United States
Securities and Exchange Commission

Washington, D.C. 20549

FORM 40-F

(Check One:)

o REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

þ ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004 Commission File Number 0-20115

METHANEX CORPORATION

(Exact name of Registrant as specified in its charter)

CANADA
(Province or other jurisdiction of incorporation or organization)

2869	N.A.
(Primary Standard Industrial Classification Code (if applicable))	(I.R.S. Employer Identification Number (if applicable))

1800 Waterfront Centre, 200 Burrard Street
Vancouver, British Columbia, Canada V6C 3M1
telephone number: (604) 661-2600
(Address and telephone number of Registrant's principal executive office)

CT Corporation System
1633 Broadway, New York, New York 10019
telephone number: (202) 664-1666
(name, address (including zip code)and telephone number
(including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

None

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Title of each class	Name of each exchange on which registered
Common Shares	Nasdaq National Market

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Title of each class

7.75% Senior Notes due August 15, 2005
8.75% Senior Notes due August 15, 2012

For annual reports, indicate by check mark the information filed with this Form:

þ Annual Information Form þ Audited Annual Financial Statements

Indicate number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

120,338,917 Common Shares were outstanding as of December 31, 2004

Indicate by check mark whether the registrant by filing the information contained in this Form is also thereby furnishing information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes o 82 - _____ No þ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

CONTROLS AND PROCEDURES

Disclosure controls and procedures are defined by the Securities and Exchange Commission as those controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. The Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the Registrant's disclosure controls and procedures as of December 31, 2004 and have determined that such disclosure controls and procedures are effective.

There has been no change in internal control over financial reporting occurred during the financial year ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's Board of Directors has determined that it has at least one audit committee financial expert serving on its audit committee. Mr. A. Terence Poole has been determined to be such audit committee financial expert and is independent, as that term is defined by Nasdaq's corporate governance standards applicable to the Registrant. The Commission has indicated that the designation of Mr. Poole as an audit committee financial expert does not make Mr. Poole an "expert" for any other purpose, impose any duties, obligations or liability on Mr. Poole that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or affect the duties, obligations or liability of any other member of the audit committee.

CODE OF ETHICS

The Registrant has adopted a code of ethics that applies to directors, officers and employees including the Registrant's principal executive officer, principal financial officer and principal accounting officer. A copy of the Registrant's code, entitled "Code of Business Conduct", can be found on the Registrant's website at www.methanex.com. No amendments to, or waivers from the provisions of the Code were made in 2004.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG LLP, Chartered Accountants, Vancouver, are the independent auditors of the Company and the holders of the Company's common shares have resolved to have the directors of the Company determine the auditor's remuneration.

Pre-approval policies and procedures

The Company's Audit Committee annually reviews and approves the terms and scope of the external auditors' engagement. The Audit Committee oversees the Audit and Non-Audit Pre-Approval Policy which sets forth the procedures and the conditions pursuant to which permissible services proposed to be performed by KPMG LLP, the Company's external auditors, are pre-approved. The Audit Committee has delegated to the Chairman of the Audit Committee pre-approval authority for any services not previously approved by the Audit Committee. All such services approved by the Chairman of the Audit Committee are subsequently reviewed by the Audit Committee.

All non-audit service engagements, regardless of the cost estimate, are required to be coordinated and approved by the Chief Financial Officer to further ensure that adherence to this policy is monitored.

Fees to KPMG LLP during the years ended December 31, 2004 and December 31, 2003 were as follows:

US$000's	2004	2003
Audit Fees	346	388
Audit-Related Fees	77	60
Tax Fees	168	242
All Other Fees	—	—
Total	**591**	**690**

The nature of each category of fees is described below.

Audit Fees:

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's consolidated financial statements; statutory audits of the financial statements of the Company's subsidiaries; quarterly reviews of the Company's financial statements; consultations as to the accounting or disclosure treatment of transactions reflected in the financial statements; and services associated with registration statements, prospectuses, periodic reports and other documents filed with securities regulators.

Audit-Related Fees:

Audit-related fees were paid for professional services rendered by the auditors for financial audits of employee benefit plans; procedures and audit or attest services not required by statute or regulation; advice and documentation assistance with respect to internal controls over financial reporting and disclosure controls; and consultations as to the accounting or disclosure treatment of other transactions.

Tax Fees:

Tax fees were paid for professional services rendered for tax compliance, tax advice and tax planning. These services consisted of: tax compliance including the review of tax returns; assistance in completing routine tax schedules and calculations; and tax planning and advisory services relating to common forms of domestic and international taxation.

OFF-BALANCE SHEET ARRANGEMENTS

Disclosure of off-balance sheet arrangements is made on page 46 of the Registrant's "Management's Discussion and Analysis" for the year ended December 31, 2004, filed as Exhibit No. 2 to this report.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Tabular disclosure of contractual obligations is made on page 45 of the Registrant's "Management's Discussion and Analysis" for the year ended December 31, 2004, filed as Exhibit No. 2 to this report.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant's audit committee is comprised of the following directors: Brian D. Gregson (chair), A. Terence Poole, John M. Reid and Graham D. Sweeney.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities in relation to which the obligation to file an annual report on Form 40-F arises, or transactions in the said securities.

CONSENT TO SERVICE OF PROCESS

A Form F-X signed by the Registrant and the Registrants' agents for service of process with respect to the Common Shares was filed with the Commission together with the Form 40-F of the Registrant on June 16, 1995; with respect to the 7.75% Senior Notes due August 15, 2005 was filed with the Commission together with the Form F-9 of the Registrant on June 16, 1995 and; with respect to the 8.75% Senior Notes due August 15, 2012 was filed with the Commission together with the Form F-9 of the Registrant on May 31, 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 40-F, and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

METHANEX CORPORATION

Date: March 29, 2005

By: /s/RANDY MILNER
Name: Randy Milner
Title: Senior Vice President,
General Counsel & Corporate Secretary

LIST OF EXHIBITS

Exhibit No.	Description
1.	Annual Information Form of the Registrant dated March 21, 2005.
2.	Management's Discussion and Analysis for the Year Ended December 31, 2004.
3.	Audited Consolidated Financial Statements of the Registrant for the year ended December 31, 2004 and the Independent Auditor's Report thereon.
4.	Reconciliation with United States Generally Accepted Accounting Principles of the Registrant.
23.	Consent of KPMG LLP dated March 4, 2005 and Report of Independent Accountants.
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Senior Vice President, Finance and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Senior Vice President, Finance and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 1



METHANEX CORPORATION

ANNUAL INFORMATION FORM

March 21, 2005

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REFERENCE INFORMATION

In this Annual Information Form (“AIF”), a reference to the “Company” refers to Methanex Corporation and a reference to “Methanex”, “we”, “us”, “our” and similar words refer to the Company and its subsidiaries or any one of them as the context requires and their respective interests in joint ventures and partnerships.

The Company uses the US dollar as its reporting currency. Accordingly, unless otherwise indicated, all dollar amounts in this AIF are stated in US dollars.

In this AIF, unless the context otherwise indicates, all references to “methanol” are to chemical-grade methanol.

Approximate conversions of certain units of measurement used in this AIF into alternative units of measurement are as follows:

1 tonne	=	2,205 pounds or 1,000 kilograms
1 tonne of methanol	=	332.6 US gallons

Historical price data and supply and demand statistics for methanol and certain other industry data contained in this AIF are derived by the Company from recognized industry reports regularly published by independent consulting and data compilation organizations in the methanol industry, including Chemical Market Associates Inc., DeWitt & Company Incorporated, Petrochemical Consultants International and SRI International, Tecnon (UK) Ltd. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable. We have not independently verified any of the data from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein.

Responsible Care® is a registered trademark of the Canadian Chemical Producers' Association and is used under license by us.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements made in this document that are based on our current objectives, expectations, estimates and projections constitute forward-looking statements. These statements include forward-looking statements both with respect to us and the chemicals industry. Statements that include the words "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," "anticipates," or the negative version of those words or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements. Forward-looking statements are based on our experience, our perception of trends, current conditions and expected future developments as well as other factors. By their very nature, forward-looking statements involve assumptions, uncertainties and risks that may cause the stated outcome to differ materially from the actual outcome.

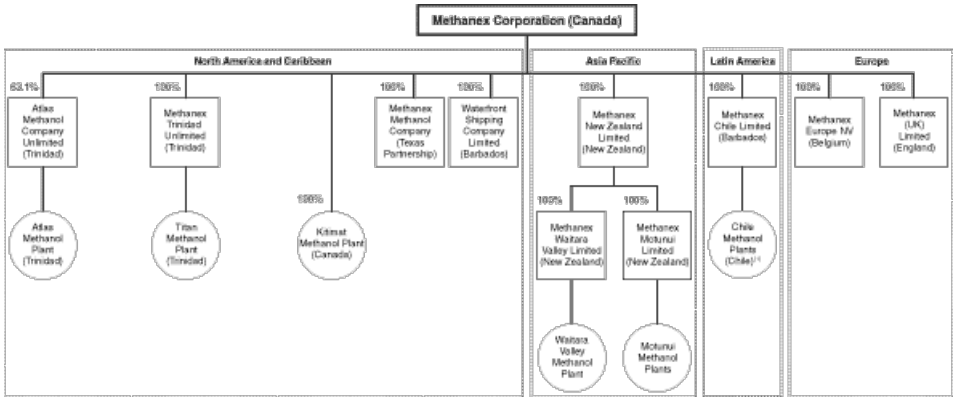
Important factors that can cause stated outcomes to differ materially from actual outcomes include but are not limited to worldwide economic conditions; conditions in the methanol and other industries, including the supply of methanol; demand for methanol and its derivatives such as methyl tertiary butyl ether ("MTBE"); actions of competitors; changes in laws or regulations; the ability to implement business strategies, pursue business opportunities and maintain and enhance our competitive advantage; risks attendant with methanol production and marketing, including operational disruption; risks attendant with carrying out capital expenditure projects, including the ability to obtain financing and completing the projects on time and on budget; availability and price of natural gas feedstock; foreign exchange risks; raw material and other production costs; transportation costs; the ability to attract and retain qualified personnel; risks associated with investments and operations in multiple jurisdictions; and other risks discussed under "Risk Factors" which we may describe in publicly available documents filed from time to time with securities commissions.

Having in mind these and other factors, investors and other readers are cautioned not to place undue reliance on forward-looking statements. We cannot guarantee that anticipated outcomes made in forward-looking statements will be realized and we do not undertake to update any forward-looking statements.

THE COMPANY

Methanex Corporation was incorporated under the laws of Alberta on March 11, 1968 and was continued under the *Canada Business Corporations Act* on March 5, 1992. Its registered and head office is located at 1800 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia V6C 3M1 (telephone: 604-661-2600).

The following chart includes the principal operating subsidiaries and partnerships of the Company as of December 31, 2004 and, for each subsidiary or partnership, its place of organization and the Company's percentage of voting interests beneficially owned or over which control or direction is exercised. The chart also shows our principal production facilities and their locations.



(1) The Chile facilities are comprised of three operating plants and a fourth plant which we are planning to start up at the end of the first quarter of 2005.

BUSINESS OF THE COMPANY

We are the world's largest producer and marketer of methanol. Methanol is a chemical produced primarily from natural gas and is typically used as a chemical feedstock in the manufacture of other products. Approximately 80% of all methanol is used in the production of formaldehyde, acetic acid and a variety of other chemicals that form the basis of a large number of chemical derivatives. These derivatives are used in the manufacture of a wide range of products including building materials, foams, resins and plastics. The remainder of methanol demand comes from the fuel sector, principally as a component in the production of MTBE, which is blended with gasoline as a source of octane and as an oxygenate to reduce the amount of tailpipe emissions from motor vehicles. Methanol is also being used on a small scale as a direct fuel for motor vehicles. Due to the diversity of the end-products in which methanol is used, methanol demand is influenced by a broad range of economic, industrial and environmental factors.

We operate methanol production facilities located in Chile, Trinidad, New Zealand and Canada. In addition, we source additional methanol produced by others throughout the world in order to meet customer needs and support our marketing efforts. We sell methanol through an extensive global marketing and distribution system. This has enabled us to become the largest supplier of methanol to each of the major international markets of North America, Asia Pacific and Europe as well as Latin America.

As a result of our worldwide production, marketing and distribution capabilities, we believe we have a competitive advantage as a supplier of methanol to major chemical and petrochemical producers for whom quality of service and reliability of supply are important. We believe we benefit from this competitive advantage through greater stability and security of demand, resulting marketing and transportation synergies, and an improved customer mix.

The following table shows certain financial and operating data for our operations:

	For the years ended December 31		
	2004	2003	2002
	(Revenue in millions of US dollars; **Production and Sales Volume in thousands of tonnes)**		
Revenue	$ 1,719	$ 1,420	$ 1,042
Methanol production	5,427	4,698	5,691
Methanol sales volume			
Company-produced product	5,298	4,933	5,686
Purchased product[1]	1,960	1,392	809
Commission sales[2]	169	254	725
Total methanol sales volume	7,427	6,579	7,220

(1) Purchased product in 2004 includes sales of product from the Lyondell and Terra facilities.

(2) Commission sales include volumes marketed on a commission basis where the commission earned is included in revenue.

Our operations consist of the production and sale of methanol, which constitutes a single operating segment.

DEVELOPMENT OF THE BUSINESS AND CORPORATE STRATEGY

Since the early 1990s, we have expanded our global methanol production and marketing reach and have carried out a strategy designed to enable us to become a low cost producer and, we believe, a preferred supplier in the methanol industry. As a result of this strategy, we have developed a global presence in the methanol industry, allowing us to provide reliable, efficient and cost-effective delivery of methanol from geographically diverse locations to customers in the world's methanol markets.

Our primary objective is to create value by maintaining and enhancing our leadership in the production, marketing and delivery of methanol to our customers. The key elements of our strategy to achieve this objective are:

- striving to reduce all aspects of our cost structure;
- maintaining our world leadership in methanol marketing, logistics and sales; and
- focusing on operational excellence in manufacturing and other key areas of our business including prudent financial management.

Reducing Our Cost Structure. We believe that a low cost structure is critical to maintaining a strong competitive position. The most significant component of our cost structure is natural gas for feedstock. Accordingly, access to low cost natural gas is a critical success factor for our business. In the mid-1990s we began to reduce our operating exposure to the volatile North American natural gas market by shutting down higher cost plants in North America and constructing new facilities with long-term, low cost natural gas supply contracts. We started production at new plants in Chile in 1996 and 1999, representing approximately 2.1 million tonnes of capacity under long-term low cost natural gas contracts, and permanently shut down 1.7 million tonnes of higher cost methanol production in Canada and the US between 1997 and 2001. The 850,000 tonne per year Titan facility in Trinidad commenced production in 2000. Prior to May 2003, we had a 10% interest in Titan and marketed its entire production on a commission basis. We then acquired the remaining 90% interest in the Titan plant by exercising a fixed-price option. The acquisition of the entire interest in Titan allows us to realize the full margin on the sale of methanol produced from the facility. The Titan plant is underpinned by a long-term low cost natural gas supply contract and further strengthens our position as a low cost global producer of methanol.

We continue to take steps to strengthen our position as a low cost global producer. Located next to the Titan plant is the new 1.7 million tonne per year Atlas methanol plant, a joint venture between BP and us. Atlas commenced operations in the third quarter of 2004. We have a 63.1% interest in Atlas and market 100% of its production. Atlas is underpinned by a long-term low cost natural gas supply contract. Titan and Atlas provide us with the benefits of a low cost hub and the ability to supply customers in North America and Europe on a duty-free basis.

Initiatives such as these have reduced our North American production from 49% of total production in 1994 to less than 10% in 2004.

We are currently constructing an 840,000 tonne per year expansion of our methanol production hub in Chile, which we are planning to start up at the end of the first quarter of 2005. This expansion is underpinned by a long-term low cost natural gas supply contract. Upon completion of the expansion, our production hub in Chile will have annual production capacity of 3.8 million tonnes. In addition to having long-term low cost natural gas supply contracts, this strategic location allows us to distribute methanol on a cost-effective basis to North America, Europe, Asia Pacific and Latin America.

In July 2003, we entered into a transaction with Pacific Ammonia Inc., a subsidiary of Mitsui, to acquire its ammonia production assets which are located adjacent to our Kitimat methanol facility in Canada. As part of the transaction, we entered into an off-take agreement to supply Mitsui with 100% of the ammonia produced from the facility through to the end of 2005 without any cost or market risk to Methanex. This transaction gives us operating flexibility to shut down the Kitimat facilities if economic conditions warrant.

Distribution costs from our plants to major markets are also a significant part of our cost structure. Over the last few years we have taken a number of steps to reduce these costs, in part by seeking to take advantage of our large production hubs. For example, we seek to use larger vessels where possible and to maximize the utilization of our shipping fleet in order to reduce costs. We also seek to take advantage of prevailing conditions in the shipping market by varying the type and length of term of our ocean shipping contracts. In 2000, we completed construction of a terminal in Korea that has allowed us to more efficiently and cost-effectively service our customer base in northeast Asia. We are currently expanding our Korean terminal and are investigating opportunities to increase our in-market terminal storage facilities, particularly in Asia, to further improve the efficiency and cost-effectiveness of servicing our customers. We also look for opportunities to enter into product exchanges to reduce duty and other distribution costs.

We believe our production of methanol from large facilities with access to low cost natural gas and our initiatives in reducing our distribution costs have allowed us to be a low cost supplier in the markets we serve.

Maintaining our world leadership in methanol marketing, logistics and sales. We sell methanol through an extensive global marketing and distribution system and this has enabled us to become the largest supplier of methanol to each of the major international markets of North America, Asia Pacific and Europe, as well as Latin America.

We have played a role in the consolidation of the methanol industry and have positioned ourselves as the supplier of choice for global chemical producers as they face the decision of producing or purchasing their methanol requirements. Over the past few years, we have permanently shut down 1.7 million tonnes of our own higher cost capacity in North America. Other producers have also shut down plants, allowing us to gain new customers. For example, in 2000 we entered into long-term arrangements with BP and Sterling Chemicals to supply BP's methanol needs and exercised our option to idle Sterling's 450,000 tonne per year methanol plant. In 2000, we also acquired ICI's methanol assets located primarily in the United Kingdom, including a customer base and logistics infrastructure but excluding the 500,000 tonne per year methanol plant which ICI subsequently closed. In 2002, we entered into an exclusive agreement with Lyondell Chemical Company to supply its methanol feedstock requirements in North America and Europe commencing January 2003. We also acquired Lyondell's methanol customer list and a number of contracts in North America effective January 2004 and obtained certain production rights to its 750,000 tonne per year methanol facility in Texas during 2004. In 2003, we acquired all of Terra Industries' methanol customer contracts relating to its 700,000 tonne per year methanol facility located in Beaumont, Texas, together with certain production rights to that facility until the end of 2008. These assets provided valuable flexibility during 2004 while we were introducing production from the low cost Atlas facility to the market. With the start-up of Atlas in the third quarter of 2004 and the planned start-up of Chile IV in early 2005, we advised both Lyondell and Terra during the second half of 2004 that we would no longer require production from these facilities. The facilities were subsequently shut down.

In 2002, we entered into an agreement to market export volumes from YPF/Repsol's 400,000 tonne per year methanol plant in Argentina and have since extended this agreement until at least mid-2006. In 2003, we acquired Solvadis Chemag AG's North American methanol marketing business, including its customer list and its contract to purchase approximately 250,000 tonnes per year of production from the Titan plant. We have also entered into a marketing off-take agreement for the output of Terra's 100,000 tonne per year methanol plant located in Woodward, Oklahoma. This agreement is in place until at least the end of 2006.

In 2003, the economically recoverable gas reserves from New Zealand's Maui gas field were redetermined which meant we lost substantially all of our remaining contractual entitlements from the Maui field. In 2004, a settlement was reached in respect of the Maui gas contracts which provided us with access to further quantities of gas from the Maui

field. This meant that our New Zealand facilities produced methanol at less than 40% of their operating capacity in 2003 and at about 45% of their operating capacity in 2004.

In 2004, we idled our 1.9 million tonne per year Motunui facility in New Zealand and in December 2004 rationalized our New Zealand production to the 530,000 tonne per year Waitara Valley plant. We have sufficient natural gas contracted for 2005 to produce approximately 400,000 tonnes of methanol in New Zealand. We continue to seek other supplies of natural gas to supplement this production and to extend the life of our New Zealand operations. However, there can be no assurance that we will be able to secure additional gas on commercially acceptable terms. We have positioned the New Zealand operations to be flexible and will continue to critically assess our operating plan there with consideration given to prevailing market conditions and our ability to generate positive cash margins.

It is part of our strategy to maintain our strong market position in Asia Pacific and we are advancing plans to provide long-term, secure supply to the region. From 2001 to 2003 we were developing a methanol facility in Western Australia. However, high capital costs prevented the project from providing an acceptable return on investment and in 2003 we abandoned the project and wrote-off the related development costs. Due to the flexibility of our global supply chain, we are currently able to supply our Asia Pacific customers with methanol sourced from our plants in New Zealand, Chile and Kitimat. We are currently increasing our in-market storage facilities in Asia in order to cost-effectively transport methanol to this region from Chile. As well, we are actively investigating options for supplying the expanding Asia Pacific markets over the long term.

We continue to pursue opportunities that allow us to maintain our market leadership. For example, during 2002 we initiated a process to establish a Methanex posted reference price in each major market. We have since made substantial progress implementing this pricing initiative in our customer contracts. We also have in place e-commerce platforms which provide for key customer connectivity in North America and Asia Pacific and on-line inventory management services in North America which serve to further integrate our distribution network with our customers.

We believe that it is important to exhibit manufacturing and technological leadership and to play a role in developing new markets for methanol. To this end, we maintain active involvement with leading technology vendors to our industry and have made selected investments in technological innovations. With respect to new markets for methanol, we have, among other things, investigated the potential for methanol to be used as a fuel in biodiesel applications and fuel cells and for wastewater denitrification.

Focusing on operational excellence in manufacturing and other key areas of our business. We believe that methanol consumers view reliability of supply as critical to the success of their businesses. In order to differentiate ourselves from our competitors, we strive to be a premier operator in all aspects of our business. Our goal is to build new and efficient plants on time and deliver product to our customers reliably and cost-effectively. Through our Responsible Care program we believe we have achieved an excellent overall environmental and safety record at all of our facilities. This reduces the likelihood of unscheduled shutdowns and lost-time incidents. Our focus on operational excellence includes both excellence in our manufacturing process and in the leadership of our human resources. By maintaining and improving our plant operating reliability, we believe we have become a preferred supplier of methanol globally.

Our focus on operating excellence includes excellence in the management of our finances. We operate in a highly competitive cyclical industry. Accordingly, we believe it is important to maintain financial flexibility throughout the methanol price cycle and we have deliberately adopted a prudent approach to financial management. We have established a disciplined approach to capital spending and have set minimum target return criteria for methanol capacity additions and other investments. We are focused on financial discipline and shareholder value creation.

METHANOL INDUSTRY INFORMATION

General

Methanol (chemical formula CH_3OH and also known as methyl alcohol) is a clear colourless liquid that is typically used as a chemical feedstock in the manufacture of other products.

Approximately 80% of all methanol is used in the production of formaldehyde, acetic acid and a variety of other chemicals that form the foundation of a large number of chemical derivatives. These derivatives are used in the manufacture of a wide range of products including plywood, particleboard, foams, resins and plastics. The remainder of methanol demand is in the fuel sector, principally as a component in the production of MTBE which is blended with

gasoline as a source of octane [1] and as an oxygenate [2]

to reduce the amount of harmful exhaust emissions from motor vehicles. Methanol is also being used on a small scale as a direct fuel.

Methanol is a typical commodity chemical and the methanol industry is characterized by cycles of oversupply resulting in lower prices and idling of capacity, followed by periods of shortage and rising prices as demand catches up and exceeds supply until increased prices lead to new plant investment or the re-start of idled capacity. In addition, the expanding number of different uses for methanol and its derivatives over the last several years has resulted in the methanol market becoming more complex and subject to increasingly diverse influences.

Demand Factors

Reflecting the diversity of its uses, methanol demand is influenced by a wide range of economic, industrial, environmental and other factors. The use of methanol to make chemical derivatives accounts for about 80% of world methanol demand. Because of the importance and relative stability of chemical derivative demand, methanol traditionally had been considered to be a mature commodity. The remainder of world methanol demand comes largely from its use as a feedstock for MTBE. We believe it is likely that over time the global demand for methanol for MTBE will be reduced. As we enter 2005, we are experiencing a continuation of the trend towards improving global economic conditions and stronger demand for methanol. We believe that global chemical derivative demand growth for methanol will more than offset the expected loss of demand for methanol to produce MTBE.

Chemical Derivative Demand. Methanol makes up approximately 45% of formaldehyde by weight. The largest use for formaldehyde is as a component of urea-formaldehyde and phenol-formaldehyde resins, which are used as wood adhesives for plywood, particleboard, oriented strand board, medium-density fibreboard and other reconstituted or engineered wood products. There is also demand for formaldehyde as a raw material for engineering plastics and in the manufacture of a variety of other products, including elastomers, paints, building products, foams, polyurethane and automotive products.

Methanol makes up approximately 55% of acetic acid by weight. Acetic acid is a chemical intermediate used principally in the production of vinyl acetate monomer (“VAM”), acetic anhydride, purified terephthalic acid and acetate solvents, which are used in a wide variety of products including adhesives, paper, paints, plastics, resins, solvents, pharmaceuticals and textiles. The acetic acid industry has been benefiting from increasing demand for water-based solvents produced with VAM for use in paints and adhesives due to environmental concerns associated with emissions of volatile organic compounds from other types of solvents.

As a basic chemical building block, methanol is also used in the manufacture of methylamines, methyl methacrylate and a diverse range of other chemical products which in turn are ultimately used to make such products as adhesives, coatings, plastics, film, textiles, paint, solvent, paint remover, polyester resins and fibres, explosives, herbicides, pesticides and poultry feed additives. Other end-uses include silicone products and as a substitute for chlorofluorocarbons in aerosol products. Methanol is also used as a de-icer and windshield washer fluid for automobiles and as an antifreeze for pipeline dehydration.

Reflecting the diversity of methanol’s end-use products, changes in chemical derivative demand are generally influenced by levels of global industrial production and changes in economic conditions. The use of derivatives of formaldehyde, acetic acid and other products in the building industry means that building and construction cycles and the level of wood production, housing starts, refurbishments and consumer spending are important factors in determining the level of chemical derivative demand. Demand is also affected by automobile production, durable goods production, industrial investment and environmental and health trends, as well as new product development in the panelboard and plastic packaging industries. Historically, chemical derivative demand for methanol has been relatively insensitive to changes in methanol prices. We believe this demand inelasticity is due to the fact that there are few cost-effective substitutes for methanol-based chemical derivative products and because methanol costs typically account for only a small portion of the value of many of the end-products.

