

PRESSRELEASE

Stockholm, 21 February 2008

YEAR-END REPORT, 1 JANUARY – 31 DECEMBER 2007

Summary of developments for 2007 year

- Executed four transactions during the year and increased exposure to one existing investment during the year, bringing total exposure up to USD 40.4 million at the year end (SEK 283 million);
- Achieved a degree of scale in the forestry sector, with more than 1.4 million m3 of annual allowable cut (AAC) on a gross basis, of which 600 thousand m3 is net to Varyag;
- Made material progress towards consolidating the forestry assets, Rusforest;

Summary of developments since 30th September 2007

- Completion of rights issue, SEK 199.5 millions;
- Acquisition of 20% minority interests in Tuba-Les and Tublesprom, resulting in an increase in RusForest's forest holdings of 94.4 thousand m3 of AAC, of which 45.7 thousand m3 is net to Varyag;
- Legal challenge to the Unal bankruptcy process;

Events after period end

- Investment in PIK-89, SEK 11.8 millions, to increase capacity in sawmill with additional 50 000 m3 up to 150 000m3.

OPERATIONS

Varyag seeks to invest, actively manage and sell investments primarily in unlisted companies in the commodities sector in Russia and in the rest of the CIS. Varyag has a management agreement with Taiga Capital Ltd, which manages the company's investments.

Investments

During the course of the year, Varyag increased its exposure in all three of its target sectors, forestry, aggregates and coal. Varyag has now achieved a reasonable degree of scale in the forestry sector. The fully consolidated forestry holdings now have slightly over 1.4 million m3 of AAC, with a net 600 thousand m3 attributable to Varyag. The forestry assets include some 140 thousand m3 of existing sawmilling capacity, together with two development projects which are expected to add 200,000 m3 in sawmilling output in 2008 and early 2009.

In addition to the forestry projects, Varyag elected to increase its exposure to the gravel project by USD 1 million in order to fund incremental capital expenditure, which allowed a material increase in target output. This investment brings the total exposure on this project up to USD 10.8 million (SEK 75.7 million). Trial production is expected to begin during the first half year 2008. This investment has the potential to produce a significant net margin on the back of a strong market in construction materials in Russia.

Varyag entered the Unal coal project early in 2007 through the acquisition of the company's debt, whilst the company was in the initial stages of bankruptcy. The company clearly has a valuable asset in the form of a fully developed thermal coal reserve of 49 million tonnes (under the Russian reserve classification system). Varyag's initial investment, Stage 1 investment, is USD 2.9 million

PRESSRELEASE

(SEK 20.2 million), which gives a net 50% interest in this project, the other 50% being owned by our Russian partner Nafta Metal. The relatively low entry cost properly reflects the very significant legal risks associated with this project, namely uncertainty over the ownership of the company's assets and the resulting problems with the company's mining license. Having said that, there is clearly significant potential upside to this investment in the event that the legal uncertainties can be resolved. At this stage, these legal issues have yet to be settled. It is critical that these legal uncertainties are resolved in early 2008.

Varyag Investment Portfolio Summary

Company	Sector	Funding provided	Equity ownership	Net exposure ¹⁾		% of shareholders equity
				SEK mln ²⁾	USD mln	
RusForest Limited ³⁾	Forestry	Equity	50%	83,5	11,9	
Tuba-Les	Forestry	Loan	-	6,1	0,9	
Tublesprom	Forestry	Loan	-	0,6	0,1	
Bogouchanski	Forestry	Equity	50%	49,9	7,1	
Lesprom	Forestry	Equity	50%	10,5	1,5	
Nebelsky	Forestry	Equity	25%	33,5	4,8	
PIK Filial No.2 ⁴⁾	Forestry	Equity	25%	3,1	0,4	
Total forestry sector				187,2	26,7	31,5%
Russian Gravel Company	Aggregates	Equity plus convertible loan	81% (post conversion)	75,7	10,8	
Total for aggregate sector				75,7	10,8	12,7%
Unal/ AGK ⁵⁾ - Step 1	Coal	Equity plus loan	50%	20,2	2,9	
Total coal sector				20,2	2,9	3,4%
Total investments plus binding commitments per 31 December 2007				283,1	40,4	47,6%
Varyag's shareholders' equity per 31 Decemeber 2007, mSEK				595,1		

Notes:

1) Net exposure is defined as capital commitment, net of any funding which will be received from co-investors (Vostok Nafta in the forestry sector and Trans-Nafta in the coal sector) and repayment of bridge loans provided to the portfolio companies.

