

Stockholm, 29 July 2008

Varyag Resources AB (publ)

Varyag acquires forestry company in the Kachug region of Irkutsk province.

Varyag has entered into an agreement to acquire a Russian forestry company, ZAO Bamlesstroi. The total investment for Varyag, including follow-on investments, amounts to some RUB 158 million or SEK 40 million. The company is the leaseholder of a forest area with 233,000 m³ yearly cutting rights, with 198,000 m³ of softwood, covering an area of 231,554 hectares. The composition of tree species is larch 70%, cedar 10%, spruce 10% and aspen 10%. Follow-on investments will be in harvesting and transport equipment with a capacity to harvest some 242,000 m³ per year. The balance will be harvested on a contractual basis at Varyag's other local forestry portfolio companies, OOO Lesprom and Nebelsky LPH. The investment is done on a 50/50 basis with Vostok Nafta and is part of the plan to develop a listable forestry and sawmilling company, RusForest.

The intention is to commence harvesting in late 2008, initially selling harvested timber as roundwood to China, and subsequently to supply sawlogs to the Nebelsky LPH sawmill, which is expected to start sawmilling operations in January 2009. As a result of this transaction it will be possible to increase sawnwood production at the Nebelsky LPH sawmill by some 70,000m³ annually.

This transaction would bring RusForest's fully consolidated annual allowable cut to over 1.8 million m³ covering an area of some 1,000,000 hectares. The production capacity in the sawmills is being increased by new investments from 150,000 m³ to some 400,000 m³ within the next 12 months. Varyag has a 50% interest in RusForest with the other 50% being owned by Vostok Nafta. RusForest is currently Russia's 6th largest forestry company by harvesting volumes according to data collated by lesprom.ru.

For further information please contact:

Torbjorn Gunnarsson, CEO of Varyag Resources AB, tel +46 70 486 17 18

or

Alex Williams, Investment Manager, tel +7 495 787 5872

Varyag Resources is a private equity firm whose shares are traded on the First North list of Stockholm Stock Exchange. The business concept is to invest in, actively manage and dispose of investments mainly in unlisted companies in the natural resources sector in Russia and the Commonwealth of Independent States (CIS). Varyag Resources offers a unique investment opportunity for investors in the stock market. www.varyag.se