



Methanol Australia Limited

ACN 066 447 952

Level 25
500 Collins Street
Melbourne Victoria 3000 Australia

Tel: (+61 3) 9614 0430
Fax: (+61 3) 9614 0660
Email: admin@methanol.com.au
Website: www.methanol.com.au

ASX AND MEDIA RELEASE

HYDROCARBON WETNESS STUDY COMPLETED FOR EPENARRA PROSPECT

Key Points:

- **Condensate to Gas Ratios are likely in the range 120 – 300 barrels per million cubic feet of gas**
- **Potential in-place condensate (light oil) volume in Epenarra is estimated at >800 million bbls using 150 bbls/MMscf and the mean Contingent Resource estimate for gas of 5,620 Billion cubic feet (Bcf)**

MELBOURNE, AUSTRALIA (September 4, 2006) -- Methanol Australia Limited (ASX: MEO) has previously highlighted the potential for liquids rich gas at its Epenarra prospect, located in the Company's 100% owned Exploration Permit, NT/P68. Heron-1 drilled by Arco in 1972, intersected a 50m gas bearing zone over the Darwin Formation at approximately 3,000m en route to the deeper Plover Formation, which was never reached.

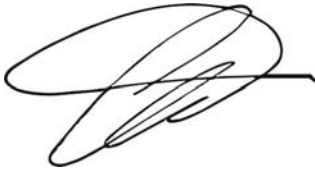
The Epenarra structure is a broad, low relief anticline with a mapped closure of approximately 1,200 sq km at the Early Cretaceous Darwin Formation reservoir. The estimated in-place gas Contingent Resource ranges from 2,930 Bcf (low estimate: P90) to 9,400 Bcf (high estimate: P10), with a mean of 5,620 Bcf (P50: most likely).

The Company engaged Dr Geoffrey O'Brien (IPSA Consulting) to undertake a study focussed on determining the likely wetness of the hydrocarbon gases detected by Heron-1 and potentially reservoired in Epenarra. The study reviewed regional hydrocarbon source rock and gas compositions and undertook new basin modelling simulations in order to establish the probable condensate to gas ratios for a range of hydrocarbon charge and migration scenarios. The absolute wetness of reservoired hydrocarbons depends on a combination of the source rock type, depth and timing of hydrocarbon generation.

The results of the basin modelling supported the view that Epenarra consists of a Contingent Resource having a typical wetness of approximately 150 barrels of condensate per MMscf of gas. Based on 150 barrels/MMscf and a most likely Contingent Resource of 5,620 Bcf, Epenarra could contain in-place condensate (light oil) of approximately 800 million barrels. In a best-case scenario, where the gas in Epenarra was generated solely from the Echuca Shoals Formation immediately underlying the reservoir, it is possible that gas could contain up to 300 barrels of liquid hydrocarbon per million standard cubic feet (MMscf) of gas (which may be regarded as a P10 value). The worst case scenario, where the gas was sourced further away from a

combination of the Echuca Shoals and Flamingo Formations, indicated a wetness of approximately 120 barrels per MMscf of gas (P90 value).

PGS Australia is contracted to commence 3D seismic acquisition using the M/V Orient Explorer over Epenarra during September, 2006 and the Company is in the process of securing a rig to drill Heron-2 in 2007 to fully test the Epenarra structure.



C.R. Hart
 Managing Director
 4 September 2006

NT/P68 Permit map showing main Prospects and Leads

