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TSX Venture Exchange - symbol "AUZ"

AUSAM ANNOUNCES UPDATE TO PROPOSED LEASE ACQUISITION, DETAILS OF PROPOSED FINANCING AND CHANGE OF SHAREHOLDER MEETING DATE

On September 22, 2006 Ausam Energy Corporation (the "**Company**") announced an agreement between the Company 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**") relating to the acquisition of certain oil and gas leases in Texas, Louisiana, Mississippi, Alabama and Arkansas (the "**Leases**") for an aggregate purchase price of approximately US$35 million (the "**Purchase Price**") with the Purchase Price being comprised of cash consideration of up to US$15 million and 63,417,143 common shares of Ausam valued at approximately US$20 million (based on a negotiated price of CDN$0.35 per share) (collectively, the "**Transaction**"). The Company must raise a minimum of US$45 million as one of the conditions of closing of the Transaction. A portion of those proceeds will be used to pay the cash component of the consideration relating to the Transaction and the remainder will be used to fund the initial drilling program relating to the Leases.

Summary of Updated Report on the Leases prepared by GLJ Petroleum Consultants Ltd.

The Company retained GLJ Petroleum Consultants Ltd. ("**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 ("**NI 51-101**") and dated effective November 1, 2006 (the "**Report**"). The Report is an update of the GLJ report previously announced on October 4, 2006 (the "**October Report**"). The Report incorporates additional information provided to GLJ after the release of the October Report and results in a significant increase in the valuation as compared to the October Report. The resources estimated by GLJ in the Report are defined as "Prospective Resources". Prospective Resources are defined in the Report as 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.

In the Report, GLJ conducted a review of 19 exploration targets (18 of which were included in the October Report). Based on the seismic and well information available, GLJ classified nine of the exploration targets as "Prospects" in accordance with the requirement of 51-101 and classified the remainder as "Leads". The October Report had classified six exploration targets as Prospects. Three of the Leads in the October Report were upgraded to Prospects as a result of GLJ's review and analysis of additional data provided by SKH after the release of the October Report. GLJ is continuing to evaluate data with respect to the Leases as it becomes available.

For the nine exploration targets classified as Prospects, GLJ determined a range of recoverable 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 ten properties containing the remaining exploration targets, each classified as a Lead, GLJ assigned an undeveloped land value based on the land acquisition costs (weighted to reflect the time remaining on the relevant leases) plus seismic costs incurred in relation to the Leads (the "**Land Value**"). It should be noted that the Land Value should not be construed as fair market value.

In the Report, GLJ stated that, based partly upon an audit of the information provided by SKH (including SKH's analysis of the exploration targets based on seismic interpretation and data from analogous wells) that the "best-estimated" 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$37 million. The EMV of the nine Prospects has been estimated at US$33.4 million and the Land Value of the Leads has been estimated at US$3.6 million.

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

As of November 1, 2006, the Leases contain the following 19 Prospects and Leads. No oil or 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
Prospects					
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
Crows Hollar (Maben) (Note 1)	Mississippi	Oktibbeha	Upper Knox (15,100 ft)	895.6	726.7
Z Sand (NW Rosita Deep)	Texas	Duval	Wilcox "Z" Sand (17,000 ft)	210.0	210.0

Properties	**State**	**County/Parish**	**Target Formation (Est. Depth)**	**Gross Acres**	**Net Acres**
Rosita (Canales)	Texas	Duval	Wilcox "S" Sand (15,000 ft)	426.6	426.6
Hoffman Creek	Texas	Duval	Wilcox (18,000 ft)	974.7	974.1
Oak Grove	Louisiana	Bienville	Bossier (17,000 ft)	6,916.9	5,976.3
N. Constitution Field	Texas	Jefferson	Deep Yegua (16,000 ft)	2,580.2	1,264.5
<u>Leads</u>					
Wiseman	Texas	Liberty	Yegua Cook Mountain (14,000 ft)	360.4	154.0
Starr County (Prospects1,2,3)	Texas	Starr	Reklaw (Wilcox) (9,000 ft)	5,771.4	4,279.8
Bideman Gully	Louisiana	Acadia	Upper Wilcox (19,000 ft)	2,094.5	1,981.8
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
Womack Hills	Alabama	Clarke	Smackover (12,500 ft)	1,732.7	1,469.3
Peach Creek	Texas	Wharton	TBD	160.0	160.0
Total				**60,317.8**	**47,011.6**

Notes:
1. Additional 100 acres top leased not included in Net Acres.