2) All USD amounts quoted for illustrative purposes only, at a fixed rate of SEK/USD of 7.0.

3) Through RusForest, varyag owns shares in PIK-89, PIK-2005, UI ZSI, Tuba-Les and Tublesprom.

4) PIK Filial No.2 is a rail terminal and forms a part of PIK-Group.

5) Unal is indirectly owned by Varyag through Abakanskaya Gornaya Kompaniya (AGK).

In addition to executing the transactions above, Varyag has a strong deal flow in its chosen sectors. These potential investments were described in the rights issue prospectus. In addition to executing transactions, there is a significant amount of restructuring related work at each of the portfolio companies. Key organisational tasks relate to;

- Legal restructuring in order to consolidate the ownership of the forestry assets;
- Introduction of proper planning, budgeting and management accounting processes at all of the portfolio companies;
- Transitioning from Russian Accounting Standards (RAS) to IFRS accounting; and
- Strengthening local management teams.

Progress has been made in these areas in 2007, legal agreements are in place which regulate the contribution of Varyag's assets into a new holding company, RusForest (Cyprus) Limited. The formal re-registration of holdings inside Russia will take place once Vostok Nafta obtains the relevant regulatory approvals. In addition, the transition to IFRS is underway.

Going into 2008, Varyag has a good asset base in three exciting sectors with positive market outlook and price appreciation potential.

PRESSRELEASE

THE PORTFOLIO COMPANIES

The information below is based on report from Varyag's Investment Manager.

FORESTRY

Summary of forest holdings

Company	Annual allowable cut (AAC) (gross)	Forest area (gross)	Varyag net equity entitlement	Annual allowable cut - net to Varyag	Forest area - net to Varyag
	m3	hectares	%	m3	hectares
PIK-89	629 000	345 150	40%	251 600	138 060
Tuba-Les	318 000	187 722	50%	159 000	93 861
Tublesprom	139 000	70 038	50%	69 500	35 019
Lesprom	117 000	30 988	50%	58 500	15 494
Nebelsky LPH	246 000	89 766	25%	61 500	22 442
Bogouchanski	-	-	50%	-	-
Total	1 449 000	723 664		600 100	304 876

PIK-89

PIK-89, which is based in Ust-Ilimsk (Russia), was founded in 1989 by a prominent Russian businessman, and built up from scratch into one of the largest harvesting and sawmilling operations in the Irkutsk Region. Varyag owns a 40 percent share in PIK-89, the parent company of a group with an annual allowable cut (AAC) of 629,000 m3 of roundwood per year on a consolidated basis, pursuant to 5 forest leases, all of which run for the maximum allowable period of 49 years and cover an area of 345,150 hectares in the Irkutsk Region and in the Evenkeya Autonomous Region.

The forest leases have a very high share of softwood (87 per cent) and 75 per cent of the lease areas consist of mature and over mature forests. The company harvests 406,400 m3 of its AAC. The company processes the majority of its sawlogs at its own three sawmills and one glued products factory, producing annually some 100,000 m3 of sawnwood and 1,800 m3 of finger joint and gluelam beams. Going forward plans include the expansion of PIK-89's sawmilling capacity up to around 150,000 m3 of dried sawnwood annually. Sawnwood export sales (through the PIK-2005 trading house) are principally to Japan, China, the Middle East, Central Asia and North Africa.

At the PIK-89 group of companies, progress remains good, with strong positive cash flows enabling an acceleration of the investment programme agreed at the Company, meaning that new harvesting equipment will arrive during Q1-08, going into service and impacting positively on 2008 harvesting volumes. Over 2007 the sales price for export-quality sawnwood rose from a low of near USD 194/m3 in January to a peak of around USD 280/m3 in May 2007, then dipping to around USD 235/m3 in December.

