



## **Methanol Australia Limited**

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### **ASX RELEASE**

## **ASSIGNMENT OF RIG SLOT TO SANTOS LIMITED**

MELBOURNE, AUSTRALIA (January 30, 2006) -- Methanol Australia Limited (ASX: MEO) advises of the assignment of its May 2006 rig slot with the semi-submersible Stena Clyde to Santos Limited. MEO had planned to use the rig to drill an exploration well in the Company's exploration permit, NT/P68. The Company wishes to emphasize that there are no work program drilling obligations in 2006 for NT/P68 and the permit is in good standing.

Subject to joint venture approval, Santos intends to utilize the rig to drill a well in the NT/P48 permit that contains the Evans Shoal gasfield and the Tassie Shoal feature.

The Company continues to negotiate farmin terms for the permit NT/P68 with a number of parties. However, it is evident that these parties would require acquisition of 3D seismic over the previously mapped Epenarra structure to accurately determine the best location and orientation for a well prior to funding drilling activities. The assignment of the Stena Clyde rig slot has provided additional time to finalise such arrangements and acquire/interpret new seismic, and may result in other commercial benefits to the Company.

Santos will endeavour to provide a replacement rig slot to MEO before the end of 2007 to assist with the Company's exploration program. The Company would benefit from the sharing of costs for a large drilling campaign as opposed to the high cost of a single well program.

The Stena Clyde day cost rate provides significant savings to Santos. In the event that the NT/P48 joint venture elect to undertake testing in the NT/P48 well, Santos will support and seek NT/P48 joint venture approval to provide the Company with the information pertaining to gas quality, particularly background levels of mercaptan sulphur and hydrogen sulphide, confirmed from the well. As all sulphur must be totally removed from the gas to protect the reformer catalyst within the methanol manufacturing process, high sulphur levels would have an impact on the operating costs. This information is essential for final definition of project costs.

Santos has agreed to fully reimburse all third party costs incurred to date by the Company in relation to the Stena Clyde rig slot and well planning, including rig inspection and all pre-mobilization costs.

The use of the Stena Clyde in NT/P48 has the potential to confirm additional natural gas resources in the permit that could ultimately be utilized to supply the proposed methanol project. Santos and the Company continue to seek acceptable commercial solutions for gas supply to achieve the required economic thresholds for the Tassie Shoal Methanol Project and the associated upstream gas production project.

A handwritten signature in black ink, appearing to be 'C.R. Hart', written in a cursive style with a horizontal line extending to the right.

**C.R. Hart**  
Managing Director  
30 January 2006