



BenguetCorp

SEC REG. NO. 11341

May 19, 2006

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA
Greenhills, Mandaluyong City

Attention: ATTY. JUSTINA F. CALLANGAN
Director, Corporation Finance Department

PHILIPPINE STOCK EXCHANGE, INC.

PSE Centre, Exchange Road
Ortigas Center, Pasig City

Attention: Ms. JURISITA M. QUINTOS
Senior Vice President

Gentlemen:

In compliance with the reportorial requirements of the Securities and Exchange Commission (SEC) and Philippine Stock Exchange (PSE), we are submitting herewith Benguet Corporation's 2006 First Quarter Report in SEC Form 17-Q.

Please note that on May 12, 2006, our Company has filed SEC Form 17-L for extension of the period to submit its 2006 First Quarter Report.

We hope that you will find everything in order.

Very truly yours,

BENGUET CORPORATION

By:

A handwritten signature in black ink, appearing to be 'RM' or similar, written over a horizontal line.

REYNALDO P. MENDOZA
Assistant Corporate Secretary

SEC Reg. No. 11341

BENGUET CORPORATION
One Corporate Plaza
#845 Arnaiz Avenue
1223 Makati City
Tel. Nos 812-1380/751-9137
Fax No. 752-0717 / 813-6611

Company's Fiscal Year
Ending December 31, 2005

(2006 FIRST QUARTER REPORT)
SEC FORM 17-Q

ACTIVE SECONDARY LICENSE TYPE AND FILE NUMBER: **NONE**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period endedMARCH 31, 2006.....
2. Commission identification number.....11341..... 3. BIR Tax Identification No..000-051-037...

.....BENGUET CORPORATION.....

4. Exact name of issuer as specified in its charter

.....PHILIPPINES.....

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office 3F UNIVERSAL RE-BUILDING, 106 PASEO DE ROXAS, MAKATI CITY 1226
Postal Code

.....(632) 812-1380 / 751-9137.....

8. Issuer's telephone number, including area code

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
Convertible Preferred Class A	219,001 shares
Common Class A Stock	71,642,463 shares
Common Class B Stock	42,470,072 shares
Total amount of outstanding loan as of March 31, 2006	P1.7 Billion

11. Are any or all of the securities listed on a Stock Exchange? Yes ☒ No ☐
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The Issuer's Convertible Preferred Class A share, Common Class A share are listed in the Philippine Stock Exchange (PSE) while Common Class B share is listed in the PSE & in the US's National Association of Securities Dealers' Over-The-Counter Bulletin Board (NASDAQ-OTCBB).

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☐ No ☒

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

PLEASE REFER TO ANNEX "A", on pages 5 to 10 of the following:

1. THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF BENGUET CORPORATION AND SUBSIDIARIES FOR THE FIRST QUARTER ENDED MARCH 31, 2006 (WITH COMPARATIVE DATA FOR 2005) WERE PREPARED IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE PHILIPPINES AND REFLECT AMOUNTS THAT ARE BASED ON BEST ESTIMATES AND INFORMED JUDGMENT OF MANAGEMENT WITH AN APPROPRIATE CONSIDERATION TO MATERIALITY;
2. AGING OF ACCOUNTS RECEIVABLE AS OF MARCH 31, 2006; AND
3. EXPLANATORY NOTES REQUIRED UNDER RULE 68.1, PAR. 7(D)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

THE MANAGEMENT'S DISCUSSION/ANALYSIS OF FINANCIAL CONDITION/RESULTS OF OPERATIONS ARE PRESENTED AND DISCUSSED IN ANNEX "B" ON PAGES 11 TO 13 AND ON THE PRESIDENT'S 2006 FIRST QUARTER REPORT MARKED AS ANNEX "C" ON PAGES 14 TO 16.

PART II--OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer.....BENGUET CORPORATION.....

Signature and Title.....REYNALDO P. MENDOZA – Asst. Corporate Secretary.....

Date.....

Principal Financial/Accounting Officer/Controller:

Signature and Title.....SALVADOR P. PABALAN – Sr. Vice President, Finance & Treasurer...

