



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 31 MARCH 2006

COMPANY'S ACTIVITIES DURING THE QUARTER

During the quarter, the Company raised approximately \$1.6 million in new equity funding following a placement by Patersons Securities by special crossing of 8 million Trustee Shares. Patersons acted as Lead Manager on this transaction and placed these shares to investor clients, primarily institutions.

No new shares were issued or allotted by MEO in giving effect to the placement transaction and the number of ordinary shares remained at 140,450,105.

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) entered into in April 2004. The project aims to construct and then locate two large natural gas reforming and methanol production plants in the Australian waters of the Timor Sea, at an estimated total cost of A\$2 billion.

Each proposed plant would have a production capacity of 5,000 tonnes of methanol per day. It is projected that both plants would produce a total of 3.5 million tonnes of methanol a year, to be exported throughout Asia and North America.

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 was engaged during the quarter to review the gravity base substructure (GBS) design for the methanol plant. These studies will further optimise the substructure and internal methanol storage systems. The study, expected to be completed by May, 2006, will also confirm current cost estimates for the GBS. The process re-design was completed last year, incorporating the change to conventional steam methane reformers.

The design of the methanol production facility makes the project highly portable allowing the concept to be applied in many regions where stranded gas resources are located. The Company is currently conducting investigations to identify such sites and thereby increase the development options for consideration.

The 3D cad drawing below demonstrates the proposed deck layout.



TIMOR SEA LNG PROJECT (MEO 100%)

Background Information:

The Timor Sea LNG Project has been designed to be located in the shallow waters of Tassie Shoal, adjacent to the TSMP. 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 will provide a highly competitive supply option with shipping and sovereign risk advantages. The world LNG market remains strong with the increasing demands for the product from Asia, Europe and the USA.

Environmental Approval Secured:

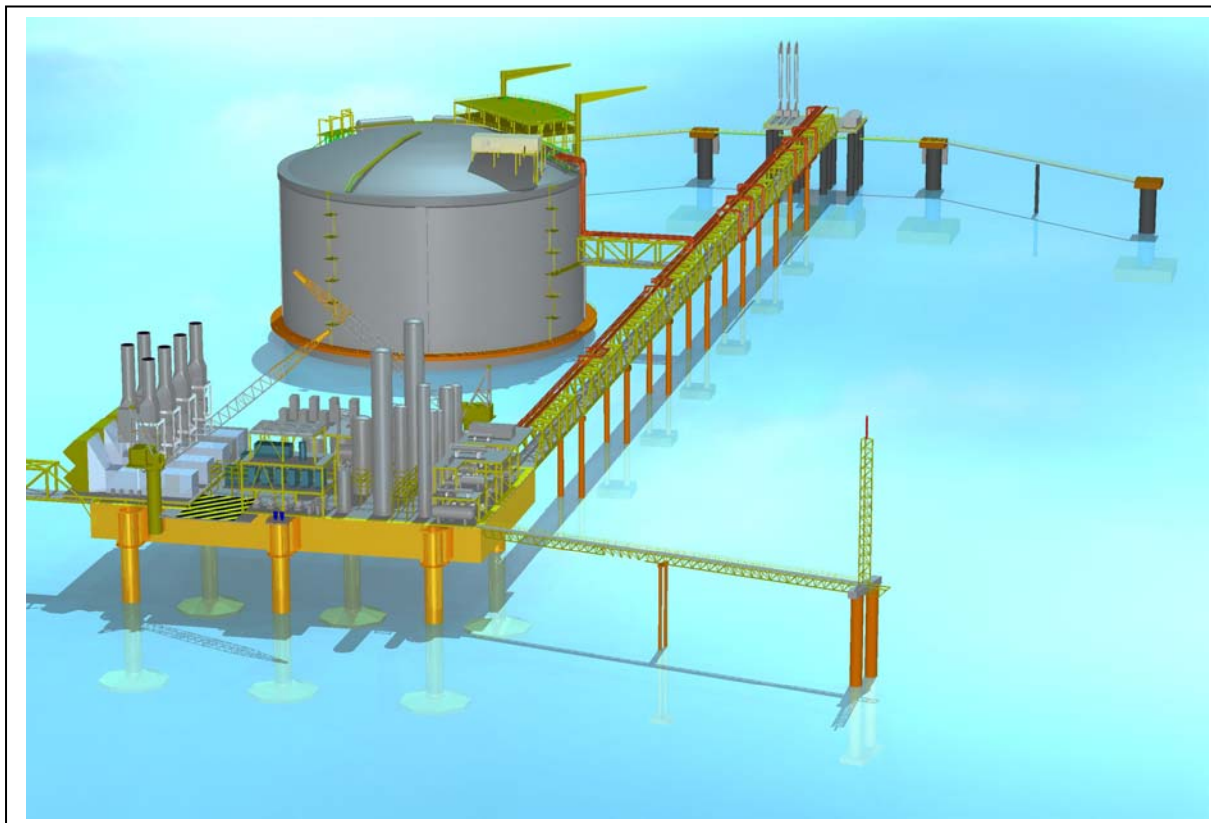
The Timor Sea LNG Project received its environmental approval to construct and operate adjacent to the TSMP on May 5, 2004. This approval (EPBC 2003/1067) has effect until May 6, 2052

