

## PRESSRELEASE

Stockholm, 20 November 2008

### Varyag Resources AB (publ)

#### INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2008

- Acquisition of 50% in the forestry company ZAO Bamlesstroi for some RUB 158 million (SEK 40 million), inclusive of follow-on capital expenditure. Bamlesstroi is a forest leaseholder with an annual allowable cut of 233,000 m<sup>3</sup>. The company is expected to start harvesting in 2009 and its sawlog output will be processed through the Nebelsky LPH sawmill which is projected to commence during 2009.
- Completion and commission of first stage gravel crusher at Russian Gravel Co.

After period end

- Sawmilling operations has started at the Bogouchanski sawmill. The sawmill's capacity is 100,000 m<sup>3</sup> of kiln dried sawnwood per year.
- Preliminary agreement has been reached to split the sawmilling joint venture in Nebelsky. The sawmill to be owned by RusForest and the forestry license to be owned by the Russian shareholders.

#### OPERATIONS

During the quarter, Varyag made follow-on investments in Russian Gravel Co amounting to RUB 92.2 million and in Nebelsky LPH amounting to RUB 75 million (with a further RUB 20 million after period end). The completion of both the Bogouchan sawmill and the first stage crusher at Russian Gravel Co mark two important operational milestones. The completion of this work has allowed us to turn investments made in late 2006 and early 2007 into real operating assets this year. The main sawmilling line in Bogouchanski LPH (Hew-Saw R-250) is state-of-the-art equipment, which will allow RusForest to combine a high quality local log supply with highly efficient sawmilling equipment. The resulting sawnwood is of a higher quality, produced at a lower cost than at RusForest's older facilities.

Similarly, the completion of the primary crusher represents a significant step towards the production and sale of aggregate at Belomorsk, which is expected to take place by year end. The secondary crusher is almost complete and the final step which needs to be taken is to obtain OAO Russian Railways' approval of the weighbridge that has been built at Russian Gravel Company's railhead. All work associated with the blasting, crushing and sale of gravel has been completed in earlier periods.

The commissioning of the sawmill and the primary crusher has received strong support from both Regional and Federal Government officials. The Bogouchan sawmill was officially opened in September by both the Minister of Natural Resources for the Krasnoyarsk Region, Mr. Gnezdilov, and the Head of the Bogouchan Region, Mr. Bahtin. The start-up of the primary crusher in Belomorsk was attended by the President of the Republic of Karelia, Mr. Katanandov, on 26th September 2008.

All of the forestry businesses in the Irkutsk Region have been negatively affected by an unusually rainy summer. This has meant that forest areas have been impassable for most of the period from May through to October. The poor weather conditions has meant that the volumes of stems transported from the forest to the sawmill have been around half of planned levels. In addition, the sawmill has used sawlogs of lower quality and the produced sawnwood has therefore been of poorer quality than envisaged in the plan. These developments have had a negative impact on cash flows. The forestry companies have therefore run down cash over this period which they will seek to make up for over the winter harvesting period.



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RusForest has not experienced the same fall in sawnwood demand that other sawmills have seen in Europe and all production volumes have been sold so far. An increasing share of sales is going to the Central Asian markets, which remain relatively buoyant.

### Investments

The table below provides a summary of Varyag's investments and commitments. In some cases not all of these capital commitments have been fully disbursed and therefore the figures do not exactly correspond with the investments in the balance sheet. The table does however provide an accurate view of Varyag's exposure to the various projects. As shown in the table Varyag is almost fully invested.

