

For Immediate Release  
Calgary, Alberta

Friday, September 1, 2006  
TSXV Trading Symbol: SAA.A  
SAA.B  
18,046,778 Class A Shares  
1,044,000 Class B Shares

## **SOLARA EXPLORATION ANNOUNCES SECOND QUARTER 2006 FINANCIAL AND OPERATING RESULTS**

CALGARY, ALBERTA, September 1, 2006 - Solara Exploration Ltd. ("Solara" or the "Company") is pleased to announce its unaudited consolidated financial and operating results for the second quarter of 2006.

### **Highlights**

- **Participated in the drilling of 23 wells for three oil, 16 gas and four dry and abandoned wells during the first half of the year**
- **Completed the acquisition of a privately owned oil and gas company producing 105 BOE/D comprised mostly of oil**
- **Negotiated the acquisition of a private oil and gas company producing 30 BOE/D with an estimated working capital of \$1,250,000**
- **Exited the quarter with 135 BOE/D in daily oil and gas production**
- **Cash flow from operations was \$166,086 for the three months ended June 30, 2006**

### **Overview**

We are pleased to report that Solara made several important strides during the six months ended June 30, 2006. Through a combination of drilling activities and the completion of a corporate acquisition in May, the Company has increased its daily oil and gas production and reserves. Solara participated in the drilling of 23 wells resulting in three oil, 16 gas and four dry and abandoned wells during the period. The Company's production will continue to increase once various tie-in activities are completed for wells drilled during the six month period. In June, Solara entered into negotiations to acquire another privately owned oil and gas company which resulted in the execution of an amalgamation agreement on July 25, 2006. The private company produces approximately 30 BOE/D, has \$1,250,000 in estimated working capital and drilling prospects on undeveloped lands in Alberta. The transaction closed on August 31, 2006 and the Company issued 2,650,280 Solara class A shares valued at a \$1.30 per share to the shareholders of the acquired company. Immediately subsequent to the end of the quarter, Solara completed a convertible debenture financing raising \$2,756,000.

### **Financial Review**

As at June 30, 2006, Solara reported working capital of \$4,204,900. Working capital decreased primarily as a result of capital activities and the acquisition of the private company in May. During the period, the Company had oil and gas production revenue of \$664,604 and a net loss (before income taxes) of \$251,674. Oil and gas revenue increased during the second quarter as a result of the acquisition of 105 BOE/D in May and production from new wells. Oil and gas revenue for the second quarter was \$536,628 compared to \$28,802 in the prior period of 2005. Solara has filed its unaudited consolidated financial statements and management discussion and analysis for the six months ended June 30, 2006 with the Canadian securities regulatory authorities on SEDAR. This information may be accessed electronically at [www.sedar.com](http://www.sedar.com).

The following table summarizes the unaudited consolidated financial and operating results for the six month period ended June 30, 2006 with the comparable periods in 2005.

<b>Financial Highlights</b>	<b>Three months ended June 30, 2006</b>	<b>Three months ended June 30, 2005</b>	<b>Six months ended June 30, 2006</b>	<b>Six months ended June 30, 2005</b>
Production - Oil bbls/d	71.2	-	40.7	-
- Gas mcf/d	199.2	48.9	142.2	24.5
- BOE/D	104.4	8	64.4	4
Revenues, net after royalties	\$ 474,646	25,302	586,675	25,734
Operating expenses	(134,516)	(9,289)	(172,569)	(9,289)
Cash flow from field operations	340,130	16,013	414,106	16,445
Net back \$/BOE	\$ 35.94	21.64	\$ 35.75	22.22
Interest income	56,218	1,208	126,234	1,243
General and administrative expenses	(130,890)	(65,090)	(259,689)	(91,382)
Interest expense and financing costs	(99,372)	-	(179,386)	(15,389)
Cash flow	166,086	(47,869)	101,265	(89,083)
Cash flow per share	0.01	(0.02)	0.01	(0.03)
Loss	(63,398)	(24,068)	(529,872)	(49,777)
Loss per share	(0.01)	(0.01)	(0.03)	(0.02)
Weighted average class A shares – basic (000's)	16,883	3,091	15,896	2,932
<b>Source and Use of Funds</b>	<b>Three months ended June 30, 2006</b>	<b>Three months ended June 30, 2005</b>	<b>Six months ended June 30, 2006</b>	<b>Six months ended June 30, 2005</b>
Issuance of shares, net of costs	\$ (298,549)	\$ 620,285	\$ (301,875)	\$ 820,785
Funds provided (used) by operations	166,086	(47,869)	101,265	(89,083)
Change in non-cash working capital	474,779	(82,252)	487,423	(19,694)
	342,316	490,164	286,813	712,008
Additions to property and equipment	(1,084,817)	(152,237)	(3,055,519)	(250,143)
Cash used to acquire Dagur Resources Inc.	(4,302,765)	-	(4,302,765)	-
	(5,387,582)	(152,237)	(7,358,284)	(250,143)
Increase (decrease) in cash	(5,045,266)	337,927	(7,071,471)	461,865

## Operations Review

Solara participated in the drilling of 16 gas wells in the Peace River Arch, Birch Wavy and Majorville areas of Alberta during the six month period. Three of these wells were placed on production during the period with more wells planned to be tied-in for production during the balance of 2006. The Company participated in the drilling of three oil wells and four dry and abandoned wells. Production for the six month period ended June 30, 2006 averaged approximated 64 BOE/D increasing to 104 BOE/D in the second quarter. Solara exited the quarter with estimated daily production of 135 BOE/D. At the time of this news release, Solara estimated daily production was 220 BOE/D as a result of the recent tie-in of several working interest gas wells. Additional gas wells are awaiting completion of tie-in activities. Operating expenses for the six month period were \$172,569 or \$14.90/BOE. With higher production in the second quarter, operating expenses were \$134,516 or \$14.21/BOE. Selling prices for oil and natural gas marketed during the period averaged \$61.69/bbl and \$7.16/mcf respectively. The average selling price per barrel of oil equivalent (BOE) sold during the six month period was \$55.20. Net operating revenues after royalties and operating expenses were \$540,340 for the six months and \$396,348 for the second quarter ended June 30, 2006.

## Outlook

Solara has added a total of approximately \$4,000,000 in working capital since the end of June with the recent completion of a convertible debenture financing raising \$2,756,000 and the acquisition of a private company with \$1,250,000 in working capital. The Company is currently producing an estimated 220 BOE/D and expects its production to be in excess of 350 BOE/D by October, 2006 upon the completion of various tie-ins of gas wells. Solara has recently committed \$2,500,000 to a joint venture exploration program involving the drilling of five wells in west central Alberta. An additional six wells are planned to be drilled over the next three months. The Company continues to evaluate drilling opportunities, asset and corporate acquisitions which may increase its production and reserves in the near term.

Solara Exploration Ltd. 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.**

1800, 444 - 5th Avenue S.W.

Calgary, Alberta T2P 2T8

Telephone: (403) 537-0458

Facsimile: (403) 537-0462

Email: [don\\_solaraexploration@shaw.ca](mailto:don_solaraexploration@shaw.ca)

### **READER ADVISORY:**

*Certain information regarding the Company 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 source. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.*

*BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*