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ASX AND MEDIA RELEASE

PROGRESS REPORT: 3D SEISMIC ACQUISITION OVER EPENARRA PROSPECT

Key Points:

- **19% of 3D data now acquired**
- **Weather conditions and data quality excellent**

MELBOURNE, AUSTRALIA (October 3, 2006) -- Methanol Australia Limited (ASX: MEO) advises that the PGS Australia vessel, M/V Orient Explorer, commenced acquisition of 3D seismic data over the Epenarra prospect, located in the Company's 100% owned Exploration Permit, NT/P68, on September 27, 2006.

To date, approximately 19% of the 500 square km 3D seismic data has been acquired and the survey is currently ahead of schedule.

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. Heron-1, drilled by ARCO in 1972, recorded a 50m gas bearing zone in the fractured carbonate interval of the Darwin Formation. 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 results of specific basin modelling have supported the view that Epenarra consists of a Contingent Resource having a condensate to gas ratio of between 120 and 300 barrels of condensate per MMscf of gas. Based on 120 barrels/MMscf and a most likely Contingent Resource of 5,620 Bcf, Epenarra could contain in-place condensate (light oil) of approximately 675 million barrels.

Epenarra is a clearly defined structure. The 3D seismic data is being acquired to identify the density, distribution and orientation of faults and fracturing within the 50m gas bearing zone intersected by the Heron-1 well to determine the optimum location for an appraisal well. The Company is in the process of securing a rig to drill Heron-2 in 2007 to test the productivity of the Epenarra structure.

C.R. Hart
Managing Director
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