ANNEX "A"

BENGUET CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2006 AND DECEMBER 31, 2005
(In Thousands)

	2006	UNAUDITED 2005
CURRENT ASSETS		
Cash and cash equivalents	P 37,347	P 32,448
Accounts receivable – net	116,539	152,548
Inventories – net	91,270	78,812
Prepaid expenses and other current assets	65,500	65,272
Total Current Assets	<u>310,656</u>	<u>329,080</u>
Investments	52,171	52,042
Property, plant and equipment – net	2,081,643	2,103,375
Mining exploration and project development costs	128,656	136,024
Deferred charges and other assets	640,409	592,0547
TOTAL ASSETS	<u><u>P3,213,534</u></u>	<u><u>P3,212,578</u></u>
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	P2,182,311	P2,072,422
Current portion of long-term debt	1,314,528	1,388,664
Bank loans	368,259	346,927
Total Current Liabilities	<u>3,865,098</u>	<u>3,808,013</u>
NONCURRENT LIABILITIES		
Minority interest	81,600	68,237
Deferred credits and others	962,565	986,955
Total Non-Current Liabilities	<u>1,044,165</u>	<u>1,055,191</u>
TOTAL LIABILITIES	<u>4,909,263</u>	<u>4,663,203</u>
STOCKHOLDERS' EQUITY		
Convertible Preferred Class A - P3.44 par value		
Authorized – 19,652,912 shares		
Issued - 219,001 shares in 2006 and 2005	P752	P752
Common Class A – P3.00 par value		
Authorized – 120,000,000 shares		
Issued - 71,746,061 shares in 2006 and 2005	215,238	215,238
Common Class B – P3.00 par value		
Authorized – 80,000,000 shares		
Issued - 42,482,497 shares in 2006 and 2005	127,447	127,447
Capital surplus	704,552	704,552
Revaluation Increment	1,346,358	1,360,166
Accumulated translation adjustments	28,548	39,890
Retained earnings (deficit)	(4,110,607)	(4,090,676)
Total capital and retained earnings	<u>(1,687,712)</u>	<u>(1,642,610)</u>
Less cost of treasury stock - 116,023 shares in 2006 and 2005	8,015	8,016
STOCKHOLDERS' EQUITY	<u>(1,695,727)</u>	<u>(1,650,626)</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	<u><u>P3,213,534</u></u>	<u><u>P3,212,578</u></u>

BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 (WITH COMPARATIVE DATA FOR 2005)
(In Thousands)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	(P19,931)	(P 48,360)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	6,187	6,954
Unrealized foreign exchange (gain) loss	(78,115)	(29,376)
Provision for (benefit from) deferred income tax	28,093	12,405
Changes in Assets and Liabilities:		
Decrease (Increase) in:		
Accounts receivable – net	36,009	(30,099)
Inventories – net	(12,458)	45,979
Prepaid expenses and other current assets	(228)	(9,483)
Increase in accounts payable and accrued expenses	109,889	66,664
Net Cash Provided by (Used in) Operating Activities	69,446	14,684
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment – net	(399)	(377)
Mining exploration and development costs	7,368	(4,581)
Investments in Stocks	-	-
Increase in deferred charges and other assets	(60,489)	(10,072)
Increase (decrease) in minority interest	13,363	(3,504)
Net Cash Provided By (Used in) Investing Activities	(40,157)	(18,534)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (repayments) of long-term debt and bank loans	-	-
Proceeds from issuance of common stocks	-	-
Increase (decrease) in deferred credit and others	(24,390)	(343)
Net Cash Provided by (Used in) Financing Activities	(24,390)	(343)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,899	(4,193)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	32,448	38,655)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P37,347	P26,462

BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 (WITH COMPARATIVE DATA FOR 2005)

	2006	2005
OPERATING REVENUE		
Sales of mine products	P29,204	P45,381
Sales of merchandise and services	36,067	49,827
	65,270	95,207
OPERATING COSTS AND EXPENSES		
Cost of mine products sold	25,526	38,052
Cost of merchandise and services sold	,22,304	37,976
Selling and general	25,186	28,677
Taxes on revenues	648	896
	73,665	105,600
INCOME FROM OPERATIONS	(8,394)	(10,392)
OTHER INCOME (EXPENSES)		
Interest income	(4)	57
Foreign exchange gain (loss)	78,115	29,376
Minority interest	3	438
Claimowners' compensation	(137)	645
BAGO/DCO/BGO Caretakership Costs	(2,290)	8,216
Interest expense	(58,596)	(60,314)
Miscellaneous - net	(535)	(3,981)
	16,556	(25,562)
INCOME (LOSS) BEFORE INCOME TAX	8,162	(35,954)
PROVISION FOR INCOME TAX	28,093	12,405
NET INCOME (LOSS)	(19,931)	(48,360)
RETAINED EARNINGS (DEFICIT) AT BEG OF PERIOD	(4,090,676)	(4,142,678)
RETAINED EARNINGS (DEFICIT) AT END OF PERIOD	(P4,110,607)	(P4,191,038)
EARNINGS (LOSS) PER SHARE	(P0.17)	(P0.42)

BENGUET CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(CAPITAL DEFICIENCY)
(Amounts in Millions, Except Number of Shares)

	Unaudited March 31, 2006	Unaudited 2005	Audited 2004 (As Restated)
CAPITAL STOCK	P343	P343	P343
CAPITAL SURPLUS	705	705	705
	1,048	1,048	1,048
REVALUATION INCREMENT IN LAND			
Balance at beginning of Year	1,360	1,431	1,476
Increase (decrease) in revaluation increment	(14)	(71)	(45)
Balance – End	1,346	1,360	1,431
ACCUMULATED TRANSLATION ADJUSTMENT			
Balance at beginning of Year	40	49	96
Increase in revaluation increment	(11)	(9)	(47)
Balance – End	29	40	49
DEFICIT			
Balance at beginning of Year	(4,091)	(4,143)	(3,350)
Net Loss	(19)	52	(793)
Balance – End	(4,110)	(4,091)	(4,143)
TREASURY STOCKS - 116,023 shares	(8)	(8)	(8)
	(P1,695)	(P1,651)	(P1,623)

BENGUET CORPORATION		
<u>LOSS PER SHARE COMPUTATION</u>		
	Three Months Ended	
	March 31	
	2006	2005
Net Loss ('000)	P19,931	P48,360
Number of shares for computation of :		
<u>Basic loss per share</u>		
Weighted average common shares		
Issued	114,228,558	114,228,558
Less Treasury Stock	116,023	116,023
Weighted Average Common Shares		
Outstanding	114,112,535	114,112,535
<u>Dilutive loss per share</u>		
Weighted average common shares		
Issued	114,228,558	114,228,558
Less Treasury Stock	116,023	116,023
Weighted Average Common Shares		
Outstanding	114,112,535	114,112,535
Conversion of Preferred Stocks	692,591	692,591
	114,805,126	114,805,126
Loss per share	P0.17	P0.42
Dilutive loss per share is antidilutive as a result of the net loss; therefore, the basic EPS and diluted EPS are the same.		

BENGUET CORPORATION AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLE
AS OF MARCH 31, 2006

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1 Month	2 - 3 Months	4 - 6 Months	7 Months To 1 Year	1 - 2 Years	3 - 5 Years	5 Years - Above	PAST DUE ACCTS & ITEMS IN LITGN
a) Trade Receivables:									
1) Chrome Shipments (Export/Local)	83,630,242	-	457,131	2,482,072	5,503,838	2,711,040	72,496,161	-	-
2) Lime Deliveries	10,523,832	5,567,545	4,831,745	-	-	24,478	100,065	-	-
3) Merchandise & Services	83,811,226	8,135,275	2,145,454	1,231,546	9,566,277	2,992,877	10,208,247	49,531,750	-
Sub-total	177,965,301	13,702,820	7,434,330	3,693,618	15,070,115	5,728,195	82,804,473	49,531,750	-
Less: Allowance for Doubtful Acct.	103,518,467	-	-	-	1,564,585	4,888,513	79,155,620	17,909,749	-
Net Trade Receivable	74,446,834	13,702,820	7,434,330	3,693,618	13,505,530	839,682	3,648,853	31,622,001	-
b) Non-Trade Receivables									
1) Officers & Employees	8,083,609	570,362	770,428	590,804	2,122,512	1,707,447	2,277,172	44,886	-
2) Due from Subsidiaries	60,460,497	1,289,493	4,101,007	6,144,375	14,127,493	18,018,534	14,894,531	1,887,065	-
3) Others	105,789,840	712,538	2,690,365	15,807,093	5,762,706	11,454,002	21,620,461	47,742,675	-
Sub-total	174,333,946	2,572,393	7,561,798	22,542,272	22,012,710	31,177,982	38,792,164	49,674,627	-
Less: Allowance for Doubtful Acct.	132,241,852	258,044	279,872	289,036	-	13,299,460	20,059,794	98,055,647	-
Net Non-trade Receivable	42,092,095	2,314,349	7,281,926	22,253,236	22,012,710	17,878,522	18,732,370	(48,381,020)	-
Net Receivables (a + b)	116,538,928								

Note: The non-trade receivables - others include receivables under the Employee Stock Ownership Incentive Plan amounting to P58.5M.

Explanatory Notes Required Under Rule 68.1, Par. 7(d):

- i. The disclosure on significant accounting principles, policies, and practices are substantially the same with the disclosure made in 2005 financial statements. Additional disclosures on the significant changes of accounts and subsequent events are presented and discussed in the Management Discussion and Analysis.
- ii. For the first quarter of 2006, there were no seasonal or cyclical aspects that materially affect the operations of the Company.
- iii. There were no unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows in the first quarter of 2006.
- iv. There were no substantial nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

- v. Issuances, Repurchases, Repayments of Debt and Equity Securities - For the first quarter of 2006, there were no securities sold by the Company which were not registered under the Revised Securities Act (now Securities Regulation Code (SRC)) including the sales of reacquired securities, new issues, securities issued in exchange of property, services or other securities and new securities resulting from the modification of outstanding securities.
- vi. Dividends - Because of operating deficits and debt service requirements, and pursuant to the restrictions provided for in the Company's loan agreement with creditor banks, no cash dividends were declared for the quarter ended March 31, 2006.
- vii. Segment Information – The Company is principally engaged in the mining industry. It is a major producer of chrome ore. The Company's operating revenues as of March 31, 2006 mainly consist of sale of chrome ore concentrates to Nissho Iwai and Possehl, Inc. amounting to P12 million and sale of gold to Banko Sentral Ng Pilipinas amounting to P22 million.

The results of operation of the Company's mining business are as follows:

	Three Months Ended 31-March. (In Millions)
Operating Revenue	34
Interest expense	55
Depreciation & amortization	6
Segment operating loss	35
Segment assets	783
The segments operating loss in third quarter 2005 is computed as follows:	
Operating revenue	34
Operating expenses	69
Segment operating loss	35
The segment operating income for sales of merchandise and services as follows:	
Operating revenue	31
Operating expenses	16
Segment operating loss	15

- viii. Subsequent Material Events - There were no material events subsequent to the end of first quarter of 2006 that have been reflected in the financial statements for the period.
- ix. Except for the Company's mining operation in Baguio District, which remained suspended since 1998 for Benguet Antamok Gold Operation and 1992 for Benguet Gold Operations, there were no changes in the composition of the Company, business combinations, acquisition or disposal of subsidiaries and long-term investments.
- x. For the first quarter this year, there were no substantial changes in contingent liabilities and contingent assets since 2004.
- xi. There were no material contingencies and any other events or transactions that materially affect the Company's financial condition and results of operations during the first quarter of 2006.

ANNEX “B”

PART III, PAR. (A)(2)(B) – MANAGEMENT’S DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Consolidated revenue declined to P65 million this quarter from operating revenues of P95 million in the same quarter of 2005. The decline was mainly due to lower sales of chromite to 1,611 DMT this quarter from 5,866 DMT for the same period last year.

Consolidated net loss for the 1st quarter of 2006 amounted to P20 million, lower than the net loss of P48 million for the same period last year. The lower net loss was mainly due to foreign exchange gain of P78 million booked this quarter compared to P29 million for the same quarter last year. The FX gain was due to appreciation of peso against the dollar to P51.284 from P54.062 at the end of 2005.