MTBE and Fuel Demand. Methanol makes up approximately 36% of MTBE by weight. Methanol for the production of MTBE represents approximately 20% of global methanol demand. MTBE is used primarily as a source

(1) “Octane” is used in broad terms to denote the “octane number” specification commonly associated with gasoline.
(2) An “oxygenate” contains oxygen and improves the combustion of gasoline in engines, thus reducing emissions.

of octane and as an oxygenate for gasoline. During the 1990s, environmental concerns and legislation in the US resulted in increased demand for MTBE as an oxygenate in gasoline in order to reduce automobile tailpipe emissions.

In the US, however, concerns have been raised regarding the use of MTBE in gasoline. Gasoline containing MTBE has leaked into groundwater in the US principally from underground gasoline storage tanks and has been discharged directly into drinking water reservoirs from recreational watercraft. MTBE is more easily detectable in water than other gasoline components. The presence of MTBE in some water supplies has led to public concern about MTBE's potential to contaminate drinking water supplies. Several states in the US including California, New York and Connecticut have banned the use of MTBE as a gasoline component as of January 1, 2004. However, MTBE is still in use in numerous states. At the US federal government level, there have been proposals to phase out or curtail MTBE use over a period of several years; however, to date, no legislation has become law.

Limiting or eliminating the use of MTBE in gasoline in the US has reduced demand for MTBE and methanol in the US and negatively impacted the viability of MTBE and methanol plants in the US. We estimate that in 2005, the demand for methanol for MTBE consumption in the US will be approximately 2.1 million tonnes representing about 6% of estimated total global methanol demand.

The European Union issued a final risk assessment report on MTBE in 2002 that did not recommend a ban of MTBE though several risk reduction measures relating to storage and handling of MTBE-containing fuel were recommended. However, governmental efforts in some European Union countries to promote bio-fuels and alternative fuels through legislation and tax policy is putting competitive pressures on the use of MTBE in gasoline. In 2004, several European MTBE production facilities commenced producing ethyl tertiary butyl ether (ETBE) to take advantage of such tax incentives to produce bio-fuels.

Elsewhere in the world, MTBE continues to be used as a source of octane, but with growing usage for its clean air benefits. We believe that there is potential for continuing growth in MTBE use outside the US and Europe. Our belief is based on actions being taken around the world to reduce lead, benzene and other aromatics content in gasoline and to improve the emissions performance of vehicles generally. A number of Asian countries including Taiwan, Korea and China have adopted European specifications for gasoline formulations. This is expected to lead to increased consumption of MTBE in these markets.

Over the longer term, methanol has potential to power fuel cells, an alternative means of generating electrical energy in an environmentally friendly manner that does not use traditional combustion. Additionally, methanol is already used to remove harmful nitrates from wastewater. We are working to promote methanol where there is long-term methanol growth potential.

Supply Factors

While a significant amount of new methanol capacity has come on stream over the past few years, a large number of higher cost North American and European producers shut down plants that remain shut down. In addition, the industry has consistently operated significantly below stated capacity, even in periods of high methanol prices, due primarily to shutdowns for planned and unplanned repairs and maintenance.

Newer methanol plants are generally constructed in remote coastal locations with access to low cost natural gas, although this advantage is sometimes offset by higher distribution costs due to their distance to major markets. There is typically a span of two-and-a-half to four years to plan and construct a new methanol plant. The only new large scale capacity to start production in 2002 was a 400,000 tonne per year facility in Argentina owned by YPF/ Repsol. We entered into a contract to market all export volume from this plant and in 2003 this agreement was extended until at least mid-2006. No new large scale capacity was introduced into the marketplace in 2003.

In 2004, our 1.7 million tonne per year Atlas project successfully commenced operation. The 1 million tonne NPC 3 methanol facility in Iran also began production in mid-2004 and a 1 million tonne methanol facility in Saudi Arabia started up in late 2004. In addition, a number of smaller-scale plants were added in China representing up to 2 million tonnes of annual capacity.

In addition to our own 840,000 tonne per year Chile IV facility, which we are planning to start up at the end of the first quarter of 2005, we believe that the only other large scale methanol capacity expected to commence production in 2005 is the 1.8 million tonne M5 facility in Trinidad. The 1.7 million tonne NPC 4 facility in Iran is expected to be completed in 2006.

There are also higher cost small-scale methanol capacity additions expected in China and we estimate that net capacity additions in China to the end of 2006 could be in the range of 2 to 3 million tonnes. Historically, methanol plants in China have operated at significantly lower rates than the industry average.

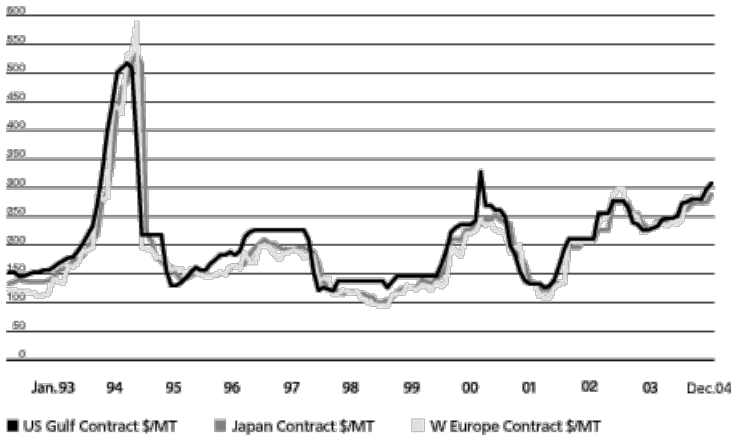
Additional methanol supply can potentially become available by re-starting methanol plants whose production has been idled, by carrying out major expansions of existing plants and by debottlenecking existing plants to increase their production capacity.

Typical of most cyclical commodity chemicals, extended periods of relatively high methanol prices encourage construction of new plants and major expansion projects, leading to the possibility of an oversupply in the market. With over 20% of global methanol market share, we intend to maintain and enhance our strong competitive position in the methanol industry and we continue to look at opportunities to underpin our sales volumes with low cost methanol production capacity.

Methanol Prices

Methanol is an internationally traded commodity. Methanol prices have historically been volatile and have been sensitive to overall production capacity relative to demand, the price of natural gas feedstock and general economic conditions. In addition, the price of natural gas in North America impacts the cash production cost of North American methanol producers. Historically, this cost affects the minimum expected methanol selling price in North America.

The following chart shows methanol contract prices (in US dollars per tonne) in the world's major methanol markets:



Source: Chemical Market Associates Inc.

Methanol prices in the United States, Europe and Asia Pacific have largely tracked each other, though often with leads or lags. In times when prices in different markets diverge, product from offshore suppliers moves into the higher priced market, bringing the prices in different markets back into alignment.

The majority of methanol sold globally is priced with reference to published regional contract prices to which discounts may be applied. Spot market transactions, though limited in nature and representing a relatively small portion of the total volume that is transacted, also occur.

In early 2002, we launched a methanol pricing initiative to bring greater transparency and stability to methanol market pricing. This initiative has been successful and the majority of our customer contracts now use Methanex posted regional prices as a basis for pricing. Discounts may apply to these posted prices. These posted prices are reviewed and revised from time to time based on industry fundamentals and market conditions.

PRODUCTION

Production Processes

The methanol manufacturing process typically involves heating natural gas, mixing it with steam and passing it over a nickel catalyst where the mixture is converted into carbon monoxide, carbon dioxide and hydrogen. This reformed gas (also known as synthesis gas or syngas) is then cooled, compressed and passed over a copper-zinc catalyst to produce crude methanol. Crude methanol consists of approximately 80% methanol and 20% water by weight. To produce chemical-grade methanol, crude methanol is distilled to remove water, higher alcohols and other impurities.

Operating Data and Other Information

We endeavour to operate our production facilities around the world in an optimal manner in order to lower our overall delivered cost of methanol. Scheduled shutdowns of plants every three or more years are necessary to change catalysts or perform maintenance activities which cannot otherwise be completed with the plant operating (a process commonly known as a turnaround) and these shutdowns typically take between three and four weeks. Catalysts generally need to be changed every four years, although there is flexibility to extend catalyst life if market conditions warrant, at the expense of some production efficiency or capacity. Careful planning and scheduling is required to ensure that maintenance and repairs can be carried out during turnarounds. In addition, both scheduled and unscheduled shutdowns may also occur between turnarounds. We prepare a comprehensive eight-year turnaround plan that is updated annually for all of our production facilities.

The following table sets forth certain operating data and other information for our methanol operations at each of our existing facilities:

	Year Built	Operating Capacity (1)	2004 Production	2003 Production
		(tonnes/year)	(tonnes)	(tonnes)
Punta Arenas, Chile				
Chile I	1988	925,000	808,751	774,789
Chile II	1996	1,010,000	931,242	983,159
Chile III	1999	1,065,000	951,967	945,996
Trinidad				
Titan (2)	2000	850,000	739,699	576,864
Atlas (3)	2004	1,073,000	421,312	—
Waitara Valley, New Zealand	1983	530,000	498,103	148,825
Motunui, New Zealand (4)	(4)	1,900,000	589,706	818,890
Kitimat, Canada	1982	500,000	486,320	449,119
Total		7,853,000	5,427,100	4,697,642

(1) Actual operating rates can vary.

(2) 100% of the Titan plant was acquired effective May 1, 2003 and the table indicates 2003 production from that date. Titan's total annual production in 2003 was 870,186 tonnes.

(3) The Atlas plant commenced production in July 2004. Atlas is a joint venture between Methanex (63.1%) and BP (36.9%). The Operating Capacity and 2004 production are Methanex's proportionate share. The Atlas plant's total production in 2004 was 667,689 tonnes.

(4) The facilities at Motunui, New Zealand were constructed between 1985 and 1995. Motunui 1 was shut down in April 2004 and Motunui 2 was shut down in November 2004.

MARKETING

We sell methanol on a worldwide basis to every major market through an extensive marketing and distribution system with marketing offices in North America (Dallas and Vancouver), Europe (Brussels and Billingham, England), Asia Pacific (Auckland, Shanghai, Tokyo and Seoul) and Latin America (Santiago, Chile).

Our methanol marketing strategy is based on three principles: develop and maintain a strong customer base in the methanol markets of North America, Europe, Asia Pacific and Latin America as well as in other markets that are strategically located in relation to our production facilities; form direct customer relationships rather than sell to methanol traders; and secure and maintain long-term sales contracts with major end-users.

We believe our ability to sell methanol from our geographically dispersed, multiple production sites enhances our ability to secure major chemical and petrochemical producers as customers for whom reliability of supply and quality of service are important. Our network of marketing offices, together with our storage and terminal facilities and worldwide shipping operations, also allow us to provide larger customers with multinational sourcing of product and other customized arrangements. As a result of our worldwide production, marketing and distribution capabilities, we believe we are a preferred supplier in the methanol industry and the largest supplier to each of the major international methanol markets.

We augment our marketing operations by identifying surplus product from other producers and buying in the US and European methanol spot markets. This enables us to service a portion of the contract and spot requirements of our customers when the economics are favourable. We continually evaluate our ability to cost-effectively serve markets from our facilities and we maintain internal flexibility to quickly decide whether to produce or buy methanol. Methanol that is purchased outside of contracted off-take arrangements also provides us the opportunity to build our sales base prior to bringing on our own new capacity.

We engage in additional merchant methanol marketing through the purchase of methanol produced by others. We have an agreement in place until at least mid-2006 to market the export volumes from the 400,000 tonne per year YPF/Repsol facility located in Argentina. We also market the output of Terra's 100,000 tonne per year methanol plant located in Woodward, Oklahoma under an agreement in place until at least the end of 2006. In addition, we source additional methanol through purchases made in Europe, Asia and North America. During 2004, we purchased almost 2 million tonnes of methanol from third parties which we used to meet contractual sales commitments and support our marketing efforts, approximately 600,000 of which was purchased on the spot market and the remainder through our strategic commercial agreements with Terra, Lyondell and YPF/Repsol.

Currently, about 90% of our sales are covered by long-term or rolling one-year sales contracts. Sales contracts generally specify a minimum and maximum volume and may include a "meet or release" clause that enables the customer to temporarily suspend the contract if another supplier of methanol offers a more favourable price. Pricing formulas under these contracts are generally determined on the basis of posted contract or other market prices at the time of shipment. In order to reduce the impact of cyclical pricing on our earnings we have strategically positioned ourselves with certain global customers under long-term contracts where prices are either fixed or linked to our costs plus a margin. We believe it is important to maintain financial flexibility throughout the methanol price cycle and these contracts are a component of our prudent approach to liquidity.

Trade in methanol is subject to duty in a number of jurisdictions. See "Foreign Operations and Government Regulation" on page 14 for more information.

DISTRIBUTION AND LOGISTICS

The cost of methanol distribution represents a significant portion of our total costs and is important to our overall profitability. Our facility in Chile currently supplies customers primarily in Asia Pacific, Europe and Latin America. The Atlas and Titan plants in Trinidad supply customers primarily in the US and Europe. Our New Zealand plant supplies customers in Asia Pacific. Our Kitimat plant supplies customers in Asia Pacific, the US and Western Canada.

Methanol is pumped from our coastal plants by pipeline to adjacent deepwater ports for shipping. We manage a fleet of vessels to ship this methanol. In order to retain optimal flexibility in the management of the fleet, we have entered into short-term and long-term time charters covering vessels with a range of capacities. We also ship methanol under contracts of affreightment and through spot arrangements. We use larger vessels as key elements in our supply chain to move product from our production facilities to storage facilities located in major ports. We use smaller vessels capable of entering into restricted ports to deliver directly to customers. We also lease or own storage and terminal facilities in the US, Canada, Europe and Asia. In North America and Europe we use barge, rail and, to a lesser extent, truck transport in our delivery system.

NATURAL GAS SUPPLY

General

Natural gas is the principal feedstock for methanol and accounts for a significant portion of its total production costs. Accordingly, our profitability depends in large part on both the security of supply and the price of natural gas. Part of our long-term strategy has been to secure continuity of gas supply at favourable prices through a combination of long-term contracts and activity in the open market. Since we are able to deliver methanol to our customers from a

number of production facilities located throughout the world, dependency on any one source of gas as well as the impact of gas market conditions in any one production region is diminished.

If, for any reason, we are unable to obtain sufficient natural gas for any of our plants on commercially acceptable terms, we could be forced to curtail production or close such plants.

Chile

About 57% of the natural gas for our Chilean facilities is currently sourced from suppliers in Argentina that are affiliates of major international oil and gas companies. The Chile IV natural gas purchase arrangements will increase the sourcing of natural gas from Argentina for our Chilean facilities to approximately 62%. The remainder is supplied by ENAP (Empresa Nacional del Petroleo de Chile), a Chilean state-owned company, from gas reserves in Chile.

Argentina has been experiencing an energy crisis brought about primarily as a result of price regulation of domestic natural gas and a dramatic devaluation of the Argentine peso against the United States dollar. Natural gas prices have been held at extremely low levels and this has led to increased demand and lower amounts of natural gas supplying the domestic market. As a consequence, in early 2004 the Argentine Government suspended issuing any new natural gas export permits and exports of natural gas from Argentina to Chile and other surrounding countries were reduced. Our operations had been largely isolated from this issue due to the location of our plants in the southernmost region of Chile and the limited pipeline transportation capacity to the population centres in northern Argentina.

During May to August 2004, however, we suffered curtailments of natural gas amounting to about 50,000 tonnes of lost methanol production due to peak winter demand in southern Argentina. We have not suffered any curtailments since early August 2004. Domestic natural gas prices are being increased and additional investment in infrastructure is being made by gas suppliers within Argentina that should increase the supply of natural gas for domestic consumption. Our Argentine gas suppliers have confirmed increases of 6.1 million cubic metres per day in natural gas deliverability in southern Argentina over 2005 and 2006. One of our major suppliers is investing in infrastructure to supply our Chile IV expansion. This development alone will lead to an additional four million cubic metres per day of natural gas deliverability. This compares to the incremental requirements from Argentina for the Chile IV expansion of 1.7 million cubic metres per day. A planned 2.9 million cubic metre per day expansion of the pipeline that transports natural gas from southern to the more northern populated areas of Argentina is also expected to be completed in the third quarter of 2005. The expected increase in natural gas deliverability over the next two years is greater than the incremental demand requirements for Chile IV and the increased transportation capacity. Consequently, we believe any gas curtailments to us in 2005 and 2006 should be less than the curtailments we experienced in 2004. We are working with our natural gas suppliers and senior government officials in Chile and Argentina, and we continue to monitor this issue closely. There can be no assurance, however, that natural gas supply to our Chilean facilities will not be impacted in the future.

Natural gas for the Chile I, II, III and IV plants is supplied under arrangements terminating between 2025 and 2029. Natural gas export permits, valid until 2025, are in place for the gas being supplied from Argentina for the Chile I and IV plants. Natural gas for the Chile II and III plants are supplied under contracts terminating in 2017 and 2019 and natural gas export permits, valid until those dates, are in place for gas being supplied from Argentina for those plants. Ten year extensions of these contracts until 2027 and 2029 have been agreed. We do not have natural gas export permits in respect of the gas to be sourced from Argentina under these extensions. Such permits are customarily only granted a few years prior to the contractual agreement becoming effective.

The purchase price of natural gas for our Chilean facilities is based on a minimum US dollar price adjusted by a formula related to methanol market prices. The adjustment is related to methanol prices on a twelve-month weighted average trailing basis for each plant except Chile I where the adjustment is related to average methanol prices during each calendar quarter. The minimum US dollar price increases annually under the Chile IV contract and, commencing in 2009, will increase under the Chile I contract. Under the terms of the contracts, the sellers are obligated to supply, and we are obligated to take or pay for, a specified annual quantity of natural gas. We also have an option to purchase up to an additional specified amount each year.

Trinidad

Natural gas for the Titan and Atlas facilities is sourced from the major gas fields that are located off the east and southeast coasts of Trinidad. These fields are operated by major international oil and gas companies. The National Gas Company of Trinidad (“NGC”) transports the gas by pipeline to a processing facility located near the Titan and Atlas facilities and from there it is distributed and sold under individual contracts to industrial consumers.

Natural gas is supplied to the Titan and Atlas facilities under contracts with NGC which purchases the gas from gas producers under back-to-back purchase arrangements. Titan's contract with NGC expires in 2014. The price paid by Titan is based on a fixed escalation of a minimum US dollar price which is adjusted by a formula that takes into account the methanol market price. Under the contract, NGC is obligated to supply, and we are obligated to take or pay for, a specified annual quantity of natural gas. Gas paid for but not taken by Titan in any year may be received in subsequent years. Atlas' contract with NGC expires in 2024 and the price formula and take-or-pay obligations are similar to those in the Titan contract.

New Zealand

Prior to 2003, the natural gas for our New Zealand facilities was sourced primarily from the Maui field under contracts with the New Zealand Government and the owners of the Maui field. As a result of the redetermination of the gas reserves of the Maui field in 2003 we lost substantially all of our remaining contractual natural gas entitlements from the Maui field. However, in 2004, a settlement was reached in respect of the Maui gas contracts which provided us with access to further quantities of gas from the Maui field. This additional Maui gas, together with supplies from the McKee and Mangahewa fields, allowed us to produce about 1.1 million tonnes of methanol in 2004, representing about 45% of total plant capacity.

The reduction in gas entitlements forced the shut down of the Motunui site at the end of November 2004. The Motunui site represents 1.9 million tonnes of our total New Zealand operating capacity of 2.4 million tonnes. The viability of restarting the Motunui site will be assessed based on sufficient quantities of natural gas becoming available on commercially acceptable terms and the capital costs associated with bringing the facility back into operation.

We are presently operating the 530,000 tonne per year Waitara Valley plant at full capacity. We have sufficient natural gas contracted for 2005 to produce about 400,000 tonnes of methanol from this plant. We continue to seek other supplies of natural gas to supplement this production and to extend the life of the New Zealand plants. However, there can be no assurance that we will be able to secure additional gas on commercially acceptable terms.

Canada

We source natural gas for our Kitimat plant from the gas fields of northeastern British Columbia, part of the Western Canadian Sedimentary Basin. Substantial volumes of gas are available in this region, a situation that is expected to continue for the foreseeable future. Gas for the Kitimat plant is purchased directly from producers or other marketers under firm, short-term, fixed and index-priced contracts. British Columbia gas prices are set in an open competitive market and, therefore, prices can fluctuate widely.

Natural gas purchased for the Kitimat plant is transported through pipeline transmission systems operated by Duke Gas Transmission ("Duke") and Pacific Northern Gas ("PNG"). PNG and Duke are each regulated public utilities whose tolls, rates and tariffs for processing and transporting gas are approved and set by independent government agencies through a public process. In 2002, we entered into a transportation service agreement with PNG which establishes a fixed, take-or-pay rate for firm transportation service for the term of the agreement. The agreement expires in October 2009 but we may terminate it on six months' notice and payment of a buy-out amount on the effective date of the termination. The buy-out payment is $25 million as at November 1, 2005 and reduces monthly to $14 million as at November 1, 2007; thereafter the buy-out payment reduces by $583,333 each month.

FOREIGN OPERATIONS AND GOVERNMENT REGULATION

General

Our operations in Canada, the US, Chile, Trinidad, New Zealand, Europe and elsewhere are affected by political developments and by federal, provincial, state and other local laws and regulations. To date, we have been able to substantially comply in all material respects with governmental requirements without incurring significant costs.

We are subject to risks inherent in foreign operations, including loss of revenue, property and equipment as a result of hazards such as expropriation, nationalization, war, insurrection, acts of terrorism and other political risks; risks of increases in duties, taxes and governmental royalties and renegotiation of contracts with governmental entities; as well as changes in laws and policies governing operations of foreign-based companies.

In addition, because the Company derives a substantial portion of its revenues from production and sales by subsidiaries outside of Canada, the payment of dividends or the making of other cash payments or advances by these

subsidiaries to the Company may be subject to restrictions or exchange controls on the transfer of funds in or out of the respective countries or result in the imposition of taxes on such payments or advances. We have organized our foreign operations in part based on certain assumptions about various tax laws (including capital gains and withholding tax), foreign currency exchange and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. While we believe that such assumptions are correct, there can be no assurance that foreign taxing or other authorities will reach the same conclusion. Further, if such foreign jurisdictions were to change or modify such laws, we could suffer adverse tax and financial consequences.

Trade in methanol is subject to duty in a number of jurisdictions. For instance, methanol sold in China from any of our producing regions is subject to a duty of 5.5%. Methanol from Chile which is sold in Japan and Korea, the other major markets in Asia Pacific, is not subject to duty. Recent free trade agreements now provide for methanol from Chile to be sold duty-free into North America and the European Union. Methanol from Trinidad may also be sold duty-free into North America and the European Union. Currently, the costs we incur in respect of duties is not significant. However, there can be no assurance that we will in the future be able to mitigate the costs of such duties if they are levied through techniques such as physical swaps of methanol which we have used to minimize the impact of duties in the past.

Chile

Our wholly owned subsidiary, Methanex Chile Limited ("Methanex Chile"), owns the Chile I, II and III plants and is currently constructing the Chile IV plant. Chilean foreign investment regulations provide certain benefits and guarantees to companies that enter into a foreign investment contract ("DL 600 Contract") with the State of Chile. Methanex Chile has entered into four DL 600 Contracts, substantially identical in all matters material for Methanex Chile, one for each of the three existing plants and one for Chile IV.

Under the DL 600 Contracts, Methanex Chile is authorized to remit from Chile in US dollars or any other freely convertible currency all or part of its profits and, after one year, its equity. Methanex Chile also has the right under the DL 600 Contracts to pay income taxes at a fixed rate of 42% for twenty years. Alternatively, Methanex Chile can make an irrevocable election to pay income tax at the general applicable rates, currently 35%. As of December 31, 2004, Methanex Chile has not made this election.

The DL 600 Contracts provide that they cannot be amended or terminated except by written agreement of Methanex Chile.

Trinidad

Under the Fiscal Incentives Act of Trinidad, our subsidiary that owns the Titan plant has been declared an approved enterprise in respect of the manufacture of methanol and has been granted total relief from Trinidadian corporation income tax, customs duties and income tax on dividends or other distributions, other than interest, out of profits or gains derived from the manufacture of methanol until June 2005.

Similarly, our subsidiary that owns the Atlas plant has been declared an approved enterprise and has been granted, for a ten year period, total relief from corporation income tax for the first two years of operation, then at a rate of 15% for the following five years and a rate of 20% for the following three years. Atlas also has total relief from income tax on dividends or other distributions, other than interest, out of profits or gains derived from the manufacture of methanol and has been granted import duty concessions on building materials and machinery and equipment imported into Trinidad and used in connection with the facility.

The applicable corporation income tax rate without tax relief is currently 35%. There are no exchange control restrictions relating to the movement of funds into or out of Trinidad.

New Zealand

New Zealand enacted legislation in 1986 to safeguard claims by Maori tribes (the indigenous people of New Zealand) against lands previously owned by state-owned enterprises and subsequently privatized. The land on which certain parts of the infrastructure for the Waitara Valley and Motunui plants are located (for example, a tank farm and various pipelines and pipeline valve and mixing stations) are subject to this legislation. There is a possibility that the tribunal that deals with Maori land claims could recommend the return of such land to Maori ownership. The New Zealand Government would be required to comply with such a recommendation, subject to payment of compensation to the affected owner. We believe that, subject to receiving adequate compensation, such a forced divestment would not

likely have a material adverse effect on our operations or financial condition. The land upon which the Waitara Valley and Motunui plants are located and the surrounding buffer zones of farmland owned by us are not subject to such forced divestment procedures.

We are not subject to any exchange control or other governmental restrictions relating to the movement of money into or out of New Zealand.

ENVIRONMENTAL AND SOCIAL MATTERS

Canada, the US, Chile, Trinidad, New Zealand and other countries in which we produce, store or transport methanol all have laws governing the environment and the management of natural resources as well as the handling, storage, transportation and disposal of hazardous or waste materials. We are also subject to laws governing the import, export, use, discharge, storage, disposal and transportation of hazardous substances. The substances we use and produce are subject to regulation under various health, safety and environmental laws. Non-compliance with these laws and regulations may give rise to work orders, fines, injunctions, civil liability and criminal sanctions.

As a result of periodic external and internal audits, we believe that we are currently in substantial compliance in all material respects with all existing environmental, health and safety laws and regulations to which our operations are subject. Laws and regulations protecting the environment have become more stringent in recent years and may, in certain circumstances, impose absolute liability rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. Such laws and regulations may expose us to liability for the conduct of, or conditions caused by, others, or for our own acts that complied with law at the time such acts were performed. To date, environmental laws and regulations have not had a material adverse effect on us. However, the ongoing operations of petrochemical manufacturing plants entail risks in this area and there can be no assurance that material costs or liabilities will not be incurred.

