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ASX RELEASE

RIGHTS ISSUE FULLY UNDERWRITTEN

MELBOURNE, AUSTRALIA (July 28, 2006) -- Methanol Australia Limited (ASX: MEO) is pleased to advise that the non-renounceable pro-rata rights issue to shareholders, has been fully underwritten by Tolhurst Noall Limited.

On July 20, 2006, the Company announced that shareholders will be offered the opportunity to participate in a capital raising 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 on the Record Date (August 11, 2006), which will raise approximately \$8,696,500 before expenses. For each new share allotted, 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.

The rights issue, along with the previously announced sale of trustee shares and the placement to the Cambrian Mining Group, will collectively raise approximately \$13 million before expenses. This new capital will fund the acquisition and processing of 2D and 3D seismic surveys in the Company's 100% owned Exploration Permit, NT/P68.

The 2D seismic acquisition over the Blackwood lead utilizing the CGG vessel, M/V Polar Duke, is in the final stages of planning, with acquisition scheduled to commence on or about September 15, 2006. The Company is also finalising contracts to acquire approximately 410 square kilometres of 3D seismic over the crest of the Epenarra Prospect.

The Company believes NT/P68 has the potential to host a substantial gas accumulations that may collectively support the future gas demands of its proposed gas processing projects, the Tassie Shoal Methanol Project and the Timor Sea LNG Project. These projects have both been granted Commonwealth government environmental approvals, which are current until 2052.

Christopher Hart
Managing Director
28 July 2006