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 production module, incorporating the DMR technology, is designed to be free-standing, being supported by its own substructure on the shoal. 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 highly feasible technical solutions that optimise the original concept, which also has applications in many other locations. 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, LNG tank and jetty

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 would support the future gas demands of the TSMP and the TSLNGP.

Studies have confirmed the viability of the Epenarra, Heron North and South leads and also identified Seahawk, up-dip from the Epenarra and Heron features. Epenarra is a large anticlinal structure mapped within the Darwin formation with an aerial closure exceeding 1100 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 Darwin Formation. The in place gas resource (P50) for Epenarra has been estimated at 5.6 Tcf.

The Company believes that the Heron-1 well should be considered as a discovery well for Epenarra and now plans to confirm commercial hydrocarbon flows with a second well. Acquisition of 3D seismic over Epenarra is necessary to accurately determine the best location and orientation for a well prior to commencing drilling activities.

The Company is currently negotiating with a number of parties interested in the farmin opportunity. Farmin terms are expected to include funding of any new seismic acquisition and the costs of drilling the proposed wells.



Christopher Hart
Managing Director
Melbourne, Australia
April 27, 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")

31 MARCH 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A '000	Year to date (9 months) \$A '000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation	(416)	(431)
(b) development	(170)	(362)
(c) production		
(d) administration	(161)	(657)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	16	39
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)	425	440
Net Operating Cash Flows	(306)	(971)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects		
(b) equity investments		
(c) other fixed assets	(3)	(84)
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)	(84)
1.13 Total operating and investing cash flows (carried forward)	(309)	(1,055)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(309)	(1,055)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,776	2,770
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)		(45)
	Net financing cash flows	1,776	2,725
Net increase (decrease) in cash held			
		1,467	1670
1.20	Cash at beginning of quarter/year to date	1,214	1,011
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,681	2,681

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	82
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

Financing facilities available

Add notes as necessary for an understanding of the position.

Amount available \$A'000	Amount used \$A'000

+ See chapter 19 for defined terms.

3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	50
4.2	Development	100
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	371	614
5.2 Deposits at call	2,310	600
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,681	1,214

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	100,000	100,000		
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</i> <i>20 CENTS</i>	<i>Expiry date</i> <i>30/09/2006</i>
7.8 Issued during quarter				
7.9 Exercised during quarter	100,000		20 Cents	30/09/2006
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.



David B. Hill
Company secretary
Date: April 27, 2006

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* 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.

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