



**For Immediate Release**  
**Calgary, Alberta**

**26 July 2006**  
**Common Shares Outstanding: 50,322,764**

**TSX Venture Exchange - symbol "AUZ"**

**AUSAM ENERGY SPUDS BELLBIRD WEST-1, SIGNS RIG AGREEMENT**

CALGARY, ALBERTA, Wednesday, 26 July 2006: Ausam Energy Corporation ("Ausam" or the "Company") is pleased to announce the commencement of drilling on the Bellbird West-1 prospect and the signing of a drilling contract with Australian Drilling Services Pty Ltd ("ADS").

**BELLBIRD WEST-1 WELL (AUSAM OPERATED)**

The Bellbird West-1 oil exploration well was spudded on Monday, 24 July 2006 and is located in ATP 552P approximately 90-km east north east of St. George, in the Surat Basin, Queensland. Ausam is the operator of the well and is using the ADS Rig 6 (see below) to test the Bellbird West oil prospect, which is 4 kilometers west of the Bellbird-1 oil discovery that was drilled in 1984 and is on-trend with both the Alton (about 14 kilometers to the southwest) and Fairymount (about 22 kilometers to the southwest) oilfields.

Ausam previously announced that it had farmed into ATP 552P under agreements with Great Artesian Oil & Gas Limited ("Great Artesian", GOG.ASX) and Rawson Resources Ltd. ("Rawson", RAW.ASX). Under the terms of the farmin agreements, Ausam and Rawson will each earn a 25% interest in ATP 552P (totaling 50%) by funding 100% of the cost of an underbalanced well drilled in the permit. Upon completion of the drilling, ownership in ATP 552P will be Great Artesian 50%, Rawson 25%, and Ausam 25%.

The Bellbird West-1 well is a structural test of a four-way closure of the Permian Bandanna Sandstone, a primary target, which flowed 30 barrels per day on test in Bellbird-1 in poor quality reservoir. The Bellbird West -1 well will be drilled conventionally to approximately 2,400 meters through the shallower targets, which include the Evergreen Formation (the reservoir producing in the Alton oil field) and the Showgrounds Sandstone (the reservoir producing in the Fairymount oil field), before being cased through the Permian coals.

During September 2006, Ausam will re-enter the Bellbird West-1 using a coil tubing unit to drill underbalanced with nitrogen through the Permian Bandanna/Kianga Sandstone and Tinowon Section. By drilling the Permian objectives underbalanced, Ausam expects to minimize formation damage and improve the oil flow rates from the same Permian reservoirs that were encountered at the Bellbird-1 well 4 kilometers to the east. The estimated depth of the well is expected to be 2,500 meters and it is expected to take 14 days to drill the conventional section.

**AUSTRALIAN DRILLING SERVICES AGREEMENT**

Ausam and ADS have executed the previously announced drilling contract regarding the use of ADS Rig 6. Under the terms of the contract, Ausam will have first call on the use of ADS Rig 6 for a period of twelve months, with a commitment to drill a minimum of three wells during that period and an option to drill an additional nine wells. In addition, Ausam, Mosaic Oil NL (“Mosaic”, MOS.ASX), and Sunshine Gas Limited (“Sunshine”, SHG.ASX) have signed a rig sharing agreement under the terms of which each company will drill one of the first three wells.

The Bellbird West-1 is the first well being drilled under the new ADS drilling contract as well as the rig sharing agreement. Mosaic will operate the second well drilled, the Brynog-1 well in ATP 471P, which is expected to spud in mid-August 2006. As previously announced, Ausam has farmed into ATP 471P and will fund the first AU\$1.5 million of the Brynog-1 oil exploration well as part of the ATP 471P / PL 119 farmin program with Mosaic and Santos Ltd. Sunshine will drill and operate the third well independent of Ausam and Mosaic under the rig sharing agreement.

The Bellbird West-1 well is the first of a proposed series of wells that primarily target oil prospects in permits that Ausam has farmed into as well as oil prospects recently developed in Ausam’s existing acreage. In cooperation with a group of peer companies, Ausam managed the mobilization of the ADS Rig 6 from Western Australia to the Eastern States of Australia. The combination of contracting the ADS rig, securing a rig sharing agreement, and farming-into and developing several oil prospects, will allow Ausam greater control of its drilling and exploration program. The Company will now be in a position to work in partnership with a strong drilling contractor, reduce operating costs and execute the Company’s strategy to drill oil as well as gas targets underbalanced.

### **About Ausam**

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

Mark G. Avery  
Chairman, President and CEO  
[mavery@ausamenergy.com](mailto:mavery@ausamenergy.com)

Alastair J. Robertson,  
Chief Financial Officer  
[arobertson@ausamenergy.com](mailto:arobertson@ausamenergy.com)

Ausam Energy Corporation  
1430, 1122 - 4th Street S.W.  
Calgary, Alberta T2R 1M1  
Tel: (403) 215-2380  
Fax: (403) 206-1457  
Web site: [www.ausamenergy.com](http://www.ausamenergy.com)

*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.*