UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

[Check One]

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

OR

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

For the fiscal year ended December 31, 2010 **Commission File Number 0-20115**

METHANEX CORPORATION

(Exact name of Registrant as specified in its charter)

not applicable
(Translation of Registrant's name into English (if applicable))

CANADA
(Province or other jurisdiction of incorporation or organization)

2869
(Primary Standard Industrial Classification Code Number (if applicable))

not applicable
(I.R.S. Employer Identification Number (if applicable))

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

C T Corporation System, 111 Eighth Avenue, New York, New York 10011
Telephone: 212-894-8940
(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.

Title of each class	Name of each exchange on which registered
Common Shares	**NASDAQ Global Market**

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

None
(Title of Class)

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

8.75% Senior Notes due August 15, 2012
6.00% Senior Notes due August 15, 2015
(Title of Class)

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

x **Annual Information Form** x **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.

92,632,022 Common Shares were outstanding as of December 31, 2010

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 ¨ 82 - _____ **No** x

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 x **No** ¨

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ¨ **No** ¨

CONTROLS AND PROCEDURES

Disclosure controls and procedures are defined by the Securities and Exchange Commission as controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Registrant's principal executive and principal financial officers (its Chief Executive Officer and Chief Financial Officer) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of the end of the period covered by this annual report on Form 40-F. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Registrant's disclosure controls and procedures are effective as of December 31, 2010.

Internal control over financial reporting is a process designed by, or under the supervision of, the Registrant's Chief Executive Officer and Chief Financial Officer, and effected by the Registrant's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Registrant's consolidated financial statements for external purposes in accordance with Canadian generally accepted accounting principles (GAAP), including a reconciliation to United States GAAP. Internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Registrant;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Registrant; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Registrant's assets that could have a material effect on the financial statements.

There have been no changes during the year ended December 31, 2010 to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's Report on Internal Control over Financial Reporting is provided on page 46 of the Registrants' Management's Discussion and Analysis in Exhibit 99.2.

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, Finance and Risk Committee ("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 waivers from or material amendments to the provisions of the Code were made in 2010.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

The Registrant'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 under which permissible services proposed to be performed by KPMG LLP, the Registrant'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 Billed by the Independent Auditors

KPMG LLP, Chartered Accountants, Vancouver, are the independent auditors of the Registrant. The holders of the Registrant's Common Shares have resolved to have the directors of the Registrant determine the auditor's remuneration. KPMG's global fees relating to the years ended December 31, 2010 and December 31, 2009 are as follows:

US$000s	2010	2009
Audit Fees	1,600	1,429
Audit-Related Fees	138	166
Tax Fees	304	186
Total	**2,042**	**1,781**

The nature of each category of fees is described below.

Audit Fees

Audit fees for professional services rendered by the external auditors for the audit of the Registrant's consolidated financial statements; statutory audits of the financial statements of the Registrant's subsidiaries; quarterly reviews of the Registrant'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 fees for professional services rendered by the external auditors for the audit of the Registrant's consolidated financial statements were in respect of an "integrated audit" performed by KPMG LLP. The integrated audit encompasses an opinion on the fairness of presentation of the Registrant's financial statements as well as an opinion on the effectiveness of the Registrant's internal control over financial reporting. The increase in audit fees for 2010 compared with 2009 is primarily due to changes in foreign exchange rates.

Audit-Related Fees

Audit-related fees 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; and consultations related to the Registrant's IFRS transition and the accounting or disclosure treatment of other transactions.

Tax Fees

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

OFF-BALANCE SHEET ARRANGEMENTS

Disclosure of off-balance sheet arrangements is made on page 26 of the Registrant's "Management's Discussion and Analysis" for the year ended December 31, 2010, filed as Exhibit 99.2 to this report.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Tabular disclosure of contractual obligations is made on page 24 of the Registrant's "Management's Discussion and Analysis" for the year ended December 31, 2010, filed as Exhibit 99.2 to this report.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the *Exchange Act*. The Registrant's audit committee is comprised of the following directors:

A. Terence Poole, Chair

Pierre Choquette

Phillip Cook

John Reid

Janice Rennie

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 Registrant's 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 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; and with respect to the 6.0% Senior Notes due August 15, 2015 was filed with the Commission together with the Form F-9 of the Registrant on July 21, 2005.