Over 2007 volumes of sales (in terms of m3 sold) on all positions were in line with planned levels, except for sales of export sawlogs, which were curtailed entirely from July 2007 onwards due to the increasing export tariffs on unprocessed timber making this sales channel less profitable. As regards volumes of sales in monetary terms, the increased sawnwood prices witnessed over the period contributed significantly to balancing out the revenue lost from the curtailment of export sawlog sales, and moving forward into 2008 the newly approved PIK expansion plan will enable increased sawmilling, thus not only providing a channel for the sawlogs that are no longer exported, but also moving them significantly up the value-added chain.

PRESSRELEASE

After the end of the period a decision has been made to invest in increased sawmill capacity, from some 100,000 m3 up to 150 000 m3 of sawnwood. Varyags share of this investment in PIK-89, 40%, amounts to RUB 44.8 millions or about SEK 11.8 millions.

Tuba-Les & Tubesprom

Tuba-Les is a harvesting and sawmilling operation located around 60 km from Ust-Ilimsk, by the village of Tuba, which previously formed part of the PIK-89 group. The annual allowable cut amounts to 318,000 m3, and sawmill production capacity amounts to some 26,000 m3 of kiln dried export quality sawn wood annually. Tuba-Les is the lessee of 4 forest leases with an annual allowable cut (AAC) of 318,000 m3, of which 70 per cent is softwood, covering an area of 187,722 hectares.

The portfolio company harvests some 290,000 m3 together with Tubesprom per year of its AAC. Tubesprom is a pure harvesting operation, and holds one large forest lease, which allows the company to harvest 139,000 m3 of roundwood (of which 109,000 m3 is softwood). The lease has an area of 70,038 hectares and includes 13.1 million m3 of reserve.

The company is essentially now part of Tuba-Les, for which it operates as an additional raw material base, providing a supply of high-quality logs to the Tuba-Les sawmill. Together, the lease areas of which Tuba-Les and Tubesprom are lessees are particularly attractive not only because of the high percentage of softwood, but also because of the low average distance from forest to sawmill of 50 kilometres.

In December 2007 a proposal by the Investment Manager to buy out the remaining 20% from the minority shareholders in Tuba-Les and Tubesprom was approved. These transactions have now taken place and Varyag's net interest in each company has therefore increased from 40% to 50%. The 20% minority share in Tuba-Les was bought from the minority shareholder for USD 0.98 million (USD 0.49 million or SEK 3.2 million net to Varyag), and the 20% minority share in Tubesprom was bought for USD 0.34 million (net Varyag USD 0.17 million or SEK 1.1 million).

The situation at the portfolio companies has stabilised following the negative impact of log diameter problems on summer harvesting volumes and subsequently on sawnwood output. The new management team that was put into place during the last quarter has significantly improved harvesting and sawing volume figures, while also effectively implementing a new plan signed in agreement with the Management Company. Tuba-Les still remains one of Varyag's best forestry assets, and the Management Company expects that Tuba-Les should and will be profitable in 2008 and moving forward.

OOO Nebelsky LPH

OOO Nebelsky LPH, of which Varyag is a 25 percent shareholder (net of Vostok Nafta's interest), is a Russian harvesting company with limited sawmilling activities located in the town of Magistralny in the Irkutsk region. The portfolio company's main assets are two forest leases covering an area of some 90,000 hectares, with total reserves of 16.92 million m3 and an annual allowable cut (AAC) of 246,000 m3. Current harvesting amounts to some 82 per cent of the AAC. There is a high concentration of mature softwood, predominately pine and larch in the company's forest area, allowing the portfolio company to produce high quality sawlogs. The portfolio company owns a lower landing facility of 10.5 hectares, including a small volume sawmill, situated on the main Baikal Amur (BAM) railway line, connecting east Siberia with the eastern seaboard and China.

Work is now underway on the construction of a new sawmill, which the portfolio company management expects to go into full production towards the end of 2008 or early 2009, producing up to 100,000 m3 of high-quality dried sawn wood for export. All preparations for the laying of foundations and the construction of the sawmill have been completed, and construction will start, following the end of the winter frosts in or around May 2008. The total equity funded cost for the sawmill is RUB 250 million (SEK 67 million) and any additional funding requirement is expected to be funded through debt financing (expected to be around USD 5 million).