Mining

Mining as a group incurred a net loss of P35 million this quarter slightly lower compared with net losses of P39 million for the same period in 2005. The loss this quarter includes non-cash accrued interest expense, depreciation and amortization.

The Acupan Contract Mining Project (ACMP) continued its profitability. ACMP generated a net income of P4 million this quarter, higher than the P3.2 million income for the same period in 2005 due to strong price of gold. MCO, on the other hand, reported a break-even earnings this quarter compared to net losses of P3.7 million for the same quarter last year, while the Irisan Lime Project generated net income of P200 thousand this quarter, lower versus the net earnings of P1 million for the same period in 2005.

The Company is considering expanding production at its Acupan Gold property in view of strong gold prices. Acupan has an indicated underground mineral resource of 7 million ounces of gold. The Company is now conducting a feasibility study on the Acupan expansion.

Water Resource Development

The finalization of the 25-year supply contract with the Baguio Water District (BWD) is underway and the Company has formally engaged Deutsche Bank as financial advisor to assist in the financing of the US\$60 million project. The Company hopes to finalize and sign the bulk water supply contract with the BWD in the third quarter of this year.

Land Development

The Company’s Woodspark Rosario Subdivision sold 86 lots with an aggregate area of 13,629 square meters amounting to P21.6 million while the Benguet Mines Tourism Village continued to be an added attraction in Baguio City with 6,346 visitors this quarter, 33% higher compared for the same period last year.

Services

BMC Forestry Corporation (BFC) is currently fulfilling the requirements for final turnover of 100-hectares of planted areas to National Power Corporation (NPC). The project is a P3.931 million contract for the reforestation of open brushland at Bolo, Bobok, Bokod, Benguet. The reforestation contract generated an income of P284 thousand.

Benguet Laboratories reported net earnings of P223 thousand this quarter of 2005 compared to breakeven operations for the same quarter last year.

Arrow Freight Corporation (AFC), the logistics subsidiary of BMC, reported a net loss of P185 thousand this quarter, lower than the net loss of P1 million for the same quarter in 2005.

Benguettrade, Inc. (BTI), the trading subsidiary of BMC, incurred a net loss of P878 thousand, slightly lower than the P1 million loss for the same period last year.

FINANCIAL POSITION

For the three-months period this year, the Company continued to be in a cash tight situation. The Company will continue to dispose its non-performance assets, improve its production volume of gold and chromite products to generate adequate cash to meet its operating cash requirement. The Company foresees improvement in its cash flow for the second quarter this year, as the price of metals continued to rise and MCO continued to get order of chrome ore from Canada and Mexico.

Total assets of the Company stood at P3.2 billion this end of March 2006, almost the same in 2005.

Cash and cash equivalents slightly improved mainly from cash provided by operating activities.

Accounts receivable decrease to P117 million from P153 million mainly due to collection of advances to contract operation and chromite sales.

Inventories increase by 15% mainly due to increase in production of chromite this quarter. There was no significant amount of long-term contracts and there were no inventories pledged in indebtedness this year.

Mining exploration and project development costs slight decrease this year mainly due to write-off of exploration expenses at Zambales – Pangasinan Nickel Laterite Project.

Deferred Charges and other assets slightly increase by 8% mainly due to additional expenses on the company bulk water and small scale mining projects..

Accounts Payable and Accrued Expenses (mostly interest on loans) increased to P2.182 million from P2.072 million as of year-end 2005 mainly due to accrued interest on bank liabilities.

The outstanding bank loans slightly decreased mainly due to FX gain on the company's foreign currency-denominated borrowing due to peso appreciation against the dollar.

Accumulated translation adjustment decreased by 28% due to the adjustments of foreign investment transacted at current peso-to-dollar exchange rate.

Deficit as of March 2006 is P1.7 billion, almost the same in 2005. The Company's current liabilities exceeded its current assets by P3.6 billion in March 2005 and P3.5 billion in 2005.