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 25, 2011

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

EXHIBITS

Exhibit No	Description
23.1	Consent of KPMG LLP dated March 25, 2011 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
99.1	Annual Information Form of the Registrant dated March 24, 2011
99.2	Management's Discussion and Analysis for the Year Ended December 31, 2010
99.3	Audited Consolidated Financial Statements of the Registrant for the year ended December 31, 2010 and the Independent Auditor's Report thereon

Exhibit 23.1



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

To The Board of Directors of Methanex Corporation

We consent to the inclusion in this annual report on Form 40-F of:

- Our auditors' report dated March 24, 2011 on the consolidated balance sheets of Methanex Corporation ("the Company") as at December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity, comprehensive income (loss) and cash flows for the years then ended; and
- Our Report of Independent Public Accounting Firm dated March 24, 2011 on the effectiveness of internal control over financial reporting as of December 31, 2010

each of which is contained in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2010.

We also consent to the incorporation by reference of such reports in the Registration Statements (No. 333-112624 and No. 333-141833) on Form S-8 of the Company.

KPMG LLP

Chartered Accountants

Vancouver Canada

March 25, 2011

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual 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 (or 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 25, 2011

/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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual 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 (or 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 25, 2011

/s/ IAN CAMERON
Ian Cameron
Senior Vice President, Corporate Development
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, 2010 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 results of operations of the Company.

/s/ BRUCE AITKEN
Bruce Aitken
President and Chief Executive Officer
March 25, 2011

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, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ian Cameron, Senior Vice President, Corporate Development 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 results of operations of the Company.

/s/ IAN CAMERON
Ian Cameron
Senior Vice President,
Corporate Development and Chief Financial Officer
March 25, 2011

Exhibit 99.1



METHANEX CORPORATION

ANNUAL INFORMATION FORM

www.methanex.com

March 24, 2011

TABLE OF CONTENTS

	Page
REFERENCE INFORMATION	**3**
CAUTION REGARDING FORWARD-LOOKING STATEMENTS	**4**
THE COMPANY	**6**
BUSINESS OF THE COMPANY	**7**
Overview of the Business	7
DEVELOPMENT OF THE BUSINESS AND CORPORATE STRATEGY	**7**
Our Strategy	7
METHANOL INDUSTRY INFORMATION	**9**
General	9
Demand Factors	9
Supply Factors	12
Methanol Prices	13
PRODUCTION	**14**
Production Process	14
Operating Data and Other Information	14
MARKETING	**15**
DISTRIBUTION AND LOGISTICS	**15**
NATURAL GAS SUPPLY	**15**
General	15
Chile	16
Trinidad	16
New Zealand	17
Egypt	17
Canada	17
FOREIGN OPERATIONS AND GOVERNMENT REGULATION	**17**
General	17
Chile	18
Trinidad	18
New Zealand	19
Egypt	19
RESPONSIBLE CARE	**19**
ENVIRONMENTAL MATTERS	**20**
Management of Greenhouse Gas Emissions	21
INSURANCE	**22**
COMPETITION	**22**
EMPLOYEES	**22**
RISK FACTORS	**22**
DIVIDENDS	**22**
CAPITAL STRUCTURE	**23**
RATINGS	**23**
MARKET FOR SECURITIES	**24**
DIRECTORS AND EXECUTIVE OFFICERS	**24**
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	**26**
EXPERTS	**26**
LEGAL PROCEEDINGS	**26**
AUDIT COMMITTEE INFORMATION	**27**
The Audit Committee Charter	27
Composition of the Audit Committee	27
Relevant Education and Experience	27
Pre-Approval Policies and Procedures	29
Audit and Non-Audit Fees Billed by the Independent Auditors	29
TRANSFER AGENT AND REGISTRAR	**29**
CONTROLS AND PROCEDURES	**30**
CODE OF ETHICS	**30**
ADDITIONAL INFORMATION	**30**
APPENDIX “A”	**31**

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 refers to the Company and its subsidiaries or any one of them as the context requires, as well as their respective interests in joint ventures and partnerships.