The Company has accrued $27 million for asset retirement obligations for those sites where a reasonably definitive estimate of the fair value of the obligation can be made. Cash expenditures applied against the asset retirement obligations accrual in 2004 were $0.5 million (2003 — $0.9 million). Because of uncertainties in estimating costs and the timing of expenditures related to the currently identified sites, actual asset retirement obligations could differ from the amounts estimated.

Responsible Care

As a member of the Canadian Chemical Producers' Association in Canada ("CCPA"), the American Chemistry Council in the US, ASIQUIM (Asociacion Gremial de Industriales Quimicos de Chile) in Chile and the Chemical Industry Council in New Zealand, we are committed to the ethics and principles of Responsible Care. Responsible Care is the umbrella under which we manage issues related to health, safety, environment, community involvement, security and emergency preparedness at each of our facilities and locations. Accordingly, we have established policies, systems and procedures to promote and encourage the responsible development, introduction, manufacture, transportation, storage, handling, distribution, use and ultimate disposal of chemicals and chemical products so as to minimize adverse effects on human health and well-being, the environment and the communities in which we operate. Responsible Care also guides decision-making related to our corporate development objectives.

The application of Responsible Care at Methanex begins with our Board of Directors, where we have a Responsible Care Committee, and extends throughout our organization. Responsible Care is implemented through management systems that are documented through written policies and procedures. Management system effectiveness is measured using an audit process that we apply to all of our business operations. This process is designed to ensure ongoing compliance, identify opportunities for improvement and provide for the sharing of company best practices. These audits often include third-party observers.

We believe that Responsible Care helps us achieve strong financial performance, effective and innovative minimization of environmental impacts and improved quality of life in society, particularly in communities where our employees reside.

Some of the countries in which we operate have different standards than those applied in North America. Our policy is to adopt the more stringent of either Responsible Care practices or local regulatory or association requirements at all of our facilities.

INSURANCE

The majority of our revenues are derived from the sale of methanol produced at our plants. Our business is subject to the normal hazards of methanol production operations that could result in damage to our plants. Under certain conditions, prolonged shutdowns of plants due to unforeseen equipment breakdowns, interruptions in the supply of natural gas or oxygen, power failures, loss of port facilities or any other event, including any event of force majeure, could materially adversely affect our revenues and operating income. We maintain insurance, including business interruption insurance, that we consider to be adequate under the circumstances. However, there can be no assurance that we will not incur losses beyond the limits or outside the coverage of such insurance. From time to time, various types of insurance for companies in the chemical and petrochemical industries have been very expensive or, in some cases, unavailable. There can be no assurance that in the future we will be able to maintain existing coverage or that premiums will not increase substantially.

COMPETITION

The methanol industry is highly competitive. Methanol is a global commodity and customers base their purchasing decisions primarily on price and reliability of supply. The relative cost and availability of natural gas and the efficiency of production facilities are also important competitive factors. Some of our competitors are not dependent for revenues on a single product and some have greater financial resources than we do. Our competitors include state-owned enterprises. Because of our ability to service our customers globally, the reliability and cost-effectiveness of our distribution system and the enhanced service we provide our customers, we believe we are well positioned to compete in each of the major international methanol markets.

EMPLOYEES

As of December 31, 2004, we had 824 employees.

RISK FACTORS

The following are certain risk factors relating to our business. Any of the following risks, as well as risks and uncertainties currently not known to us, could materially adversely affect our business, financial conditions or results of operations. Certain statements under this caption constitute forward-looking statements. See “Caution Regarding Forward-Looking Statements” on page 3.

The methanol industry is subject to commodity price volatility

The methanol business is a highly competitive commodity industry and prices are affected by supply/ demand fundamentals. Methanol prices have historically been, and are expected to continue to be, characterized by significant volatility. New methanol plants are expected to be built and this will increase overall production capacity. Additional methanol supply can also become available in the future by restarting idle methanol plants, carrying out major expansions of existing plants or debottlenecking existing plants to increase their production capacity. Historically, higher cost plants have shutdown or been idled when methanol prices are low but there can be no assurance that this trend will occur in the future. Demand for methanol is in large part dependent upon levels of industrial production and changes in general economic conditions. Changes in environmental, health and safety requirements could also lead to a decrease in methanol demand.

We are not able to predict future methanol supply/ demand balances, market conditions or prices, all of which are affected by numerous factors beyond our control. As a result, we cannot provide assurance that demand for methanol will increase at all, or sufficiently to absorb additional production, or that the price of methanol will not decline. Since methanol is the only product we produce and market, a decline in the price of methanol would have an adverse effect on our results of operations and financial condition.

The future demand for methanol in the production of certain derivatives is uncertain

MTBE

Methanol for the production of MTBE used in the US represents approximately 6% of global methanol demand. Concerns have been raised in the US regarding the use of MTBE in gasoline. Gasoline containing MTBE has leaked into groundwater in the US, principally from underground gasoline storage tanks, and has been discharged directly into drinking water reservoirs from recreational watercraft. The presence of MTBE in some water supplies has led to public

concern about MTBE's potential to contaminate drinking water supplies. Several states in the US including California, New York and Connecticut have banned the use of MTBE as a gasoline component. At the US federal government level, there have been proposals to phase out or curtail MTBE use; however, to date, no legislation has become law. Please refer to pages 8 and 9 for more information about MTBE. We believe that legislative actions will reduce, or possibly eliminate, the demand for methanol for MTBE in the US, which could have an adverse effect on our results of operations and financial condition.

Formaldehyde

Approximately 38% of global methanol demand is used in the production of formaldehyde. In 2004, the International Agency for Research on Cancer ("IARC") upgraded formaldehyde to a Group 1 "known" human carcinogen. It was previously classified as a Group 2 "probable" human carcinogen. In 2004, the US Environmental Protection Agency ("EPA") also began the process of preparing an internal study on the reclassification of formaldehyde. The EPA is awaiting findings from an updated National Cancer Institute ("NCI") study before finalizing its review of formaldehyde. We are unable to determine at this time what the outcome of the NCI study will be, whether the EPA will reclassify formaldehyde or what the possible effect of a reclassification may mean for future methanol demand.

We are vulnerable to reductions in the availability of supply and fluctuations in the cost of natural gas.

Natural gas is the principal feedstock for methanol and accounts for a significant portion of our cost of sales and operating expenses. Accordingly, our results from operations depend in large part on the availability and security of supply and the price of natural gas. If we are unable to obtain continued access to sufficient natural gas for any of our plants on commercially acceptable terms or if we experience significant interruptions in the supply of contracted natural gas, we could be forced to reduce production or close plants which would have a material adverse effect on our results of operations and financial condition.

In 2004, our facilities in Chile were impacted by curtailments of contracted natural gas supply from Argentina that resulted in the loss of approximately 50,000 tonnes of production. Please refer to page 13 for more information about this situation. There can be no assurance that natural gas supply to our Chilean facilities will not be impacted in the future.

In Trinidad, we own the 850,000 tonne per year Titan plant and the 1.7 million tonne per year Atlas plant in a joint venture with BP. Natural gas for Titan and Atlas is supplied under long-term contracts with the Trinidad state-owned energy company which terminate in 2014 and 2024, respectively. Although Titan and Atlas are located close to other natural gas reserves in Trinidad, which we believe we could access after the expiration or early termination of these natural gas supply contracts, we cannot provide assurance that we would be able to secure access to such natural gas under long-term contracts on commercially acceptable terms.

In New Zealand, the reduction in our natural gas entitlements forced the shut down of the Motunui site at the end of November 2004. The Motunui site represents 1.9 million tonnes of our total New Zealand operating capacity of 2.4 million tonnes. We are presently operating the 530,000 tonne per year Waitara Valley plant at full capacity. We have sufficient natural gas contracted for 2005 to produce about 400,000 tonnes of methanol from this plant. We continue to seek other supplies of natural gas to supplement this production and to extend the life of the New Zealand plants; however, there can be no assurance that we will be able to secure additional gas on commercially acceptable terms.

Natural gas for our 500,000 tonne per year Kitimat facility is currently purchased on a short term basis. North American natural gas prices are set in a competitive market and can fluctuate widely. Any sustained increase in natural gas prices would adversely affect the operating margins and competitive position of our Kitimat facility.

Our business is subject to many operational risks for which we may not be adequately insured.

Substantially all of our revenues are derived from the sale of methanol produced at our plants. Our business is subject to the risks of operating methanol production facilities, such as unforeseen equipment breakdowns, interruptions in the supply of natural gas and other feedstocks, power failures, loss of port facilities or any other event, including any event beyond our reasonable control, which could result in a prolonged shutdown of any of our plants or impede our ability to deliver methanol to our customers. A prolonged plant shutdown at any of our major facilities could materially affect our revenues and operating income. Additionally, disruptions in our distribution system could materially adversely affect our revenues and operating income. Although we maintain insurance, including business

interruption insurance, we cannot provide assurance that we will not incur losses beyond the limits of, or outside the coverage of, such insurance. From time to time, various types of insurance for companies in the chemical and petrochemical industries have not been available on commercially acceptable terms or, in some cases, have been unavailable. We cannot provide assurance that in the future we will be able to maintain existing coverage or that premiums will not increase substantially.

We cannot provide assurance that we will be able to complete current capital projects on time or on budget, or at all.

We are currently constructing Chile IV, an 840,000 tonne per year expansion of our methanol production hub in Chile. We are planning to start up Chile IV at the end of the first quarter of 2005. We cannot provide assurance that the anticipated cost of constructing Chile IV will not be exceeded or that it will commence operations within the contemplated schedule, if at all. Our inability to complete Chile IV on time and on budget could have an adverse effect on our financial performance.

We are subject to risks inherent in foreign operations.

We currently have substantial operations outside of North America, including in Chile, Trinidad, New Zealand, Europe and Asia. We are subject to risks inherent in foreign operations such as: loss of revenue, property and equipment as a result of expropriation, nationalization, war, insurrection and other political risks; increases in duties, taxes and governmental royalties and renegotiation of contracts with governmental entities; as well as changes in laws and policies governing operations of foreign-based companies.

In addition, because we derive substantially all of our revenues from production and sales by subsidiaries outside of Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries to us may be subject to restrictions or exchange controls on the transfer of funds in or out of the respective countries or result in the imposition of taxes on such payments or advances. We have organized our foreign operations in part based on certain assumptions about various tax laws (including capital gains and withholding taxes), foreign currency exchange and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. While we believe that such assumptions are reasonable, we cannot provide assurance that foreign taxing or other authorities will reach the same conclusion. Further, if such foreign jurisdictions were to change or modify such laws, we could suffer adverse tax and financial consequences.

Trade in methanol is subject to import duties in certain jurisdictions. New Zealand methanol sold in the US is subject to a duty of 6.8%. Methanol sold in China from any of our producing regions is subject to a duty of 5.5%. Although we do not currently pay any duties in any other major market to which we export product, we cannot assure you that such duties will not be levied in the future or, if levied, that we would be able to mitigate the impact of such duties.

We are exposed to fluctuations in foreign currencies.

The dominant currency in which we conduct business is the US dollar which is also our reporting currency. The most significant component of our costs are natural gas for feedstock and ocean shipping and substantially all of these costs are incurred in US dollars. Certain of our underlying operating costs and capital expenditures, however, are incurred in currencies other than the US dollar, principally the New Zealand dollar, the Canadian dollar, the Chilean peso, the Trinidad and Tobago dollar and the Euro. We are exposed to increases in the value of these currencies that could have the effect of increasing the US dollar equivalent of cost of sales and operating expenses and capital expenditures. A portion of our revenue is earned in Euros and British pounds. We are exposed to declines in the value of these currencies compared to the US dollar which could have the effect of decreasing the US dollar equivalent of our revenue.

Competition from other methanol producers is intense and could reduce our market share and harm our financial performance.

The methanol industry is highly competitive. Methanol is a global commodity and customers base their purchasing decisions principally on the delivered price of methanol and reliability of supply. Some of our competitors are not dependent for revenues on a single product and some have greater financial resources than we do. Our competitors also include state-owned enterprises. These competitors may be better able than we are to withstand price competition and volatile market conditions.

Government regulations relating to the protection of the environment could increase our costs of doing business.

The countries in which we operate have laws and regulations to which we are subject governing the environment and the sustainable management of natural resources as well as the handling, storage, transportation and disposal of hazardous or waste materials. We are also subject to laws and regulations governing the import, export, use, discharge, storage, disposal and transportation of toxic substances. The products we use and produce are subject to regulation under various health, safety and environmental laws. Non-compliance with any of these laws and regulations may give rise to work orders, fines, injunctions, civil liability and criminal sanctions.

Laws and regulations protecting the environment have become more stringent in recent years and may, in certain circumstances, impose absolute liability rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. These laws and regulations may also expose us to liability for the conduct of, or conditions caused by, others, or for our own acts which complied with applicable laws at the time such acts were performed. The operation of chemical manufacturing plants exposes us to risks in connection with compliance with such laws and we cannot provide assurance that we will not incur material costs or liabilities.

DIVIDENDS

Dividends are payable to the holders of common shares of the Company if, as and when declared by our Board of Directors out of the assets of the Company properly applicable to the payment of dividends in such amounts and payable at such times and at such place or places in Canada as the Board of Directors may, from time to time, determine. The Company's current dividend policy is designed so that the Company maintains conservative financial management appropriate to the highly cyclical nature of the methanol industry in order to preserve financial flexibility and creditworthiness.

In July 2002, the Company initiated the payment of a quarterly dividend on our common shares. The first quarterly dividend of US$0.05 per share was paid on September 30, 2002. In 2003, the dividend was increased and the first quarterly dividend of US$0.06 per share was paid on September 30, 2003. In 2004, the dividend was further increased and the first quarterly dividend of US$0.08 per share was paid on September 30, 2004.

Our Board periodically considers other forms of distributions when general business conditions, financial results, capital requirements and other relevant factors warrant and, in that context, a special dividend of US $0.25 per share was paid on February 14th, 2003.

The following table sets out the total amount of dividends per share paid on our common shares in each of the last three most recently completed financial years:

Financial Year Ended	Total Dividends Paid Per Share	
December 31, 2002	US $	0.10
December 31, 2003	US $	0.47
December 31, 2004	US $	0.28

Under a covenant set out in the indenture to our 7.75% notes due August 15, 2005, the Company can pay cash dividends or make other shareholder distributions to the extent that Consolidated Net Worth (as defined in the indenture), which approximates our shareholders' equity plus $200 million, is equal to or greater than $850 million. As at December 31, 2004, the Consolidated Net Worth was approximately $1,149 million. If Consolidated Net Worth is less than $850 million then the Company is limited to declaring and paying a maximum of $30 million of dividends in any twelve-month period.

CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares without nominal or par value and 25,000,000 preferred shares without nominal or par value.

Holders of common shares are entitled to: receive notice of and attend all annual and special meetings and to one vote in respect of each common share held; receive dividends if, as and when declared by our Board of Directors; and participate rateably in any distribution of the assets of the Company in the event of liquidation, dissolution or winding up.

Preferred shares may be issued in one or more series and the directors may fix the designation, rights, restrictions, conditions and limitations attaching to the shares of each such series. Currently, there are no preferred shares outstanding.

Our by-laws provide that at any meeting of our shareholders a quorum shall be two persons present in person or represented by proxy holding shares representing not less than 20% of the votes entitled to be cast at the meeting. Nasdaq's listing standards require a quorum for shareholder meetings to be not less than 33 1/3% of a company's outstanding voting shares. As a foreign private issuer and because our quorum requirements are consistent with practices in Canada, our home country, under Nasdaq rules we are not subject to Nasdaq's quorum requirement.

We have a stock option plan under which options to purchase our common shares may be granted from time to time to our employees and directors and to employees and directors of our subsidiaries. In March 2005, we amended the plan to clarify that for purposes of the plan our subsidiaries may include subsidiaries that we do not wholly-own. Nasdaq's listing standards generally require shareholder approval when a stock option plan is to be materially amended. The rules and policies of the Toronto Stock Exchange, our home country marketplace, require shareholder approval for certain types of amendments to stock option plans, but we have been advised by the Toronto Stock Exchange that it does not require approval by our shareholders for the amendment to our plan, and it would not be consistent with practices in our home country for us to seek shareholder approval where such approval is not required. Consequently, under Nasdaq's rules we are not subject to Nasdaq's shareholder approval requirements.

RATINGS

The following table sets forth the ratings assigned to the Company's unsecured debt and bank facility by Standard & Poor's Rating Services ("S&P"), Moody's Investor Services, Inc. ("Moody's") and Fitch Ratings ("Fitch").

Security	S&P (1)	Moody's (2)	Fitch (3)
Senior Unsecured Debt	BBB-	Ba1	BBB
Unsecured Bank Facility	—	Ba1	—

(1) S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BBB by S&P is the fourth highest of eleven categories. According to the S&P rating system, debt securities rated BBB have adequate capacity to pay interest and repay principal. While an obligor rated BBB normally exhibits adequate protection parameters, adverse economic conditions, or changing circumstances are more likely to weaken capacity to meet its financial commitments. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category.

(2) Moody's credit ratings are on a long-term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. A rating of Ba is the fifth highest of nine categories and denotes obligations judged to have speculative elements and its future cannot be considered as well-assured. The addition of a 1, 2 or 3 modifier after a rating indicates the relative standing within a particular rating category. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

(3) Fitch credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BBB by Fitch is the fourth highest of twelve categories and is assigned to debt securities considered to be good credit quality and low expectation of credit risk. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category. The plus/minus grades are not added for the "AAA" category, or categories below "CCC".

Credit ratings are intended to provide investors with an independent measure of the quality of an issue of securities. The foregoing ratings should not be construed as a recommendation to buy, sell or hold the securities, in as much as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant, and if any such rating is so revised or withdrawn, we are under no obligation to update this Annual Information Form.

MARKET FOR SECURITIES

Our common shares are listed on the Toronto Stock Exchange in Canada (trading symbol: MX) and are quoted through the Nasdaq National Market in the US (trading symbol: MEOH). The following table sets out the market price ranges and trading volumes of our common shares on the Toronto Stock Exchange as well as for the Nasdaq National Market for each month of our most recently completed financial year (January 1, 2004 through December 31, 2004).

	2004 Trading Volumes					
	The Toronto Stock Exchange Ticker: MX			Nasdaq National Market Ticker: MEOH		
	High (Cdn. dollars)	Low (Cdn. dollars)	Volume (millions)	High (US dollars)	Low (US dollars)	Volume (millions)
January	16.08	13.91	11.30	12.54	10.92	5.75
February	15.71	14.45	5.78	11.84	10.84	4.08
March	15.80	14.24	7.74	12.11	10.61	3.82
April	15.68	14.60	10.29	11.82	10.83	8.33
May	16.72	15.00	16.52	12.29	10.80	4.68
June	18.44	16.34	19.67	13.50	11.94	4.83
July	18.40	15.20	12.98	13.88	11.68	5.07
August	17.85	16.35	10.12	13.66	12.24	8.04
September	19.00	16.45	14.05	15.08	12.71	8.29
October	19.54	18.01	10.25	15.90	14.34	5.00
November	20.98	18.50	7.05	17.81	15.50	5.81
December	22.70	19.61	8.72	18.50	16.02	5.10

On May 17, 2004, the Company commenced a normal course issuer bid under which we could repurchase up to 6,143,543 common shares. In November 2004, the bid was modified to raise the maximum number of shares to be repurchased to 12,178,092. The bid will terminate on the earlier of May 16, 2005 and the date when we have acquired the maximum number of common shares allowed under the bid or otherwise decided not to make further purchases.

DIRECTORS AND EXECUTIVE OFFICERS

The following sets forth the names and municipalities of residence of the directors and executive officers of the Company, the offices held by them in the Company, their current principal occupations, their principal occupations during the last five years and, in the case of the directors, the month and year in which they became directors:

Name and Municipality of Residence	Office	Principal Occupations and Positions During Last Five Years	Director Since
AITKEN, BRUCE Vancouver, British Columbia Canada	Director and President & Chief Executive Officer	President and Chief Executive Officer of the Company since May 2004; prior thereto President and Chief Operating Officer of the Company since September 2003; prior thereto Senior Vice President, Asia Pacific of the Company since September 1999.	July 2004
BALLOCH, HOWARD (2)(4) Beijing China	Director	President of The Balloch Group[6] since July 2001; prior thereto Canadian Ambassador to the People's Republic of China since February 1996.	December 2004
CHOQUETTE, PIERRE Vancouver, British Columbia Canada	Chairman of the Board and Director	Corporate Director. Chairman of the Board and Chief Executive Officer of the Company from September 2003 to May 2004; prior thereto President and Chief Executive Officer of the Company since October 1994.	October 1994
FINDLAY, ROBERT B. (2)(3)(5) West Vancouver, British Columbia Canada	Director	Corporate Director. Prior to October 1997 was President and Chief Executive Officer of MacMillan Bloedel Limited.	July 1994
GREGSON, BRIAN D. (1)(5) Vancouver, British Columbia Canada	Director	Corporate Director. Prior to July 1995 was Chairman of Barbican Properties Inc.	July 1994
LAWRENCE, R.J. (JACK) (2)(3) Toronto, Ontario Canada	Director	Chairman of Lawrence & Company Inc.[7] since November 1995.	January 1995
MORTON, DAVID (2)(3)(4) Westmount, Quebec Canada	Director	Corporate Director. Chairman of Alcan Aluminium Limited from 1989 to 1995.	January 1995

Name and Municipality of Residence	Office	Principal Occupations and Positions During Last Five Years	Director Since
POOLE, A. TERENCE (1)(4) Calgary, Alberta Canada	Director	Executive Vice President, Corporate Strategy and Development of NOVA Chemicals Corporation(8) since May 2000; prior thereto Executive Vice President, Finance and Strategy of NOVA Chemicals Corporation since July 1998.	September 2003, and from February 1994 to June 2003
REID, JOHN M. (1)(2) Vancouver, British Columbia Canada	Director	President and Chief Executive Officer of Terasen Inc.(9) since November 1997.	September 2003
SLOAN, MONICA E. (3)(5) Calgary, Alberta Canada	Director	Managing Director and Chief Executive Officer of Intervera Ltd.(10) since January, 2004; prior thereto an Independent Consultant for ME Sloan Associates since October 1999.	September 2003
SWEENEY, GRAHAM D. (1)(4)(5) Sarnia, Ontario Canada	Director	Corporate Director. Prior to October 1995 was President and Chief Executive Officer of Dow Chemical Canada Inc.	July 1994
WEXLER, ANNE L. (2)(3)(4) Washington, D.C. USA	Director	Chairman of the Executive Committee of Wexler & Walker Public Policy Associates(11) (formerly The Wexler Group) since January 2000; prior thereto Chairman and Chief Executive Officer of The Wexler Group since 1981.	January 2001

(1) Member of the Audit, Finance and Risk Committee.

(2) Member of the Corporate Governance Committee.

(3) Member of the Human Resources Committee.

(4) Member of the Public Policy Committee.

(5) Member of the Responsible Care Committee.

(6) The Balloch Group is a private consultancy firm specializing in Chinese and other Asian markets.

(7) Lawrence & Company Inc. is an investment management company.

(8) NOVA Chemicals Corporation is a commodity chemical company.

(9) Terasen Inc. is an energy distribution and transportation company which also provides utility and energy products and services.

(10) Intervera Ltd. is a company which provides data quality products and services to the energy industry.

(11) Wexler & Walker Public Policy Associates is a private government relations consulting firm.

Name and Municipality of Residence	Office	Principal Occupations and Positions During Last Five Years
CAMERON, IAN P. Vancouver, British Columbia Canada	Senior Vice President, Finance and Chief Financial Officer	Senior Vice President, Finance and Chief Financial Officer of the Company since January 1, 2003; prior thereto Vice President, Finance of the Company since September 1999.
DUFFY, GERRY F. Vancouver, British Columbia Canada	Senior Vice President, Global Marketing and Logistics	Senior Vice President, Global Marketing and Logistics of the Company since September 2000; prior thereto Vice President, Global Marketing of the Company since September 1999.
GORDON, JOHN K. Vancouver, British Columbia Canada	Senior Vice President, Corporate Resources	Senior Vice President, Corporate Resources of the Company since September 1999.
KRAUSE, RODOLFO L. Santiago Chile	Senior Vice President, Latin America and Global Manufacturing	Senior Vice President, Latin America and Global Manufacturing of the Company since September 1999.
MACDONALD, MICHAEL G. Vancouver, British Columbia Canada	Senior Vice President, Technology and Corporate Development	Senior Vice President, Technology and Corporate Development of the Company since January 2004; prior thereto Senior Vice President, Technology and Emerging Markets of the Company since October 2002; prior thereto Vice President, Planning and Strategic Development of the Company since September 1999.
MILNER, RANDY M. Vancouver, British Columbia Canada	Senior Vice President, General Counsel and Corporate Secretary	Senior Vice President, General Counsel and Corporate Secretary of the Company since October 2002; prior thereto Assistant General Counsel and Corporate Secretary of the Company since June 2000; prior thereto Corporate Counsel and Assistant Corporate Secretary of the Company since March 1998.

As at December 31, 2004, the directors and executive officers of the Company owned, directly or indirectly, or exercised control of or direction over 1,005,369 common shares representing approximately 0.84% of the outstanding common shares as at December 31, 2004.

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Since the commencement of the most recently completed financial year of the Company no director or executive officer of the Company, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Company's voting securities or any associate or affiliate of such persons, has had any material interest in any transaction involving the Company.

In a transaction which occurred in 2003, NOVA Chemicals Corporation indirectly disposed of 37,946,876 of our common shares by way of secondary offering and the Company repurchased the remaining 9,000,000 common shares indirectly owned by NOVA (the "Repurchase Transaction"). As an officer of NOVA, Mr. A. Terence Poole had a material interest in the Repurchase Transaction. Mr. Poole was, at the time of the Repurchase Transaction, and is now a director of the Company. Mr. R.J. (Jack) Lawrence, who is a director of the Company, is the Chairman of Lawrence & Company Inc., an investment management company. Lawrence & Company Inc. purchased common shares under the

secondary offering on its own behalf and on behalf of certain funds managed by it. Accordingly, Mr. Lawrence had a material interest in the Repurchase Transaction.

EXPERTS

KPMG LLP, Chartered Accountants, Vancouver, were the auditors of the Company for the year ended December 31, 2004 and prepared and executed the audit report accompanying the annual financial statements.

LEGAL PROCEEDINGS

The Company is involved in a claim for damages under the provisions of the North American Free Trade Agreement ("NAFTA") as a result of California's decision to ban MTBE which is more fully described under "Demand Factors" on page 9. The amount of damages specified in our original notice of arbitration, dated December 2, 1999, was $970 million. The proceeding is being conducted by a NAFTA tribunal under UNCITRAL arbitration rules. The principal party contesting our claim is The United States of America. In June 2004, a hearing was held relating to both jurisdictional issues and the merits of our claim. At present, we are awaiting the tribunal's findings and cannot determine what the final disposition of our NAFTA claim will be.

AUDIT COMMITTEE INFORMATION

The Audit Committee Charter

The Audit, Finance and Risk Committee meets with the financial officers of the Company and the independent auditors to review and inquire into matters affecting financial reporting, financial controls and procedures, the system of internal accounting, audit procedures and plans, and recommends to the Board the auditors to be appointed. In addition, this Committee reviews and recommends to the Board for approval the annual financial statements, the annual report and certain other documents required by regulatory authorities, and also reviews with management and reports to the Board on the financing plans and objectives of the Company, the risks inherent in the Company's business and risk management programs relating thereto. This Committee is also responsible for reviewing and reporting to the Board on matters relating to the funding and investment of funds of the Company's pension plans.

The Committee's Mandate sets out its responsibilities and duties. A copy of the Committee's Mandate is attached hereto as Appendix "A".

Composition of the Audit Committee

The Committee is comprised of four directors: Brian Gregson (Chair), A. Terence Poole, John Reid and Graham Sweeney. Each Committee member is independent and financially literate. Mr. Poole is designated as the "audit committee financial expert." The US Securities and Exchange Commission has indicated that the designation of Mr. Poole as an audit committee financial expert does not make Mr. Poole an "expert" for any other purpose, impose any duties, obligations or liability on Mr. Poole that are greater than those imposed on members of the Committee and Board who do not carry this designation or affect the duties, obligations or liability of any other member of the Committee.

Relevant Education and Experience

The following is a brief summary of the education and experience of each member of the Committee that is relevant to the performance of his or her responsibilities as a member of the Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the Company to prepare its annual and interim financial statement.

Mr. Brian Gregson

Mr. Gregson has acquired significant experience and exposure to accounting and financial reporting issues in various capacities during his 42 year career with the Royal Bank of Canada. Prior to his retirement in 1991 Mr. Gregson held senior positions with the Royal Bank including Senior Executive Vice President and Senior Credit Officer, Executive Vice President, Special Loans and Executive Vice President, Finance and Investment. After leaving the Royal Bank, Mr. Gregson was Chairman of Barbican Properties Inc., a real estate company. Mr. Gregson has

studied at the Banff School of Advanced Management, the Tuck Business School at Dartmouth University and has attended various American Management Association courses.

Mr. Gregson has chaired the Committee since October 1994.

Mr. A. Terence Poole

Mr. Poole is Executive Vice President, Corporate Strategy and Development of NOVA Chemicals Corporation ("NOVA"), a commodity chemical company with international operations. Prior to his current position Mr. Poole held the position of Executive Vice President, Finance and Strategy of NOVA from 1998 to 2000, Senior Vice President and Chief Financial Officer of NOVA Corporation from 1994 to 1998 and other senior financial positions with NOVA Corporation from 1988. He has worked at other large public companies in various financial and business management capacities since 1971.

Mr. Poole is a Chartered Accountant and holds a Bachelor of Commerce from Dalhousie University. Mr. Poole is a Member of the Canadian, Quebec and Ontario Institutes of Chartered Accountants and is also a Member of the Financial Executives Institute.

Mr. John Reid

Mr. Reid has held the position of President and Chief Executive Officer of Terasen Inc., an energy distribution and transportation company, since November 1997. Prior to his current position, Mr. Reid was Executive Vice President and Chief Financial Officer of Terasen Inc. Prior to joining Terasen, Mr. Reid was the President and Chief Executive Officer of Scott Paper. He also held various other senior positions at Scott Paper including Corporate Vice President, Finance and Controller.

Mr. Reid is a Chartered Accountant and holds an Economics Degree from the University of Newcastle upon Tyne in the United Kingdom and is a Fellow of the British Columbia, England and Wales Institutes of Chartered Accountants.

Mr. Reid also serves on the board of Terasen Inc., the Conference Board of Canada and the Board of Governors of the University of British Columbia. He is also a member of the Canadian Council of Chief Executives and the Business Council of British Columbia.

Mr. Graham Sweeney

Mr. Sweeney, is a corporate director. During his career at Dow Chemical Company, Mr. Sweeney held the position of President and Chief Executive Officer of Dow Chemical Canada Inc., for three years and prior to that held Vice President and senior executive positions with the Dow Chemical Company in Asia and the USA. In so doing, he acquired significant experience and exposure to accounting and financial reporting issues.

Mr. Sweeney holds a Bachelor of Science (Chemical Engineering) from the University of Natal, South Africa and has served on the Audit Committee since May 1996.

Pre-approval policies and procedures

The Company's Audit Committee annually reviews and approves the terms and scope of the external auditors' engagement. The Audit Committee oversees the Audit and Non-Audit Pre-Approval Policy which sets forth the procedures and the conditions pursuant to which permissible services proposed to be performed by KPMG LLP, the Company's external auditors, are pre-approved. The Audit Committee has delegated to the Chair of the Audit Committee pre-approval authority for any services not previously approved by the Audit Committee. All such services approved by the Chair of the Audit Committee are subsequently reviewed by the Audit Committee.

All non-audit service engagements, regardless of the cost estimate, are required to be coordinated and approved by the Chief Financial Officer to further ensure that adherence to this policy is monitored.

Audit and Non-Audit Fees Paid to the Independent Auditors

KPMG LLP, Chartered Accountants, Vancouver, are the independent auditors of the Company and the holders of the Company's common shares have resolved to have the directors of the Company determine the auditor's remuneration. Fees to KPMG LLP during the years ended December 31, 2004 and December 31, 2003 were as follows:

US$000's	2004	2003
Audit Fees	346	388
Audit-Related Fees	77	60
Tax Fees	168	242
All Other Fees	—	—
Total	**591**	**690**

The nature of each category of fees is described below.

Audit Fees:

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's consolidated financial statements; statutory audits of the financial statements of the Company's subsidiaries; quarterly reviews of the Company's financial statements; consultations as to the accounting or disclosure treatment of transactions reflected in the financial statements; and services associated with registration statements, prospectuses, periodic reports and other documents filed with securities regulators.

Audit-Related Fees:

Audit-related fees were paid for professional services rendered by the auditors for financial audits of employee benefit plans; procedures and audit or attest services not required by statute or regulation; advice and documentation assistance with respect to internal controls over financial reporting and disclosure controls; and consultations as to the accounting or disclosure treatment of other transactions.

Tax Fees:

Tax fees were paid for professional services rendered for tax compliance, tax advice and tax planning. These services consisted of: tax compliance including the review of tax returns; assistance in completing routine tax schedules and calculations; and tax planning and advisory services relating to common forms of domestic and international taxation.

TRANSFER AGENT AND REGISTRAR

The transfer agent for our common shares is CIBC Mellon Trust Company at its principal offices in Vancouver, British Columbia.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are defined by the US Securities and Exchange Commission as those controls and procedures that are designed to ensure that information required to be disclosed in the Company's filings under the US Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures as of December 31, 2004 and have determined that such disclosure controls and procedures are effective.

No change in internal control over financial reporting occurred during the financial year ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, internal controls over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

CODE OF ETHICS

The Company has adopted a code of ethics that applies to directors, officers and employees including its principal executive officer, principal financial officer and principal accounting officer. A copy of the Company's code, entitled "Code of Business Conduct", can be found on the Company's website at www.methanex.com.

ADDITIONAL INFORMATION

The Company will provide to any person or company, upon request to the Corporate Secretary of the Company at the address set forth below:

(a) when the securities of the Company are in the course of a distribution under a preliminary short-form prospectus or a short-form prospectus,

  (i) one copy of the Information Circular of the Company dated March 4, 2005 for the Annual General Meeting of the Company to be held on May 5, 2005;

  (ii) one copy of this AIF, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this AIF;

  (iii) one copy of the comparative financial statements of the Company for the year ended December 31, 2004 together with the accompanying report of the auditors and one copy of any interim financial statements of the Company subsequent to the financial statements for the year ended December 31, 2004;

  (iv) one copy of any other documents that are incorporated by reference into the preliminary short-form prospectus or the short-form prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any of the documents referred to in (a)(i), (iii) and (iv) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person or company that is not a security holder of the Company.

Additional information relating to the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's Information Circular dated March 4, 2005 relating to the Annual General Meeting of the Company to be held on May 5, 2005.

Additional financial information about the Company is provided in Methanex's financial statements and management's discussion and analysis for the year ended December 31, 2004.

Copies of the documents referred to above may be obtained upon request from:

Methanex Corporation
Randy Milner
Senior Vice President, General Counsel and Corporate Secretary
1800 Waterfront Centre
200 Burrard Street
Vancouver, British Columbia V6C 3M1
Telephone: 604 661 2600
Facsimile: 604 661 2602
E-mail: rmilner@methanex.com

Additional information relating to the Company may be found on the SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission website at www.sec.gov.

APPENDIX "A"

METHANEX CORPORATION

AUDIT, FINANCE AND RISK COMMITTEE MANDATE

1. Creation

A committee of the directors to be known as the "Audit, Finance and Risk Committee" (hereinafter referred to as the "Committee") is hereby established.

2. Purpose and Responsibility

The Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibility relating to: the integrity of the Corporation's financial statements; the financial reporting process; the systems of internal accounting and financial controls; the external auditor's qualifications and independence; the performance of the external auditors; risk management processes; financing plans; pension plans; and compliance by the Corporation with ethics policies and legal and regulatory requirements.

The Committee's role is one of oversight. It is the responsibility of the Corporation's management to plan audits and to prepare consolidated financial statements in accordance with generally accepted accounting principles, and it is the responsibility of the Corporation's external auditor to audit these financial statements. Therefore, each member of the Committee, in exercising his or her business judgment, shall be entitled to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives information, and on the accuracy of the financial and other information provided to the Committee by such persons or organizations. The Committee does not provide any expert or other special assurances as to the Corporation's financial statements or any expert or professional certification as to the work of the Corporation's external auditor. In addition, all members of the Committee are equally responsible for discharging the responsibilities of the Committee and the designation of one member as an "audit committee financial expert" pursuant to the Applicable Rules (as defined below) is not a statement of intention by the Corporation to impose upon such designee duties, obligations or liability greater than those imposed on such a director in the absence of such designation.

3. Committee Membership

Composition of the Committee	a) The Committee must be composed of a minimum of three directors.
Appointment and Term of Members	b) The members of the Committee must be appointed or reappointed at the organizational meeting of the Board concurrent with each Annual Meeting of the shareholders of the Corporation. Each member of the Committee continues to be a Committee member until a successor is appointed, unless he or she resigns or is removed by the Board or ceases to be a director of the Corporation. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors as a result of the vacancy.

Financial Literacy and Independence	c) Each member of the Committee shall meet the independence and experience requirements, and at least one member of the Committee shall qualify as an “audit committee financial expert”. These requirements shall be in accordance with the applicable rules and regulations (the “Applicable Rules”) of the Canadian Securities Administrators, the U.S. Securities and Exchange Commission, the Toronto Stock Exchange and the Nasdaq Stock Market.
Appointment of Chairman and Secretary	d) The Board or, if it does not do so, the members of the Committee, must appoint one of their members as Chairman. If the Chairman of the Committee is not present at any meeting of the Committee, the Chairman of the meeting must be chosen by the Committee from the Committee members present. The Chairman presiding at any meeting of the Committee has a deciding vote in case of deadlock. The Committee must also appoint a Secretary who need not be a director.
Use of Outside Experts	e) Where Committee members believe that, to properly discharge their fiduciary obligations to the Corporation, it is necessary to obtain the advice of independent legal, accounting, or other experts, the Chairman shall, at the request of the Committee, engage the necessary experts at the Corporation’s expense. The Board must be kept apprised of both the selection of the experts and the experts’ findings through the Committee’s regular reports to the Board.

4. Meetings

Time, Place and Procedure of Meetings	a) The time and place of Committee meetings, and the procedures for the conduct of such meetings, shall be determined from time to time by Committee members, provided that:
Quorum	i) a quorum for meetings must be three members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to communicate with each other;
Quarterly Meetings	ii) the Committee must meet at least quarterly;
Notice of Meetings	iii) notice of the time and place of every meeting must be given in writing or by facsimile to each member of the Committee and the external auditors of the Corporation at least 24 hours prior to the Committee meeting;

Waiver of Notice	iv) a member may waive notice of a meeting, and attendance at the meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called;
Attendance of External Auditors	v) the external auditors are entitled to attend each meeting at the Corporation's expense;
Meeting with Financial Management	vi) the Committee will, at least annually, meet with senior financial management, including the Chief Financial Officer and the Corporate Controller, without other members of management present;
Calling a Meeting	vii) a meeting of the Committee may be called by the Secretary of the Committee on the direction of the Chairman or Chief Executive Officer of the Corporation, by any member of the Committee or the external auditors; and
Committee Determines Attendees	(viii) notwithstanding the provisions of this paragraph, the Committee has the right to request any officer or employee of the Corporation or the Corporation's outside counsel or external auditor to be present or not present at any part of the Committee meeting;
Reports to the Board	b) The Committee shall make regular reports to the Board.

5. Duties and Responsibilities of the Committee

1) Financial Statements and Disclosure

Annual Report and Disclosures*	a) Review and discuss with management and the external auditor, and recommend for approval by the Board, the Corporation's annual report, Annual Information Form, audited Annual Financial Statements, annual Management's Discussion and Analysis, Management Information Circular and all financial statements in prospectuses or other offering documents.
Prospectuses*	b) Review and recommend for approval by the Board all prospectuses and documents which may be incorporated by reference into a prospectus, including without limitation, material change reports and proxy circulars.
Quarterly Interim Reports and Disclosures	c) Review, discuss with management and the external auditor and approve the Corporation's interim reports, including the quarterly financial statements, interim Management's Discussion and Analysis and press releases on quarterly and year end financial results, prior to public release.

Accounting Policies and Estimates	d) Review and approve all accounting policies and estimates that would have a significant effect on the Corporation's financial statements, and any changes to such policies. This review will include a discussion with management and the external auditor concerning: i) any areas of management judgment and estimates that may have a critical effect on the financial statements; ii) the effect of using alternative accounting treatments which are acceptable under Canadian and US GAAP; iii) the appropriateness, acceptability, and quality of the Corporation's accounting policies; and iv) any material written communication between the external auditor and management, such as the annual management letter and the schedule of unadjusted differences.
Non-GAAP Financial Information	e) Discuss with management the use of "pro forma" or "non-GAAP information" in the Corporation's continuous disclosure documents.
Regulatory and Accounting Initiatives	f) Discuss with management and the external auditor the effect of regulatory and accounting initiatives as well as the use of off-balance sheet structures on the Corporation's financial statements.
Litigation	g) Discuss with the Corporation's General Counsel, and with external legal counsel if necessary, any litigation, claim or other contingency (including tax assessments), that could have a material effect on the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed in the financial statements.
Financing Plans	h) Review the financing plans and objectives of the Corporation, as received from and discussed with management.
2) Risk Management and Internal Control	
Risk Management Policies*	a) Review and recommend for approval by the Board changes considered advisable, after consultation with management, to the Corporation's policies relating to: i) the risks inherent in the Corporation's businesses, facilities and strategic direction; ii) financial risks including foreign exchange, interest rate and investment of cash; iii) overall risk management strategies and the financing of risks including insurance coverage in the context of competitive and operational considerations;

	iv) the risk retention philosophy and the resulting uninsured exposure of the Corporation; and v) shipping risk
Risk Management Processes	b) Review with management at least annually the Corporation's processes to identify, monitor, evaluate, and address important enterprise-wide business risks.
Adequacy of Internal Controls	c) Review at least quarterly, the results of management's evaluation of the adequacy and effectiveness of internal controls within the Corporation in connection with the certifications signed by the CEO and CFO. Management's evaluation will include a review of: i) policies and procedures to ensure completeness and accuracy of information disclosed in the quarterly and annual reports, prevent earnings management and detect material financial statement misstatements due to fraud and error; and ii) internal control recommendations of the external auditors and arising from the results of the internal audit procedures; including any special steps taken to address material control deficiencies and any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls.
Financial Risk Management	d) Review with management activity related to management of financial risks to the Corporation, including hedging programs.
3) External Auditors	
Appointment and Remuneration	a) Review and recommend to the Board: i) the selection, evaluation, reappointment or, where appropriate, replacement of external auditors; and ii) the nomination and remuneration of external auditors to be appointed at each Annual Meeting of Shareholders.
Resolving Disagreements	b) Resolve any disagreements between management and the external auditor regarding financial reporting.
Direct Reporting to Committee	c) The external auditors shall report directly to the Committee and the Committee has the authority to communicate directly with the external auditors.
Quality Control and Independence	d) Review a formal written statement requested at least annually from the external auditor describing: i) the firm's internal quality control procedures;

	ii) any material issues raised by the most recent internal quality control review, peer review of the firm; or any investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits of the Corporation carried out by the firm; iii) any steps taken to deal with any such issues; and iv) all relationships between the external auditors and the Corporation. The Committee will actively engage in a dialogue with the external auditor with respect to whether the firm's quality controls are adequate, and whether any of the disclosed relationships or non-audit services may impact the objectivity and independence of the external auditor based on the independence requirements of the Applicable Rules. The Committee shall present its conclusion with respect to the independence of the external auditor to the Board.
External Audit Plan	e) Review and approve the external audit plan and enquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts. Any significant recommendations made by the auditors for the strengthening of internal controls will be reviewed.
Rotation of Senior Audit Partner	f) Ensure the rotation of senior audit personnel who have primary responsibility for the audit work, as required by law.
Remuneration of External Auditors	g) Review and approve (in advance) the scope and related fees for all auditing services and non-audit services permitted by regulation which are to be provided by the external auditor in accordance with the Corporation's Audit and Non-audit Services Pre-Approval Policy which is to be annually reviewed and approved by the Committee.
Restrictions on Hiring Employees of External Auditor	h) Ensure the establishment of policies relating to Corporation's hiring of employees of or former employees of the external auditor, if such individuals have participated in the audit of the Corporation, as required by law.
Meeting with Auditors and Management	i) The committee should meet with the external auditors without management present and discuss any issues related to performance of the audit work, any restrictions, and any significant disagreement with management. The Committee should also meet separately with Management to discuss the same matters as those discussed with the external auditors.

4) Internal Audit

Internal Audit Plans	a) Review and approve the annual Internal Audit Plan and objectives.
Audit Findings and Recommendations	b) Review the significant control issues identified in internal audit reports issued to management and the responses and actions taken by management to address weaknesses in controls.
Meeting with Auditors	c) The Committee will meet, without management present, with representatives of the accounting firm that executed the annual Internal Audit Plan.

5) Pension Plans

With respect to all investing and funding aspects of all defined benefit corporate sponsored pension plans of the Corporation and its wholly-owned subsidiaries that have estimated actuarial liabilities in excess of US$ 5 million (collectively the "Retirement Plans"):

Constitute Pension Committees	a) Annually constitute Committees (the "Pension Committees") with responsibility for the investment activities of the Retirement Plans' trust funds;
Statements of Pension Investment Policy and Procedures	b) Review the Corporation's Statement of Pension Investment Policy for the Retirement Plans' trust funds at least annually but in any event whenever a major change is apparent or necessary;
Amendments to Retirement Plans and Material Agreements	c) Review and recommend to the Board any amendments to the Retirement Plans' trust agreements and any material document written or entered into pursuant to the Retirement Plans' trust agreements;
Appointment of Auditors, Actuaries, and Investment Managers	d) Approve the recommendations of the officers of the Corporation regarding the reappointment or appointment of auditors and recommendations of the Pension Committees regarding appointment of investment managers and actuaries of the Retirement Plans;
Retirement Plan Financial Statements	e) Review and approve the annual financial statements of the Retirement Plans, and related trust funds, and the auditors' reports thereon;
Retirement Plan Report*	f) Review and recommend for approval by the Board, the annual report on the operation and administration of the Retirement Plans and related trust funds;
Terms of Reference of the Pension Committees	g) Review and recommend to the Board for approval the Terms of Reference of the Pension Committees (to be approved jointly with the Human Resources Committee of the Board) and any amendments thereto.
Delegation to the Pension Committees	h) Approve the delegation of certain responsibilities to members of the Pension Committees;
Actuarial Reports and Funding Assumptions	i) Review the actuarial reports on the Retirement Plan as required by applicable regulations, any special actuarial reports, and the funding assumptions to be used in preparing the reports; and

With respect to all investing and funding aspects of all defined contribution pension plans and defined benefit pension plans that have estimated actuarial liabilities of less than US$ 5 million of the wholly-owned subsidiaries of the Corporation (other Retirement Plans"):

Other Retirement Plans Report	j) Receive from management and review with the Board, at least annually, a report on the operation and administration of other Retirement Plans' trust funds, including investment performance; and
Delegation of Authority	k) Administer and delegate to sub-committees as considered advisable all other matters related to other Retirement Plans' trust funds to which the Committee has been delegated authority.

6. General Duties

Code of Business Conduct Compliance	a) Obtain a report at least annually from the Senior Vice President, General Counsel & Corporate Secretary on the Corporation's and its subsidiary/foreign affiliated entities' conformity with applicable legal and ethical compliance programs (e.g., the Corporation's Code of Business Conduct).
Code of Ethics	b) Review and recommend to the Board for approval a code of ethics for senior financial officers.
Compliance Reporting Process	c) Ensure that a process and procedure has been established by the Corporation for receipt, retention, and treatment of complaints regarding non-compliance with the Corporation's Code of Business Conduct, violations of laws or regulations, or concerns regarding accounting, internal accounting controls or auditing matters. The Committee must ensure that procedures for receipt of complaints allow for confidential, anonymous submission of complaints from employees.
Regulatory Matters	d) Discuss with management and the external auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Corporation's compliance policies.
Disclosure Policy*	e) Review annually and recommend to the Board for approval, the Corporation's Disclosure policy. In particular, the Committee will review annually the Corporation's procedures for public disclosure of financial information extracted or derived from the Corporation's financial statements.
Related Party Transactions	f) Review and approve all related party transactions.
Mandate Review*	g) Review and recommend for approval changes considered advisable based on the Committee's assessment of the adequacy of this Mandate. Such review will occur on an annual basis and the recommendations, if any, will be made to the Board for approval.

Annual Evaluation	h) The Committee will conduct an annual evaluation to ensure that it has satisfied its responsibilities in the prior year in compliance with this mandate.

* Board approval required

Exhibit 2

Management's Discussion & Analysis

At March 4, 2005, we had 119,891,717 common shares issued and outstanding and stock options exercisable for 1,515,975 additional common shares.

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This Management's Discussion and Analysis is dated March 4, 2005 and should be read in conjunction with our consolidated financial statements and the accompanying notes for the year ended December 31, 2004. Our consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). We use the United States dollar as our reporting currency. Except where otherwise noted, all dollar amounts are stated in United States dollars. Additional information relating to Methanex, including our Annual Information Form, is available on SEDAR at www.sedar.com.

OVERVIEW

Methanol is a chemical produced primarily from natural gas. Approximately 80% of all methanol is used to produce formaldehyde, acetic acid and other chemical derivatives for which demand is influenced by levels of global economic activity. The remainder of all methanol is used in the fuel sector principally to produce the gasoline component MTBE, for which demand is driven by air quality improvement objectives and levels of gasoline demand. Estimated 2004 global methanol demand is approximately 34 million tonnes.

We are the world's largest producer and marketer of methanol. We operate methanol production facilities in Chile, Trinidad, New Zealand and Canada. We believe our global positioning, including our extensive network of storage terminals and world-class expertise in the global distribution of methanol, is a competitive advantage.

Our production facilities in Chile and Trinidad represent over 80% of our current total annual production capacity. Upon completion of our fourth plant in Chile, expected in early 2005, these production hubs will represent 5.8 million tonnes of annual production capacity, or approximately 17% of estimated 2004 global methanol demand. We source additional methanol produced by others either on a contract basis or on the spot market in order to meet customer needs and support our marketing efforts.

OUR STRATEGY

Our primary objective is to create value through maintaining and enhancing our leadership in the global production, marketing and delivery of methanol to our customers. The key elements of our strategy are: low cost, global leadership and operational excellence.

Low Cost

Maintaining a low cost structure is a key element of competitive advantage in a commodity industry and is a key element of our strategy. Our approach to all business decisions is guided by our drive to maintain and enhance our low cost structure. The most significant components of our costs are natural gas for feedstock and distribution costs associated with delivering methanol to customers.

Natural gas is the primary feedstock at our methanol production facilities. An important element of our strategy is to ensure long-term security of low cost natural gas supply. Over time, we have been reducing our reliance on North American production, where natural gas is purchased on a short-term basis and prices are extremely volatile, by selecting locations for new facilities where we can purchase low cost natural gas through long-term contracts.

Our production facilities in Chile and Trinidad represent over 80% of our current total annual production capacity. These facilities are underpinned by long-term low cost take-or-pay natural gas purchase agreements with pricing terms that vary with methanol prices. This pricing relationship enables these facilities to be competitive throughout the methanol price cycle.

We plan to start up Chile IV, an 840,000 tonne per year expansion at our production hub in Chile, at the end of the first quarter of 2005. Upon completion, our production hub in Chile will represent annual production capacity of 3.8 million tonnes. This strategic location allows us to deliver methanol cost-effectively to North America, Europe, Asia Pacific and Latin America.

Building on the success of our production hub in Chile, we have developed Trinidad as a significant production location with access to North American and European methanol markets. We acquired the 850,000 tonne per year Titan methanol facility in May 2003 and, in July 2004, we completed the construction of the 1.7 million tonne per year Atlas joint venture methanol facility, which is adjacent to Titan. We have a 63.1% interest in Atlas and market all of its production. Including our proportionate share of Atlas, our facilities in Trinidad represent 1.9 million tonnes of annual production capacity. We market the remaining 36.9% interest in Atlas production, for a commission.

The cost to distribute methanol from our production facilities to customers is also a significant component of our operating costs. These include costs for ocean shipping, in-market storage facilities and in-market distribution. We are focused on identifying initiatives to further reduce these costs. We seek to use larger vessels where possible and to maximize the utilization of our shipping fleet in order to reduce costs. We take advantage of prevailing conditions in the shipping market by varying the type and length of term of our ocean shipping contracts. We are continuously investigating opportunities to further improve the efficiency and cost-effectiveness of distributing methanol from our production facilities to our customers. We are currently increasing our in-market storage facilities in Asia in order to cost-effectively transport methanol to this region from our facilities in Chile. We also look for opportunities to leverage our global asset position by entering into product exchanges to reduce our distribution costs.

Global Leadership

We are the largest supplier of methanol to each of the major international markets of North America, Asia Pacific and Europe, as well as Latin America. We sell methanol through an extensive global marketing and distribution system and our world-class expertise in the global distribution of methanol enables us to extract value by providing security of supply to our customers.

Leadership has allowed us to identify and execute industry restructuring opportunities and to play a role in industry pricing through the establishment of Methanex reference prices in each major market. Over the past few years we have permanently shut down 1.7 million tonnes of our own higher-cost capacity in North America. We have positioned ourselves to be the supplier of choice for global methanol consumers as they face the decision of producing or purchasing their methanol feedstock requirements. Other producers have also shut down plants and this has allowed us to enter into long-term supply contracts and gain new customers.

In 2002, we entered into a long-term exclusive agreement with Lyondell Chemical to supply their global methanol requirements and we gained production rights for their methanol plant in Texas during 2004. In 2003, we acquired certain production rights for Terra Industries' methanol facility located in Texas until the end of 2008 and the related methanol customer contracts. During 2004, these production rights agreements provided our supply chain with access to annual production capacity of 1.5 million tonnes. These assets provided valuable flexibility while we were introducing production from the low cost Atlas facility to the market. With the start-up of Atlas in the third quarter of 2004 and the pending start-up of Chile IV in early 2005, we advised both Lyondell and Terra, in the last part of 2004, that we would no longer require production from their facilities. These facilities were subsequently shut down.

Operational Excellence

Our focus on operational excellence includes, among other things, excellence in our manufacturing process, leadership of our human resources and management of our finances.

In order to differentiate ourselves from our competitors, we strive to be the best operator in all aspects of our business and to be the preferred supplier to our customers. We believe that reliability of supply is critical to the success of our customers' businesses and our goal is to deliver methanol reliably and cost-effectively. In part due to our commitment to Responsible Care, a risk minimization approach developed by the Canadian Chemical Producers' Association, we believe we have reduced the likelihood of unplanned shutdowns and lost-time incidents and have achieved an excellent overall environmental and safety record.

We operate in a highly competitive cyclical industry. Accordingly, we believe it is important to maintain financial flexibility throughout the methanol price cycle and we have deliberately adopted a prudent approach to financial management. We have established a disciplined approach to capital spending and have set minimum target return criteria for methanol capacity additions and other investments. We are focused on financial discipline and shareholder value creation.

HOW WE ANALYZE OUR BUSINESS

We review our results of operations by analyzing changes in the components of our operating income, interest expense, interest and other income, unusual items and income taxes. In addition to the methanol that we produce at our facilities, we also purchase and re-sell methanol produced by others. We analyze the impact of produced methanol sales separately from purchased methanol sales as the margin characteristics of each are very different.

The discussion of purchased methanol and its impact on our results of operations is more meaningfully discussed on a net margin basis, because the cost of sales of purchased methanol consists principally of the cost of the methanol itself, which is directly related to the price of methanol at the time of purchase. The cost for purchased methanol also includes allocated fixed storage and handling costs.

The discussion of produced methanol is more meaningful if we separately analyze the individual elements that impact operating income. These elements are selling price and sales volumes, total cash cost (which is included in cost of sales and operating expenses) and depreciation and amortization. Total cash cost includes cash production and distribution costs (which we call delivered cash cost) and selling, general and administrative expenses.

Sales under long-term contracts where the prices are either fixed or linked to our costs plus a margin are classified as sales of produced methanol for the purpose of determining the average realized methanol price of produced methanol.

The variances described in our analysis of produced methanol are defined and calculated as follows:

PRICE	The change in our operating income as a result of changes in selling prices is calculated as the difference from year-to-year in the selling price of methanol that we produce multiplied by the sales volume of produced methanol in the current year.
CASH COST	The change in our operating income as a result of changes in cash costs is calculated as the difference from year-to-year in delivered cash cost per tonne multiplied by the sales volume of produced methanol in the current year, plus the change in selling, general and administrative expenses.
VOLUME	The change in our operating income as a result of changes in the sales volume of produced methanol is calculated as the difference from year-to-year in the sales volume of methanol that we produce multiplied by the margin per tonne for the prior year. The margin per tonne is calculated as the difference between the selling price per tonne and the delivered cash cost per tonne of produced methanol.

FINANCIAL HIGHLIGHTS [1]

($ MILLIONS, EXCEPT AS NOTED)	2004	2003
Sales volumes (thousands of tonnes):		
Company produced	**5,298**	4,933
Purchased	**1,960**	1,392
Commission sales[2]	**169**	254
	7,427	6,579
Average realized methanol price ($ per tonne) [3]	**234**	220
Revenue	**1,719**	1,420
Operating income	**356**	290
Interest expense	**31**	39
Interest and other income	**7**	14
Unusual items	**—**	179
Income taxes	**95**	85
Net income	**236**	1
Income before unusual items (after-tax) [4]	**236**	181
Cash flows from operating activities [5]	**375**	330
EBITDA[6]	**434**	386
Basic net income per share	**1.95**	0.01
Diluted net income per share	**1.92**	0.01
Basic income before unusual items (after-tax) per share [4]	**1.95**	1.47
Number of common shares outstanding at December 31 (millions of shares)	**120**	120
Weighted average number of common shares outstanding (millions of shares)	**122**	123

1 *Financial results presented in this Management's Discussion and Analysis for periods prior to 2004 have been restated to reflect the retroactive adoption on January 1, 2004 of the new recommendations of the Canadian Institute of Chartered Accountants related to asset retirement obligations and stock-based compensation. During 2004, we also changed our financial statement presentation of in-market distribution costs, which are generally billed to customers. Prior to 2004, in-market distribution costs were included as a reduction to revenue. These costs are now included in cost of sales and operating expenses and we have restated prior period figures. For further information refer to "New Accounting Standards Adopted in 2004" on page 51 and note 1 of our 2004 consolidated financial statements.*

2 *Commission sales include volumes marketed on a commission basis where the commission earned is included in revenue.*

3 *Average realized methanol price is calculated as revenue, net of commission sales and in-market distribution costs, divided by the total sales volumes of produced and purchased methanol. For financial statement presentation purposes, in-market distribution costs are included in cost of sales and operating expenses.*

4 *Income before unusual items (after-tax) and basic income before unusual items (after-tax) per share differ from the most comparable GAAP measures, net income and basic net income per share, because certain costs that are considered by management to be non-operational and/or non-recurring have been excluded. For a reconciliation of net income to income before unusual items (after-tax) and the basis for the calculation of basic income before unusual items (after-tax) per share, refer to "Supplemental Non-GAAP Measures" on page 53.*

5 *Before changes in non-cash working capital and the utilization of prepaid natural gas.*

6 *EBITDA differs from the most comparable GAAP measure, cash flows from operating activities, primarily because it does not include changes in non-cash working capital and the utilization of prepaid natural gas, cash flows related to interest and other income, interest expense, income taxes, asset restructuring charges and other unusual items. For a reconciliation of cash flows from operating activities to EBITDA, refer to "Supplemental Non-GAAP Measures" on page 53.*

RESULTS OF OPERATIONS

For the year ended December 31, 2004, net income was $236 million compared with $1 million for 2003. In 2003, we recorded before and after-tax asset restructuring charges of $139 million related to the write-down of property, plant and equipment and related assets in New Zealand and Medicine Hat, Canada and we wrote off $40 million of costs related to a project that was being developed in Australia. Excluding the impact of these items, our income before unusual items (after-tax) was $181 million in 2003.

Production Summary

The following table details the annual operating capacity and production for our facilities that operated in 2004:

(THOUSANDS OF TONNES)	ANNUAL OPERATING CAPACITY	2004	2003
Chile I, II and III (Chile)	**3,000**	**2,692**	2,704
Titan (Trinidad)[1]	**850**	**740**	577
Atlas (Trinidad)[2]	**1,073**	**421**	—
Motunui & Waitara Valley (New Zealand)[3]	**2,430**	**1,088**	968
Kitimat (Canada)	**500**	**486**	449
	7,853	**5,427**	4,698

1 *We acquired Titan effective May 2003. Production presented for 2003 is for the period May through December. Total production of Titan in 2003 was 870,186 tonnes.*

2 *Atlas commenced production in July 2004. The production and capacity data for Atlas in the above table represents our 63.1% proportionate interest in Atlas production. We market the remaining 36.9% of Atlas production on a commission basis.*

3 *Natural gas supply constraints in New Zealand limited production at our facilities in 2003 and 2004 to levels below capacity.*

Our facilities in Chile were impacted by planned and unplanned outages during 2003 and 2004 that resulted in production at approximately 90% of capacity. In 2004, these facilities were also impacted by curtailments of contracted natural gas supply from Argentina during the period from May to early August (the Argentine winter). This resulted in the loss of approximately 50,000 tonnes of production.

Approximately 57% of our current natural gas requirements for our facilities in Chile, increasing to 62% on start-up of Chile IV, are sourced from Argentina under long-term natural gas contracts. Argentina has been experiencing an energy crisis brought about primarily as a result of price regulation of domestic natural gas and a dramatic devaluation of the Argentine peso against the United States dollar. Natural gas prices have been held at extremely low levels and this has led to increased demand and lower amounts of natural gas supplying the domestic market, resulting in natural gas shortages. As a consequence, the government of Argentina directed gas suppliers to reduce exports of natural gas to Chile and other surrounding countries.

We originally believed that our plants in the south of Chile would be isolated from the Argentine energy crisis as there was, and continues to be, limited pipeline transportation capacity from southern Argentina (where the natural gas for our plants is sourced) to the population centres in the more northern regions of Argentina. However, due to peak winter demand in southern Argentina, some natural gas was redirected to meet this demand. We have not suffered any curtailments since early August 2004.

The Argentine government and the country's natural gas suppliers have agreed on a plan that will increase domestic natural gas prices to pre-energy crisis levels by July 2005. Other alternatives to improve energy supplies are being pursued and these initiatives should lead to a better balancing of supply and demand in Argentina.

Our Argentine gas suppliers have confirmed increases of 6.1 million cubic metres per day in natural gas deliverability in southern Argentina over 2005 and 2006. One of our major suppliers is investing in infrastructure to supply our Chile IV expansion. This development alone will lead to an additional 4.0 million cubic metres per day of natural gas deliverability. This compares to our incremental requirements from Argentina for the Chile IV expansion of 1.7 million cubic metres per day. A planned 2.9 million cubic metre per day expansion of the pipeline that transports natural gas from southern to northern Argentina is expected to be completed in the third quarter of 2005.

The expected increase in natural gas deliverability over the next two years is greater than the incremental demand requirements for Chile IV and the increased transportation capacity. Consequently, we believe any gas curtailments to us in 2005 and 2006 should be less than the curtailments we experienced in 2004. We are working with our natural gas suppliers and senior government officials in Chile and Argentina, and we will continue to monitor this issue closely. There can be no assurance, however, that natural gas supply to our facilities will not be impacted in the future.

We acquired the Titan methanol facility in Trinidad effective May 2003 and this facility operated at near-capacity rates subsequent to acquisition during 2003. In 2004, we experienced unplanned outages at Titan that reduced production below capacity by 110,000 tonnes. The Atlas facility in Trinidad commenced operations during the third quarter of 2004 and operated at near-capacity rates during the fourth quarter.

We have restructured our New Zealand operations over the past two years due to natural gas supply constraints in New Zealand and, as a result, production has been reduced below capacity operating levels. In 2003, these production facilities were written off. During the fourth quarter of 2004, we further restructured these operations, as a result of limited natural gas availability and high operating costs, by limiting our operations to the 530,000 tonne per year Waitara Valley facility. We have positioned our New Zealand operations to be flexible and will continue to critically assess our operating plan during 2005, with consideration given to prevailing market conditions and our ability to generate positive cash margins. We currently have no contracted natural gas supply in New Zealand beyond 2005 and there can be no assurance that we will be able to contract sufficient additional natural gas on commercially acceptable terms to operate these facilities after 2005.

Our Kitimat facility continues to operate well and has achieved an average operating rate of 94% over the past two years. Until the end of 2005, we are obligated to supply ammonia under an off take agreement with the former owner of the ammonia production assets located adjacent to our methanol facility. From the end of 2005, we have operating flexibility for these facilities.

Operating Income

Our 2004 operating income was $356 million compared with $290 million in 2003. The increase in operating income of $66 million resulted from:

2004 VS. 2003	($ MILLIONS)
Higher realized price of produced methanol[1]	**73**
Higher total cash cost[1]	**(84)**
Higher sales volume of produced methanol[1]	**35**
Improved margin on the sale of purchased methanol[2]	**25**
Lower depreciation and amortization[3]	**17**
	66

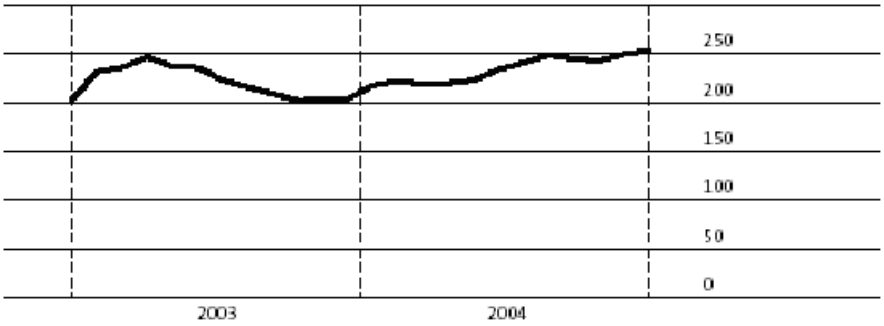
1 Refer to page 36 for a description of price, cash cost and volume variances for produced methanol.

2 Calculated as the difference, from year-to-year, in the margins earned on the sale of purchased methanol.

3 Calculated as the difference, from year-to-year, in depreciation and amortization.

Higher Realized Price of Produced Methanol

METHANEX AVERAGE REALIZED PRICE 2003-2004 ($ per tonne)



Our average realized price for 2004 was $234 per tonne compared with $220 per tonne in 2003. The higher average realized price of produced methanol increased operating income by $73 million. Tight market conditions as a result of strong demand and industry supply constraints resulted in favourable market conditions and above-average methanol prices in both 2003 and 2004. This strong pricing environment was underpinned by high North American natural gas prices and high global energy prices.

We publish non-discounted reference prices for each major methanol market and offer discounts to customers based on various factors. The methanol industry is highly competitive and prices are affected by supply and demand fundamentals. For 2004, our average realized price was approximately 14% lower than our published average non-discounted reference price in the United States for the same period. This compares to an average discount in 2003 of approximately 12%. For the fourth quarter of 2004, the discount increased to approximately 18%.

The discount increased during the fourth quarter of 2004 as a result of higher methanol prices together with higher volumes sold under long-term contracts with certain global customers where prices are either fixed or linked to our costs plus a margin. These contracts reduce the impact of cyclical pricing and some of these contracts were entered into as part of the development of the Atlas project.

While the discount from reference prices in the current strong pricing environment has increased, the discount should narrow during periods of lower pricing. We believe it is important to maintain financial flexibility throughout the methanol price cycle and these strategic contracts are a component of our prudent approach to liquidity.

During the second half of 2004, 3.7 million tonnes of new methanol supply capacity was introduced. These additions represented the first increments of significant new supply since 2002. The new plants included our 1.7 million tonne Atlas facility in Trinidad, the 1.0 million tonne NPC facility in Iran and the 1.0 million tonne SIPC facility in Saudi Arabia. In addition, a number of smaller-scale domestic plants were added in China, representing up to 2.0 million tonnes of new capacity.

The impact of new supply was largely offset by strong demand, lower production from our New Zealand operations and the shutdown of the Lyondell and Terra plants in North America. We estimate that demand for methanol increased in 2004 by approximately 1.5 million tonnes, or 5%. As we enter 2005, supply and demand is balanced to tight, methanol prices are high and global inventories are low.

Higher Total Cash Cost

Our total cash cost was higher in 2004 compared with 2003, and this decreased operating income by $84 million. The primary changes in total cash costs were as follows:

2004 VS. 2003	($ MILLIONS)
Higher operating costs in New Zealand	**47**
Higher natural gas costs linked to higher methanol prices	**22**
Higher North American natural gas costs	**7**
Higher costs for stock-based compensation	**10**
Other, net	**(2)**
	84

Higher Operating Costs in New Zealand

Our total cash costs in New Zealand were higher in 2004 by $47 million compared with 2003. Natural gas supply constraints have caused the price of natural gas in New Zealand to increase and have limited our production volumes. In addition, a weakened United States dollar and the expiration of favourable New Zealand dollar foreign currency forward contracts in the fourth quarter of 2004 led to an increase in our costs. Despite the increase in operating costs, our New Zealand operations earned positive cash margins throughout 2004.

Higher Natural Gas Costs Linked to Higher Methanol Prices

Natural gas supply contracts for our low cost strategic assets in Chile and Trinidad are linked to methanol prices in order to reduce our commodity price risk exposure. We believe this enables these facilities to be competitive throughout the methanol price cycle. Higher methanol prices in 2004 increased the cost for natural gas at these facilities and decreased operating income by approximately $22 million compared with 2003.

Higher North American Natural Gas Costs

We purchase natural gas for our Kitimat facility on a short-term basis and the purchase price is set in a competitive market that can fluctuate widely. Higher North American energy prices in 2004 increased the cost of natural gas for our Kitimat facility by $7 million compared with 2003.

Higher Costs for Stock-Based Compensation

Higher costs for stock-based compensation decreased operating income in 2004 by approximately $10 million compared with 2003. Compensation expense for stock-based awards to be settled in cash is impacted by fluctuations in our share price and changes in the average number of restricted and deferred share units outstanding from one year to the next. Our share price appreciated by over 60% during 2004 and this increased compensation expense related to restricted and deferred share units by $6 million compared with 2003. The remaining increase of $4 million relates primarily to an increase in the average number of restricted and deferred share units outstanding during 2004 compared with 2003.

Higher Sales Volume of Produced Methanol

Our sales volume of produced methanol in 2004 was higher than 2003 by 365,000 tonnes and this increased operating income by $35 million compared with 2003. Our sales volume of produced methanol was higher in 2004 primarily as a result of the start-up of Atlas and higher production volume from the Titan facility. We acquired Titan in May 2003 and our 2003 results only include Titan's operations subsequent to acquisition.

Improved Margin on the Sale of Purchased Methanol

We purchase additional methanol produced by others on the spot market or through offtake agreements in order to meet customer needs and support our marketing efforts. Consequently, we realize holding gains or losses on the resale of this product depending on the methanol price at the time of resale. In 2004, we incurred a loss of $15 million on the sale of 2.0 million tonnes of purchased methanol compared with a loss of $40 million on the sale of 1.4 million tonnes in 2003. The cost for purchased methanol in 2004 and 2003 also includes allocated fixed storage and handling costs of approximately $5 per tonne.

Lower Depreciation and Amortization

Our depreciation and amortization expense in 2004 was $79 million compared with $96 million in 2003. The decrease in depreciation and amortization of $17 million primarily relates to the lower carrying value of property, plant and equipment in 2004 due to the writedown of our Medicine Hat and New Zealand facilities during the fourth quarter of 2003.

Interest Expense

($ MILLIONS)	2004	2003	
Interest expense before capitalized interest	**55**	**59**	
Less capitalized interest	**(24)**	**(20)**	
	31	**39**	

Our interest expense before capitalized interest in 2004 was $55 million compared with $59 million in 2003. The decrease relates to lower levels of debt during 2004. Interest costs incurred during the construction of Atlas and Chile IV were capitalized to plant and equipment under construction. Capitalized interest was $24 million in 2004 compared with $20 million in 2003.

Interest and Other Income

Our interest and other income was $7 million in 2004 compared with $14 million in 2003. The decrease in interest and other income relates primarily to decreased foreign exchange gains in 2004 compared with 2003.

Unusual Items

During 2003, we recorded a non-cash asset impairment charge of $130 million to write down property, plant and equipment and related assets in New Zealand and Medicine Hat, Alberta. We also incurred costs and made payments of $10 million primarily for employee termination benefits to reduce the workforce at our New Zealand operations by approximately 82 employees and for costs to re-mothball the Medicine Hat facility.

During 2003, we also recorded a $40 million write-off of plant and equipment under development as a result of our decision to not proceed with the construction of a methanol plant in Western Australia.

Income Taxes

Our effective income tax rate was 29% in 2004 compared with 98% in 2003. Unusual expenses recorded in 2003 did not attract accounting income taxes as they were recorded in Canada and New Zealand where no significant accounting income taxes have been recorded due to the existence of unrecognized tax benefits. Excluding the impact of unusual items, our effective income tax rate for 2003 was 32%.

Substantially all of our 2004 and 2003 income tax expense relates to our operations in Chile where we record income taxes at a rate of 35%. Our facilities in Trinidad receive preferential tax treatment. Titan has a tax holiday until mid-2005, at which time the tax rate increases to 35%. The tax rate for Atlas will increase over a ten-year period from 0% to 35%. At December 31, 2004 we have unrecognized tax loss carryforward balances in Canada, New Zealand and the United States.

LIQUIDITY & CAPITAL RESOURCES

Cash Flow Highlights

($ MILLIONS)	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from operating activities [1]	**375**	330
Changes in non-cash working capital and the utilization of prepaid natural gas	**(39)**	31
	336	361
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	**(183)**	(41)
Shares repurchased	**(86)**	(89)
Dividend payments – regular	**(33)**	(28)
Dividend payments – special	**—**	(31)
Proceeds on exercise of stock options	**45**	19
Proceeds on issue of long-term debt	**15**	47
Other, net	**(10)**	(16)
	(252)	(139)
CASH FLOWS FROM INVESTING ACTIVITIES		
Plant and equipment under construction or development	**(134)**	(207)
Capital maintenance, turnarounds and catalyst and other capital expenditures	**(23)**	(36)
Acquisition of Titan Methanol Company, net of cash acquired	**—**	(74)
Acquisition of marketing and production rights	**—**	(35)
Other, net	**(5)**	(4)
	(162)	(356)
Decrease in cash and cash equivalents	**(78)**	(134)
Cash and cash equivalents, end of year	**210**	288

1 Before changes in non-cash working capital and the utilization of prepaid natural gas.

Cash Flows from Operating Activities

Our cash flows from operating activities before changes in non-cash working capital and the utilization of prepaid natural gas were $375 million in 2004 compared with $330 million in 2003. The improvement is the result of higher earnings in 2004 compared with 2003.

Our non-cash working capital at December 31, 2004 increased by $39 million compared with December 31, 2003. The increase relates primarily to the impact of higher methanol prices and sales volumes on trade accounts receivable, offset partially by the impact of higher methanol prices on accruals for natural gas and purchased product.

Cash Flows from Financing Activities

On March 31, 2004, we repaid all of the remaining limited recourse long-term debt of the Titan methanol facility in Trinidad. The total payment, including transaction costs, was $183 million. In 2003, we repaid $41 million of the Titan limited recourse long-term debt.

Over the past two years, we have returned $175 million of cash to shareholders through share repurchases and $92 million through dividend payments.

During 2004, we commenced a normal course issuer bid to repurchase 6.1 million common shares and in November 2004 we announced an increase in this bid, raising the maximum allowable repurchase to 12.2 million common shares. We repurchased 6.1 million common shares under this bid in 2004 at an average price of $13.95 per share, or $86 million. The bid expires May 16, 2005. During 2003, we repurchased 9.0 million of our common shares from NOVA Chemicals for a cost of $89 million. This share repurchase was made in connection with the sale of NOVA Chemicals' entire ownership interest in Methanex.

Our regular dividend was increased by 33% to US$0.08 per share per quarter, effective September 30, 2004. Total regular dividend payments in 2004 were $33 million compared with $28 million in 2003. During 2003, we also paid a special dividend of US$0.25 per share, or $31 million.

We received proceeds of $45 million and issued 6.2 million common shares on the exercise of stock options during 2004 compared with proceeds of $19 million on the issuance of 3.4 million shares in 2003.

Proceeds on issue of long-term debt relate to our proportionate share of proceeds received from the Atlas limited recourse long-term debt facilities.

Cash Flows from Investing Activities

Plant and equipment under construction or development includes expenditures on the following projects:

($ MILLIONS)	2004	2003
Chile IV (Chile)	**80**	116
Atlas (Trinidad)	**54**	74
Australia project development costs	**—**	17
	134	207

Chile IV, an 840,000 tonne per year expansion of our Chilean facilities, is expected to cost approximately $275 million, including capitalized interest of $25 million. As at December 31, 2004, total capital expenditures for the project were $222 million, including $20 million of capitalized interest. We plan to start up Chile IV at the end of the first quarter of 2005.

The construction of the Atlas methanol facility was completed during 2004. Our proportionate share of capital expenditures and capitalized interest during 2004 was $54 million.

Over the period 2001 to 2003, we were developing a methanol facility in Western Australia. We incurred $17 million in development costs during 2003 prior to our decision to not proceed with the project.

Capital maintenance and other capital expenditures for 2004 were $23 million compared with $36 million in 2003. The decrease relates primarily to the timing of planned capital maintenance and lower capital expenditures for information systems.

We acquired the remaining 90% interest in the 850,000 tonne per year Titan facility that we did not already own in May 2003. We paid $74 million in cash and assumed $223 million in limited recourse long-term debt.

The acquisition of marketing and production rights during 2003 includes $25 million paid to Terra Industries for exclusive rights, until the end of 2008, to all methanol produced at its 700,000 tonne per year methanol facility in Texas and the related methanol contracts. Also included is $10 million to acquire Lyondell Chemical's methanol customer contracts in North America and certain production rights for its 750,000 tonne per year methanol facility in Channelview, Texas during 2004.

Summary of Contractual Obligations and Commercial Commitments

A summary of the amount and estimated timing of cash flows related to our contractual obligations and commercial commitments as at December 31, 2004 is presented in the following table:

($ MILLIONS)	LESS THAN 1 YEAR	1 – 3 YEARS	4 – 5 YEARS	AFTER 5 YEARS	TOTAL
Long-term debt repayments	258	28	28	295	609
Repayments of other long-term liabilities	10	34	6	20	70
Purchase obligations	190	371	387	2,901	3,849
Operating lease commitments	107	207	178	487	979
Project under construction	48	—	—	—	48
	613	640	599	3,703	5,555

The above table does not include interest related to long-term debt, planned capital maintenance expenditures or any obligations with original maturities of less than one year.

Long-Term Debt Repayments

We have $250 million of unsecured notes that mature in 2005 and $200 million of unsecured notes that mature in 2012. The remaining debt repayments are for the scheduled principal repayments relating to our proportionate share of the Atlas limited recourse long-term debt facilities.

Repayments of Other Long-Term Liabilities

Repayments of other long-term liabilities represent contractual payment dates or, if the timing is not known, our management's best estimate of the timing of repayment.