FOR MORE DETAILED DISCUSSION ON THE COMPANY'S RESULTS OF OPERATIONS, PLEASE REFER TO THE COMPANY'S PRESIDENT REPORT FOR 2006 FIRST QUARTER REPORT-BENGUET CORPORATION AND SUBSIDIARIES, MARKED AS ANNEX "C" ON PAGES 14 TO 16.

Capital Resources

A comprehensive review of the Company's asset base has revealed an array of vastly undervalued holdings, which if recognized at their proper worth will indicate a brighter prospect for the Company's future. These assets are essentially mining properties whose true significance, estimated at P6 billion, is excluded from the Company books under generally accepted accounting principles. These assets include the King-king, Acupan and Ampucao prospects, the PGO mining rights, and several major pieces of mill and mine equipment among others.

Effect of Peso Depreciation

The peso to U.S. dollar exchange rate was P51.284 at the end of March 2006 from P54.062 and P56.341 at the end of 2005 and 2004, respectively. As of March 31, 2006, the Company had outstanding foreign currency borrowings amounting to about US\$19 million. The significant depreciation of the peso has substantially increased the outstanding balances of the Company's US dollar-denominated borrowings in terms of pesos resulting in substantial net foreign exchange losses. The volatility in the foreign currency exchange rates will continue to affect the operations in the foreseeable future.

Impact of Inflation and Changing Prices

Inflation significantly affects the Philippine economy. During the period under review, the Company believes that inflation has no material impact in its operation.

Effect of Other Current Economic Events

The current economic and political situation in the country plus the oil crisis may continue to affect the Company's operations in the foreseeable future.

It is not possible to determine the future effect a continuation of the current economic and political situation may have on the Company's liquidity and earnings, including the effect on transactions with the Company's customers and suppliers. The ultimate outcome of this matter cannot presently be determined. The financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements as they become known and available.

Below are the required information under Part III (A) Subparagraph (2)(a)(i) to (viii), as follows:

- (i) With the improvement in the operation of the Acupan Contract Mining Project, Irisan Lime Project and shipment of chromite products of the Masinloc Chromite Operation this quarter, will provide dependable cash flow.
- (ii) Except for the Company's outstanding bank loans, there were no material events that will trigger direct or contingent financial obligation to the company.
- (iii) The Company has no material off-balance sheet transactions, arrangements and obligations with unconsolidated entities or other persons created during the period.
- (iv) For the quarter in review, the Company has no material commitments for capital expenditures.
- (v) The Company anticipate that higher shipment tonnage of chromite products plus increase production of gold at the Acupan Contract Mining Project, will have a favorable impact on the Company's net sales and income.
- (vi) There were no significant income or loss that did not arise from the Company's continuing operations in the first quarter of this year.
- (vii) The causes for any material changes from period to period in one or more line items of the registrant's financial statements which shall include vertical and horizontal analysis of any material item.

Please refer to Financial Position portion of the Management's Discussion and Analysis marked as Annex "B" on pages 12 to 13.

- (viii) For the first quarter of 2006, there were no seasonal aspects that had a material effect on the financial condition or results of operation of the Company.

**2006
FIRST QUARTER REPORT
BENGUET CORPORATION
AND SUBSIDIARIES**

The continuing improvement in the price of gold and the appreciation of the Philippine peso impacted positively on the financial performance of Benguet Corporation for the first quarter of 2006. The Acupan Contract Mining Project (ACMP) improved its net earnings by 36% due to the favorable gold price, while your Company's forex gain on dollar loans was a significant step-up from the same quarter last year. The Masinloc Chromite Operation, Benguet Laboratories, Benguet Management Corporation and its subsidiaries Arrow Freight Corporation and Benguetrade likewise report improved performance from the same quarter last year.

Consolidated Results

Consolidated net loss this quarter amounted to P19,900,000 (US\$389,000) or P0.17 (US\$0.003) per share, lower than the loss of P48,400,000 (US\$883,000) or P0.42 (US\$0.008) per share in the same quarter of 2005. The loss reduction was attributable mainly to higher foreign exchange gain booked this quarter as compared that for the same period last year. The loss this quarter includes non-cash accrued interest expense, depreciation and amortization.

