



SHARON ENERGY LTD.

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The following is for immediate release in Canada, Tuesday, August 29, 2006

**SHARON ANNOUNCES SIGNIFICANTLY IMPROVED
FINANCIAL & OPERATING RESULTS
FOR THREE MONTHS ENDED JUNE 30, 2006**

(Sharon's financial results are expressed in U.S. Dollars)

Sharon Energy Ltd. reports that a 74% increase in natural gas production volume combined with a modest increase in gas prices resulted in a significant increase in revenues for the first quarter ended June 30, 2006. Revenues, net of royalties, totaled \$919,000 compared with \$627,000 reported for the same period in 2005. Operating expenses increased to \$90,000 from \$75,000 reported in 2005 as a result of increased production levels. Interest expense decreased to \$78,000 from \$81,000 reported in the prior year.

Sharon reported a 64% increase in cash flow, to \$661,000 for the three months ended June 30, 2006 compared with \$402,000 for the same period in 2005. However, earnings for the first quarter of \$10,000 were lower compared with \$43,000 for the same period in 2005 primarily due to a foreign exchange loss of \$126,000 and the non-cash expense related to the issue of new stock options.

Although financial and operating results for the three months ended June 30, 2006 were improved over the prior year, reduced natural gas prices during 2006 necessitated a reduction in the capital spending program for the year. Sharon has postponed the drilling of lower productivity gas wells in southern Alberta and the construction of a pipeline and production facility in the Jaslan area where Sharon has 625 Mcfd, net to the Company, of shut-in gas waiting to be connected. The Jaslan facilities are now planned to be on-stream in October 2006. The U.S drilling program has also been deferred but will commence in the fall of 2006.

Sharon Energy Ltd. is a junior oil and gas company currently conducting active natural gas exploration programs in Texas, Alberta and Saskatchewan. Sharon is currently focused on exploring for natural gas in Alberta and deep Wilcox gas in Texas.

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SUMMARY OF OPERATIONS

| <i>(Unaudited, thousands, in US Dollars)</i> <i>(except per share amounts)</i> | Three Months Ended | |
|-----------------------------------------------------------------------------------|---------------------------|-------------------|
| | June 30 | |
| | 2006 | 2005 |
| Financial | | |
| Total revenue | \$ 919 | \$ 627 |
| Cash flow from operations | \$ 661 | \$ 402 |
| per share | \$ 0.01 | \$ 0.01 |
| Earnings for the period | \$ 10 | \$ 43 |
| per share | \$ 0.00 | \$ 0.00 |
| Capital additions | \$ 999 | \$ 682 |
| Net debt | \$ 2,013 | \$ 3,512 |
| Total assets | \$ 12,536 | \$ 6,476 |
| Operations | | |
| Production | | |
| Gas (Mcf) | 1,903 | 1,091 |
| Oil (Bopd) | 38 | 50 |
| BOEd (6Mcf =1Bbl) | 355 | 232 |
| Product Prices | | |
| Gas (\$/Mcf) | \$ 6.23 | \$ 6.05 |
| Oil (\$/Bbl) | \$ 62.77 | \$ 46.60 |
| Total shares outstanding, at period end | 51,418,565 | 38,422,265 |

Forward-looking statements – the press release today contains “forward-looking” information. Actual results could differ materially from the conclusions, forecasts or projections in the forward-looking information. Certain material factors and assumptions were applied in drawing the conclusions or making the forecasts or projections as reflected in the forward-looking information. Additional information about the material factors that could cause actual results to differ materially from the conclusion, forecast or projection in the forward-looking information and the material factors or assumptions that were applied in drawing the conclusion or making the forecast or projection as reflected in the forward-looking information is contained in the press release.