

For Immediate Release
Calgary, Alberta

Wednesday, July 26, 2006
TSXV Trading Symbol: SAA.A
SAA.B
15,651,568 Class A Shares
1,044,000 Class B Shares

SOLARA EXPLORATION ENTERS INTO ACQUISITION AGREEMENT

CALGARY, ALBERTA, July 26, 2006 – Solara Exploration Ltd. (“Solara”) is pleased to announce that it has executed a formal amalgamation agreement to acquire a privately owned company (the “Company”) with oil and gas properties in Alberta (the “Transaction”). In the Transaction, Solara will acquire all of the outstanding common shares of the Company by exchanging one (1) Solara Class A Share for every 2.75 common shares of the Company. Under the terms of the Transaction, Solara will issue a total of 2,650,280 Class A Shares at a deemed value of \$1.30 per share with a hold period until November 1, 2006 to the shareholders of the Company. The share exchange ratio was predicated on the relative corporate net asset valuations of the two companies based on management estimates. Shareholders of the Company will be asked to approve the Transaction at a special meeting to be held before August 31, 2006. In addition, the Transaction will require the approval the TSX Venture Exchange and certain regulatory authorities. The Company has agreed to pay Solara a non-completion fee in certain circumstances if the Transaction is not finalized. It has also agreed not to solicit or initiate discussions or negotiations with any third party with respect to alternate transactions. Closing is expected to occur prior to August 31, 2006.

Solara undertook an independent audit of the Company’s oil and gas reserves by GLJ Petroleum Consultants indicating a value of \$1.3 MM utilizing a discount rate of 8% effective April 30, 2006. As well, the Company has current estimated working capital of \$1.3 MM, net daily production of approximately 30 barrels of oil equivalent per day and undeveloped lands in Alberta. The board of directors of Solara is pleased with the prospective acquisition which is expected to provide additional opportunities for growth in oil and gas production and reserves in the near term. Upon closing, Solara will provide more information on the acquisition.

The directors of the Company have approved the Transaction. In addition, the directors of the Company have concluded that the Transaction is fair and in the best interests of its shareholders and has agreed to recommend that its shareholders vote in favour of the Transaction. Certain directors, officers, employees and consultants of the Company holding in excess of 30% of the outstanding common shares have entered into lock-up agreements with Solara whereby such persons will vote their common shares in favour of the Transaction.

Solara Exploration is an emerging junior oil and gas company focused on the exploration, development and acquisition of oil and natural gas in western Canada.

For further information please contact:

Donald R. Holding, President and Chief Executive Officer
Solara Exploration Ltd.

1810, 444 - 5th Avenue S.W.

Calgary, Alberta T2P 2T8

Telephone: (403) 537-0458

Facsimile: (403) 537-0462

Email: don_solaraexploration@shaw.ca

ADVISORY:

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.

Certain information regarding Solara including management's assessment of future plans and operations, may constitute forward-looking statements under applicable securities laws and necessarily involve risks associated with oil and gas exploration, production, marketing and transportation such as loss of market, volatility of prices, currency fluctuations, imprecision of reserve estimates, environment risks, competition from other producers and ability to assess sufficient capital from internal and external sources. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements.