



December 8, 2009

PHILIPPINE STOCK EXCHANGE, INC.
PSE Center, Exchange Road
Ortigas Center, Pasig City

Attention: Atty. Francis Ed Lim
President & CEO

Janet A. Encarnacion
Head, Disclosure Department

Gentlemen:

We write with regard to your December 8, 2009 letter received today, asking us to confirm or clarify the issues regarding NADECOR's allegations.

First, we need to establish the legal and factual premises. Under the Operating Agreement between BC and NADECOR dated August 21, 1981, BC is the Operator of the Kingking Project. In MPSA 009-92-XI dated April 29, 1992 and the Amended MPSA dated December 11, 2002 BC and NADECOR are both co-contractors of the government, with the distinction that BC assumed the role of the Operator while NADECOR is but a mere royalty holder. As to NADECOR's unilateral cancellation of the Operating Agreement on August 29, 2008, it is illegal and baseless. BC has opposed the cancellation of the Operating Agreement because, contrary to the allegations of NADECOR, it has performed and is performing its obligations under the Operating Agreement and the MPSA and the Amended MPSA.

Second, BC has confirmed today from the DENR-MGB that pursuant to NADECOR's petition to remove BC as Operator of the Kingking Project, a resolution has been issued by the DENR Secretary dated November 23, 2009 directing both parties to move the project forward in effect upholding BC as co-contractor/operator of the Kingking Project, thus effectively stopping NADECOR's illegal attempts to cancel the operatorship rights of BC.

Please note that by way of clarification, the following important points contained in the DENR order: that the DENR has confirmed that BC and NADECOR remained as "co-contractors" and has directed both parties to move the project forward. This means that the DENR confirms the continued validity and effectivity of the Operating Agreement, the MPSA and the Amended MPSA which are tripartite agreements between Government (DENR), BC and NADECOR. Thus it is obvious that NADECOR could not unilaterally cancel BC as Operator of the Kingking Project. Further, the order extends the exploration work program for two (2) more years starting November 1, 2009.

Viewed under the said premises, it seems convenient for NADECOR to simply cry foul and declare that they lack knowledge regarding BC's actions to move the Kingking project forward. Please note that, as early as April 2, 2009, NADECOR in its letter to BC noted that in the settlement discussions, BC has the option to fund and complete the Bankable Feasibility Study of the Kingking project. NADECOR confirmed the existence of this letter in another letter dated November 19, 2009. Hence it is quite clear that BC has the option to fund and complete the project.

As regards NADECOR's consent, it need not be obtained for BC to enter into the MOA with MinMetals under Article IV (A) of our Supplemental Agreement dated May 26, 1992 in relation to Sections 7.01 and 7.03 of the Operating Agreement dated August 21, 1981. Under the said Agreements, BC has the authority and discretion to enter into contracts, agreements, assignments, conveyances and understandings of any kind with reference to the exploration, development and equipping of the Kingking properties, without need of NADECOR's consent.

With BC's contract with MinMetals, the company is optimistic that it can move the Kingking project forward at the soonest time possible.

BC has no information as regards NADECOR's contract with Russell Mining as mentioned in the letter. Assuming it is true that NADECOR has dealings with Russell Mining, such contract is in violation of the MPSA, the Amended MPSA and existing agreements between BC and NADECOR, since it is an attempt by NADECOR to usurp the operatorship of the Kingking Project without the prior consent of BC and the Government.

We note that given the directive from the Office of the DENR Secretary, it seems that as NADECOR's attempt to take over the operatorship from BC has failed, BC remains fully vested with the authority and rights to operate the Kingking Copper-Gold Project as stipulated in its valid MPSA. BC confirms that NADECOR remains a party to the MPSA as co-contractor formerly leaseholder. BC will honor its contractual agreement with NADECOR insofar as its obligations to pay royalties as provided in the Operating Agreement/Supplemental Agreements between them.

We hope that the facts presented above clarify the issue.

Very truly yours,

BENGUET CORPORATION

By:


Atty. Reynaldo P. Mendoza
Asst. Corporate Secretary