Purchase Obligations

We have commitments under take-or-pay agreements to purchase annual quantities of natural gas supplies and to pay for transportation capacity related to these supplies. We also have take-or-pay agreements to purchase oxygen and other feedstock requirements. Take-or-pay means that we are obliged to pay for the supplies regardless of whether we take delivery. Such commitments are typical in the methanol industry.

In Chile, we purchase all of our natural gas through long-term low cost take-or-pay supply agreements that expire over the period from 2025 to 2029. The majority of the natural gas for our Chilean facilities is purchased from suppliers in Argentina with the remainder supplied by Empresa Nacional del Petroleo de Chile (ENAP), the Chilean state-owned energy company. The purchase price of natural gas is based on a minimum United States dollar price adjusted by a formula related to methanol prices on a twelve-month weighted average trailing basis for each plant except Chile I, where the adjustment is related to average methanol prices during the calendar year. The minimum United States dollar price increases annually under the Chile IV agreement and, commencing in 2009, for the Chile I agreement.

In Trinidad, we also have take-or-pay supply agreements for natural gas and oxygen and other feedstock requirements. The purchase price of the natural gas is based on a minimum United States dollar price, which increases over time, adjusted quarterly by a formula related to methanol prices. The natural gas agreements and the oxygen and other feedstock supply agreements for Titan and Atlas expire in 2014 and 2024, respectively.

In New Zealand, we purchase natural gas through take-or-pay and other purchase agreements reflecting the current market price for natural gas.

We do not have long-term commitments for natural gas expenditures in Canada. However, we do have commitments related to payments for pipeline transportation capacity related to these supplies.

Operating Lease Commitments

The majority of these commitments relate to time charter ocean shipping agreements with terms up to 15 years. Time charter vessels meet approximately 80% of our ocean shipping requirements, with the remainder of our requirements secured under a mix of contracts with terms of one to two years and through spot arrangements. We believe this structure provides an appropriate mix of shipping capacity, reflecting factors such as the location of our production facilities, the location and restrictions of the destination ports, and the risks associated with production, customer requirements and the general shipping market.

Project Under Construction

Project under construction includes the estimated remaining construction costs for Chile IV, excluding capitalized interest.

Financial Instruments

From time to time we enter into forward currency contracts to limit our exposure to foreign exchange volatility and to contribute towards achieving cost structure and revenue targets. Under Canadian GAAP, gains and losses on forward currency contracts designated as hedges are recognized in earnings when the related hedged item is recognized in earnings. At December 31, 2004, we have unrecognized forward exchange contracts with a fair value of negative $0.1 million (see notes 15 and 16 to our consolidated financial statements). Until settled, the fair value of the forward currency contracts will fluctuate based on changes in foreign exchange rates. These contracts are not subject to rating triggers or margin calls and rank equally with all of our unsecured indebtedness.

Off-Balance Sheet Arrangements

At December 31, 2004, we do not have any off-balance sheet arrangements, as defined by applicable securities regulators in Canada and the United States, that have, or are reasonably likely to have, a current or future material effect on our results of operations or financial condition.

Liquidity and Capitalization

We maintain conservative financial policies that reflect the volatile and cyclical nature of methanol pricing. We focus on maintaining our financial strength and flexibility through prudent financial management.

($ MILLIONS)	2004	2003
LIQUIDITY		
Cash and cash equivalents	**210**	288
Undrawn credit facilities	**250**	250
	460	538
CAPITALIZATION		
Unsecured notes	**450**	450
Limited recourse debt facilities	**159**	328
Total debt	**609**	778
Shareholders' equity	**949**	786
Total capitalization	**1,558**	1,564
Total debt to capitalization[1]	**39%**	50%
Net debt to capitalization[2]	**30%**	38%

1 Defined as total debt divided by total capitalization.

2 Defined as total debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents.

Our planned capital maintenance expenditures directed towards major maintenance, turnarounds and catalyst changes are estimated to be approximately $80 million for the three-year period to the end of 2007.

We repaid $183 million of limited recourse long-term debt on March 31, 2004. Our 2005 unsecured notes total $250 million and are due August 2005. We are currently reviewing our refinancing options.

With $210 million in cash at the end of 2004 and an undrawn $250 million credit facility, we believe we have the financial capacity to complete Chile IV and our capital maintenance spending program, pursue new opportunities to enhance our strategic position in the methanol industry and continue to deliver on our commitment to maintain a prudent balance sheet and return excess cash to shareholders.

The credit ratings for our unsecured notes at December 31, 2004 were as follows:

Standard & Poor's Rating Services	BBB- (stable)
Moody's Investor Services	Ba1 (stable)
Fitch Ratings	BBB (stable)

Credit ratings are not recommendations to purchase, hold or sell securities and do not comment on market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future.

RISK FACTORS & RISK MANAGEMENT

We believe our strategy of creating value through maintaining and enhancing our leadership in the production, marketing and delivery of methanol to our customers provides us with strategic advantages. However, as with any business, we are subject to risks that require prudent risk management. We believe the following risks, in addition to those described under Critical Accounting Estimates, to be among the most important in order to understand the issues that face our business and our approach to risk management.

Commodity Price Volatility and Demand Fluctuations

The methanol business is a highly competitive commodity industry and prices are affected by supply/ demand fundamentals. Methanol prices have historically been, and are expected to continue to be, characterized by volatility. New methanol plants are expected to be built, which will increase overall production capacity. Additional methanol supply can also become available in the future by re-starting idle methanol plants, by carrying out major expansions of existing plants or by debottlenecking existing plants to increase their production capacity. Demand for methanol is in large part dependent upon levels of global industrial production and changes in general economic conditions. Changes in environmental, health and safety requirements could also lead to a decrease in methanol demand.

In order to reduce the impact of cyclical pricing on our earnings, we have positioned ourselves by placing a portion of our sales with global customers under long-term contracts where prices are either fixed or linked to our costs plus a margin. We believe it is important to maintain financial flexibility throughout the methanol price cycle and these contracts are a component of our prudent approach to liquidity.

Demand for Methanol in the Production of MTBE

Methanol for the production of MTBE represents approximately 20% of global methanol demand. MTBE is used primarily as a source of octane and as an oxygenate for gasoline. Demand for MTBE is driven by air quality improvement objectives and levels of gasoline demand.

Concerns have been raised in the United States regarding the use of MTBE in gasoline. Gasoline containing MTBE has leaked into groundwater in the United States principally from underground gasoline storage tanks and has been discharged directly into surface water from recreational watercraft. MTBE is more easily detectable in water than other gasoline components. The presence of MTBE in some water supplies has led to public concern about MTBE's potential to contaminate drinking water supplies. Several states in the United States, including California, New York and Connecticut, have banned the use of MTBE as a gasoline component. However, MTBE is still in use in numerous states. At the United States federal government level, there have been proposals to phase out or curtail MTBE use over a period of several years; however, to date, no proposed legislation has become law.

Limiting or eliminating the use of MTBE in gasoline in the United States has reduced demand for MTBE and methanol in the United States and negatively impacts the viability of MTBE and methanol plants in the United States. We estimate that in 2005, the demand for methanol for MTBE consumption in the United States will be approximately 2.1 million tonnes per year.

The European Union issued a final risk assessment report on MTBE in September 2002 that did not recommend a ban of MTBE, although several risk reduction measures relating to the storage and handling of MTBE-containing fuels were recommended. However, governmental efforts to promote bio-fuels and alternative fuels through legislation and tax policy is putting competitive pressures on the use of MTBE in gasoline. In 2004, some MTBE production facilities began producing ethyl tertiary butyl ether (ETBE) to take advantage of tax incentives to produce bio-fuels.

Elsewhere in the world, MTBE continues to be used as a source of octane, but with growing usage for its clean air benefits. We believe that there is potential for continuing growth in MTBE use outside the United States and Western Europe. Our belief is based on the actions being taken around the world to reduce lead, benzene and other aromatics content in gasoline and to improve the emissions performance of vehicles generally. Demand for MTBE in Asia, particularly in Taiwan, Korea and China, is increasing as many countries work towards removing lead from gasoline and reducing aromatics to improve air quality. A number of Asian countries including Taiwan, Korea and China have adopted European specifications for gasoline formulation, and this should increase the consumption of MTBE in these countries.

Security of Natural Gas Supply and Price

Natural gas is the principal feedstock for methanol and accounts for a significant portion of our cost of sales and operating expenses. Accordingly, our results from operations depend in large part on the availability and security of supply and price of natural gas.

An important element of our strategy is to ensure long-term security of low cost natural gas supply. Over time, we have been reducing our reliance on North American production, where natural gas is purchased on a short-term basis and prices are extremely volatile, by selecting locations for new facilities where we can purchase natural gas through long-term contracts with pricing linked to methanol prices. However, if we are unable to obtain continued access to sufficient natural gas for any of our plants on commercially acceptable terms or if we experience significant interruptions in the supply of contracted natural gas, we could be forced to reduce production or close plants.

In 2004, our facilities were impacted by curtailments of contracted natural gas supply from Argentina that resulted in the loss of approximately 50,000 tonnes of production. Refer to “Production Summary” on page 38 for additional information.

Operational Risks

Our business is subject to the risks of operating methanol production facilities, such as unforeseen equipment breakdowns, interruptions in the supply of natural gas and other feedstock, power failures, loss of port facilities or any other event, including any event of force majeure, which could result in a prolonged shutdown of any of our plants or our ability to deliver methanol to customers. We are also subject to environmental laws and regulations.

Our focus on operational excellence is a key element of our strategy. Through our Responsible Care program we have achieved an excellent overall environmental and safety record at all of our facilities and have reduced the likelihood of lost-time incidents. As part of our overall risk management program we also maintain insurance, including business interruption insurance. However, there is no assurance that we will not incur losses beyond the limits of, or outside the coverage of, such insurance.

Project Under Construction

We are currently building Chile IV, an expansion to our Chilean facilities. While we believe our estimates of project costs and anticipated completion are reasonable, there is no assurance that the anticipated costs of this project will not be exceeded or that this project will commence operations within the contemplated schedule.

Foreign Operations

We are subject to risks inherent in foreign operations, such as foreign currency risks, political risks and security risks.

The dominant currency in which we conduct business is the United States dollar, which is our reporting currency. The most significant components of our cost structure are natural gas and ocean shipping costs. Substantially all of these costs are incurred in United States dollars. Certain of our underlying operating costs and capital expenditures are incurred in currencies other than the United States dollar. We are exposed to increases in the value of these currencies that could have the effect of increasing the United States dollar equivalent of cost of sales and operating expenses and capital expenditures. A portion of our revenue is earned in Euros and British pounds. We are exposed to risks of declines in the value of these currencies compared to the United States dollar, which could have the effect of decreasing the United States dollar equivalent of revenue.

We have a foreign exchange hedging program designed to limit our exposure to foreign exchange volatility and to contribute towards achieving strategic cost structure and revenue targets. We manage significant exposures to foreign currencies through forward currency contracts. These instruments are used solely for hedging purposes, not for speculation. Hedging activity is reviewed regularly by the Audit, Finance and Risk Committee of our Board.

OUTLOOK

Methanol is a global commodity and our earnings are primarily affected by fluctuations in the methanol price, which is directly impacted by the balance of methanol supply and demand. Demand growth for methanol for chemical derivatives, which represent approximately 80% of global methanol demand, is driven primarily by growth in industrial production and the strength of the global economy.

Supply constraints and economic growth resulted in tight methanol markets, low inventories and strong methanol pricing in 2004. This favourable price environment prevailed despite the ongoing challenges facing the MTBE industry in the United States and the start-up of 3.7 million tonnes of new supply from Trinidad, Iran and Saudi Arabia. A number of smaller-scale domestic plants were also added in China, representing up to 2.0 million tonnes of new capacity.

The impact of new supply was offset by strong overall demand, reduced production capability at our facilities in New Zealand and the rationalization of higher-cost production in North America. We estimate that demand for methanol increased in 2004 by approximately 1.5 million tonnes, or 5%. As we enter 2005, supply and demand is balanced to tight, methanol prices are strong and global inventories are low.

Typical of most cyclical commodity chemicals, periods of relatively high methanol prices encourage construction of new plants and expansion projects leading to the possibility of an oversupply in the market. Historically, not all announced capacity additions result in the completion of new plants. The construction of world-class methanol facilities requires considerable capital over a long lead time as well as a geographic location with access to significant natural gas reserves with appropriate pricing and an ability to cost-effectively ship methanol to customers.

At December 31, 2004, global methanol capacity was approximately 40 million tonnes, including as much as 2 million tonnes of new capacity that was added in China in 2004. A summary of significant methanol capacity additions where construction is known to be underway and which we expect to be completed during the period from 2005 to 2006 is as follows:

(CAPACITY FIGURES IN THOUSANDS OF TONNES)	CAPACITY	EXPECTED COMPLETION
Methanex Chile IV (Chile)	840	2005
MHTL M5 (Trinidad)	1,800	2005
NPC 4 (Iran)	1,700	2006

There are also higher-cost small-scale domestic methanol capacity additions expected in China and we estimate that net capacity additions in China over the period to the end of 2006 could be in the range of two to three million tonnes. Historically, methanol plants in China have operated at significantly lower rates than the industry average. Demand in China continues to grow at very high levels and at similar rates to domestic production. The resultant demand for imported methanol has remained relatively stable. As a result of the high cost structure of the methanol industry in China, we believe that future rates of production will fluctuate with methanol prices.

We believe that the impact of planned capacity additions is likely to be largely offset by growth in demand and by shutdowns of higher-cost production. A large portion of industry capacity is high cost, particularly in North America, Eastern and Western Europe and Asia. In North America alone, approximately 3.4 million tonnes of capacity continues to operate and we believe it is likely that 1.1 million tonnes of this capacity will shut down with the start-up of the MHTL M5 plant in Trinidad. There is also considerable uncertainty surrounding the continued operation of our methanol facilities in New Zealand due to natural gas supply constraints.

In this environment we are continuing to focus on maximizing the value generated from our low cost facilities and maintaining our global leadership position. The methanol price will ultimately depend on industry operating rates, the rate of industry restructuring and the strength of global demand. We believe that our financial position and financial flexibility, outstanding global supply network and low cost position will ensure that Methanex continues to be the leader in the methanol industry.

NEW ACCOUNTING STANDARDS ADOPTED IN 2004

Effective January 1, 2004, we retroactively adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants (CICA) related to asset retirement obligations, with restatement of prior periods. At December 31, 2002, the restatement resulted in an increase to property, plant and equipment of $1 million, a decrease to the accrual for asset retirement obligations of $3 million and an increase to retained earnings of $4 million. The restatement of the results for the year ended December 31, 2003 resulted in a reduction to net income of $2 million.

Effective January 1, 2004, we retroactively adopted the amended recommendations of the CICA related to the accounting for stock-based compensation, with restatement of prior periods. The amended standard requires recognition of an estimate of the fair value of stock options granted as a charge to earnings. The restatement at December 31, 2002 resulted in an increase to contributed surplus and a decrease to retained earnings of $3 million, representing the compensation expense recorded for stock options granted on or after January 1, 2002. The restatement of the results for the year ended December 31, 2003 resulted in an increase to contributed surplus and cost of sales and operating expenses of $4 million.

During 2004, we reclassified our financial statement presentation of in-market distribution costs with no impact on reported net income. These costs are generally billed to customers and, prior to 2004, they were included as a reduction to revenue. These costs are now included in cost of sales and operating expenses. Prior periods have been restated.

CRITICAL ACCOUNTING ESTIMATES

We believe the following selected accounting policies and issues are critical to understanding the estimates, assumptions and uncertainties that affect the amounts reported and disclosed in our consolidated financial statements and related notes. See note 1 to our 2004 consolidated financial statements for our significant accounting policies.

Property, Plant and Equipment

Our business is capital intensive and has required, and will continue to require, significant investments in property, plant and equipment. At December 31, 2004, the net book value of our property, plant and equipment was $1,367 million. We estimate the useful lives of property, plant and equipment and this is used as the basis for recording depreciation and amortization. Recoverability of property, plant and equipment is measured by comparing the net book value of an asset to the undiscounted future net cash flows expected to be generated from the asset over its estimated useful life. An impairment charge is recognized in cases where the undiscounted expected future cash flows from an asset are less than the net book value of the asset. The impairment charge is equal to the amount by which the net book value of the asset exceeds its fair value. Fair value is based on quoted market values, if available, or alternatively, using discounted expected future cash flows.

There are a number of uncertainties inherent in estimating future net cash flows to be generated by our production facilities. These include, among other things, assumptions regarding future supply and demand, methanol pricing, availability and pricing of natural gas supply, and production and distribution costs. Changes in these assumptions will impact our estimates of future net cash flows and could impact our estimates of the useful lives of property, plant and equipment. Consequently, it is possible that our future operating results could be materially and adversely affected by asset impairment charges or by changes in depreciation rates related to property, plant and equipment.

Asset Retirement Obligations

We record asset retirement obligations at fair value when incurred for those sites where a reasonable estimate of the fair value can be determined. At December 31, 2004, we had accrued $27 million for asset retirement obligations. Inherent uncertainties exist because the restoration activities will take place, for the most part, many years in the future and there may be changes in governmental and environmental regulations, and changes in removal technology and costs. It is difficult to estimate the true costs of these activities as our estimate of fair value is based on today's regulations and technology. Because of uncertainties related to estimating the cost and timing of future asset retirement activities, future costs could differ from the amounts estimated.

Future Income Taxes

Future income tax assets and liabilities are determined using enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. We record a valuation allowance on future tax assets, when appropriate, to reflect the uncertainty of realization of future tax benefits. In determining the appropriate valuation allowance, certain judgments are made relating to the level of expected future taxable income and to available tax planning strategies and their impact on the utilization of existing loss carryforwards and other income tax deductions. In making this analysis, we consider historical profitability and volatility to assess whether we believe it to be more likely than not that the existing loss carryforwards and other income tax deductions will be utilized to offset future taxable income otherwise calculated. Our management routinely reviews these judgments. At December 31, 2004, we had future income tax assets of $357 million that are substantially offset by a valuation allowance of $313 million.

The determination of income taxes requires the use of judgment and estimates. If certain judgments or estimates prove to be inaccurate, or if certain tax rates or laws change, our results of operations and financial position could be materially impacted.

ANTICIPATED CHANGES TO CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Variable Interest Entities

A new guideline of the Canadian Institute of Chartered Accountants for the consolidation of variable interest entities is effective January 1, 2005. The guideline elaborates on the application of consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. The guideline requires that a company consolidate the assets, liabilities and results of activities of an entity if the company is exposed to the majority of the risks and will receive the majority of the benefits of the entity. We expect no material impact to our consolidated financial statements as a result of the adoption of this standard.

Financial Instruments — Recognition and Measurement, Hedges and Comprehensive Income

The Canadian Institute of Chartered Accountants has issued three new accounting standards for financial instruments that will address when an entity should recognize a financial instrument on its balance sheet and how it should measure the financial instrument once recognized. A new standard on the application of hedge accounting is optional and provides alternative treatments for entities that choose to designate qualifying transactions as hedges for accounting purposes. Comprehensive income is also introduced as a concept in Canadian accounting with a new requirement to present certain unrealized gains and losses outside net income. We will be required to adopt these new standards at January 1, 2007.

SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with Canadian GAAP, we present certain supplemental non-GAAP measures. These are EBITDA, income before unusual items (after-tax) and basic income before unusual items (after-tax) per share. These measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Our management believes these measures are useful in evaluating the operating performance and liquidity of the Company's ongoing business. These measures should be considered in addition to, and not as a substitute for, net income, cash flows and other measures of financial performance and liquidity reported in accordance with GAAP.

Income Before Unusual Items (After-Tax) and Basic Income Before Unusual Items (After-Tax) Per Share

These supplemental non-GAAP measures are provided to assist readers in comparing earnings from one period to another without the impact of unusual items that are considered to be non-operational and/or non-recurring. Basic income before unusual items (after-tax) per share has been calculated by dividing income before unusual items (after-tax) by the weighted average number of common shares outstanding.

The following table shows a reconciliation of net income to income before unusual items (after-tax) and the calculation of basic income before unusual items (after-tax) per share:

($ MILLIONS, EXCEPT NUMBER OF SHARES AND PER SHARE AMOUNTS)	**2004**	2003
Net income	**236**	1
Add unusual items:		
Asset restructuring charges	**—**	140
Write-off of Australia project development costs	**—**	40
Income before unusual items (after-tax)	**236**	181
Weighted average number of common shares outstanding (millions of shares)	**122**	123
Basic income before unusual items (after-tax) per share	**1.95**	1.47

EBITDA

This supplemental non-GAAP measure is provided to assist readers in determining our ability to generate cash from operations. Our management believes this measure is useful in assessing performance and highlighting trends on an overall basis. Management also believes EBITDA is frequently used by securities analysts and investors when comparing our results with those of other companies. EBITDA differs from the most comparable GAAP measure, cash flows from operating activities, primarily because it does not include changes in non-cash working capital and the utilization of prepaid natural gas, cash flows related to interest expense, interest and other income, income taxes, asset restructuring charges and other unusual items.

The following table shows a reconciliation of cash flows from operating activities to EBITDA:

($ MILLIONS)	2004	2003
Cash flows from operating activities	**336**	361
Add (deduct):		
Changes in non-cash working capital and the utilization of prepaid natural gas	**39**	(31)
Other non-cash operating expenses	**(13)**	(19)
Asset restructuring charges – cash settlements	**—**	10
Interest expense	**31**	39
Interest and other income	**(7)**	(14)
Income taxes – current	**48**	40
EBITDA	**434**	386

QUARTERLY FINANCIAL DATA (UNAUDITED)

	THREE MONTHS ENDED			
($ MILLIONS, EXCEPT PER SHARE AMOUNTS)	DEC. 31	SEP. 30	JUN. 30	MAR. 31
2004				
Revenue	**485.4**	**428.8**	**412.3**	**393.0**
Net income	**66.1**	**71.2**	**52.4**	**46.8**
Basic net income per share	**0.55**	**0.59**	**0.43**	**0.39**
Diluted net income per share	**0.54**	**0.58**	**0.42**	**0.38**
2003				
Revenue	358.4	340.2	377.6	343.3
Net income (loss)	(111.7)	(9.3)	48.4	74.0
Basic net income (loss) per share	(0.93)	(0.08)	0.38	0.59
Diluted net income (loss) per share	(0.93)	(0.08)	0.37	0.57

The 2003 financial results have been restated to reflect the retroactive adoption of new accounting standards and presentation. Refer to note 1 of our 2004 consolidated financial statements.

Our quarterly revenues are not materially impacted by seasonality.

Net income for the fourth quarter of 2004 was $66.1 million compared with a net loss for the fourth quarter of 2003 of $111.7 million. In the fourth quarter of 2003 we recorded before and after-tax asset restructuring charges of $139.4 million related to the writedown of our New Zealand and Medicine Hat methanol facilities. The remaining increase in net income in the fourth quarter of 2004 compared with the fourth quarter of 2003 of $38.4 million can be primarily explained by the impact of higher average realized prices and higher sales volumes of produced methanol partially offset by the impact of higher cash costs.

SELECTED ANNUAL INFORMATION

($ MILLIONS, EXCEPT PER SHARE AMOUNTS)	2004	2003	2002
Revenue	**1,719**	1,420	1,042
Net income	**236**	1	23
Basic net income per share	**1.95**	0.01	0.18
Diluted net income per share	**1.92**	0.01	0.18
Cash dividends declared per share	**0.28**	0.47	0.10
Total assets	**2,125**	2,082	1,820
Total long-term financial liabilities	**411**	824	597

The 2003 and 2002 financial results have been restated to reflect the retroactive adoption of new accounting standards and presentation. Refer to note 1 of our 2004 consolidated financial statements.

FORWARD - LOOKING STATEMENTS

Statements made in this document that are based on our current expectations, estimates and projections constitute forward-looking statements. Forward-looking statements are based on our experience and perception of trends, current conditions, expected future developments and other factors. By their nature, forward-looking statements involve uncertainties and risks that may cause the stated outcome to differ materially from the actual outcome.

Important factors that can cause anticipated outcomes to differ materially from actual outcomes include worldwide economic conditions; conditions in the methanol and other industries, including the supply and demand balance for methanol; actions of competitors; changes in laws or regulations; the ability to implement business strategies, pursue business opportunities and maintain and enhance our competitive advantages; the risks attendant with methanol production and marketing, including operational disruption; the risks associated with carrying out capital expenditure projects, including completing the Chile IV project on time and on budget; availability and price of natural gas feedstock; foreign exchange risk; raw material and other production costs; transportation costs; the ability to attract and retain qualified personnel; the risks associated with investments and operations in multiple jurisdictions and other risks that we may describe in publicly available documents filed from time to time with securities commissions.

Having in mind these and other factors, many of which are described in this document, readers are cautioned not to place undue reliance on forward-looking statements. We do not guarantee that anticipated outcomes made in forward-looking statements will be realized.

Exhibit 3

Consolidated Financial Statements

RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and all financial information contained in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, have incorporated estimates based on the best judgment of management.

Management is responsible for the development of internal controls over the reporting process. Management believes that the system of internal controls, review procedures and established policies provide reasonable assurance as to the reliability and relevance of financial reports.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and is responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through the Audit, Finance and Risk Committee (the Committee). The Committee consists of four non-management directors, all of whom are independent as defined by the applicable rules in Canada and the United States. The Committee reviews the consolidated financial statements, annual report and management's discussion and analysis, and recommends them to the Board for approval. The Committee considers, for review by the Board and approval by the shareholders, the appointment of the external auditors.

In addition, the Committee reviews and approves unaudited interim financial statements, news releases on interim financial results and the interim management's discussion and analysis before their distribution. The Committee meets regularly with management and the Company's auditors, KPMG LLP, Chartered Accountants, to discuss internal controls and significant accounting and financial reporting issues. KPMG have full and unrestricted access to the Committee.

KPMG have provided an independent professional opinion on the fairness of these consolidated financial statements. Their opinion is included in the annual report.



Brian D. Gregson

Chairman of the Audit, Finance and Risk Committee



Bruce Aitken

President and Chief Executive Officer



Ian P. Cameron

Senior Vice President, Finance and Chief Financial Officer

March 4, 2005

AUDITORS' REPORT TO SHAREHOLDERS

We have audited the consolidated balance sheets of Methanex Corporation as at December 31, 2004 and 2003 and the consolidated statements of income, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada
March 4, 2005

Consolidated Balance Sheets

(thousands of U.S. dollars, except number of shares)

AS AT DECEMBER 31	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 210,049**	$ 287,863
Receivables (note 3)	**293,207**	220,871
Inventories	**142,164**	126,729
Prepaid expenses	**16,480**	14,852
	661,900	650,315
Property, plant and equipment (note 4)	**1,366,787**	1,320,227
Other assets (note 6)	**96,194**	111,258
	$2,124,881	$2,081,800
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 230,758**	$ 178,420
Current maturities on long-term debt and other long-term liabilities	**268,303**	33,026
	499,061	211,446
Long-term debt (note 7)	**350,868**	756,185
Other long-term liabilities (note 8)	**60,170**	67,420
Future income taxes (note 13)	**265,538**	261,218
Shareholders' equity:		
Capital stock:		
Authorized:		
25,000,000 authorized preferred shares without nominal or par value		
Unlimited authorization of common shares without nominal or par value		
Issued and outstanding common shares at December 31, 2004 was 120,022,417 (2003 – 120,007,767)	**523,255**	499,258
Contributed surplus	**3,454**	7,234
Retained earnings	**422,535**	279,039
	949,244	785,531
	$2,124,881	$2,081,800

See accompanying notes to consolidated financial statements.

