

**MEMORANDUM OF UNDERSTANDING BETWEEN THE PHILIPPINE
NATIONAL RAILWAY AND BUMAR POLAND FOR THE SORSOGON
RAILROAD EXTENSION PROJECT**

This Memorandum of Understanding made and executed at Manila, Philippines on 6th day of July 2005 by and between;

PHILIPPINE NATIONAL RAILWAYS, a government corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office at Torres Bugallon Street, Caloocan City, Metro Manila, Philippines, represented herein by its General Manager, Mr. Jose Ma. I. Sarasola, fl hereinafter referred to as "PNR"

And

BUMAR Sp. Z o.o a corporation duly organized and existing under the laws of the Republic of Poland and having its principal place of business at 11 Al, Jana Pawla II, 00-828 Warszawa, Poland, in this matter represented by its President Mr. Roman Baczynski, hereinafter referred to as BUMAR.

WITNESSETH THAT:

Whereas, the Government of the Republic of the Philippines considers the implementation of rail based transport systems a critical component in addressing the transportation requirements of the riding and shipping public, and promoting trade and economic development particularly in the rural countryside;

Whereas the PNR believes that the upgrading of Main Line South to include the spur line to the Port of Pantao in Albay and its extension to Matnog, Sorsogon also known as the Sorsogon Railroad Extension Project (herein referred to as the "Project") will enhance the socio-economic development of the Bicol region and benefit inter-regional commuters and traders;

Whereas BUMAR is interested in participating in above mentioned project

Now therefore, in consideration of the premises and mutual covenant hereinafter contained, the parties hereto mutually agreed as follows:

1. PNR and BUMAR wish to collaborate closely on the realization of the Project.
2. Upon signing of this MOU the Parties hereto agree to take further steps in enhancing the above mentioned co-operation prospects and its objectives as follows:
 - BUMAR shall prepare a Feasibility Study on the Project at no cost to PNR
 - the PNR shall provide all available information as may be necessary for the conduct of the Study, allow access to the Project site and its operations, technical and financial records where such records may be