



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

REPORT ON ACTIVITIES FOR THE QUARTER ENDED

30 JUNE 2006

COMPANY'S ACTIVITIES DURING THE QUARTER

During the quarter, the Company continued to focus on exploration and farm-out activities associated with its permit, NT/P68. The Company has also progressed various optimisation studies and capital cost reviews in relation to its proposed GTL projects.

TASSIE SHOAL METHANOL PROJECT (MEO 50%)

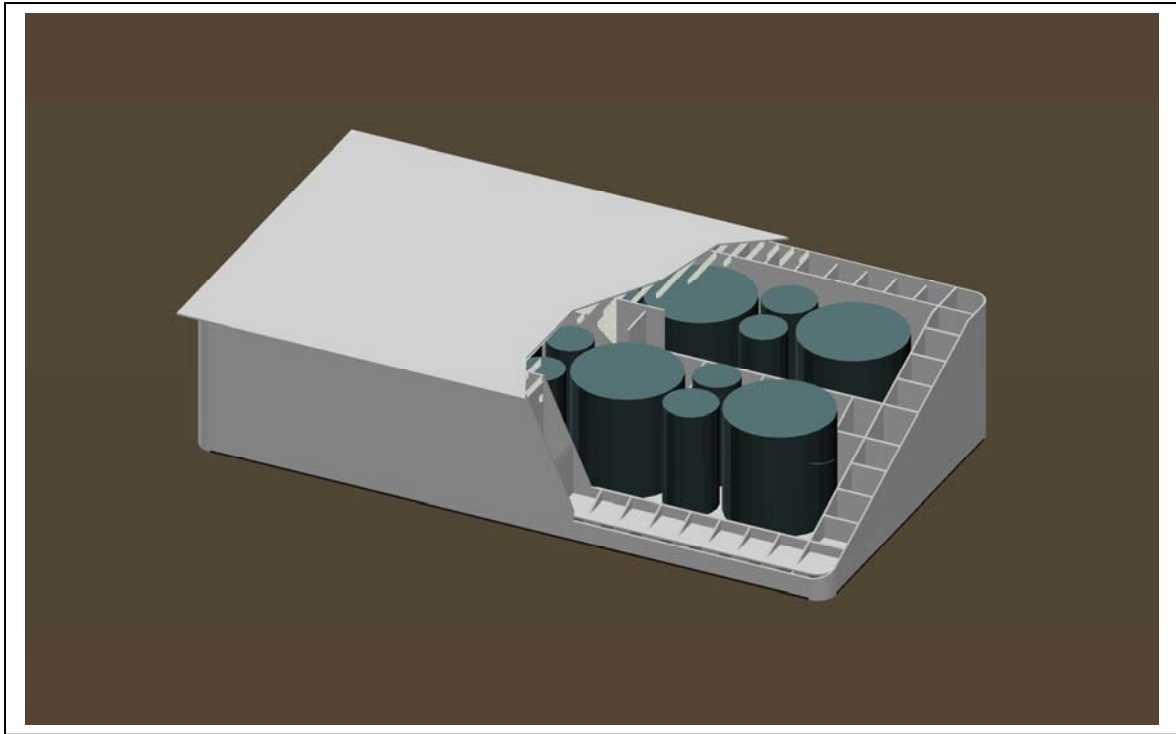
Background Information:

The Company and Air Products and Chemicals, Inc. continue to develop the Tassie Shoal Methanol Project (TSMP) under the terms of the joint development agreement (JDA). The project proposes to construct two large natural gas reforming and methanol production plants on concrete gravity structures in southeast Asia, tow these plants to Tassie Shoal in the Australian waters of the Timor Sea and ground the structures in the shallow waters of the shoal for operation. The estimated total capital cost is A\$2.2 billion.

Success in securing key commercial arrangements, including gas supply undertakings will allow the parties to proceed to front-end engineering and design (FEED) studies and EPC selection.

Arup Energy completed studies to further develop and optimise the gravity base substructure (GBS) design for the methanol plant. These studies also reviewed the internal methanol storage systems. The study has provided current cost estimates (Q2 2006) for the GBS.

The 3D cad drawing below shows the internal design of the proposed GBS and the product storage tank configuration.