Operating revenues this quarter amounted to P65,300,000 (US\$1,273,000), lower than the P95,200,000 (US\$1,738,000) for the same quarter in 2005.

Mining Operations

The Masinloc Chromite Operation (MCO) reported break-even earnings of P8,000 (US\$156), a turnaround from the net loss of P3,700,000 (US\$68,000) for the same quarter in 2005. Sales volume for the quarter aggregated 1,611 tonnes, compared to 5,868 tonnes for the same quarter last year. The positive income performance was mainly due to higher average sales price of US\$143.50 per tonne against US\$97.12 per tonne for the same period last year.

The Acupan Contract Mining Project (ACMP) generated net earnings of P4,370,000 (US\$85,000) this quarter, 36% higher than the net earnings of P3,200,000 (US\$59,000) for the same period last year, despite the shortfall in gold production by 4% from 654 ounces to 628 ounces this quarter. The profit performance is due to improved price of gold and favorable peso-dollar exchange rate this quarter. ACMP milled 1,465 DMT of shared ore grading 14.52 grams of gold per tonne, compared to 1,218 DMT of ore grading 15.54 grams of gold per tonne for the same quarter in 2005.

The implementation of activities under the ACMP's 5-year Social Development Management Program has now attained 60% completion. Likewise, 97% of the approved 2005 Annual Environmental Protection and Enhancement Program (AEPEP) activities have been completed.

Your Company is considering expanding production at its Acupan Gold property in view of strong gold prices. Acupan has an indicated underground mineral resource of 7 million ounces of gold. The flooded underground will be de-watered either by pumping or through a drain tunnel if found economical. Your Company is now conducting a feasibility study on the Acupan rehabilitation.

Your Company's Irisan Lime Project (ILP) generated net earnings of P202,000 (US\$3,900) this quarter, lower compared with the net earnings of P1,000,000 (US\$19,000) for the same period in 2005.

Exploration, Research and Development

Citigroup, your Company's financial advisor for the Kingking project, continues to counsel your Company on how to optimize the potential of the copper gold prospect and to help identify the best partners to bring

it to commercial operations. Some 12 mining companies have registered their interest to develop the copper porphyry area of Kingking and your Company expects to come to a decision by the fourth quarter of 2006.

On January 2006, your Company signed a Memorandum of Agreement (MOA) with Bulawan Mineral Reserve Corporation (BMRC) for the assessment and transfer of Benguet Corporation's mining rights in Paracale, Camarines Norte to BMRC. During the option period, the maintenance of the mine site, including the tailings dam, will be under the responsibility of BMRC.

On February 2006, the application for a Mineral Production Sharing Agreement (MPSA) for your Company's Santa Cruz nickel laterite prospect in Zambales was approved by the Mines and Geosciences Bureau (MGB) under MPSA No. 225-2005-III. Your Company continues to discuss with foreign-based groups to determine the best method to explore and develop the nickel property.

Water Resource Development

For the Bulk Water Supply Project, the finalization of the 25-year supply contract with the Baguio Water District (BWD) is underway and your Company has formally engaged Deutsche Bank as financial advisor to assist in the financing of the US\$60 million project. This project is targeted to supply 50,000 cubic meters per day of potable water to Baguio City by mid-2008 and at the same time be a model of mine rehabilitation and alternative land use in the country.

Land Development

The application for extension of time to develop your Company's Woodspark Rosario subdivision in La Union has been favorably approved by the Housing and Land Use Regulatory Board (HLURB). Lot offerings have been extended to employees of the Department of Education and private corporations in Rosario, with the Pag-ibig loan facility now available to fund lot purchases and house construction. Total sales to-date is 86 lots with an aggregate area of 13,629 square meters amounting to P21.640 million. Cash collection was recorded at P1.574 million for this quarter and P15.105 million to-date derived from payments of reservation deposits, down payment and monthly buyer amortizations. The selling activity has improved BMC Forestry Corporation (BFC)'s net earnings by P240,000 this quarter, against a net loss of P336,000 for the same period last year.

