

To :

- BNP PARIBAS (SUISSE) SA
- ABN AMRO BANK N.V.
- GARANTIBANK INTERNATIONAL NV
- BANQUE CANTONALE VAUDOISE
- BANQUE CANTONALE DE GENÈVE

Re: Standstill Deed dated 30 March 2011 (as amended and restated) between Valars S.A., Valars Management Limited, Valars Limited, Valars Trade Limited and the Financial Institutions listed therein (the "**Standstill Deed**").

30 August 2011

## **1. Incorporation of Terms**

Terms defined in the Standstill Deed shall have the same meaning herein.

## **2. Background**

We refer to the Standstill Deed. According to clause 7.3 of the Standstill Deed, we have undertaken to repay all amounts outstanding under the Existing Facilities in full by no later than 31 August 2011.

Unfortunately, we are unable to meet our repayment obligations in full by this date. This is due to the fact that we currently have no option but to sell our grain on the domestic market due to the existence of various court decisions allowing third parties to make claims over our grain if exported. We are currently in the final stages of reaching an agreement with respect to these claims. This situation has directly affected our ability to make timely repayments according to the Standstill Deed due to the fact that the majority of our sales are typically to export markets.

Recently our trading process looks as follows: Valars local trading companies and Valinor local companies sell mainly their goods to Grain Force Ltd. (Cyprus). Mentioned company is not financed by any bank and operates basing on its own funds. All logistics charges are paid by the company itself even freight and selling expenses. Furthermore, according to Russian currency regulation Grain Force Ltd. is liable to return full revenues from the sales to the accounts of local companies. Consequently, Grain Force Ltd. is perfectly unable to repay its revenues directly from the accounts in Western banks to Valars SA's Creditors. First, the sales proceeds should be returned back to Russia and only after that can be transferred on Valars local companies' accounts and repaid to the Creditors. Regularly it takes 1-2 weeks after the date of shipment.

More serious obstacle the Group faces with port facilities quotes. Currently we're able to sell the materials only through the port of Taganrog. Its productivity is about 100 thousand tons per month. Today the quotes are split between 3 companies: Valinor (500 thousand tons of wheat), very famous Russian trading 3<sup>rd</sup> party company (who bought a lot of Valinor's materials – 100 thousand tons) and Valars itself (100 thousand tons). So, in order to sell Valars SA's materials quickly we should have the full quote in Taganrog for 1 month.

We do not request the releases of pledged materials before the repayments. Grain Force's and Valinor's own materials are used for sales in behalf of all companies. Valars' goods are stored under Creditor's supervision. During last 3 weeks we repaid USD 5,4M and did not receive the release for respective amount of materials yet. It makes the process more complicated.

However, we have settled the further quotes in Taganrog port facility and the entire turnover which will be shipped by Grain Force in September, 2011 will be used as a source of repayments to the Creditors. We do not request the preliminary releases for the materials sold by Grain Force in the international market but, indeed, we need the releases for those materials which have been paid already.

### **3. Proposed Terms**

We currently owe the Creditors an aggregate of USD 19,842,331. The distribution among the Creditors as of today's date is set out in Annex 1.

We propose the following repayment schedule:

- 31 August 2011 – USD 1,700,000;
- 9 September 2011 – USD 2,000,000;
- 20 September 2011 – USD 2,000,000;
- 3 October 2011 – USD 14,000,000;

### **4. Waiver of Termination Event**

We hereby kindly ask that the Creditors:

- waive the relevant Termination Event as a result of our non-performance of the repayment obligations referred to in clause 7.3.1; and
- agree that the Long Stop Date is deemed to be 1 October 2011,

on the condition that we make the repayment as set above.

### **5. Changes to Pledge Agreements and Standstill Agreement**

We have considered your request to make various changes to the Standstill Agreement and suggest that such amendments are made concurrently with the signing of this letter by the Creditors and the effecting of any consequential amendments to the Pledge Agreements.

If you agree to the terms of this letter, please sign where indicated below.

## ANNEX 1

	<b>30.08.2011</b>	<b>31.08.2011</b>
BANK	USD	USD
ABN	2 415 914	2 208 930
BCGE	1 673 936	1 530 521
BCV	2 575 288	2 354 649
BNP	9 487 160	8 674 344
Garanti	3 690 033	3 373 888
Total:	19 842 331	18 142 331

Yours faithfully,

**The Company**

**EXECUTED AS A DEED by  
VALARS SA**

acting by ..... and

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**EXECUTED AS A DEED by  
VALARS MANAGEMENT LIMITED)**

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**EXECUTED AS A DEED by  
VALARS LIMITED**

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**EXECUTED AS A DEED by  
VALARS TRADE LIMITED**

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**The Creditors**

**EXECUTED AS A DEED by  
BNP PARIBAS (SUISSE) SA**

acting by ..... and

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**EXECUTED AS A DEED by  
ABN AMRO BANK N.V.**

acting by ..... and

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**EXECUTED AS A DEED by  
GARANTIBANK  
INTERNATIONAL NV**

acting by ..... and

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BANQUE CANTONALE  
VAUDOISE**

acting by ..... and

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**EXECUTED AS A DEED by  
BANQUE CANTONALE DE  
GENÈVE**

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