap, Lepanto president; and Cresencio C. Yap, Lepanto director, and so are the individual owners, Christine Karen Yap and Chase Leonard Yap.

9. **Statement as to the steps to be taken, if any, to safeguard the interests of any independent shareholders;**

At the special board meeting at which the Private Placement was approved, it was explained at the outset that the transaction was in the nature of a related party transaction and, therefore, the quorum should be constituted by directors (other than those named above) who had no interest in the transaction. The Board unanimously approved the Private Placement, and the votes of the Chairman and the President (nor of Mr. Cresencio Yap, who was absent), related parties, were not necessary for such approval.

The two-year lockup period is being imposed by the Board to safeguard the interests of independent or minority shareholders.

10. **Any conditions precedent to closing of the transaction; None.**

Private Placements are allowed under Article VII(a) of Lepanto's Articles of Incorporation, to wit:

Seventh: – that the capital stock of said corporation is Six Billion Six Hundred Forty Million Pesos (P6,640,000,000.00), Philippine Currency, and said capital stock is divided into Thirty Nine Billion Eight Hundred Forty Million (39,840,000,000) shares of Class "A" Common Stock and Twenty Six Billion Five Hundred Sixty Million (26,560,000,000) shares of Class "B" Common Stock, both classes of shares being of the par value of Ten Centavos (P0.10) each. All shares of stock of the corporation shall enjoy the same rights and privileges except only as herein otherwise provided. The shares of capital stock of this corporation may be issued from time to time for not less than par; and all issued shares of the capital stock of this corporation shall be deemed fully paid and non-assessable and the holder of such shares shall not be liable thereunder to this corporation of its creditors. No stockholder of this corporation shall have any pre-emptive or preferential right to subscribe for any increase thereof that may be lawfully authorized, in proportion to his respective holdings at the time such increase is so authorized. (Underscoring supplied.)

11. **Effect(s) on the ownership structure;**

Principal Shareholders	Before Number of shares	%	After Number of shares	%
Yapster e-Trade, Inc.	0	0	3,350,000,000	6.12

12. **Effect(s) on the capital structure:**

	Before	After
Issued Shares		
Common "A" Shares	30,819,595,359	32,829,595,359
Common "B" Shares	20,546,369,194	21,886,369,194
Total Shares	51,365,964,553	54,715,964,553
Outstanding Shares		
Common "A" Shares	30,819,595,359	32,829,595,359
Common "B" Shares	20,546,369,194	21,886,369,194
Total Shares	51,365,964,553	54,715,964,553
Treasury Shares		
Common Shares	None	None
Listed Shares		
Common "A" Shares	30,819,595,359	32,829,595,359
Common "B" Shares	20,546,369,194	21,886,369,194
Total Shares	51,365,964,553	54,715,964,553

13. **Effect on foreign ownership level:** none, as the subscriber is a Filipino corporation

14. **Source of shares:** Unissued capital

Very truly yours,



ODETTE A. JAVIER
Vice President /
Asst. Corporate Secretary