

AUSAM ENERGY CORPORATION

For Immediate Release : January 18, 2006
Calgary, Alberta

Common Shares Outstanding: 50,322,764
(TSX Venture Exchange - symbol "AUZ")

AUSAM ANNOUNCES SPUDDING OF KYEEN CREEK-1 WELL

CALGARY, ALBERTA, Wednesday, January 18, 2006: Ausam Energy Corporation ("Ausam" or the "Company") is pleased to announce the spudding of the Kyeen Creek-1 well in the Surat/Bowen Basin of Queensland, Australia.

On January 18, 2006 drilling commenced on the Kyeen Creek-1 well (ATP 470P: Ausam 35.0%, Santos Ltd 6.5%, Origin 58.5% and operator). The well is a commitment/exploration well and will be drilled conventionally to test the primary objective, the Permian Upper Tinowon sands and two shallower secondary objectives, the Triassic Basal Rewan and Showgrounds sands. Drilling to the proposed TD of 2,500-metres is expected to take approximately 20 days after which the well will be logged and evaluated.

ATP 470P is a 68,500 acres (107 sections) permit that is operated by Origin. Ausam has earned a 35% interest in the permit and following the drilling of this well will have earned a 45% interest in the permit.

Other Drilling Plans

Following the Kyeen Creek-1 well, the Ungabilla-1 well (ATP 754P: Ausam 50%, Origin 50% and operator) is expected to be re-entered and tested during the first half of 2006. Drilling operations on the Namarah-7 in PL 71 have been suspended pending geological and technical evaluation. Additional drilling in PL 71 will require directional equipment and personnel, which are expected to be available during the first half of 2006.

Drilling opportunities are also being evaluated at ATP 754P, ATP 682P and through farmin, and will be announced at the appropriate time. Ausam is well capitalized and is evaluating other drilling opportunities in the Surat/Bowen basin.

About Ausam

Ausam is a public company trading on the TSX Venture Exchange under the symbol AUZ. Ausam, through its Australian subsidiary Ausam Resources Pty Ltd, is engaged in the business of oil and natural gas development and exploration in Queensland, Victoria and Western Australia. Ausam is applying proven North American exploration technologies in Australia that have not traditionally been used to explore and/or produce hydrocarbons in the Australian energy industry. Ausam's growth strategy includes the organic development of its current holdings and selective corporate transactions.

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The TSX Venture Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release. The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release. This news release may contain forward-looking information. Actual future results may differ materially from those contemplated.