PRESSRELEASE

OOO Lesprom

OOO Lesprom, of which Varyag owns 50 per cent, is a harvesting company with limited sawmilling activities located in Magistralny in the Irkutsk region. The portfolio company's main assets are two forest leases covering an area in excess of 30,000 hectares. Total reserves are 7.6 million m³, with an annual allowable cut (AAC) of 117,000 m³. Current harvesting amounts to approximately 68 per cent of the AAC. There is a high concentration of mature softwood, predominately pine and larch, allowing the company to produce high value-added sawn wood for export markets. The portfolio company owns a lower landing facility, 4.5 km of railways and a 2.7 km long railhead.

As is the case with Tubesprom and Tuba-Les, OOO Lesprom is seen very much as an operation in conjunction with OOO Nebelsky LPH, with both portfolio companies providing excellent raw materials for the sawmill currently under construction (see OOO Nebelsky LPH description above).

OOO Bogouchanski LPK

Varyag owns 50% of Bogouchanski LPK. The Company's main asset is a mothballed sawmilling production facility located in the Bogouchan region of Krasnoyarsk. The facility is located on the Southern bank of the Angara river. 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 output. The facility has been inoperative since 2000. Much of the Company's current equipment needs to be repaired or replaced; the initial budget for this work is provisionally some USD 16.2 million (SEK 105 million), with further funding required to cover working capital needs. The total equity exposure to fund the development programme is some USD 11 million (SEK 71 million), with the balance to be funded with debt. The initial cost for a 100% interest in OOO Bogouchanski LPK was RUB 84 million (SEK 22 million). It is intended to increase the facility's production capacity up to 100,000 m³ of kiln-dried sawnwood and to start production in mid 2008.

The development programme is proceeding in line with plan and most of the outdoor work which needed to be done was completed to schedule, and the management continue installing equipment over winter inside the existing heated buildings. The initial plan to commence sawnwood production around summer 2008 is on track, with a target expected output of 100,000m³ per year. The most important issue now is to obtain an investment loan in order to provide some debt funding to this project. Work has started on this initiative, however, given international bank crisis it is now very difficult to get project debt financing with acceptable terms.

Several forestry companies have expressed an interest in cooperating with OOO Bogouchanski LPK as sawlog producers prepare for the introduction of prohibitive export duties in 2008 and 2009. Under these circumstances, OOO Bogouchanski LPK appears to be ideally well situated with a very significant log-flow going effectively past the factory en route to the rail terminal at Karabula. The Management Company understand that both the Federal and Regional governments have approved the extension of the railway line to the town of Bogouchan and that building work has already commenced. The completion of this 40 kilometer line will greatly enhance Bogouchanski's infrastructure access.

AGGREGATES

Russian Gravel Company

Varyag owns a 51 per cent share of Russian Gravel Company (Cyprus) Ltd, or 81 per cent after conversion of convertible loans to shares. The portfolio company is the parent company to OOO Belomorsky Karyer, the licence holder for three large gabbro-dabase and granite deposits in Karelia in north-western Russia near the city of Belomorsk. Russian Gravel Company (Cyprus) Ltd also has a 25 per cent share in the operating Zolotukha quarry which produces 920,000 tonnes of sellable aggregate per year.

PRESSRELEASE

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. Work continues on preparing the company for production. Varyag has extended its investment in the project up to USD 10.8 million (SEK 75.7 million) and authorised the purchase of equipment which will allow production capacity to increase to 1.7 million tonnes of sellable aggregates per year.

The facility is expected to reach full capacity of 140,000 tonnes per month, during the second half of 2008. The sites are well-situated for transport of finished product by rail onwards to end-users in the booming construction, road-building and concrete production industries.

Progress on the project has thus far been delayed as a result of the time that it has taken to finalise a leasing agreement for the purchase equipment pushing back the date for quarrying to begin and also due to some management problems. However the buoyancy of the market for aggregates and the increased sales prices for crushed stone products have a positive impact on the success of the project.

COAL

ZAO PKF Unal

The Company, which operates the Yeniseiski mine in the town of Chernogorsk in the Republic of Hakasia (Siberia) was previously a leading underground coal mine during Soviet times, producing 1 million tonnes of thermal coal per annum with an average calorific quality of 5,000 kcal/kg. The Company previously held a mining license which runs until 2013, with 49 million tones of ABC₁ thermal coal reserves, of this amount 28 million tonnes are estimated as being currently recoverable. The Company conducts underground mining operations at a depth of some 127 meters using longwall mining, and the mine has a Russian safety level of 1, which is the lowest risk level in terms of gas accumulation. The mine has been out of operation since February 2006 following a localized fire.

Abakanskaya Gornaya Kompanaya (AGK), in which Varyag is a 50% shareholder won the 10th August auction of Unal's fixed assets and the auction price (RUB 44 million or about SEK 12 million) has been paid, and the documentation required to re-register the fixed assets in the name of AGK has been submitted.

Due to the fact that legal disputes over Unal's fixed assets have not yet been resolved, the capital expenditure programme has been delayed. On the business side, a considerable amount of work has been done on finalising the company's business plan and there is now a detailed work programme and investment programme. At this stage the Management Company is proceeding cautiously with the capital expenditure program until such times as Unal's fixed assets are properly re-registered. Further to various visits by the Management Company to the mine it appears that production can be restarted almost as soon as development funding is available. The Management of AGK have indicated that as soon as various legal issues can be satisfactorily resolved, production can commence with a target production volume of 0.34 million tonnes within 1 year of operation and moving up to the target of 1 million tonnes within 2.5 years. Initially unit costs at the mine will be relatively high until such time as it reaches full capacity. The management of AGK estimate that unit costs (including mining, washing, commercial costs and amortization and depreciation) will be USD 28.6 per tonne, falling to USD 14.3 per tonne in 2012.

The investment required to get the mine back into operation is some USD 20 million (SEK 130 million), of which AGK is expecting to raise USD 10.5 million (SEK 68 million) in debt funding, leaving some USD 9.5 million (SEK 62 million) to be funded by AGK's shareholders (USD 4.750 million or SEK 30.7 million net to Varyag). In order to enter this project, Varyag has spent some USD 2.54 million (SEK 17.9 million) in order to acquire Unal's creditors, create and fund AGK and pay various legal and other costs. Today, as a result of these investments AGK controls some 32,5 % of Unal's creditors.

PRESSRELEASE

There are significant legal risks associated with this project, namely uncertainty over the ownership of the company's assets and the resulting problems with the company's mining license. At this stage, the legal issues have yet to be settled. It is critical that these legal uncertainties are resolved in early 2008.

GROUP

In the consolidated balance sheet at 31 December 2007 and at 31 December 2006 (see page 21 and Note 9 in the Annual Report 2006), the associated companies are disclosed at acquisition value rather than in accordance with the equity method, because the portfolio companies' accounts have not yet been adapted to the requirements to which publicly listed companies are subject. Even majority owned companies are disclosed at acquisition value due to the same reason.

RESULTS

During the first half of 2006 no operations were conducted within the Group. Since the Group was formed during the second half of 2006, figures for the period January-December 2007 are not comparable with the period January-December 2006.

Operating loss

An operating loss of SEK 19.4 million was reported for the full year 2007. Operating expenses relate primarily to management service expenses in Russia, amounting to SEK 10.7 million, and personnel costs of SEK 3.6 million of which SEK 0.8 million Board remuneration. The level of actual expenses is in line with that which was anticipated.

Financial items

Interest income for the full year 2007 amounted to SEK 10.9 million and dividends from PIK Group were SEK 0.5 million. Exchange-rate losses amounted to SEK 7.7 million.

Tax and profit after tax

Group's tax comprises tax liability in the daughter company Varyag Finance Gmbh and 10% withholding tax in Russia on the dividends paid by the PIK Group.

The parent company has no reported tax expenses, due to loss carry-forwards from 2006. Parents company's result after tax amounted to SEK 1.2 million for the full year 2007.

Tax assets related to the accrued loss carry-forwards have not been reported.

INVESTMENTS, FINANCING AND LIQUIDITY

Investments

Investments in associated companies amounted to SEK 173.5 million for the period of January – December 2007, which mainly comprised acquisition costs and loans to associated companies. Acquisitions totalled approximately SEK 88.4 million in RusForest Group, SEK 13 million in OOO Bogouchanski LPK, SEK 10 million in OOO Lesprom, SEK 27 million in OOO Nebelsky LPH and SEK 21 million in Russian Gravel Company Ltd.

In December Varyag increased its share from 40% to 50% in Tuba-Les and Tubesprom. Minority ownership was acquired for USD 0.49 million (SEK 3.2 million) in Tuba-Les and for USD 0.17 million (SEK 1.1 million) in Tubesprom.