### Varyag's Investment Portfolio on 12 November 2008

Company	Sector	Equity ownership	Net investment <sup>1)</sup> committed SEK mln <sup>2)</sup> investment currency			Net investment % of share- holders equity
RusForest Limited <sup>3)</sup>	Forestry	50%	321,7	1 119,9	RUB	
TSLKK	Forestry	50%	32,6	113,8	RUB	
Bamlesstroi	Forestry	50%	45,3	157,8	RUB	
<b>Total forestry sector</b>			<b>399,6</b>	<b>1 391,5</b>	<b>RUB</b>	<b>66,1%</b>
Russian Gravel Company	Aggregates	81% (post conversion)	138,5	17,7	USD	
<b>Total for aggregate sector</b>			<b>138,5</b>	<b>17,7</b>		<b>22,9%</b>
Unal/AGK <sup>4)</sup>	Coal	50%	26,7	93,2	RUB	
Kartagonski	Coal	50%	8,5	29,7	RUB	
<b>Total coal sector</b>			<b>35,2</b>	<b>122,9</b>		<b>5,8%</b>
<b>Total investments plus binding commitments</b>			<b>573,3</b>			<b>94,8%</b>
<b>Varyag's shareholders' equity per 30 September 2008, mSEK</b>						<b>604,9</b>

#### Notes:

- 1) Net exposure, shares and loan, defined as capital commitment.
- 2) All USD amounts quoted for illustrative purposes only, at a fixed rate of SEK/USD of 7.84 and SEK/RUB 0.2868.
- 3) Through RusForest, varyag owns shares in PIK-89, PIK-2005, UI ZSI, Tuba-Les, Tubesprom, Bogouchanski, Lesprom, Nebelsky, PIK Filial No.2.
- 4) Unal is indirectly owned by Varyag through Abakanskaya Gornaya Kompaniya (AGK).

### Sector Developments

The international business cycle has deteriorated markedly during the third quarter. However, in relative terms, Varyag's assets are still well positioned, particularly in view of the fact that there is no significant bank debt at any of the portfolio companies. The portfolio companies' financial liabilities relate to various leasing obligations, which can be met out of operating cash flow.

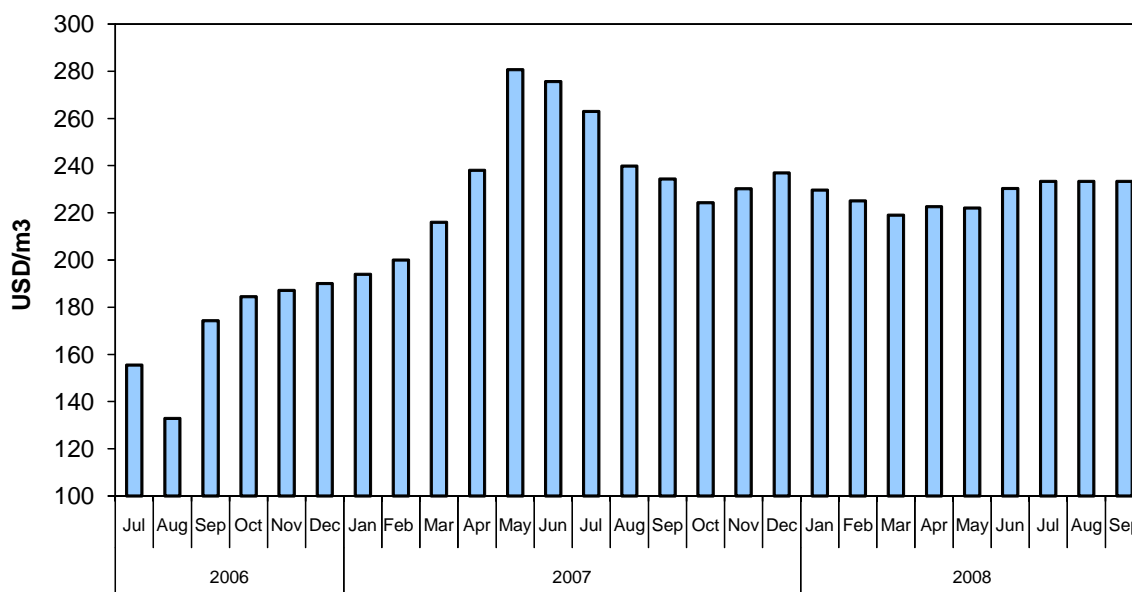
### Forestry

The forestry market is closely linked into the global business cycle and was one of the first sectors to go into recession. Sawnwood prices have been falling since May 2007. Following a sharp fall, prices have been relatively stable recently although the possibility of further downward price movements cannot be excluded. Having said that, growth remains strong in Central Asia and this has become an increasingly important market for RusForest. Starting from negligible sales at the beginning of the year, this region now accounts for around 40% of RusForest's total sales. The relative buoyancy in this area has provided some relief from the strong downturn in construction in Europe and the rest of the developed world.

