



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 RELEASE

MAJOR CAPITAL RAISING TO FUND 3D SEISMIC ACQUISITION - A STRATEGY TO RETAIN 100% CONTROL OF EXPLORATION PERMIT NT/P68

MELBOURNE, AUSTRALIA (July 20, 2006) -- Methanol Australia Limited (ASX: MEO) is pleased to advise that a placement of 10% of the issued capital of the Company has been made at 22.5 cents per share to Cambrian Oil & Gas Plc (part of the Cambrian Mining Group) to raise approximately \$3.16 million. The Company has agreed to seek shareholder approval to also grant Cambrian a one for one attaching option exercisable at 25 cents by April 30, 2007. The Company's new issued capital is 154,605,115 shares. Cambrian has also acquired 5.5 million shares from the trustee of the Company's Share Trustee Scheme by special crossing, raising an additional \$1.1 million.

Cambrian Mining Plc is a London based, diversified mining house with international interests in coal, iron ore, metals and energy together with related technologies.

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 subscribed, the Company will grant one option exercisable at 25 cents by April 30, 2007. Application will be made to ASX for these options to be listed. Tolhurst Noall Limited has been appointed Lead Manager and is seeking to underwrite the rights issue.

The sale of Trustee shares, the placement and the rights issue will collectively raise approximately \$13 million before expenses which will fund the acquisition and processing of 2D and 3D seismic surveys in the Company's 100% owned Exploration Permit, NT/P68.

An agreement is being finalised with PGS Australia Pty Ltd to acquire and process approximately 410 square kilometres of 3D seismic over the crest of the Epenarra structure in NT/P68 during September 2006 utilizing the M/V Orient Explorer.

The Epenarra structure is a broad, flat anticline at the Darwin Formation level with a mapped closure of approximately 1,200 sq km. The estimated in place gas resource (P50) for Epenarra is 5.6 Tcf. Heron-1, drilled by ARCO in 1972, recorded several interpreted gas bearing zones, including a 50m fractured carbonate interval in the lower section of the Darwin Formation. Studies indicate that the gas quality at this level may be low in carbon dioxide with the possibility for attractive levels of associated condensate.

The 3D seismic program is designed 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 of this interval. Drilling is


planned for late 2007. Subject to confirmation by appraisal drilling, the potential gas resource could underpin the Company's proposed LNG project.

The Company has previously announced the award of a 2D acquisition contract to the Compagnie Generale de Geophysique Group (CGG) to acquire approximately 600 line kilometres of infill 2D seismic over the Blackwood lead in NT/P68, also during September 2006. The new seismic data will improve the structural mapping of this lead and is expected to elevate it to Prospect and drill ready status.

The Company believes NT/P68 has the potential to host a substantial gas accumulation at Epenarra and possibly other significant accumulations that may collectively support the future gas demands of its proposed gas processing projects.

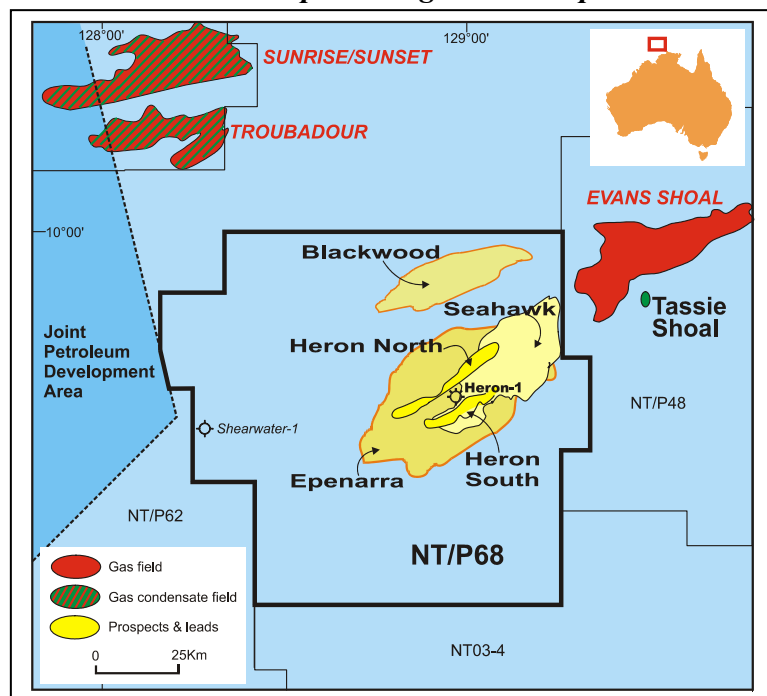
NT/P68 has been reviewed by a number of large international companies over the past 12 months. These reviews led to discussions of farmin terms and it became clear that terms would involve the assignment of a significant interest in the permit and did not provide certainty of gas supply to the approved methanol and LNG projects. The Cambrian Mining Group approached the Company with a funding strategy that allowed the Company to advance the exploration and appraisal of NT/P68 while retaining 100% of the permit.

The proposed Timor Sea LNG Project is the only new Australian LNG project that has already received its Commonwealth environmental approvals.



C.R. Hart
Managing Director
20 July 2006

NT/P68 Permit map showing main Prospects and Leads



ABOUT METHANOL AUSTRALIA LIMITED

Methanol Australia is an Australian company focusing on the development of gas-to-liquids (GTL) projects. The company has obtained a 50 year Commonwealth environmental approval for both the Tassie Shoal Methanol Project and the Timor Sea LNG Project.

These Projects represent significant developments for Australia and would launch Methanol Australia into the forefront of commercial gas-to-liquids production operations.