In December, Varyag increased its investment in OOO Nebelsky LPH by RUB 50 million (SEK 13.2 million) as a second step in the new emission of a total amount RUB 250 million (SEK 67 million). Vostok Nafta Investment pays back its share of 50% during the first quarter 2008.

During the fourth quarter, a loan for RUB 15.7 million (about SEK 4.1 million) was provided to OOO AGK. Total acquisition costs and loans net to Varyag (50% share) for the Unal coal project amount to SEK 17.9 million. The other 50% is owned by OOO Nafta Metal, co-investor in the coal sector.

PRESSRELEASE

Loans to OOO Bogouchanski LPK increased by RUB 46 million (SEK 12 million) and amounted to a total of RUB 115.5 million (about SEK 31 million) in order to finance an investment in sawmill equipment. This financing will be converted to equity through a new share issue in 2008.

Foreign exchange differences of USD 0.27 million (SEK 1.76 million) regarding earlier acquisitions in 2006 in the forestry sector effected the book value of PIK-89 Group. These foreign exchange differences arose between Vostok Nafta's initial acquisition costs of the forest companies in Rubles and the option agreement between Varyag and Vostok Nafta Investment in USD.

Vostok Nafta Investment Ltd receivables for paid co-investments in the forestry companies amounted to approximately SEK 10.9 million and shall be repaid in the first quarter 2008.

Financing

The rights issue provided the company with SEK 199.5 million before issue expenses and SEK 195.7 million after issue expenses. Total number of new shares issued amounted to 4,434,400 at an issue price of SEK 45 per share. Number of shares after the rights issue amounted to 13,303,200. Reported shareholders' equity at the close of the period was SEK 595.1 million, which corresponds to SEK 44.73 per share and an equity/assets ratio of 99.1 per cent.

Cash and cash equivalents

Cash and cash equivalents amounted to SEK 318.1 million on the balance-sheet date.

EVENTS AFTER PERIOD END

Since the period end Varyag has decided to make an additional investment of RUB 44.8 million (approximately SEK 11.8 million) in OOO PIK-89 (RusForest Group) to increase sawmilling capacity to 150,000 m³ of sawnwood per year.

PARENT COMPANY JANUARY – DECEMBER 2007

Profit before taxes for the full year 2007 amounted to SEK 1.2 million. The result includes exchange-rate losses of SEK 1.8 million and interest income of SEK 5.8 million.

The Parent Company's cash and cash equivalents amounted to SEK 314.4 million at the end of the period.

ORGANISATION

The Board of Directors consists of the Chairman Sven Hirdman, and members Agneta Dreber, Johan Hessius, Pia Rudengren, Johan Unger and Torbjörn Gunnarsson. Torbjörn Gunnarsson is also the company's Chief Executive Officer. Nadja Borisova is the company's CFO. Varyag Resources has a management agreement with Taiga Capital Ltd, which manages the company's investments.

NOMINATION COMMITTEE

The Nomination Committee comprises Hans Hedström representing HQ Fonder, who is the convenor, Per Josefsson representing Zenit, Peter Lind representing AB Landå, and Sven Hirdman, Chairman of the Varyag Board. The Nomination Committee can be contacted via email 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 - December 2007 was approximately 43 per cent. The average daily turnover was 15,685 shares, corresponding to approximately SEK 930,000. The average spread between the bid and the ask price was 1.45 per cent.

PRESSRELEASE

At the close of the period, the share price for Varyag was SEK 53, and its market capitalisation was approximately SEK 705 million. The number of shareholders was approximately 1,250.

Major shareholders as of 25 January 2008

Shareholder	Number	Percentage
AB Landå	1 500 000	11,3
Staffan Rasjö	1 241 600	9,3
Fonden Zenit	900 000	6,8
Dunross & Co AB	599 700	4,5
HQ Rysslandsfond	592 350	4,5
CS SEC (Europé) Ltd	541 000	4,1
SEB Östeuropafond	476 800	3,6
EFG Private Bank SA	420 000	3,2
Svenska Handelsbanken S.A.	370 400	2,8
Caceis Bank Luxembourg	350 500	2,6
Others	6 310 850	47,4
Total	13 303 200	100,0

DIVIDEND

The Board proposes that the Annual General Meeting resolve to pay no dividend for the fiscal year.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 12 June 2008 at 15.00 p.m. at Salén Konferens & Matsalar, Forum, Norrlandsgatan 15, Stockholm.