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As mentioned in previous reports, the Russian Government was set to adopt prohibitively high export duties on roundwood (80%, or a minimum of EUR 50 per m<sup>3</sup>) in January 2009. Recent statements by Prime Minister Putin, suggest that the introduction of the higher tariffs will be postponed by nine to twelve months. This postponement is generally seen to be a conciliatory measure by Russia prior to the restart of negotiations for a potential cooperation agreement between the EU and Russia and Russia's WTO accession.

**Sawnwood prices Ust-Ilimsk ex-works export price plus railway charges to port, 2006 - 2008**

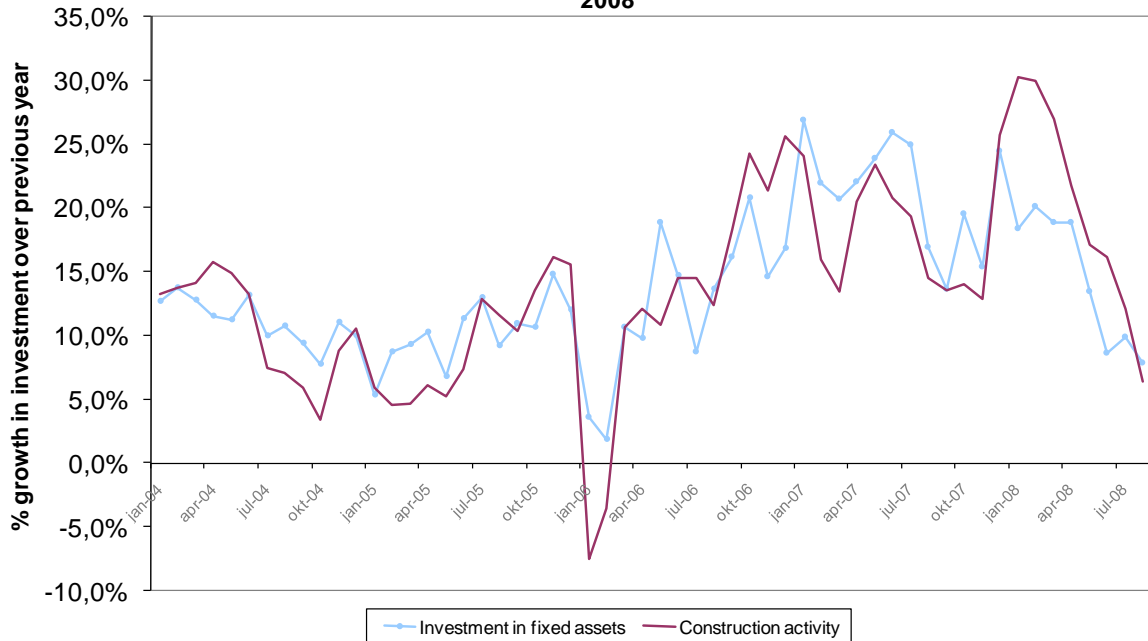


Source: PIK-2005 company

### Gravel

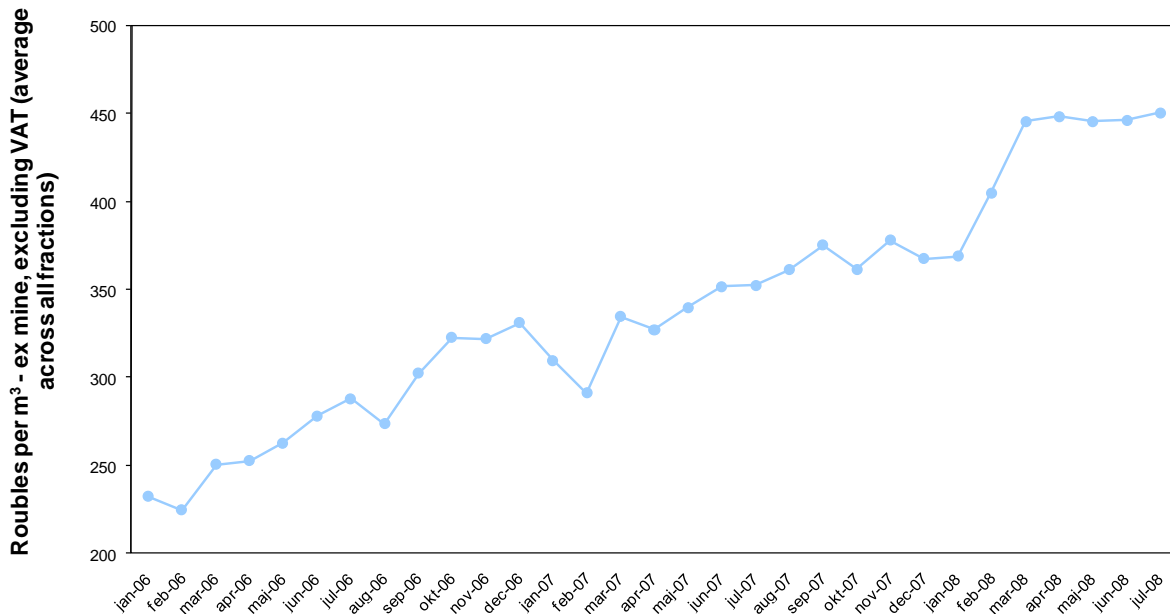
In terms of the gravel market, it is still too early to gauge what impact the slowdown in construction will have on gravel prices. The growth rate in the construction industry has been falling from around 30% at the start of 2008 to single digit levels in August and September. Based on anecdotal evidence it is probable that construction activity contracts further towards the end of the year. This has a negative effect on gravel prices in general. It is still expected that long term infrastructure building will continue in Russia once the financial markets have stabilised. In addition, gravel prices have increased over the past few years and the prices are now markedly higher than budgeted for when going into this investment.

Year on year growth in investment in fixed assets and construction activity to Aug 2008



Source: Rosstat - social economic conditions in Russia - August 2008

Gravel and Aggregates prices - Republic of Karelia 2006-2008 (source: Rosstat)



The fall in energy prices and in oil prices in particular, has had a positive impact for both the forestry businesses and for Russian Gravel Co in form of lower costs. Furthermore, the slightly weakening of the Rouble against the Dollar has a positive impact since many of RusForest’s sawnwood export sales are denominated in USD.