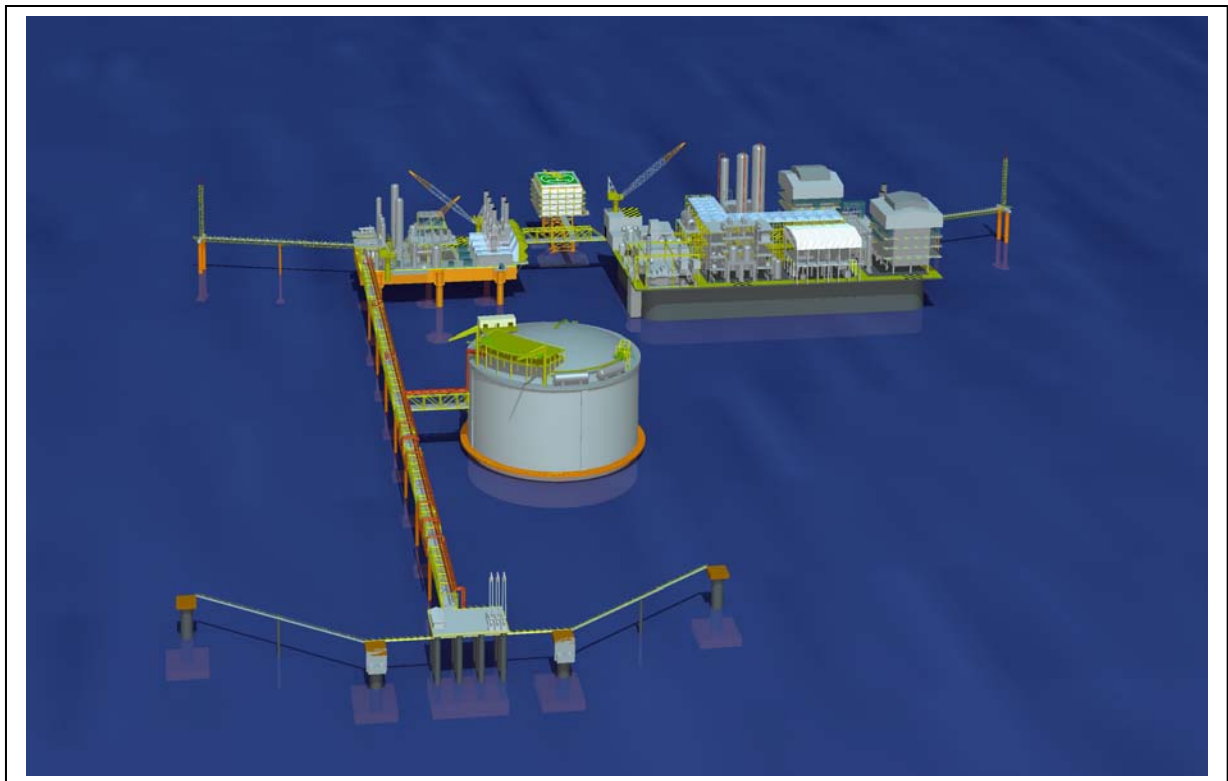
The Company proposes to install methanol production facilities on grounded concrete gravity structures to be located on Tassie Shoal in Australian waters of the Timor Sea. Tassie Shoal is an area of shallow water immediately adjacent to the Evans Shoal gasfield and 25 km west of the Company's exploration permit, NT/P68. The shoal lies approximately 275 km north of Darwin. The proposed methanol project would be developed in two stages, each plant designed to produce 1.8 million tpa.

The proposed LNG processing plant has been designed using Air Products DMR technology, and is capable of producing over 3 million tonnes of LNG per year.

Gas supply for these projects could be secured from a number of adjacent gas fields. Methanol production uniquely utilises and benefits from significant amounts of carbon dioxide associated with the natural gas supply. While a number of such gas accumulations surround the shoal, the Company's primary focus is to confirm commercial gas resources within its 100% owned NT/P68 permit that could ultimately offer a primary supply to the approved GTL projects.

Website: <http://www.methanol.com.au>

3D Cad image of the proposed methanol and LNG plants on Tassie Shoal



ABOUT CAMBRIAN MINING PLC

Cambrian Mining Plc. (“Cambrian”) was established in 2002:

- Headquartered in London and listed on AIM (Symbol: CBM)
- 79,437,938 ordinary shares listed and 798,143 warrants and options outstanding
- Basic market capitalisation of £111m as at close of business on 19 July 2006
- Cambrian reported net profits of £33.26m for the nine months ended 31 March 2006
- A dividend of 1.5p was paid in 2005 from net profits of £2.8m

Cambrian is a mining finance house which identifies under-valued resource projects or companies and assists in their financing, structuring and development. In this sense, Cambrian is an active investor that seeks involvement where it is deemed necessary to appoint management teams to best develop the projects or companies and to assist with the financing and marketing of their projects and production.

Cambrian Mining’s prime assets are investments in the international coal industry through Western Canadian Coal Corp. (TSX / AIM: WTN) and Coal International Plc (AIM: CLN), in the iron ore industry through Aztec Resources Ltd (ASX / AIM: AZR) and in gold and base metals through AGD Mining. Other investments have been made in energy, energy technology and in iron-making materials and technology.

Cambrian’s main oil and gas investment is through Cambrian Oil and Gas Plc (AIM: COIL) which has projects in the Kyrgyz Republic. These include an exploration area over which 2D seismic is currently being recorded and which a target for drilling is expected to be identified this year. COIL is also undertaking a water injection project in association with Kyrgyzneftegaz, the state oil company. Results from this project are expected shortly.

Website: <http://www.cambrianmining.com/>