

AUSAM ENERGY CORPORATION

For Immediate Release
Calgary, Alberta

May 17, 2005
Common Shares Outstanding: 38,506,835
(TSX Venture Exchange – symbol “AUZ”)

AUSAM ANNOUNCES SPUDDING OF UNGABILLA-1 WELL

CALGARY, ALBERTA, Tuesday, May 17, 2005: Ausam Energy Corporation (“Ausam” or the “Company”) is pleased to announce the spudding of the Ungabilla-1 well, the third well in its 2005 drilling program in the Surat/Bowen Basin of Queensland.

The first two wells, the Namarah-7 and Parknook-7, are part of a series of development wells to be drilled in the PL71 production licence in Queensland, Australia. The PL 71 licence, which contains the producing Parknook and Namarah fields, is a 33,112 acre (52 section) permit located in the Surat Basin of Queensland, Australia. The up-hole sections of both wells were drilled conventionally, logged and cased on time, on budget and on target to the top of the Showgrounds sandstone. A coiled tubing unit will subsequently be used to drill underbalanced into the Triassic Showgrounds and Rewan reservoirs of both wells. Results from the coiled tubing completion are expected in late June 2005.

On May 14, 2005, drilling commenced on the Ungabilla-1 exploration/commitment well in ATP 754P. The Ungabilla-1 well will be drilled conventionally to test initially the upper Tinowon sandstone. The Ungabilla-1 is expected to take approximately 19 days to reach an anticipated depth of 2860 meters. Comprehensively logging and testing the Ungabilla-1 well will not only enable Ausam to evaluate the prospectivity of the Ungabilla prospect, but will assist in the completion of a regional study currently in progress.

About Ausam. Ausam is a public company trading on the TSX Venture Exchange under the symbol AUZ. Ausam, through its Australian subsidiary Ausam Resources Limited (“ARL”), is engaged in the business of oil and natural gas development and exploration in Queensland, Victoria and Western Australia. Since 1999, ARL has identified, assessed and acquired acreage on prospects onshore Australia. Ausam presently owns interests on its approximately 3.6 million gross (2.3 million net) acres of exploration lands onshore Australia.

Unless otherwise indicated, all financial information is provided in Canadian dollars.

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The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release. This news release reflects management's plans and expectations regarding its operations, performance and prospects. This news release contains forward-looking information. Management's plans may change without notice. Actual future results may differ materially from those contemplated.