## DEVELOPMENT AT PORTFOLIO COMPANIES

### FORESTRY

#### RusForest

Varyag owns 50% of RusForest with the other 50% being owned by Vostok Nafta. All holdings of forestry companies will be transferred and consolidated into RusForest. Recent acquisitions of TSLKK and Bamlesstroi will bring RusForest's fully consolidated annual allowable cut to around 1.8 million m<sup>3</sup> covering an area of some 1,000,000 hectares. The production capacity in the sawmills is being increased by new investments from 150,000 m<sup>3</sup> to some 400,000 m<sup>3</sup> within the next year. RusForest is currently Russia's 6th largest forestry company by harvesting volumes according to data collated by lesprom.ru.

#### Produced volumes 9M 2008

		PIK-89 and PIK-2005	Tuba-Les	Tub-Lesprom	Lesprom	TSLKK	Bamlesstroi	100% Fully consolidated forestry assets
RusForest ownership interest (start of year)		80%	100%	100%	100%	100%	100%	
Annual Allowable Cut (AAC)	m <sup>3</sup>	734 700	318 000	139 000	117 000	112 400	233 000	1 654 100
Utilised AAC 9m2008	m <sup>3</sup>	272 393	75 049		40 697			388 139
Utilisation of AAC - % (adjusted)		49,4%	31,5%		46,4%	0,0%		46,9%
Sawnwood volumes	m <sup>3</sup>	76 434	11 472		3 497			91 403
Forest area	Hectares	436 033	187 722	70 038	30 988	48 695	231 554	1 005 030
Revenue (e)	USD mln	23,6	4,4	0,0	3,0			31,1
Net earnings	USD mln	(1,16)	(2,16)	(0,4)	(0,7)			(4,4)

Source: RusForest management accounting

Across the RusForest group actual results were below target according to the business plan. This can be partially attributed to a decrease in sawnwood USD export price in 2008, increased fuel costs and a reduced sawnwood export volume. This is due to a lack of sawlogs in May through to September because of unfavourable weather conditions, a decrease in sawnwood production and repair work of older sawmilling equipment.