During the first quarter 2006, visitor arrivals to the Benguet Mines Tourism Village (BMTV) in Balatoc reached 6,343, resulting in a 33% increase compared to the same period of the previous year. Despite higher revenues generated during the quarter, BMTV still reported a net loss of P297,314, although lower than the net loss of P453,510 for the same quarter in 2005. The loss was due to increased cost of materials and supplies and higher equipment maintenance charges. BMTV continued to promote with print and broadcast media, having been featured in The Manila Times, ABS-CBN Studio 23 Breakfast Show, and Bombo DZWX- Baguio. Promotional presentations were made before religious groups, companies, government agencies, schools, hotels and inns based in Baguio City and Metro Manila.

Services

Your Company is currently fulfilling the requirements for final turnover of 100 hectares of planted areas to National Power Corporation (NPC). The project is a P3.931 million contract for the reforestation of open brushland at Bolo, Bobok, Bokod, Benguet and has generated an income of P283,783 to-date.

Your Company's Benguet Laboratories (BL) generated net earnings of P223,000 compared to breakeven operations for the same quarter last year. The improved performance is on account of higher revenues coupled with lower operating costs. BL was a recipient of a special award from Texas Instruments Phils., Inc. (TIPI) for maintaining high standards of performance and providing outstanding support in helping TIPI achieve its 2005 Goals and Objectives.

Benguet Management Corporation

Benguet Management Corporation (BMC), a 100% owned subsidiary, and its subsidiaries, reported a consolidated net loss of P2,546,000 (US\$50,000) this quarter, from a loss of P3,886,000 (US\$71,000) in

the same quarter last year. The improvement is attributable to lower interest expense as a result of the debt settlement in 2005 of the P171 million term loan with creditor banks.

Benguetrade, Inc. (BTI), the trading subsidiary of BMC, incurred a net loss of P878,000, slightly lower than the net loss of P1,063,000 for the same period in 2005. The lower loss was achieved with the delivery of a boiler feed pump order of a sugar refinery and a sump pump order of a semiconductor firm. BTI continues to concentrate on orders that are self-financing.

Arrow Freight Corporation (AFC), the logistics subsidiary of BMC, incurred a net loss of P185,000, lower than the P677,000 net loss it suffered for the same period in 2005. This was mainly due to lower hauling revenue for the first two months of this year as most of AFC's clients conducted inventory and the demand for their products was relatively low. Market development remains the top priority of AFC while its service departments continue to implement cost-cutting measures.

Debt Repayment Plan

On June 11, 1999, your Company reached an agreement with its creditor-banks on the repayment of its outstanding loans. A Term Sheet was signed extending the maturity of your Company's loan up to June 30, 2000, with automatic renewal every anniversary up to the year 2002, upon payment of annual interest. Your Company was able to settle major portions of the interest due on June 30, 2000 through a combination of cash and Tax Credit Certificates (TCCs). For June 30, 2001 and June 30, 2002, your Company wrote the banks and offered to settle the annual interest due on 2001 and 2002. In its letter to the banks dated October 3, 2002, your Company requested for additional time to settle its obligations pending its formal entry into the Baguio Bulk Water Project.

As of March 31, 2006, your Parent Company's loans subject to the repayment plan amount to P1.7 billion (US\$33 million).

Asset Disposal

Your Company's asset disposal activities this quarter generated revenues of P2,300,000 from the sale of non-performing assets in the form of equipment, materials and supplies, and scrap.

Value Added Tax Claims

The Bureau of Internal Revenue and Department of Finance have so far favorably granted your Company tax credit certificates of P620 million (US\$12 million). As of March 31, 2006, the balance of your Company's claims awaiting administrative and judicial review for direct exports and gold sold to the BSP amount to P203 million (US\$4 million).

Outlook

The steady rise in the price of metals and the all-out support of the government for the mining industry has significantly improved the potential of your Company's mining properties. In the next few months, your Company will look more closely into the feasibility of expanding gold production at the Acupan property utilizing underground bulk mining methods. It will likewise narrow down its options on the Kingking copper porphyry with the end in mind of selecting a joint development partner by the 4th quarter of this year. On the water sector, your Company hopes to finalize and sign the bulk water supply contract with the Baguio Water District by 3rd quarter of this year.

BENJAMIN PHILIP G. ROMUALDEZ
President & Chief Executive Officer