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 $(000's) U.S.	Anticipated Drilling Schedule
Nolte Marsh	14,000	Liquids Rich Gas	$2,423	April/May 2007
Wethorford	14,000	Liquids Rich Gas	$2,881	June/July 2007
Crows Hollar (Maben)	15,500	Gas	$5,911	July 2007
Z Sand (NW Rosita Deep)	17,000	Gas	$7,650	August 2007
N. Constitution	16,000	Liquids Rich Gas	$5,870	August 2007
Rosita (Canales)	14,500	Gas	$5,610	September 2007
Iola	20,000	Gas	$9,693	November 2007
Hoffmann Creek	18,000	Gas	$7,798	January 2008
Oak Grove	17,000	Gas	$5,843	June 2008

GLJ prepared cash flow forecasts for each Prospect and royalties and mineral taxes were estimated based on data provided by SKH and reviewed for reasonableness. All of the Prospects are located near producing gas fields and the availability of gas gathering and gas processing infrastructure and markets was not considered to be a significant risk. In estimating the EMV for each Prospect, the probability of economic success was used to adjust for exploration risk and a discount rate of 10% was applied to the cash flows to calculate a net present value. For additional details, refer to the full Report available on SEDAR.

Calculation of EMV

Pre-tax estimated cash flow forecasts were prepared for the forecast range of unrisked 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 unrisked undiscovered resources to determine the unrisked value of the Prospect in the low, best and high estimate cases.

The following table sets out the range of unrisked prospective resources, adjusted to account for the working interest to be acquired by the Company:

Prospect	Low Estimate BCFE	Best Estimate BCFE	High Estimate BCFE
Iola	11.2	54.5	132.6
Nolte Marsh	1.1	1.8	2.6
Wethorford	1.1	1.9	2.8
Crows Hollar (Maben)	2.8	6.8	12.0
N. Constitution	7.5	14.7	23.2
Z Sand (NW Rosita Deep)	4.1	7.6	11.3

Rosita (Canales)	3.8	6.8	9.9
Hoffmann Creek	4.7	8.6	12.8
Oak Grove	18.9	75.8	158.1
Total	**55.3**	**178.4**	**365.2**

The following table is a Risked Working Interest Valuation Summary:

Prospect	**Low Estimate US$(000's)**	**Best Estimate (EMV) US$(000's)**	**High Estimate US$(000's)**
Iola	0	5,807	21,899
Nolte Marsh	502	2,381	4,419
Wethorford	0	1,788	3,936
Crows Hollar (Maben)	784	7,162	13,633
N. Constitution	0	1,156	4,851
Z Sand (NW Rosita Deep)	0	3,078	6,996
Rosita (Canales)	192	4,092	7,945
Hoffmann Creek	0	4,234	10,814
Oak Grove	0	3,724	17,254
Total	**1,478**	**33,420**	**91,747**

Economic parameters used in the analysis were:

Well Operating Costs	- 3000 US$/Well/Month
Gathering Costs	- from US$0.18/Mcf to US$0.28/Mcf, depending on the Prospect
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 October 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 US$/MMBTU**
2006	$7.10
2007	$7.75
2008	$8.15
2209	$7.75
2010	$7.40
2011	$7.20
2012	$7.35
Thereafter	+2.0% per year

Mark Avery, Chairman and CEO of Ausam, said, "We are very pleased with our progress in finalizing this deal and are excited about the unique set of exploration properties we will be acquiring. There are a number of fairly low risk prospects that will underpin the value of the acquisition in combination with a number of higher-risk, high-upside projects that could add significant shareholder value. We look forward to pursuing an aggressive drilling program to realize the full potential of these assets upon closing of the Transaction."

Financing

Ausam is also pleased to announce that it has entered into a financing letter agreement with Research Capital Corporation. The Company is seeking to raise, on a private placement, best-efforts basis a minimum of US$45 million and up to US$60 million (the "**Private Placement**") through the issuance of units (each a "**Unit**"). Each Unit will be priced at CDN$0.60 and will consist of one common share in the capital of the Company (each a "**Common Share**") and one half of one common share purchase warrant (each a "**Warrant**"), with each whole Warrant entitling the holder to purchase one Common Share at a price of CDN$0.65 within 24 months of the date of closing of the Private Placement.

The proceeds from the Private Placement will be used in part to finance the cash portion of the consideration payable in respect of the Transaction and in part to fund the proposed drilling and development program associated with the Leases, as discussed above.

The closing of each of the Transaction and the Private Placement is subject to customary conditions, including shareholder and regulatory approval. The Company is currently targeting the closing of the Transaction and the closing of the Private Placement by not later than December 31, 2006.

Special and Annual Shareholder Meeting

The Company has been granted an order under the *Business Corporations Act* (Alberta) to extend the previously announced date of its Annual and Special Meeting of Shareholders to December 28, 2006.

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 approval and completion of the 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 relating to the Transaction. 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.

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