The new Bogouchan sawmill has started operations and the new Nebelsky sawmill is expected to start during 2009.

Work is currently underway to turn RusForest into a fully functioning holding company. A full time CFO joined in May. In the meantime, the Management Company continues to coordinate the processes of;

- Auditing accounts for 2007 and 2008 prepared under IFRS;
- Arranging for re-registration of the various interests to RusForest;
- Recruiting a CEO for RusForest; and
- Negotiations with potential lenders.

Both the Bogouchan and Nebelsky sawmills need an element of debt funding. The costs of debt funding have gone up, whilst the availability of debt funding has fallen as a result of the ongoing turmoil in the credit markets. Accordingly, it has taken longer than expected to secure debt funding and the interest rates offered at the moment are 3-7% higher than what was expected in the beginning of 2008.

### **PIK-89**

The PIK Group could not meet the sawnwood production target in Q3-08. The warm and early spring has caused difficulties in bringing harvested timber out of the forest, leading to low sawlog stocks at the sawmills. The Company has purchased sawlogs from external sources, but there is a supply deficit in the market. The Company has developed emergency stock levels of 50,000 m3 to avoid the stock deficit issues in future periods.

### **Tuba-Les and Tubesprom**

The financial results continue to be below budget. This was mostly driven by external factors as sawnwood prices and increasing fuel costs as well as the breakdown of a feller. In September the Company was provided with a loan to purchase a new feller and skidders. A new team was hired to operate the Timberjack harvester which positively contributed to harvesting volumes.

The new production capacity for sawing thin logs was acquired in September. This will increase production and further sales by 2,000 m3 per month (approx. USD 450,000 per month). Further work needs to be done to reduce high fixed costs resulting from an excess of forest under lease and an excessive headcount.

Starting December 2008 all sales will be made via the new trading company RusForest Trading (wholly owned by RusForest Group), so Tuba-Les results will not be shared with the minority shareholder of PIK which was the case for 2007 and the first three quarters of 2008.

### **Boguchanski LPK**

The development program is proceeding according to plan. At the end of the quarter, 95% of the equipment was assembled and all construction work was completed. There are still some outstanding documentation issues; in particular the company is still awaiting permission from the local power utility to use the plant's full capacity. The permission is required in order to get the various government agencies to approve the sawmill's project document. The sawmill has been officially opened and production has started.

### **Nebelsky/RusForest Magistralny**

A new sawmill with a capacity of 100,000 m3 of dried sawnwood is under construction.

Effectively 1 November 2008, Nebelsky LPH will be split into a forestry business owned by the Russian Shareholders and a sawmill owned by RusForest. A new legal entity, RusForest Magistralny, will be established and all sawmilling related assets will be transferred there.

All materials needed for the construction of the sawmill have been bought and project work continued according to schedule. The sawmill is expected to begin production during 2009.

### **Lesprom**

Due to the unfavourable weather conditions, harvesting levels at the Company were 30% lower than planned. However, the Company took measures to buy in some volumes of stems from an outside contractor and extra volumes of lying timber from previous period were also transported out of the forest. The raw material was of a lower than expected quality, leading to lower than expected volumes of export-quality sawnwood.

### **TSLKK**

Varyag has acquired 50% of the Russian forestry company TSLKK. The total investment for Varyag, including follow-on investments, amounts to some RUB 129 million (SEK 32 million). The company is a holder of a license with 112,400 m3 yearly cutting rights, with 107,800 m3 of softwood, covering an area of 48,695 hectares. The composition of tree species is larch 50%, pine 25% and spruce 12%. Follow-on investments will be in harvesting and transport equipment with a capacity to harvest some 160,000 m3 per year. The balance will be harvested in areas where third parties sell "on the root

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timber". The investment is done on a 50/50 basis with Vostok Nafta.