TIMOR SEA LNG PROJECT (MEO 100%)

Background Information:

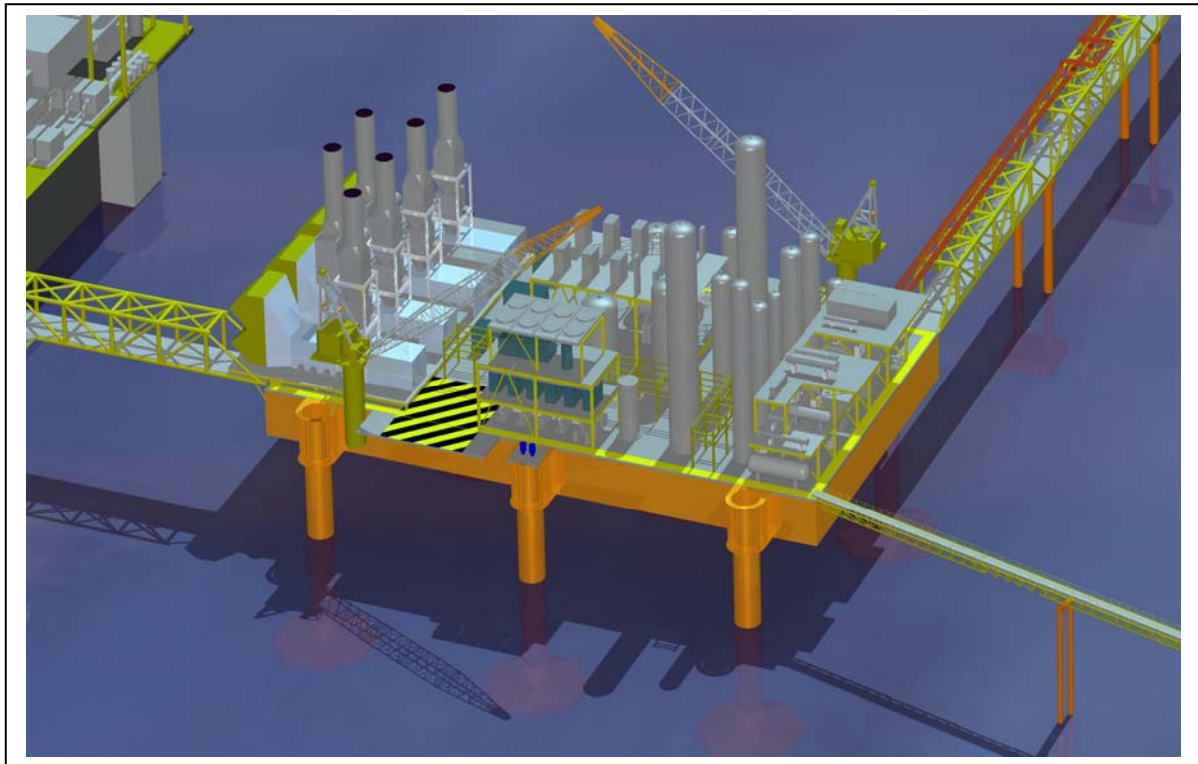
The proposed Timor Sea LNG Project (TSLNGP) has been designed to be located in the shallow waters of Tassie Shoal. The TSLNGP received its Commonwealth environmental approval to construct, install and operate adjacent to the TSMP on May 5, 2004. The methanol and LNG projects will be able to share infrastructure, logistic support systems and benefit from significant production process advantages.

In targeting the rapidly expanding markets in northeast Asia, the LNG project could provide a highly competitive supply option to the buyers with clear shipping time and sovereign risk advantages. The world LNG market continues to demonstrate strong demand, particularly from Northeast Asia, Europe and the USA.

Technical Studies Progress:

The LNG production module has been re-designed by Worley Limited utilising Air Products DMR (dual mixed refrigerant) technology. This new design has increased production to over 3 MTPA and has resulted in a substantial improvement in plant efficiency. The LNG production module, incorporating the DMR technology, is designed to be free-standing, being supported by its own steel substructure on the shoal. The proposed substructure is the Arup Energy ACE platform design. The project proposes to utilize a single 170,000 m³ CGS based LNG tank for storage of product prior to shipment.

These studies have provided up to date capital cost estimates and offer highly feasible technical solutions that have optimised the original concept. The Company continues to develop strategic relationships with companies experienced in the LNG production and marketing industry.



3D Cad image of the proposed LNG production module and the Arup ACE platform

PETROLEUM EXPLORATION PERMIT NT/P68 (MEO 100%)

This 12,070 square km permit is located immediately to the west of Tassie Shoal (approximately 25 km). The Company believes that the permit offers considerable scope for the discovery of further gas accumulations that may support the future gas demands of the TSMP and the TSLNGP.

Studies have confirmed the prospectivity of the Epenarra, Heron North/South and Seahawk prospects. Additionally, new mapping has identified the Blackwood lead, which is a large conventional Plover Formation play (the traditional reservoir in the Bonaparte Basin) that is relatively shallow (3300m subsea). The new 2D infill seismic data is required to improve the structural mapping of Blackwood resulting in its upgrading to Prospect (drill ready) status.

Epenarra is a large anticlinal structure mapped within the lower section of the Darwin Formation with an aerial closure exceeding 1200 square kilometres. This structure was intersected by the Heron-1 well drilled in 1972. The well confirmed a 50 metre gas bearing zone in the formation, which is a fractured carbonate. The in place gas resource (P50) for Epenarra has been estimated at 5.6 Tcf.

The Company has been attempting to secure a farm-out, on reasonable terms, to fund the ongoing exploration and appraisal activities in NT/P68. This permit has been reviewed by a number of large international companies over the past 12 months. These reviews led to discussions of farm-in terms. It became clear that the proposed terms would involve the assignment by MEO of a significant interest in the permit yet still not provide certainty of gas supply to the Company's proposed methanol and LNG projects.

The Company believes that the Heron-1 well should be considered as a discovery well for Epenarra and is currently planning 3D seismic acquisition over Epenarra to identify the density, distribution and orientation of faults and fracturing within the 50m gas bearing zone intersected by Heron-1 and determine the optimum location for an appraisal well to test the productivity and gas quality of this interval.

The Company will continue to review farmin interest for NT/P68. Any future farm-in terms would be required to fund the costs of drilling future wells and provide certainty of gas supply to the Company's proposed gas processing projects from the permit in the event that commercial gas accumulations are subsequently confirmed.

IMPORTANT SUBSEQUENT EVENTS

The Cambrian Mining Group recently approached the Company with a funding strategy that would allow the Company to advance exploration activities while continuing to retain a 100% interest and control of NT/P68 and the Timor Sea LNG Project. Cambrian Mining Plc is a London based, diversified mining house with international interests in coal, iron ore, metals and energy together with related technologies. Cambrian's growth strategy is in part based on the identification of under-valued resource projects, particularly where the holding company controls 100% of its projects. Cambrian proposes to assist in the financing, structuring and development necessary to bring the MEO projects into production.

On July 20, 2006, the Company advised that a placement of 10% of the issued capital was to be made to Cambrian Oil & Gas Plc (part of the Cambrian Mining Group) at 22.5 cents per share to raise approximately \$3.16 million. The Company has agreed to seek shareholder approval to also grant Cambrian a one for one attaching option to each placement share exercisable at 25 cents by April 30, 2007. Additionally, Cambrian acquired 5.5 million shares from the trustee of the Company's Share Trustee Scheme by special crossing, raising a further \$1.1 million.

Shareholders will be offered the opportunity to participate in the capital raising on the same terms as the placement to Cambrian via a non-renounceable pro-rata rights issue of one (1) ordinary share at an issue price of 22.5 cents for every four (4) shares held August 11, 2006, which will raise approximately \$8,696,500 before expenses. For each share allotted, the Company will grant one option exercisable at 25 cents by April 30, 2007. Tolhurst Noall Limited has been appointed Lead Manager and has fully underwritten the rights issue.

The sale of Trustee shares, the placement and the rights issue will collectively raise approximately \$13 million before expenses which will advance exploration activities in NT/P68 by funding the acquisition and processing of 2D and 3D seismic surveys and design engineering for two proposed wells.



Christopher Hart
Managing Director
Melbourne, Australia
July 31, 2006

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

METHANOL AUSTRALIA LIMITED

ABN

43 066 447 952

Quarter ended ("current quarter")

30 JUNE 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12.... months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a)exploration and evaluation (b) development (c) production (d) administration	(47) (59)	(478) (421) (787)
1.3 Dividends received	(130)	
1.4 Interest and other items of a similar nature received	43	82
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other expense recoveries	50	490
Net Operating Cash Flows	(143)	(1,114)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c)other fixed assets	 (3)	 (88)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(3)	(88)
1.13 Total operating and investing cash flows (carried forward)	(309)	(1,202)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(149)	(1,202)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3	2,773
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(82)	(127)
	Net financing cash flows	79	2,646
	Net increase (decrease) in cash held	(226)	1,444
1.20	Cash at beginning of quarter/year to date	2,681	1,011
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,455	2,455

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	89
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	50
Total	150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	83	371
5.2 Deposits at call	2,372	2,310
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,455	2,681

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter


Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	140,550,105	140,550,105		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	5,050,000		<i>Exercise price 20 CENTS</i>	<i>Expiry date 30/09/2006</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: July 31, 2006
Company secretary

Print name: David B. Hill

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flow Statement* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==