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Stockholm, August 31st, 2006

Varyag Resources exercise a call option regarding three Russian forestry companies

Varyag Resources has decided to exercise the Call Option agreement with Vostok Nafta regarding three Russian forestry enterprises. Pursuant to the exercise notice, Varyag will acquire 40 percent of three forestry enterprises, PIK-89, Tubales and Tubalesprom, located in Ust Ilimsk for a total consideration of 10.9 million USD.

The companies combined annual allowance cut of round wood amounts to about 1 million cubic meters and the annual harvesting to some 750,000 m3. The acquisition includes three sawmills with an output of some 120,000 m3 annually.

Regarding the other investments included in the Vostok Nafta call option agreement, Varyag Resources has agreed with Vostok Nafta that Varyag will pursue the Russkaya Gornaya Kompaniya aggregate project on its own. Varyag Resources is currently finalizing an agreement.

Varyag Resources continue the discussions with Trans-Nafta in order to provide funding for development of Trans-Nafta's upstream gas business.

Further work on the Iskra coal project has been suspended until Iskra's coal mining and exploration license is resolved to the company's satisfaction.

Varyag Resources will publish its first interim report, as a listed company, on the 20th of November, for the period 1 January - 30 September 2006.

For further information, please contact:

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Varyag Resources is a private equity firm whose shares will be traded on the First North list of Stockholmsbörsen. The Company's overall objective is to provide shareholders with a good total return. Its business concept is to invest in, actively manage and dispose of investments mainly in unlisted companies in the commodities sector in Russia and the Commonwealth of Independent States (CIS). Varyag Resources offers a unique investment opportunity for investors in the stock market.