The intention is to commence harvesting in 2009 and to supply the resulting sawlogs to the Boguchanski sawmill. As a result of this transaction around 45% of Boguchanski's total sawlog requirements will be met by supplies from TSLKK.

### **Bamlesstroi**

Varyag has closed a deal of acquisition of 50% of the forestry company ZAO Bamlesstroi in the Kachug region of the Irkutsk province. The total investment for Varyag, including follow-on investments, amounts to some RUB 158 million (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, Lesprom and RusForest Magistralny. The investment is done on a 50/50 basis with Vostok Nafta.

The intention is to commence harvesting and supply sawlogs to the RusForest Magistralny sawmill (former Nebelsky), which is expected to start sawmilling operations in the beginning of 2009. As a result of this transaction it will be possible to increase sawnwood production at the RusForest Magistralny sawmill by some 70,000 m3 annually.

### **AGGREGATES**

#### **Russian Gravel Company (Cyprus) Ltd**

Varyag Resources owns a 51% share of Russian Gravel Company (Cyprus) Ltd or 81% after conversion of convertible loans to shares. The portfolio company is the parent company to OOO Belomorsky Karyer, which is the licence holder of three large gabbro-diabase and granite deposits in Karelia in north-western Russia.

Varyag's investment in the development and exploitation of the Belomorsk quarry sites will allow OOO Belomorsky Karyer to achieve an annual sales volume of 1.7 million tonnes of marketable aggregates. The sites are well-situated for transport of finished product by rail onwards to end-users in the construction, road-building and concrete production industries. Over the period additional investments of approx. RUB 92 million (SEK 24 million) have been made into the Company in order to fund the purchase of materials, equipment, vehicles, and finance working capital needs.

At this stage, the primary crusher is already fully operational and is processing rock generated from blasts carried out in August and September. The primary crusher crushes rocks down to 0 to 200 millimetres, which is then taken to the secondary crusher for further crushing and sorting.

The secondary crusher is also nearing completion. The final step before selling final product is to obtain approval from OAO Russia Railways for the use of the weighbridge which has been built at Russian Gravel Co's railhead. This step is expected to be completed before the end of this year.

Although start-up has been delayed from January 2008, the buoyancy of the market for aggregates and the high sales prices for crushed stone products that are currently prevailing on the Russian market mean that these delays should have only a minor effect on the ultimate success of the project.

### **COAL**

#### **OOO AGK/ZAO PKF Unal**

Negotiations with the parties blocking the re-registration of Unal's fixed assets have not yielded any tangible results. Accordingly, the legal issues regarding the ownership of the fixed assets have not been solved. Varyag has entered negotiations regarding a disposal of the holding.

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### **Kartagonski**

As was mentioned in previous reports, Varyag has agreed to explore and delineate the Kartagonski coal field on a 50-50 basis together with OOO Nafta Metal, Varyag's joint venture partner in the Unal coal project. Varyag has committed some RUB 60 million (SEK 16 million) to cover the project's costs for 2008. Half of this amount has now been re-allocated to cover RusForest's investment in the new sawmill in Magistralny.

### **GROUP**

The portfolio companies in Varyag would normally have been reported in accordance with the equity method and/or the acquisition accounting method in the company's financial statements. The portfolio companies' financial statements and reporting are currently being converted from reports required by fiscal authorities to accounts that comply with internationally acceptable accounting practices. The portfolio companies also need to strengthen their control and follow-up procedures. The work on accounting and reporting routines, which started in 2007, is planned to be implemented per 31 December 2008. Since the portfolio companies' financial accounts do not comply with generally acceptable accounting practices, Varyag's investments have been reported at acquisition value in Varyag's consolidated balance sheet. The Board and the Management are of the opinion that these values are reasonable at this point in time. The investments' values will be assessed by impairment tests before year end.

### **RESULTS**

#### *Operating loss*

An operating loss of SEK 18.9 million was reported for the interim period 2008. Operating expenses relate primarily to management service expenses in Russia, amounting to SEK 12 million, and personnel costs of SEK 3 million of which SEK 0.6 million Board remuneration.

