



**NOT FOR DISTRIBUTION IN THE UNITED STATES OR OVER UNITED STATES WIRE
DISTRIBUTION SERVICES**

**For Immediate Release
Calgary, Alberta**

**4 October 2006
Common Shares Outstanding: 54,697,764**

TSX Venture Exchange - symbol "AUZ"

AUSAM ANNOUNCES INDEPENDENT ASSESSMENT OF PROPOSED TRANSACTION

CALGARY, ALBERTA. Ausam Energy Corporation ("Ausam" or the "Company") previously announced that on September 22, 2006, Ausam and SKH Management L.P., SKH Management II L.P., SKH Management III LLC., SKH Energy Fund, L.P., and Antares Exploration Fund, L.P. (collectively, "SKH") entered into an agreement (the "Acquisition Agreement") whereby Ausam will, subject to certain conditions of closing, acquire SKH's leasehold rights to certain oil and gas properties in Texas, Louisiana, Mississippi, Alabama and Arkansas (the "Leases"), for an aggregate of approximately US\$35 million comprised of cash consideration of up to US\$15 million and 63,417,143 common shares of Ausam valued at approximately US\$20 million (the "Transaction"). There will not be any changes to the current directors or officers of the Company as a result of the Transaction.

One of the conditions of closing of the Transaction is that Ausam must raise a minimum of US\$45 million. A portion of those proceeds will be used to pay the cash component of the consideration and the remainder will be used to fund the initial drilling program on the Leases.

About the Leases

SKH Management L.P., SKH Management II L.P., SKH Energy Fund, L.P., and Antares Exploration Fund, L.P. are all Delaware limited partnerships and SKH Management III LLC. is a Delaware limited liability company. All of the limited partnerships share a common general partner. All of the SKH entities are engaged in the business of identifying and acquiring interests in oil and natural gas properties in the United States.

The Leases being acquired are located in Texas, Louisiana, Mississippi, Alabama and Arkansas and represent an aggregate of approximately 60,200 gross acres (approximately 46,800 net acres) and contain 18 drill ready exploration targets.

Summary of Report prepared by GLJ Petroleum Consultants

The Company retained GLJ Petroleum Consultants ("GLJ"), an independent petroleum consultant firm, to provide an opinion as to the potential value of the Leases. GLJ prepared a report entitled "Assessment of Undiscovered Resources and Undeveloped Land Valuation of U.S. Properties of SKH Management" in accordance with the procedures and standards contained in National Instrument 51-101 and dated effective September 1, 2006 (the "Report"). The resources estimated by GLJ in the Report are defined as "Prospective Resources". Prospective Resources are defined in the Report as are those quantities of oil and gas estimated on a given date to be potentially recoverable from undiscovered accumulations and that

would be, in GLJ's opinion, technically and economically viable to recover. However, there is no certainty that any Prospective Resource will be discovered or, if discovered, that any discovery will be technically or economically viable to produce.

GLJ conducted a review of information provided by SKH on the 18 exploration targets. Based on the seismic and well information currently available, GLJ classified six of the exploration targets as "Prospects" and the remainder as "Leads". For each of the 18 exploration targets GLJ assigned a land value (the "Land Value"). Land Value assignments for each of the 18 exploration targets consider the lease acquisition costs plus the value of the improvements conducted on the lands, in this case the cost of seismic acquisitions. The cumulative Land Value that GLJ has assigned to the 18 exploration targets is US\$6.8 million.

For the six Prospects, GLJ determined a range of prospective resources and an expected monetary value ("EMV") as discussed below. It should be noted that EMV should not be construed as a fair market value opinion.

For the 12 properties containing the remaining exploration targets, each classified as a Lead, GLJ used the Land Value in their calculation of the overall value of the Leases.

GLJ stated that, based partly upon an audit of information provided by SKH including SKH's analyses of the exploration targets based on seismic interpretation and data from analogous wells, the value of the Leases (which is comprised of the EMV of the Prospects and the Land Value of the Leads) is estimated to be US\$29.59 million. The EMV of the six prospects has been estimated at US\$24.15 million and the Land Value of the undeveloped land has been estimated at US\$5.44 million.

Readers are advised to refer to "Cautions Regarding Forward-Looking Statements" below.

As of October 4, 2006, the Leases being acquired contain the following 18 targets. No oil and gas production is currently obtained from any of the Leases and there are no reserves.

Properties	State	County/Parish	Target Formation (Est. Depth)	Gross Acres	Net Acres
Iola	Texas	Grimes	CV Bossier (20,000 ft)	13,092.8	12,442.5
Nolte Marsh	Texas	Liberty	Yegua Cook Mountain (14,000 ft)	320.0	190.0
Wethorford	Texas	Liberty	Yegua Cook Mountain (14,000 ft)	145.6	102.8
Wiseman	Texas	Liberty	Yegua Cook Mountain (14,000 ft)	360.4	154.0
Starr County (Prospects 1,2,3)	Texas	Starr	Reklaw (Wilcox) (9,000 ft)	5,771.4	4,279.8
Crows Hollar (Maben) (Note 1)	Mississippi	Oktibbeha	Upper Knox (15,100 ft)	895.6	726.7

Bideman Gully	Louisiana	Acadia	Upper Wilcox (19,000 ft)	2,094.5	1,981.8
N. Constitution Field	Texas	Jefferson	Deep Yegua (16,000 ft)	2,580.2	1,264.5
Z Sand (NW Rosita Deep)	Texas	Duval	Wilcox "Z" Sand (17,000 ft)	210.0	210.0
Rosita (Canales)	Texas	Duval	Wilcox "S" Sand (15,000 ft)	426.6	426.6
Saudi	Mississippi	Perry	Norphlet (23,000 ft)	7,738.1	3,617.3
Plantation (Ferry Road)	Mississippi	Lowndes	Ordovician (13,000 ft)	9,307.5	6,812.9
Sugar Grove	Arkansas	Logan	Arbuckle (17,000 ft)	7,590.8	6,223.0
Hoffman Creek	Texas	Duval	Wilcox (18,000 ft)	974.7	974.1
Womack Hills	Alabama	Clarke	Smackover (12,500 ft)	1,732.7	1,469.3
Oak Grove (Note 2)	Louisiana	Bienville	Bossier (17,000 ft)	6,916.9	5,976.3
Total				60,157.7	46,851.7

Notes:

1. Additional 100 acres top leased not included in Net Acres.
2. The Oak Grove prospect was added during GLJ's evaluation process and has yet to be completely evaluated. As such, Oak Grove is treated as a Lead rather than a Prospect for purposes of the Report.