Approved by the Board:



Brian D. Gregson

Director



Bruce Aitken

Director

Consolidated Statements of Income

(thousands of U.S. dollars, except number of common shares and per share amounts)

FOR THE YEARS ENDED DECEMBER 31	2004	2003
Revenue	**$ 1,719,484**	$ 1,419,546
Cost of sales and operating expenses	**1,285,097**	1,033,070
Depreciation and amortization	**78,701**	96,078
Operating income before undernoted items	**355,686**	290,398
Interest expense (note 10)	**(30,641)**	(38,815)
Interest and other income	**6,627**	13,843
Asset restructuring charges (note 11)	**—**	(139,352)
Write-off of Australia project development costs (note 11)	**—**	(39,833)
Income before income taxes	**331,672**	86,241
Income taxes (note 13):		
Current	**(48,572)**	(39,586)
Future	**(46,656)**	(45,239)
	(95,228)	(84,825)
Net income	**$ 236,444**	$ 1,416
Weighted average number of common shares outstanding	**121,515,689**	122,961,809
Diluted weighted average number of common shares outstanding	**122,955,016**	125,811,353
Basic net income per common share	**$ 1.95**	$ 0.01
Diluted net income per common share	**$ 1.92**	$ 0.01

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(thousands of U.S. dollars, except number of common shares)

	NUMBER OF COMMON SHARES	CAPITAL STOCK	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL SHARE-HOLDERS' EQUITY
Balance, December 31, 2002, as previously reported	125,651,639	$517,210	$ —	$ 386,868	$ 904,078
Adjustments for retroactive adoption of new accounting policies:					
Compensation expense related to stock options (note 1(l))	—	—	3,444	(3,444)	—
Asset retirement obligations (note 1(i))	—	—	—	4,259	4,259
Balance, December 31, 2002, as restated	**125,651,639**	**517,210**	**3,444**	**387,683**	**908,337**
Net income, as previously reported	—	—	—	7,508	7,508
Adjustments for retroactive adoption of new accounting policies:					
Compensation expense related to stock options (note 1(l))	—	—	3,790	(3,790)	—
Asset retirement obligations (note 1 (i))	—	—	—	(2,302)	(2,302)
Net income, as restated				1,416	
Proceeds on issue of shares on exercise of stock options	3,356,128	19,173	—	—	19,173
Payments for shares repurchased	(9,000,000)	(37,125)	—	(51,523)	(88,648)
Dividend payments	—	—	—	(58,537)	(58,537)
Balance, December 31, 2003, as restated	**120,007,767**	**499,258**	**7,234**	**279,039**	**785,531**
Net income	—	—	—	236,444	236,444
Compensation expense related to stock options included in net income	—	—	1,738	—	1,738
Proceeds on issue of shares on exercise of stock options	6,158,250	44,654	—	—	44,654
Reclassification of grant date fair value on exercise of stock options	—	5,518	(5,518)	—	—
Payment for shares repurchased	(6,143,600)	(26,175)	—	(59,545)	(85,720)
Dividend payments	—	—	—	(33,403)	(33,403)
Balance, December 31, 2004	**120,022,417**	**$523,255**	**$ 3,454**	**$ 422,535**	**$ 949,244**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(thousands of U.S. dollars)

FOR THE YEARS ENDED DECEMBER 31	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 236,444**	$ 1,416
Add non-cash items:		
Depreciation and amortization	**78,701**	96,078
Future income taxes	**46,656**	45,239
Asset restructuring charges (note 11)	**—**	129,565
Write-off of Australia project development costs (note 11)	**—**	39,833
Other	**12,895**	18,279
Cash flows from operating activities before undernoted changes	**374,696**	330,410
Changes in non-cash working capital (note 14)	**(39,077)**	28,405
Utilization of prepaid natural gas	**—**	2,149
	335,619	360,964
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of limited recourse long-term debt	**(182,758)**	(40,731)
Proceeds on issue of limited recourse long-term debt	**14,887**	46,547
Release of restricted cash	**14,258**	—
Funding of debt service reserve	**(9,060)**	—
Proceeds on issue of shares on exercise of stock options	**44,654**	19,173
Payment for shares repurchased	**(85,720)**	(88,648)
Dividend payments	**(33,403)**	(58,537)
Repayment of other long-term liabilities	**(14,588)**	(16,470)
	(251,730)	(138,666)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Plant and equipment under construction or development	**(134,184)**	(206,968)
Property, plant and equipment	**(22,539)**	(35,982)
Accounts payable and accrued liabilities related to capital expenditures	**1,886**	1,522
Acquisition of Titan Methanol Company (note 2)	**—**	(74,130)
Other assets	**(6,866)**	(40,264)
	(161,703)	(355,822)
Decrease in cash and cash equivalents	**(77,814)**	(133,524)
Cash and cash equivalents, beginning of year	**287,863**	421,387
Cash and cash equivalents, end of year	**$ 210,049**	$ 287,863

SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest paid, net of capitalized interest	**$ 31,277**	$ 34,278
Income taxes paid, net of amounts refunded	**$ 49,628**	$ 33,716
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Long-term liability incurred on acquisition of property, plant and equipment	**$ —**	$ 12,976

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Tabular dollar amounts are shown in thousands of U.S. dollars, except where noted)
Years ended December 31, 2004 and 2003

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and include the accounts of Methanex Corporation, its subsidiaries and its proportionate share of joint venture revenues, expenses, assets and liabilities. All significant intercompany transactions and balances have been eliminated. Preparation of these consolidated financial statements requires estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Policies requiring significant estimates are described below. Actual results could differ from those estimates.

(b) Reporting currency and foreign currency translation:

The majority of the Company's business is transacted in U.S. dollars and, accordingly, the consolidated financial statements have been measured and expressed in that currency. The Company translates foreign currency denominated monetary items at the rates of exchange prevailing at the balance sheet dates and revenues and expenditures at average rates of exchange during the year. Foreign exchange gains and losses are included in earnings.

(c) Cash equivalents:

Cash equivalents include securities with maturities of three months or less when purchased.

(d) Receivables:

The Company provides credit to its customers in the normal course of business. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. Credit losses have been within the range of management's expectations.

(e) Inventories:

Inventories are valued at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value.

(f) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Interest incurred during construction is capitalized to the cost of the asset. Depreciation and amortization is provided on a basis and at rates calculated to amortize the cost of property, plant and equipment from the commencement of commercial operations over their estimated useful lives to estimated residual value. Depreciation and amortization for all property, plant and equipment, except for the New Zealand plants, is provided on a straight-line basis. Prior to the writedown of the New Zealand plants to their estimated residual value at December 31, 2003, depreciation and amortization had been provided for these assets on a unit-of-natural-gas consumption basis.

Routine repairs and maintenance costs are expensed as incurred. At intervals of three or more years, the Company conducts a planned shutdown and inspection (turnaround) at its plants to perform major maintenance and replacements of catalyst. Costs associated with these shutdowns are amortized over the period until the next planned turnaround.

(g) Interest in Atlas joint venture:

The Company's interest in the Atlas joint venture is accounted for using the proportionate consolidation method. Under this method, the Company's proportionate share of joint venture revenues, expenses, assets and liabilities is included in the consolidated financial statements.

(h) Other assets:

Marketing and production rights and deferred charges are capitalized to other assets and amortized to depreciation and amortization expense on an appropriate basis to charge the cost of the assets against earnings.

1. Significant accounting policies (continued):

(h) Other assets (continued):

Natural gas prepayments are capitalized to other assets and are amortized to cost of sales and operating expenses on an appropriate basis to charge the cost of the assets against earnings as used. Financing costs for long-term obligations are capitalized to other assets and amortized to interest expense over the term of the related liability.

(i) Asset retirement obligations:

Effective January 1, 2004, the Company retroactively adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants (CICA) for accounting for asset retirement obligations, with restatement of prior periods. At December 31, 2002, the restatement resulted in an increase to property, plant and equipment of $1.0 million, a decrease to the accrual for asset retirement obligations of $3.3 million and an increase to retained earnings of $4.3 million. The restatement of the results for the year ended December 31, 2003 resulted in a reduction to net income of $2.3 million.

The Company recognizes asset retirement obligations for those sites where a reasonably definitive estimate of the fair value of the obligation can be determined. The Company estimates fair value by determining the current market cost required to settle the asset retirement obligation and adjusts for inflation through to the expected date of the expenditures and discounts this amount back to the date when the obligation was originally incurred. As the liability is initially recorded on a discounted basis it is increased each period, through a charge to earnings, until the estimated date of settlement. The resulting expense is included in cost of sales and operating expenses. Asset retirement obligations are not recognized with respect to assets with indefinite or indeterminate lives as the fair values of the asset retirement obligations cannot be reasonably estimated due to timing uncertainties. The Company reviews asset retirement obligations on a periodic basis and adjusts the liability as necessary to reflect changes in the estimated future cash flows and timing underlying the fair value measurement.

(j) Employee future benefits:

Accrued pension benefit obligations and related expenses for defined benefit pension plans are determined using current market bond yields to measure the accrued pension benefit obligation. Adjustments that exceed 10% of the greater of the accrued benefit obligation and the fair value of the plan assets that arise from plan amendments, experience gains and losses and changes in assumptions are amortized on a straight-line basis over the estimated average remaining service lifetime of the employee group. Gains or losses arising from plan curtailments and settlements are recognized in the year in which they occur.

The cost for defined contribution benefit plans is expensed as earned by the employees.

(k) Net income per common share:

The Company calculates basic net income per common share by dividing net income by the weighted average number of common shares outstanding and calculates diluted net income per common share under the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted net income per share assumes that the total of the proceeds to be received on the exercise of dilutive stock options and the unrecognized portion of the fair value of stock options is applied to repurchase common shares at the average market price for the period. A stock option is dilutive only when the average market price of common shares during the period exceeds the exercise price of the stock option.

1. Significant accounting policies (continued):

(k) Net income per common share (continued):

A reconciliation of the weighted average number of common shares outstanding is as follows:

	2004	2003
Denominator for basic net income per common share	**121,515,689**	122,961,809
Effect of dilutive stock options	**1,439,327**	2,849,544
Denominator for diluted net income per common share	**122,955,016**	125,811,353

(l) Stock-based compensation:

The Company grants stock-based awards as an element of compensation. Stock-based awards can include stock options, restricted share units or deferred share units. The stock option plan of the Company and the terms of the restricted and deferred share units are described in note 9.

Effective January 1, 2004, the Company retroactively adopted the amended recommendations of the CICA related to the accounting for stock-based compensation related to stock options, with restatement of prior periods. The amended standard requires recognition of an estimate of the fair value of stock options granted as a charge to earnings. The restatement at December 31, 2002 resulted in an increase to contributed surplus and a decrease to retained earnings of $3.4 million, representing the compensation expense recorded for stock options granted on or after January 1, 2002. The restatement of the results for the year ended December 31, 2003 resulted in an increase to contributed surplus and cost of sales and operating expenses of $3.8 million.

For stock options granted by the Company, the cost of the service received as consideration is measured based on an estimate of fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the service period with a corresponding increase in contributed surplus. Consideration received on the exercise of stock options, together with the compensation expense previously recorded as contributed surplus, is credited to share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant.

Deferred and restricted share units are grants of notional common shares that are non-dilutive to shareholders. Compensation expense for deferred and restricted share units is initially measured at fair value based on the market value of the Company's common shares and is recognized over the related service period. Changes in fair value are recognized in earnings for the proportion of the service that has been rendered at each reporting date. Upon vesting, deferred and restricted share units are redeemable for cash based on the market value of the Company's common shares.

(m) Revenue recognition:

Revenue is generally recognized as risk and title to the product transfers to the customer, which usually occurs at the time shipment is made.

Prior to 2004, in-market distribution costs billed to customers were included as a reduction to revenue in the consolidated financial statements. For the year ended December 31, 2004, $21.5 million (2003 — $25.1 million) of these costs have been reclassified from revenue to cost of sales and operating expenses with no impact on reported earnings. This change in financial statement presentation has been applied retroactively, with restatement of prior periods.

1. Significant accounting policies (continued):

(n) Financial instruments:

A substantial portion of the Company's business is transacted in its reporting currency, the U.S. dollar. At the Company's production facilities in Chile, Trinidad, Canada and New Zealand, certain of the underlying operating costs and capital expenditures are incurred in currencies other than the U.S. dollar. In addition, certain revenues in Europe are realized in the Euro or the British pound. The Company uses derivative financial instruments to reduce its exposure to fluctuations in foreign exchange on certain committed and anticipated transactions to contribute to achieving cost structure and revenue targets. The Company does not utilize derivative financial instruments for trading or speculative purposes.

The Company formally documents all derivative financial instruments designated as hedges, including the risk management objective and strategy. The Company assesses, on an ongoing basis, whether the designated derivative financial instruments continue to be effective in offsetting changes in fair values or cash flows of the hedged transactions.

Foreign exchange translation gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated or committed foreign currency denominated exposures are recognized as an adjustment to the related operating costs, revenue or capital expenditures when the hedged transaction is recorded.

Gains and losses on natural gas financial instruments used to hedge natural gas exposures are recognized as an adjustment to the related hedged transaction when realized.

Premiums paid or received with respect to derivative financial instruments are deferred and amortized to income over the effective period of the contracts.

Derivative financial instruments not designated as hedges are recorded at fair value with changes in fair value recognized immediately in earnings.

(o) Income taxes:

Future income taxes are accounted for using the asset and liability method. The asset and liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantively enacted tax rates that are expected to be in effect when the underlying item of income or expense is expected to be realized. The effect of a change in tax rates is recognized in the period of substantive enactment. Future tax benefits, such as non-capital loss carryforwards, are recognized to the extent that realization of such benefits is considered to be more likely than not.

The determination of income taxes requires the use of judgment and estimates. If certain judgments or estimates prove to be inaccurate, or if certain tax rates or laws change, the Company's results of operations and financial position could be materially impacted.

The Company does not accrue for taxes that will be incurred upon distributions from its subsidiaries unless it is probable that the earnings will be repatriated.

2. Acquisition of Titan Methanol Company:

Effective May 1, 2003, the Company acquired the remaining 90% interest in Titan Methanol Company (Titan). Titan's principal asset is an 850,000 tonne per year methanol facility in Trinidad. The Company had acquired a 10% interest in Titan in 2000. The acquisition has been accounted for under the purchase method of accounting with its results of operations consolidated from the date of acquisition. The Company's 100% interest in the net assets at fair values at the date of acquisition is as follows:

Net assets acquired:	
Cash	**$ 4,384**
Other current assets	**35,323**
Property, plant and equipment	**285,144**
Restricted cash for debt service reserve	**9,874**
Current liabilities, excluding current maturities of long-term debt	**(11,969)**
Interest rate swap contract	**(10,055)**
Long-term debt, including current maturities	**(222,959)**
Future income taxes	**(728)**
	$ 89,014
Consideration, including costs on acquisition:	
Cash	**$ 78,514**
Carrying value of original 10% investment in Titan	**10,500**
	$ 89,014

3. Receivables:

	2004	2003
Trade	**$244,217**	$167,749
Value-added and other taxes	**14,650**	19,380
Other	**34,340**	33,742
	$293,207	$220,871

4. Property, plant and equipment:

	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
December 31, 2004			
Plant and equipment	**$2,422,148**	**$ 1,302,701**	**$1,119,447**
Plant and equipment under construction	**222,443**	**—**	**222,443**
Other	**53,976**	**29,079**	**24,897**
	$2,698,567	**$ 1,331,780**	**$1,366,787**
December 31, 2003			
Plant and equipment	$2,157,513	$ 1,237,872	$ 919,641
Plant and equipment under construction	377,840	—	377,840
Other	48,827	26,081	22,746
	$2,584,180	$ 1,263,953	$1,320,227

5. Interest in Atlas joint venture *:*

The Company has a 63.1% joint venture interest in Atlas Methanol Company (Atlas). The joint venture has constructed a 1.7 million tonne per year methanol plant in Trinidad that began operations on July 29, 2004.

The consolidated financial statements include the following amounts representing the Company's proportionate interest in the Atlas joint venture:

	2004	2003
Consolidated Balance Sheets:		
Cash and cash equivalents	**$ 13,981**	$ 18,429
Other current assets	**21,677**	2,443
Property, plant and equipment	**284,336**	235,718
Other assets	**14,930**	5,996
Current liabilities, excluding current maturities on long-term debt	**30,112**	4,486
Long-term debt, including current maturities (note 7)	**159,012**	144,125
Consolidated Statements of Income:		
Revenue	**$ 68,980**	$ —
Expenses	**46,692**	—
Net Income	**$ 22,288**	$ —
Consolidated Statements of Cash Flows:		
Cash inflows from operating activities	**$ 32,865**	$ —
Cash inflows from financing activities	**5,827**	46,547
Cash outflows from investing activities	**(52,676)**	(74,365)

6. Other assets:

	2004	2003
Marketing and production rights, net of accumulated amortization	**$57,625**	$ 68,369
Deferred financing costs, net of accumulated amortization	**11,566**	13,560
Restricted cash for debt service reserve	**9,060**	14,258
Deferred charges, net of accumulated amortization	**5,363**	3,805
Other	**12,580**	11,266
	$96,194	$111,258

Amortization of marketing and production rights and deferred charges included in depreciation and amortization was $10.7 million (2003 — $ 7.2 million). Amortization of deferred financing costs included in interest expense was $2.1 million (2003 — $1.3 million).

7. Long-term debt:

		2004	2003
Unsecured notes:			
i)	**7.75% due August 15, 2005 (effective yield 7.83%)**	**249,920**	$249,783
ii)	**8.75% due August 15, 2012 (effective yield 8.75%)**	**200,000**	200,000
		449,920	449,783
Atlas Methanol Company – limited recourse debt facilities (63.1% proportionate share):			
i)	**Senior commercial bank loan facility to a maximum amount of $71 million with interest payable semi-annually with rates based on LIBOR plus a spread ranging from 2.25% to 2.75%. Principal will be paid in twelve semi-annual payments commencing June 5, 2005.**	**71,303**	64,203
ii)	**Senior secured notes to a maximum amount of $63 million bearing an interest rate of 7.95% with semi-annual interest payments. Principal will be paid in nine semi-annual payments commencing December 5, 2010.**	**63,100**	56,229
iii)	**Senior fixed rate bonds to a maximum amount of approximately $15 million bearing an interest rate of 8.25% with semi-annual interest payments. Principal will be paid in four semi-annual payments commencing June 5, 2015.**	**15,144**	15,144
iv)	**Subordinated loans to a maximum amount of $9 million with an interest rate based on LIBOR plus a spread ranging from 2.25% to 2.75%. Principal will be paid in twenty semi-annual payments commencing December 5, 2010.**	**9,465**	8,549
		159,012	144,125
Titan Methanol Company – limited recourse debt facilities:			
i)	**Senior loans with an average fixed interest rate of 7.4%.**	**—**	50,810
ii)	**Facilities and loans with variable interest rates based on LIBOR plus a spread ranging from 0.75% to 4%.**	**—**	132,828
		—	183,638
		608,932	777,546
Less current maturities		**(258,064)**	(21,361)
		$ 350,868	$756,185

The aggregate amount of minimum principal payments required in each of the next five years for long-term debt is as follows:

2005	2006	2007	2008	2009
$258,064	$ 14,032	$ 14,032	$ 14,032	$ 14,032

Limited recourse debt facilities are secured only by the assets of the related subsidiary or joint venture. Under the terms of the Atlas limited recourse facilities, the joint venture can make cash or other distributions after fulfilling certain conditions. These conditions include the payment of the scheduled senior and subordinated debt payments, compliance with certain financial covenants and funding of a debt service reserve account.

The Company has available an unsecured revolving bank facility of $250 million that expires in December 2006. This facility ranks pari passu with the unsecured notes.

***7. Long-term debt (continued)**:*

Under a covenant set out in the indenture to the 7.75% notes due August 15, 2005, as amended, the Company can pay cash dividends or make other shareholder distributions to the extent that Consolidated Net Worth (as defined in the indenture), which approximates shareholders' equity plus $200 million, is equal to or greater than $850 million. At December 31, 2004, Consolidated Net Worth was approximately $1,149 million. If Consolidated Net Worth is less than $850 million, then the Company is limited to declaring and paying a maximum of $30 million of dividends in any twelve-month period.

During 2004, the Company repaid all of the limited recourse long-term debt related to the Titan methanol facility.

8. Other long-term liabilities:

	2004	2003
Asset retirement obligations	**$ 26,757**	$ 26,023
Consideration payable for acquisition of ammonia production assets	**9,454**	13,533
Interest rate swap contract	**4,255**	8,275
Fortier asset restructuring	**324**	5,648
Deferred and restricted share units (note 9 (b))	**15,350**	5,565
Other	**14,269**	20,041
	70,409	79,085
Less current maturities	**(10,239)**	(11,665)
	$ 60,170	$ 67,420

The Company has accrued for asset retirement obligations for those sites where a reasonably definitive estimate of the fair value of the obligation can be made. Cash expenditures applied against the asset retirement obligations accrual in 2004 were $0.5 million (2003 – $0.9 million). Because of uncertainties in estimating costs and the timing of expenditures related to the currently identified sites, asset retirement obligations could differ from the amounts estimated.

9. Stock-based compensation:

The Company provides stock-based compensation to its directors and certain employees through grants of stock options and deferred or restricted share units.

(a) Stock options:

There are two types of options granted under the Company's stock option plan: incentive stock options and performance stock options. At December 31, 2004, the Company had 1.0 million common shares reserved for future stock option grants to its directors and employees under the Company's stock option plan.

i) Incentive stock options:

The exercise price of each incentive stock option is equal to the quoted market price of the Company's common shares at the date of the grant. An option's maximum term is ten years; one-half of the options vest one year after the date of the grant, with a further vesting of one-quarter of the options per year over the subsequent two years.

9. Stock-based compensation (continued):

i) Incentive stock options (continued):

Common shares reserved for outstanding incentive stock options at December 31, 2004 and 2003:

	OPTIONS DENOMINATED IN CAD $		OPTIONS DENOMINATED IN US $	
	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 2002	6,848,328	$ 10.53	2,432,000	$ 6.47
Granted	—	—	1,194,000	9.23
Exercised	(2,121,178)	8.89	(447,950)	6.47
Cancelled	(44,375)	10.35	(72,500)	7.56
Outstanding at December 31, 2003	4,682,775	11.27	3,105,550	7.51
Granted	—	—	103,300	11.74
Exercised	(3,698,100)	10.70	(1,738,950)	7.02
Cancelled	(200,000)	23.75	(72,900)	8.86
Outstanding at December 31, 2004	**784,675**	**$ 10.82**	**1,397,000**	**$ 8.36**

	STOCK OPTIONS OUTSTANDING AT DECEMBER 31, 2004			STOCK OPTIONS EXERCISABLE AT DECEMBER 31, 2004	
RANGE OF EXERCISE PRICES	NUMBER OF STOCK OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF STOCK OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
Options denominated in CAD $					
$ 3.29 to 5.85	**95,900**	**4.8**	**$ 4.19**	**95,900**	**$ 4.19**
9.56 to 11.60	**401,825**	**4.7**	**10.20**	**401,825**	**10.20**
13.65 to 14.63	**286,950**	**1.7**	**13.90**	**286,950**	**13.90**
	784,675	**3.6**	**$ 10.82**	**784,675**	**$ 10.82**
Options denominated in US $					
$ 6.45	**521,900**	**7.1**	**6.45**	**51,338**	**6.45**
8.79 to 9.23	**865,100**	**8.4**	**9.46**	**197,700**	**9.22**
13.39	**10,000**	**9.5**	**13.34**	**—**	**—**
	1,397,000	**7.9**	**$ 8.36**	**249,038**	**$ 8.65**

ii) Performance stock options:

Common shares reserved for outstanding performance stock options at December 31, 2004 and 2003:

	NUMBER OF STOCK OPTIONS	AVERAGE EXERCISE PRICE (CAD $)
Outstanding at December 31, 2002	1,712,200	$ 4.47
Exercised	(787,000)	4.47
Outstanding at December 31, 2003	925,200	4.47
Exercised	(721,200)	4.47
Outstanding at December 31, 2004	**204,000**	**$ 4.47**

9. Stock-based compensation (continued):

ii) Performance stock options (continued):

The performance stock options were granted in 1999. The vesting of the performance stock options is tied to the market value of the common shares subsequent to the date of grant based on the shares trading at, or above, CAD $10, CAD $15 and CAD $20. As at December 31, 2004, all outstanding performance stock options have vested and are exercisable. The performance stock options expire September 9, 2009.

iii) Fair value disclosures:

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2004	2003
Risk-free interest rate	**3%**	5%
Expected dividend yield	**2%**	2%
Expected life of option	**5 years**	5 years
Expected volatility	**35%**	35%
Weighted average fair value of options granted ($US/share)	**$ 3.36**	$ 2.59

For the year ended December 31, 2004, compensation expense related to stock options was $1.7 million (2003 — $3.8 million).

(b) Deferred and restricted share units:

Directors, executive officers and management may elect to receive some elements of their compensation and long-term compensation in the form of deferred or restricted share units. Holders of deferred and restricted share units are entitled to dividend-equivalents in the form of additional deferred or restricted share units. Deferred and restricted share units outstanding at December 31, 2004 and 2003 are as follows:

	NUMBER OF DEFERRED SHARE UNITS	NUMBER OF RESTRICTED SHARE UNITS
Outstanding at December 31, 2002	**309,659**	**—**
Granted	**40,684**	**534,000**
Dividend-equivalents	**16,046**	**10,882**
Redeemed	**—**	**(44,242)**
Outstanding at December 31, 2003	**366,389**	**500,640**
Granted	**187,773**	**579,700**
Dividend-equivalents	**10,669**	**21,049**
Cancelled	**—**	**(9,243)**
Redeemed	**(109,312)**	**(77,833)**
Outstanding at December 31, 2004	**455,519**	**1,014,313**

The fair value of deferred and restricted share units at December 31, 2004 was $26.9 million (2003 — $9.8 million) compared with an accrued value of $15.4 million (2003 — $5.6 million). For the year ended December 31, 2004, compensation expense related to deferred and restricted share units included in cost of sales and operating expenses is $12.8 million (2003 — $3.6 million). Included in compensation expense for the year ended December 31, 2004 is $7.0 million (2003 — $1.3 million) related to the increase in the Company's share price since the date of grant.