#### *Financial items*

Interest income for the interim period amounted to SEK 15.0 million. Exchange-rate losses amounted to SEK 11.1 million.

#### *Tax and profit after tax*

Group's losses after tax amounted to SEK 15.0 million for the interim period. Tax assets related to the accrued loss carry-forwards have not been reported.

### **INVESTMENTS, FINANCING AND LIQUIDITY**

#### *Investments*

Investments in portfolio companies amounted to SEK 217.3 million for the interim period, which mainly comprised acquisition costs and loans to portfolio companies

During the third quarter Varyag has acquired 50% in the forestry company ZAO Bamlesstroi for RUB 158 million (SEK 40 million) and inclusive of follow-on capital expenditure. The investment is made on 50/50 basis with Vostok Nafta.

#### *Cash and cash equivalents*

Cash and cash equivalents amounted to SEK 90.4 million on the balance-sheet date.

### **EVENTS AFTER PERIOD END**

Sawmilling operations has begun at the Bogouchanski sawmill. The capacity of the sawmill is 100,000 m<sup>3</sup> of kiln dried sawnwood per year. The sawlogs used for production will initially be obtained on the open market, but going forward around 45% of Bogouchanski's total sawlog requirements are going to be met by supplies from TSLKK, which also forms part of the RusForest Group.

## SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

Varyag's operations, financial position and earnings may be affected by a number of risk factors. One risk factor that may be considered significant is associated with the actual business focus of investing in unlisted companies in Russia and the rest of the CIS. A more detailed presentation of these risks can be found in the 2007 Annual Report on page 33.

## PARENT COMPANY JANUARY – SEPTEMBER 2008

Loss before taxes amounted to SEK 9.0 million for the interim period. The result includes exchange-rate losses of SEK 11.3 million and interest income of SEK 7.0 million.

The Parent Company's cash and cash equivalents amounted to SEK 68.1 million at the end of the period.

## NOMINATION COMMITTEE

The Nomination Committee comprises of Hans Hedström representing HQ Fonder, Per Josefsson representing Zenit, Per Brilliot from Vostok Nafta, Viking Kjellström from SEB-funds and Sven Hirdman, Chairman of the Varyag Board. The Nomination Committee can be contacted via email [info@varyag.se](mailto:info@varyag.se).

## SHARE DATA

The Varyag share is listed on the First North list of the Stockholm Stock Exchange. Trading is conducted under the ticker designation VARY and a trading lot comprises 100 shares. The number of shares outstanding amounts to 13,303,200. The turnover rate for the share during the period of January - September 2008 was approximately 19%. The average daily turnover was 9,531 shares, corresponding to approximately SEK 423,682. The average spread between the bid and the ask price was 2.01%.

After the period end Vostok Nafta Investment acquired approx. 10.8% of Varyag's shares and as a result has become Varyag's largest shareholder.

At the close of the period, the share price for Varyag was SEK 24.3, and its market capitalisation was approximately SEK 323 million. The number of shareholders was approximately 1,200.

## Major shareholders as of 30 September 2008

Shareholder	Number	Percentage
Vostok Nafta Investment 081104	1 434 880	10.8
Staffan Rasjö	1 329 100	10.0
Fonden Zenit	913 000	6.9
HQ Rysslandsfond	592 350	4.5
Dunross & Co AB	589 700	4.4
CS SEC (Europe) Ltd	547 500	4.1
SEB Östeuropafond	532 400	4.0
EFG Private Bank S.A.	420 000	3.2
SEB Private Bank S.A.	315 600	2.4
Per J Förvaltning AB	300 000	2.3
Others	6 328 670	47.6
Total	<b>13 303 200</b>	<b>100.0</b>

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## Consolidated income statement

<b>Amounts in SEK 000s</b>	<b>2008</b>	<b>2007</b>
	<b>1/1-30/09</b>	<b>1/1-30/09</b>
Other operating revenues	728	662
Other external costs	-16 539	-12 406
Personnel costs	-3 040	-2 633
Depreciation	-19	-21
<b>Operating loss</b>	<b>-18 870</b>	<b>-14 398</b>
Income interest and dividends from portfolio companies	14 975	8 492
Exchange-rate changes	-11 063	-3 865
<b>Profit/loss after financial items</b>	<b>-14 958</b>	<b>-9 771</b>
Tax for the period	0	-
<b>Profit/loss for the period</b>	<b>-14 958</b>	<b>-9 771</b>