The initial stage of the proposed exploration program and estimated costs are as follows:

Prospect	Target Depth (feet)	Expected Product Type Oil/Gas	Net Cost to Drill & Test Wells \$M U.S.	Anticipated Drilling Schedule
Nolte Marsh	14,000	Liquids Rich Gas	\$2,376	April/May 2007
Wethorford	14,000	Liquids Rich Gas	\$2,824	June/July 2007
Crows Hollar (Maben)	15,500	Gas	\$5,793	July 2007
Z Sand (NW Rosita Deep)	17,000	Gas	\$7,500	August 2007
Rosita (Canales)	14,500	Gas	\$5,500	September 2007
Hoffmann Creek	18,000	Gas	\$7,493	January 2008

Calculation of EMV

Pre-tax estimated cash flow forecasts were prepared for the forecast range of unrisks undiscovered resources for the Prospects in each county and the net present value was determined using a discount rate

of 10%. A net present value per MCF versus size of prospect relationship was then established. For each Prospect the resulting net present value on a per MCF basis, for the appropriate discovery size, was multiplied by the unrisks undiscovered resources to determine the unrisks value of the Prospect in the low, best and high estimate cases.

Range of risked prospective resources:

Prospect	Low Estimate BCFE	Best Estimate BCFE	High Estimate BCFE
Nolte Marsh	0.60	0.97	1.38
Wethorford	0.58	0.99	1.43
Crows Hollar (Maben)	1.53	3.71	6.51
Z Sand (NW Rosita Deep)	1.65	3.02	4.54
Rosita (Canales)	1.53	2.68	3.95
Hoffmann Creek	1.88	3.44	5.16
Totals	7.77	14.82	22.97

Range of values:

Prospect	Low Estimate \$M	Best Estimate (EMV) \$M	High Estimate \$M
Nolte Marsh	\$991	\$3,037	\$5,467
Wethorford	\$556	\$2,585	\$5,220
Crows Hollar (Maben)	0	\$7,240	\$18,395
Z Sand (NW Rosita Deep)	0	\$2,852	\$9,162
Rosita (Canales)	0	\$3,990	\$9,365
Hoffmann Creek	0	\$4,454	\$11,456
Totals	\$1,547	\$24,158	\$59,065

Economic parameters used in the analysis were:

Well Operating Costs	3000	\$/Well/Month
Gas Processing Costs	0.25	\$/MCF
Completion and Tie-In Costs	40%	of cost to drill and test

For the purposes of estimating EMV, cash flow from potential discoveries was evaluated using GLJ's price forecast effective July 1, 2006. The gas price forecast was adjusted for a heating value of 1050 BTU/SCF and was assumed sold at Henry Hub prices, which are summarized in the following table:

Year	Henry Hub Gas Price \$U.S./MMBTU
2006	\$7.60
2007	\$8.50
2008	\$8.15
2009	\$7.75
2010	\$7.40
2011	\$7.20
2012	\$7.35
Thereafter	+2.0% per year

Cautions Regarding the Transaction

Completion of the Transaction is subject to a number of conditions, including, but not limited to, completion of a concurrent financing (as previously disclosed on September 22, 2006), obtaining shareholder approval and obtaining TSX Venture Exchange approval. The Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the information circular to be prepared in connection with the Transaction any information released in connection with the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of Ausam should be considered highly speculative.

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.

Cautions Regarding Forward-Looking Statements

Forward-looking statements (often, but not always, identified by the use of words such as "expect", "may", "could", "anticipate" or "will" and similar expressions) may describe expectations, opinions or guidance that are not statements of fact. Forward-looking statements are based upon the opinions, expectations and estimates of management of Ausam as at the date the statements are made and are subject to a variety of known and unknown risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. Those factors include, but are not limited to risks, uncertainties and other factors that are beyond the control of Ausam, including completion of the proposed Transaction, risks associated with the oil and gas industry, commodity prices and exchange rate changes, operational risks associated with exploration, development and production operations, delays or changes in plans, risks associated with the uncertainty of reserve estimates, health and safety risks and the uncertainty of estimates and projections of production, costs and expenses. In light of the risks and uncertainties associated with forward-looking

statements, readers are cautioned not to place undue reliance upon forward-looking information. Assumptions relating to certain forward-looking information contained in this press release are set out herein. Forward-looking information relating to the timing of certain critical events associated with the Transaction are based upon covenants, representations and warranties contained in the Acquisition Agreement. Although Ausam believes that the expectations reflected in the forward-looking statements set out in this press release or incorporated herein by reference are reasonable, it can give no assurance that such expectations will prove to have been correct. The forward-looking statements of Ausam contained in this press release, or incorporated herein by reference, are expressly qualified, in their entirety, by this cautionary statement.

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

Alastair J. Robertson,
Chief Financial Officer
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

This news release shall not constitute an offer to sell or the solicitation of an offer to buy the securities of Ausam in any jurisdiction.