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Pressrelease

Varyag signs agreement to acquire sawmill in Krasnoyarsk.

Varyag Resources' Cyprus subsidiary has entered into two agreements to acquire 80% and subsequently 20% of the ordinary share capital of OOO "Bogouchanski LPK" (the Company) from two Russian individuals for a total consideration of RR 84 million. The Company's main asset is a sawmilling production facility located in the Bogouchan region of Krasnoyarsk. The facility is located on Southern bank of the Angara river (see map). The production facility was built by a Russian-Dutch joint venture in 1992 and has a design capacity of some 50,000 m³ of kiln dried sawnwood. The facility has been inoperative since 2000. Varyag's Investment Manager (Taiga Capital Limited) has identified a local partner who intends to acquire 25% of the share capital. The local partner together with the company's management will be responsible for reanimating the facility. Much of the Company's current equipment needs to be repaired or replaced. The budget for this work is provisionally some USD 8.5 million in equity financing. The final amount of equity funding will be determined once a definitive investment plan has been established. It is intended to increase the facility's production capacity up to 100,000 m³ of kiln dried sawnwood and to start production in Q4-2007.

The Government of the Russian Federation has announced punitive export duties on sawlogs. It is expected that these duties should create a large and low cost domestic market for sawlogs. This investment represents a low cost way to create a medium sized sawmilling business. The investment provides a natural extension to Varyag's existing harvesting and sawmilling assets in Ust Ilimsk and is consistent with the objective of building a listable Russian forestry company. Vostok Nafta has expressed an interest in pursuing this investment on a 50-50 basis with Varyag (subject to contract). As a result of the sale to the local shareholder and the planned partial sale to Vostok Nafta, Varyag's interest will be reduced to a net 37.5% interest.

The company does not currently own any forest leases or harvesting operations, however initial indications are that it will be possible to acquire such operations if the local market for sawlogs is not large enough to guarantee a steady supply to the sawmill. In addition, the regional administration intends to build a bridge across the Angara river adjacent to the sawmilling facility, the construction of this bridge will allow year round access to the vast

forest areas on the North bank of the Angara river. The facility is located less than 60 km from the nearest rail station at Karabula.



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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.