## PER SHARE DATA

	<b>2008</b>	<b>2007</b>
	<b>30/09</b>	<b>30/09</b>
Earnings, SEK	-1,12	-1,10
Shareholders' equity, SEK	45,47	45,32
Share price, SEK	24,30	60,75

## NUMBER OF SHARES

	<b>2008</b>	<b>2007</b>
	<b>1/1-30/09</b>	<b>1/1-30/09</b>
Beginning of the period	13 303 200	8 868 800
End of period	13 303 200	8 868 800
Average number of shares	13 303 200	8 868 800

## Definition of key figures

### Earnings per share

Profit/loss after tax divided by weighted average number of shares.

### Shareholders' equity per share

Reported shareholders' equity in relation to the number of shares at the end of the period.

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## Consolidated balance sheet

<b>Amounts in SEK 000s</b>	<b>2008 30/09</b>	<b>2007 30/09</b>
<b>Assets</b>		
<i>Fixed assets</i>		
Equipment	78	101
Participations in portfolio companies	208 940	147 090
<b>Total fixed assets</b>	<b>209 018</b>	<b>147 191</b>
<i>Current assets</i>		
Other current receivables	299 401	177 405
Cash and bank balances	90 410	78 715
<b>Total current assets</b>	<b>398 516</b>	<b>256 120</b>
<b>Total assets</b>	<b>607 534</b>	<b>403 311</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	604 959	401 969
<b>Current liabilities</b>		
Current liabilities	528	347
Deferred income and accrues expenses	2 047	995
<b>Total shareholders' equity and liabilities</b>	<b>607 534</b>	<b>403 311</b>

## CHANGES IN SHAREHOLDERS' EQUITY

<b>Amounts in SEK 000s</b>	<b>2008 1/1-30/09</b>	<b>2007 1/1-30/09</b>
Opening shareholders' equity	595 106	412 991
Issue expenses	-390	-
Translation difference	25 201	-1 251
Net profit/loss for the period	-14 958	-9 771
<b>Shareholders' equity at end of period</b>	<b>604 959</b>	<b>401 969</b>

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## Consolidated cash flow statement

<b>Amounts in SEK 000s</b>	<b>2008</b>	<b>2007</b>
	<b>1/1-30/09</b>	<b>1/1-30/09</b>
Profit/loss after financial items	-14 958	-9 771
Adjustment for non-cash items, etc.	10 981	3 986
Paid income tax	0	
<b>Cash flow from operating activities before changes in working capital</b>	<b>-3 977</b>	<b>-5 785</b>
Cash flow changes in working capital	1 796	-3 171
<b>Cash flow from operating activities</b>	<b>-2 181</b>	<b>-8 956</b>
Investment in office fittings		-16
Investment in financial assets	-217 318	-224 344
<b>Cash flow from operating activities</b>	<b>-217 318</b>	<b>-224 360</b>
New share issues	-390	-
<b>Cash flow from financing activities</b>	<b>-390</b>	
<b>Cash flow during the period</b>	<b>-219 889</b>	<b>-233 316</b>
Cash and cash equivalents, beginning of period	318 095	316 100
Exchange-rate differences on cash and cash equivalents	-7 796	-4 069
<b>Cash and cash equivalents, period end</b>	<b>90 410</b>	<b>78 715</b>

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### Accounting principles

This interim report has been prepared in accordance with the requirements of Swedish Accounting Standards Board's BFNAR 2007:1 'Voluntary interim reporting'. These reporting principles which are applied in this report are stated in the Annual Report 2007. The reporting of portfolio companies is commented upon above under the section headed Group.

Stockholm, 20 November 2008

Varyag Resources AB (publ)

The Board

This interim report has not been subject to examination by the company's auditor.

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### FORTHCOMING INFORMATION

Year End Report 2008  
Interim Report Q1 2009

19 February 2009  
19 May 2009

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