10. Interest expense:

	2004	2003
Interest expense before capitalized interest	**$ 54,503**	$ 58,991
Less capitalized interest	**(23,862)**	(20,176)
	$ 30,641	$ 38,815

11. Asset restructuring charges and write-off of Australia project development costs:

At December 31, 2003, the Company recorded a non-cash asset impairment charge totaling $129.6 million relating to the carrying value of property, plant and equipment and related assets in New Zealand and Medicine Hat, Alberta. The Company also incurred costs and made payments of $9.8 million primarily for employee termination benefits to reduce the workforce at the Company's New Zealand operations and for costs to re-mothball the Medicine Hat facility.

During 2003, the Company recorded a write-off of plant and equipment under development in the amount of $39.8 million related to the decision to not proceed with the development of a methanol plant located in Western Australia.

12. Segmented information:

The Company's operations consist of the production and sale of methanol, which constitutes a single operating segment.

Revenues attributed to geographic regions, based on location of customers, are as follows:

	CANADA	UNITED STATES	JAPAN	OTHER ASIA	EUROPE	LATIN AMERICA	TOTAL
Revenue:							
2004	**$75,398**	**$656,668**	**$182,291**	**$343,499**	**$350,947**	**$110,681**	**$1,719,484**
2003	63,293	437,531	182,260	306,541	326,594	103,327	1,419,546

Net book value of property, plant and equipment by country is as follows:

	CHILE	TRINIDAD	CANADA	KOREA	OTHER	TOTAL
Property, plant and equipment:						
2004	**$757,886**	**$555,916**	**$28,850**	**$10,538**	**$13,597**	**$1,366,787**
2003	702,732	555,277	37,349	7,428	17,441	1,320,227

13. Income and other taxes:

(a) Income tax expense:

The Company operates in several tax jurisdictions and therefore its income is subject to various rates of taxation. Income tax expense differs from the amounts that would be obtained by applying the Canadian statutory income tax rate to income before taxes. These differences are as follows:

	2004	2003
Canadian statutory tax rate	**36%**	36%
Income tax expense calculated at Canadian statutory rate	**$119,402**	$ 31,047
Increase (decrease) in tax resulting from:		
Income taxed in foreign jurisdictions	**(35,958)**	(36,223)
Losses not tax-effected	**29,919**	105,811
Benefits of previously unrecognized loss carryforwards and temporary differences	**(15,081)**	(1,854)
Non-taxable income and non-deductible expenses	**(3,427)**	(9,348)
Other	**373**	(4,608)
Total income tax expense	**$ 95,228**	$ 84,825

(b) Net future income tax liability:

The tax effect of temporary differences that give rise to significant portions of the future income tax liabilities and future income tax assets are as follows:

	2004	2003
Future income tax liabilities:		
Property, plant and equipment	**$ 159,096**	$ 198,240
Other	**150,853**	98,310
	309,949	296,550
Future income tax assets:		
Non-capital loss carryforwards	**281,484**	232,012
Property, plant and equipment	**46,946**	54,974
Other	**28,548**	29,846
	356,978	316,832
Future income tax asset valuation allowance	**(312,567)**	(281,500)
	44,411	35,332
Net future income tax liability	**$ 265,538**	$ 261,218

On acquisition of Titan Methanol Company in 2003, the Company recorded a future income tax liability based on uncertainty related to an interpretation of certain tax legislation. During 2004, the Company reviewed its accounting for the acquisition in light of recent events clarifying the tax legislation in effect at the date of acquisition. As a result, at March 31, 2004, the Company recorded a balance sheet adjustment to reduce the future income tax liability and property, plant and equipment by $42 million.

At December 31, 2004, the Company had non-capital loss carryforwards available for tax purposes of $583 million in Canada, $83 million in the United States and $73 million in New Zealand. In Canada and the United States these loss carryforwards expire between 2006 and 2023. In New Zealand the loss carryforwards do not have an expiry date.

14. Changes in non-cash working capital:

Changes in non-cash working capital related to operating activities for the years ended December 31, 2004 and 2003 are as follows:

	2004	2003
Receivables	**$(72,336)**	$ 1,732
Inventories	**(15,565)**	552
Prepaid expenses	**(1,628)**	(2,773)
Accounts payable and accrued liabilities	**50,452**	28,894
Decrease (increase) in non-cash working capital	**$(39,077)**	$28,405

15. Derivative financial instruments:

The Company's forward exchange contracts to purchase and sell foreign currency in exchange for U.S. dollars at December 31, 2004 are as follows:

	NOTIONAL AMOUNT	AVERAGE EXCHANGE RATE	MATURITY
Forward exchange purchase contracts:			
Euro	**14 million**	**$ 0.9931**	**2005**
Forward exchange sales contracts:			
Euro	**22 million**	**$ 1.2710**	**2005**
Chilean peso	**18 billion**	**$ 0.0016**	**2005**
British pound	**4 million**	**$ 1.8539**	**2005**

The Company has an interest rate swap contract with a notional principal amount of $55 million at December 31, 2004. Under the contract, the Company receives floating-rate LIBOR amounts in exchange for payments based on a fixed interest rate of 6.6%. The contract matures over the period to 2010.

16. Fair value disclosures:

The carrying values of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, and other long-term liabilities meeting the definition of a financial instrument approximate their fair values.

The carrying values and fair values of the Company's long-term debt and derivative financial instruments at December 31, 2004 and 2003 are as follows:

	2004		2003	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Long-term debt	**$(608,932)**	**$(662,000)**	$(777,546)	$(816,000)
Derivative financial instruments:				
Forward exchange contracts	**$ (5,255)**	**$ (229)**	$ —	$ 31,226
Interest rate swap contract	**$ (4,255)**	**$ (4,255)**	$ (8,275)	$ (7,920)

16. Fair value disclosures (continued):

Included in the fair value of the derivative financial instruments are unrealized losses of $0.1 million (2003 — gains of $23.3 million) related to forward exchange contracts that hedge anticipated transactions denominated in foreign currencies for which there is not a contractual agreement in place.

The fair value of the Company's long-term debt is estimated by reference to current market prices for other debt securities with similar terms and characteristics. The fair values of the Company's derivative financial instruments are determined based on quoted market prices received from counterparties. Until settled, the fair values of the derivative financial instruments will fluctuate based on changes in foreign exchange rates and interest rates.

The Company is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments but does not expect any counterparties to fail to meet their obligations. The Company deals with only highly rated counterparties, normally major financial institutions. The Company is exposed to credit risk when there is a positive fair value of derivative financial instruments at a reporting date. The maximum amount that would be at risk if the counterparties to derivative financial instruments with positive fair values failed completely to perform under the contracts was $5.1 million at December 31, 2004 (2003 — $34.9 million).

17. Retirement plans:

(a) Defined benefit pension plans:

The Company has non-contributory defined benefit pension plans covering certain employees. Information concerning the Company's defined benefit pension plans, in aggregate, is as follows:

	2004	2003
Accrued benefit obligations:		
Balance, beginning of year	**$ 42,671**	$ 31,087
Current service cost	**2,024**	1,735
Interest cost on accrued benefit obligations	**2,519**	2,104
Benefit payments	**(1,548)**	(834)
Actuarial losses	**614**	2,358
Foreign exchange losses	**3,897**	6,221
Balance, end of year	**50,177**	42,671
Fair value of plan assets:		
Balance, beginning of year	**28,997**	19,842
Actual returns on plan assets	**2,071**	2,273
Contributions	**4,007**	3,244
Benefit payments	**(1,548)**	(834)
Foreign exchange gains	**2,538**	4,472
Balance, end of year	**36,065**	28,997
Funded status	**(14,112)**	(13,674)
Unrecognized items:		
Actuarial losses	**6,994**	6,980
Other	**61**	161
Accrued benefit liabilities	**$ (7,057)**	$ (6,533)

17. Retirement plans (continued):

The Company's net defined benefit pension plan expense for the years ended December 31, 2004 and 2003 is as follows:

	2004	2003
Net defined benefit pension plan expense:		
Current service cost	**$ 2,024**	$ 1,735
Interest cost on accrued benefit obligations	**2,519**	2,104
Actual returns on plan assets	**(2,071)**	(2,273)
Other	**1,531**	1,950
Net expense	**$ 4,003**	$ 3,516

The Company uses a December 31 measurement date for its defined benefit pension plans. Actuarial reports for the Company's defined benefit pension plans were prepared by independent actuaries for funding purposes as of December 31, 2003. The next actuarial reports for funding purposes are scheduled to be completed as of December 31, 2006.

The actuarial assumptions used in accounting for the defined benefit pension plans are as follows:

	2004	2003
Benefit obligation at December 31:		
Discount rate	**6.00%**	6.25%
Rate of compensation increase	**3.50%**	4.00%
Net expense for year ended December 31:		
Discount rate	**6.25%**	6.50%
Rate of compensation increase	**4.00%**	4.00%
Expected rate of return on plan assets	**7.50%**	8.00%

The asset allocation for the defined benefit plan assets as at December 31, 2004 and 2003 is as follows:

	2004	2003
Equity securities	**65%**	66%
Debt securities	**29%**	29%
Cash and other short-term securities	**6%**	5%
Total	**100%**	100%

(b) Defined contribution pension plans:

The Company has defined contribution pension plans. The Company's funding obligations under the defined contribution pension plans are limited to making regular payments to the plans, based on a percentage of employee earnings. Total net pension expense for the defined contribution pension plans charged to operations during the year was $2.2 million (2003 — $2.9 million).

18. Commitments:

(a) Take-or-pay purchase agreements and related commitments:

The Company has commitments under take-or-pay agreements to purchase annual quantities of feedstock supplies and to pay for transportation capacity related to these supplies to 2029. The minimum estimated commitment under these agreements is as follows:

2005	2006	2007	2008	2009	THEREAFTER
$189,572	$183,525	$187,202	$193,785	$192,961	$ 2,900,664

(b) Operating leases:

The Company has future minimum lease payments under operating leases relating primarily to vessel charter, terminal facilities, office space and equipment as follows:

2005	2006	2007	2008	2009	THEREAFTER
$107,062	$ 110,424	$ 96,483	$ 88,873	$88,662	$ 486,860

(c) Commitments for capital expenditures:

The Company is currently expanding its methanol production facilities in Chile. The Company estimates that the remaining capital expenditures for this project, including capitalized interest, will be approximately $53 million and will be incurred in 2005. The Company expects that these expenditures will be funded from cash generated from operations and cash and cash equivalents.

Exhibit 4

METHANEX CORPORATION

Supplemental Information, Page 1
Reconciliation With United States Generally Accepted Accounting Principles

(Tabular amounts are in thousands of U.S. dollars, except per share amounts)

Methanex Corporation (the "Company") follows generally accepted accounting principles in Canada ("Canadian GAAP") which are different in some respects from those applicable in the United States and from practices prescribed by the United States Securities and Exchange Commission ("U.S. GAAP"). The significant differences between Canadian GAAP and U.S. GAAP with respect to the Company's consolidated financial statements as at and for the years ended December 31, 2004 and 2003 are as follows:

Condensed Consolidated Balance Sheets

As at December 31	2004			2003		
	Canadian GAAP	Adjustments	U.S. GAAP	Canadian GAAP	Adjustments	U.S. GAAP
Assets						
Current assets (1)	$ 661,900	$ 5,058	$ 666,958	$ 650,315	$ 31,756	$ 682,071
Property, plant and equipment (2)	1,366,787	40,134	1,406,921	1,320,227	42,045	1,362,272
Other assets (1)	96,194	—	96,194	111,258	3,440	$ 114,698
	$2,124,881	$ 45,192	$2,170,073	$2,081,800	$ 77,241	$2,159,041
Liabilities and Shareholders' Equity						
Current liabilities (1)	$ 499,061	$ 4,895	$ 503,956	$ 211,446	$ 3,937	$ 215,383
Long-term debt	350,868	—	350,868	756,185	—	756,185
Other long-term liabilities	60,170	—	60,170	67,420	4,702	72,122
Future income taxes (5)	265,538	14,142	279,680	261,218	14,926	276,144
Shareholders' equity:						
Capital stock (2)(3)	523,255	405,814	929,069	499,258	396,347	895,605
Additional paid-in capital (3)	—	3,750	3,750	—	8,574	8,574
Contributed surplus (3)	3,454	(3,454)	—	7,234	(7,234)	—
Retained earnings (deficit)	422,535	(379,813)	42,722	279,039	(373,309)	(94,270)
Accumulated other comprehensive income (loss) (1)	—	(142)	(142)	—	29,298	29,298
	949,244	26,155	975,399	785,531	53,676	839,207
	$2,124,881	$ 45,192	$2,170,073	$2,081,800	$ 77,241	$2,159,041

METHANEX CORPORATION

Supplemental Information, Page 2
Reconciliation With United States Generally Accepted Accounting Principles

(Tabular amounts are in thousands of U.S. dollars, except per share amounts)

Condensed Consolidated Statements of Income and Retained Earnings

For the years ended December 31	2004			2003		
	Canadian GAAP	Adjustments	U.S. GAAP	Canadian GAAP	Adjustments	U.S. GAAP
Revenue	$1,719,484	$ —	$1,719,484	$1,419,546	$ —	$1,419,546
Cost of sales and operating expenses (1)(3)	1,285,097	5,377	1,290,474	1,033,070	(5,539)	1,027,531
Depreciation and amortization (2)	78,701	1,911	80,612	96,078	12,364	108,442
Operating income before undernoted items	355,686	(7,288)	348,398	290,398	(6,825)	283,573
Interest expense	(30,641)	—	(30,641)	(38,815)	—	(38,815)
Interest and other income	6,627	—	6,627	13,843	—	13,843
Asset restructuring charges (2)	—	—	—	(139,352)	(31,187)	(170,539)
Write-off of Australia project development costs	—	—	—	(39,833)	—	(39,833)
Income before income taxes and cumulative effect of change in accounting policy	331,672	(7,288)	324,384	86,241	(38,012)	48,229
Income tax expense (5)	(95,228)	784	(94,444)	(84,825)	830	(83,995)
Net income (loss) before undernoted item	236,444	(6,504)	229,940	1,416	(37,182)	(35,766)
Cumulative effect of change in accounting policy (6)	—	—	—	—	4,259	4,259
Net income (loss)	236,444	(6,504)	229,940	1,416	(32,923)	(31,507)
Retained earnings, beginning of year	279,039	(373,309)	(94,270)	387,683	(340,386)	47,297
Excess of purchase price over assigned value of common shares	(59,545)	—	(59,545)	(51,523)	—	(51,523)
Dividend payments	(33,403)	—	(33,403)	(58,537)	—	(58,537)
Retained earnings (deficit), end of year	$ 422,535	$ (379,813)	$ 42,722	$ 279,039	$ (373,309)	$ (94,270)
Per share information:						
Basic net income (loss) per share before cumulative effect of change in accounting policy	$ 1.95	$ (0.06)	$ 1.89	$ 0.01	$ (0.30)	$ (0.29)
Diluted net income (loss) per share before cumulative effect of change in accounting policy	$ 1.92	$ (0.05)	$ 1.87	$ 0.01	$ (0.30)	$ (0.29)
Basic net income (loss) per share	$ 1.95	$ (0.06)	$ 1.89	$ 0.01	$ (0.27)	$ (0.26)
Diluted net income (loss) per share	$ 1.92	$ (0.05)	$ 1.87	$ 0.01	$ (0.27)	$ (0.26)

METHANEX CORPORATION

Supplemental Information, Page 3
Reconciliation With United States Generally Accepted Accounting Principles

(Tabular amounts are in thousands of U.S. dollars, except per share amounts)

Statements of Comprehensive Income (Loss)

For the years ended December 31	2004 U.S. GAAP	2003 U.S. GAAP
Net income (loss)	$229,940	$(31,507)
Other comprehensive income (loss), net of income tax:		
Change in fair value of cash flow hedging instruments (1)	(29,440)	20,963
Comprehensive income (loss)	$200,500	$(10,544)

Statements of Accumulated Other Comprehensive Income (Loss)

As at December 31	2004 U.S. GAAP	2003 U.S. GAAP
Accumulated other comprehensive income, beginning of year	$ 29,298	$ 8,335
Other comprehensive income (loss)	(29,440)	20,963
Accumulated other comprehensive income (loss), end of year	$ (142)	$29,298

1. Derivative instruments and hedging activities:

Canadian GAAP does not require the recognition of derivative instruments on the consolidated balance sheet at fair value unless the derivative instrument does not qualify for hedge accounting under Canadian Accounting Guideline 13, Hedging Relationships. Non-qualifying derivatives are adjusted to fair value through earnings each period.

Under U.S. GAAP, all derivative instruments are recognized on the consolidated balance sheet at their fair value. Derivatives that are not designated as hedges or do not qualify as hedges must be adjusted to fair value through earnings each period. For derivatives that are designated and qualify as hedges, depending on the nature of the hedge, the adjustment to fair value will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. For derivatives that are designated and qualify as hedges, the Company documents the hedging strategy, including the hedging instrument and hedged item, based on the risk exposure being hedged. Based upon the designated hedging strategy, effectiveness of the hedge in offsetting the hedged risk is measured both at inception and on an ongoing basis during the term of the hedge. The change in the fair value of a derivative instrument relating to ineffectiveness in the hedging relationship is immediately recorded through earnings.

For the year ended December 31, 2004, an adjustment to increase income before income taxes of $3.0 million (2003 — $8.3 million) has been recorded.

(Tabular amounts are in thousands of U.S. dollars, except per share amounts)

2. Business combination:

Effective January 1, 1993, the Company combined its business with a methanol business located in New Zealand and Chile. Under Canadian GAAP, the business combination was accounted for using the pooling-of-interest method. Under U.S. GAAP, the business combination would have been accounted for as a purchase with the Company identified as the acquirer. For U.S. GAAP purposes, property, plant and equipment at December 31, 2004 has been increased by $40.1 million (2003 — $42.0 million) to reflect the business combination as a purchase. Depreciation expense for the year ended December 31, 2004 for U.S. GAAP purposes has been increased by $1.9 million (2003 — $12.4 million).

During the year ended December 31, 2003, the Company recorded an asset restructuring charge to write down property, plant and equipment and related assets in New Zealand. For U.S. GAAP purposes, the asset restructuring charge for 2003 was increased by $31.2 million due to the higher carrying value for the New Zealand assets under U.S. GAAP prior to the write-down.

3. Stock-based compensation:

Effective January 1, 2004, the Company retroactively adopted, with restatement of prior periods, the amended recommendations of the Canadian Institute of Chartered Accountants related to the accounting for stock-based compensation related to stock options for grants on or after January 1, 2002.

Under Canadian GAAP, the cost of the service received as consideration for stock options granted by the Company is measured based on an estimate of fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the service period with a corresponding increase in contributed surplus. Consideration received on the exercise of stock options, together with the compensation expense previously recorded as contributed surplus, is credited to share capital. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant.

For U.S. GAAP purposes, the Company has elected under Statement of Financial Accounting Standards (FAS) No. 123 “Accounting for Stock Based Compensation” to continue to apply the provisions of Accounting Principles Board Opinion 25 to its accounting for stock options granted to employees. Under APB 25, compensation is measured based on the intrinsic value method. Under the intrinsic value method, compensation expense is recorded for the excess on the measurement date of the market price of the stock over the exercise price of the stock option. Compensation expense is recognized ratably over the vesting period. The measurement date is the first date on which both the number of shares the employee is entitled to receive and the exercise price are known. If the measurement date is later than the date of grant then the plan is termed a variable plan.

For U.S. GAAP purposes the following adjustments have been made:

a) Incentive stock options — The Company grants incentive stock options which have exercise prices based on the market price at the date of grant and under the intrinsic value method followed for U.S. GAAP purposes, no stock compensation expense is required to be recorded. As the Company uses a fair value method for Canadian GAAP, the Company recorded an adjustment for U.S. GAAP purposes for the year ended December 31, 2004 to increase income before taxes by $1.7 million (2003 — $3.8 million) with no net impact on shareholders’ equity. This adjustment represents the difference between the fair value method and the intrinsic value method for accounting for stock options.

(Tabular amounts are in thousands of U.S. dollars, except per share amounts)

3. Stock-based compensation (continued):

b) Variable plan options — The Company granted 946,000 stock options in 2001 that are accounted for under U.S. GAAP as variable plan options because the exercise price of the stock options is denominated in a currency other than the Company's functional currency or the currency in which the optionee is normally compensated. The grant date for these options was before the effective implementation date for fair value accounting related to stock options for Canadian GAAP purposes. Accordingly, under Canadian GAAP, no compensation expense has been recognized related to these options.

For U.S. GAAP purposes, the final measurement date for these options is the earlier of the exercise date, the forfeiture date and the expiry date. Prior to the final measurement date, compensation expense is measured as the amount by which the quoted market price of the Company's common shares exceeds the exercise price of the stock options at each reporting date. Compensation expense is recognized ratably over the vesting period. During the year ended December 31, 2004, the Company recorded $1.1 million (2003 — $0.6 million) in compensation expense for U.S. GAAP purposes related to these variable plan options.

c) Performance stock options — The Company granted performance stock options in 1999 with graded vesting based on the Company's common shares trading at or above CAD $10, CAD $15 and CAD $20 subsequent to the date of grant.

For Canadian GAAP purposes, the grant date for these performance stock options was before the effective implementation date for fair value accounting related to stock options. Accordingly, under Canadian GAAP, no compensation expense has been recognized related to these options.

For U.S. GAAP purposes, the measurement dates were not known until the target share price criteria were achieved during 2002, 2003 and 2004. Accordingly, prior to the measurement dates, no compensation expense was recorded for the non-vested performance stock options. During the year ended December 31, 2004, 665,000 (2003 – 761,000) performance stock options vested and became exercisable. For U.S. GAAP purposes, compensation expense related to the performance stock options for the year ended December 31, 2004 has been increased by $9.0 million (2003 — $5.9 million).

4. Interest in Atlas joint venture:

U.S. GAAP requires interests in joint ventures to be accounted for using the equity method. Canadian GAAP requires proportionate consolidation of interests in joint ventures. The Company has not made an adjustment in this reconciliation for this difference in accounting principles because the impact of applying the equity method of accounting does not result in any change to net income or shareholders' equity. This departure from U.S. GAAP is acceptable for foreign private issuers under the practices prescribed by the United States Securities and Exchange Commission. Details of the Company's interest in the Atlas joint venture is provided in note 5 to the Company's consolidated financial statements for the year ended December 31, 2004.

5. Income tax accounting:

The income tax differences include the income tax effect of the adjustments related to differences between Canadian GAAP and U.S. GAAP.

6. Change in accounting policy:

For Canadian GAAP purposes, the cumulative effect of adopting the new accounting recommendations related to asset retirement obligations as at January 1, 2003 is reflected in opening retained earnings. For U.S. GAAP purposes, the cumulative effect of adopting the U.S. equivalent of the asset retirement obligation recommendations is reflected in net income in the period of adoption. For U.S. GAAP purposes, net income for the year ended December 31, 2003 was increased by $4.3 million.

(Tabular amounts are in thousands of U.S. dollars, except per share amounts)

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7. Impact of recently issued U.S. accounting pronouncements:

a) Financial Interpretation No. 46 (FIN 46R), "Consideration of Variable Interest Entities", which addresses the requirements to consolidate related entities if a company is determined to be the primary beneficiary as a result of variable economic interests, became effective for the Company for U.S. GAAP purposes in 2004. The adoption of FIN 46R had no impact on the Company's financial results.

b) In December 2004, the Financial Accounting Standards Board issued revised FAS No. 123, Share-Based Payments which replaces FAS No. 123, Accounting for Stock-Based Compensation and supersedes APB 25, Accounting for Stock Issued to Employees. This statement, which requires the cost of all share-based payment transactions to be recognized in the financial statements, establishes fair value as the measurement objective and requires entities to apply a fair-value measurement method in accounting for share-based payment transactions. The statement is effective for the Company for periods that begin after June 15, 2005 and applies to all awards granted, modified, repurchased or cancelled after July 1, 2005, and unvested portions of previously issued and outstanding awards as at July 1, 2005. The Company is currently evaluating the impact of adopting this standard.

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use of the following reports in this annual report on Form 40-F (the "Form 40-F") of Methanex Corporation (the "Company"):

1. Auditors' Report to the Shareholders of Methanex Corporation dated March 4, 2005 included in the Annual Report of the Company and incorporated by reference in the Form 40-F; and

2. Auditors' Report to the Board of Directors and Shareholders of Methanex Corporation dated March 4, 2005 included herein.

We also consent to the incorporation by reference of such reports in the Registration Statement (No. 333-112624) on Form S-8 of the Company.

(signed) "KPMG LLP"
Chartered Accountants
Vancouver, Canada
March 4, 2005

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Canada

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

of Methanex Corporation

Under date of March 4, 2005, we reported on the consolidated balance sheets of Methanex Corporation (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, which are included in the Annual Report of the Company dated March 4, 2005. These consolidated financial statements and our report thereon are incorporated by reference in the Annual Report on Form 40-F for the year 2004. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related supplemental information entitled "Reconciliation With United States Generally Accepted Accounting Principles". This supplemental information is the responsibility of the Company's management. Our responsibility is to express an opinion on this supplementary information based on our audits.

In our opinion, such supplemental information, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

(signed) "KPMG LLP"
Chartered Accountants

Vancouver, Canada
March 4, 2005

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss nonoperating association.

Exhibit 31.1

CERTIFICATION

I, Bruce Aitken, certify that:

1. I have reviewed this annual report on Form 40-F of Methanex Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by this report (the "Evaluation Date");

    c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date; and

    d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of issuer's board of directors (and persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2005

/s/ BRUCE AITKEN

Bruce Aitken
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Ian Cameron, certify that:

1. I have reviewed this annual report on Form 40-F of Methanex Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) evaluated the effectiveness of the issuer's disclosure controls and procedures as of the end of the period covered by this report (the "Evaluation Date");

    c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date; and

    d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of issuer's board of directors (and persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 29, 2005

/s/ IAN CAMERON

Ian Cameron
Senior Vice President, Finance
and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Methanex Corporation (the "Company") on Form 40-F for the year ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce Aitken, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ BRUCE AITKEN

Bruce Aitken
President and Chief Executive Officer
March 29, 2005

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Methanex Corporation (the "Company") on Form 40-F for the year ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ian Cameron, Senior Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ IAN CAMERON

Ian Cameron
Senior Vice President, Finance and Chief Financial Officer
March 29, 2005