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ASX AND MEDIA RELEASE

PLACEMENT OF SHARES

MELBOURNE, AUSTRALIA (December 5, 2006) -- Methanol Australia Limited (ASX: MEO) advises that a placement of 25 million fully paid ordinary shares has been made at 48 cents per share raising A\$12 million before costs to a number of significant Australian and international institutional investors. The placement was jointly managed by the Australian broking firm, Tolhurst Noall Limited and the London based broking firm, WH Ireland Group Plc.

These investors were targeted by our brokers to establish strong institutional and financial support for the Company's stated objective to maintain controlling interests during the development phase of NT/P68, and the LNG and methanol projects.

The funds have been raised to meet the costs for long lead items associated with the proposed three well drilling program in NT/P68 during the second half of 2007. The Company has secured the Seadrill West Atlas jack-up rig to drill these wells.

The recently acquired 2D and 3D seismic data is steadily progressing through the planned processing sequences and a number of interpretive studies utilizing this new seismic data will commence in the New Year. The studies will confirm optimal well locations for the Heron-2 appraisal well and production test on the Epenarra structure and the Blackwood-1 exploration well. A further appraisal well is planned on Epenarra, Heron-3. Heron-3 would be designed to test an identified thicker section in the Darwin Formation (thereby increasing the potential gas in place) down-dip from the crest of the Epenarra structure.

Heron-1, originally drilled in 1972, intersected a 50m fractured carbonate gas bearing zone within the Darwin Formation at approximately 3,000m en route to the deeper Plover Formation, which was never reached. Following testing and logging of Heron-3 at Epenarra, the well would also target the deeper underlying Heron South Plover Formation structure.

The Epenarra structure is a large anticline with a mapped closure of approximately 1,200 sq km at the Early Cretaceous Darwin Formation reservoir. The estimated mean in-place gas Contingent Resource is 5,620 Bcf (P50: most likely). The gas is expected to contain significant associated condensate and low levels of carbon dioxide. Such gas characteristics would be eminently suitable for LNG production.

C.R. Hart
Managing Director
December 5, 2006