Consolidated income statement

Amounts in SEK 000s	2007	2006
	1/1-31/12	1/1-31/12
Other operating revenues	903	71
Other external costs	-16 677	-6 968
Personnel costs	-3 607	-1 377
Depreciation	-25	-14
Operating loss	-19 406	-8 288
Income interest and dividends from associated companies	11 358	4 828
Exchange-rate changes	-7 688	-9 042
Profit/loss after financial items	-15 736	-12 502
Tax for the period	-61	-
Profit/loss for the period	-15 797	-12 502

PER SHARE DATA

	2007	2006
	31/12	31/12
Earnings, SEK	-1,77	-4,16
Shareholders' equity, SEK	44,73	46,57
Share price, SEK	53,00	57,25

NUMBER OF SHARES

	2007	2006
	1/1-31/12	1/1-31/12
Beginning of the period	8 868 800	1 000
End of period	13 303 200 *	8 868 800
Average number of shares	8 929 545	3 006 061

* **Number of shares at the end of period** refers to all shares after the right issue including 81 750 shares which were not registered at the balance sheet date.

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.

Note: During the first half of 2006 no operations were conducted within the Group. Since the Group was formed during the second half of 2006, figures for the period January-December 2007 are not comparable with the period January-December 2006.

Consolidated balance sheet

	2007	2006
Amounts in SEK 000s	31/12	31/12
Assets		
<i>Fixed assets</i>		
Equipment	97	106
Participations in associated companies	171 346	77 786
Total fixed assets	171 443	77 892
<i>Current assets</i>		
Bridging loan	97 550	14 477
Other current receivables	11 923	300
Prepaid expenses and accrued income	1 601	6 283
Cash and bank balances	318 095	316 100
Total current assets	429 169	337 160
Total assets	600 612	415 052
Shareholders' equity and liabilities		
Shareholders' equity	595 106	412 991
Interest-free liabilities	5 506	2 061
Total shareholders' equity and liabilities	600 612	415 052

CHANGES IN SHAREHOLDERS' EQUITY

	2007	2006
Amounts in SEK 000s	1/1-31/12	1/1-31/12
Opening shareholders' equity	412 991	100
New share issues *	199 548	441 340
Issue expenses	-3 872	-15 869
Unconditional shareholder contribution		2 000
Translation difference	2 236	-2 078
Net profit/loss for the period	-15 796	-12 502
Shareholders' equity at end of period	595 106	412 991

* 81 750 shares which correspond to SEK 3 678 750 kronor were registered in January 2008

Consolidated cash flow statement

Amounts in SEK 000s	2007 1/1-31/12	2006 1/1-31/12
Profit/loss after financial items	-15 736	-12 502
Adjustment for non-cash items, etc.	7 713	9 056
Paid income tax	-61	
Cash flow from operating activities before changes in working capital	-8 084	-3 446
Cash flow changes in working capital	-4 462	-4 395
Cash flow from operating activities	-12 546	-7 841
Investment in office fittings	-16	-110
Investment in financial assets	-173 454	-94 474
Cash flow from operating activities	-173 470	-94 584
New share issues	195 676	425 471
Shareholder contribution		2 000
Cash flow from financing activities	195 676	427 471
Cash flow during the period	9 660	325 046
Cash and cash equivalents, beginning of period	316 100	-
Exchange-rate differences on cash and cash equivalents	-7 665	-8 946
Cash and cash equivalents, period end	318 095	316 100

PRESSRELEASE

Accounting principles

This year-end report has been prepared in accordance with the accounting principles presented in the annual report for 2006. The reporting of associated companies is commented upon above under the section headed Group.

Stockholm, 21 February 2008

Varyag Resources AB (publ)

The Board

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

FOR FURTHER INFORMATION, PLEASE CONTACT:

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FORTHCOMING INFORMATION

Interim report January-March 2008	22 May 2008
Annual General Meeting	12 June 2008
Interim report January-June 2008	28 August 2008
Interim report January-September 2008	20 November 2008

Annual report will be available to shareholders at the company's office when notice to AGM is announced.

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