We use the United States dollar as our reporting currency. Accordingly, unless otherwise indicated, all dollar amounts in this AIF are stated in United States dollars.

In this AIF, unless the context otherwise indicates, all references to "methanol" are to chemical-grade methanol. Methanol's chemical formula is CH_3OH and it is also known as methyl alcohol.

In this AIF, we incorporate by reference our 2010 Management's Discussion and Analysis ("2010 MD&A"), which contains information required to be included in this AIF. The 2010 MD&A is publicly accessible and is filed on the Canadian Securities Administrators' SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission's EDGAR website at www.sec.gov.

The approximate conversion of measurement used in this AIF is as follows:

1 tonne of methanol = 332.6 US gallons of methanol

Some of the 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 industry consultants or from recognized industry reports regularly published by independent consulting and data compilation organizations in the methanol industry, including Chemical Market Associates Inc., Jim Jordan & Associates, Tecnon OrbiChem Ltd., Reed Business Information Ltd. and Consensus Economics Inc. Industry consultants and industry publications generally state that the information provided 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 in these reports.

Responsible Care® is a registered trademark of the Chemistry Industry Association of Canada and is used under license by us.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements with respect to us and the chemical 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.

More particularly and without limitation, any statements regarding the following are forward-looking statements:

- expected demand for methanol and its derivatives,
- expected new methanol supply and timing for start-up of the same,
- expected shut downs (either temporary or permanent) or re-starts of existing methanol supply (including our own facilities), including, without limitation, timing of planned maintenance outages,
- expected methanol and energy prices,
- expected levels and timing of natural gas supply to our plants, including without limitation, levels of natural gas supply from investments in natural gas exploration and development in Chile and New Zealand and availability of economically priced natural gas in Chile, New Zealand and Canada,
- capital committed by third parties towards future natural gas exploration in Chile and New Zealand,
- expected capital expenditures, including without limitation, those to support natural gas exploration and development in Chile and New Zealand and the restart of our idled methanol facilities,
- anticipated production rates of our plants, including without limitation, our Chilean facilities, the new methanol plant in Egypt which is currently in the commissioning phase and the restart of our Medicine Hat facility expected in the second quarter of 2011,
- expected operating costs, including natural gas feedstock costs and logistics costs,
- expected tax rates or resolutions to tax disputes,
- expected cash flows and earnings capability,
- anticipated completion date of, and cost to complete, our methanol project in Egypt and the Medicine Hat restart project,
- ability to meet covenants associated with our long-term debt obligations, including without limitation, the Egypt limited recourse debt facilities which have conditions associated with operational completion of the plant and related mortgages which require actions by governmental entities,
- availability of committed credit facilities and other financing,
- shareholder distribution strategy and anticipated distributions to shareholders,
- commercial viability of, or ability to execute, future projects or capacity expansions,
- financial strength and ability to meet future financial commitments,
- expected impact of regulatory actions, including assessments of carcinogenicity of methanol, formaldehyde and MTBE, the imposition of formaldehyde emission limits and legislation related to Co_2 emissions in New Zealand and Canada,
- expected global or regional economic activity (including industrial production levels),
- expected actions of governments, gas suppliers, courts and tribunals, or other third parties, and
- expected impact on our results of operations in Egypt and our financial condition as a consequence of actions taken by the Government of Egypt and its agencies.

We believe that we have a reasonable basis for making such forward-looking statements. The forward-looking statements in this document are based on our experience, our perception of trends, current conditions and expected future developments as well as other factors. Certain material factors or assumptions were applied in drawing the conclusions or making the forecasts or projections that are included in these forward-looking statements, including, without limitation, future expectations and assumptions concerning the following:

- supply of, demand for, and price of, methanol, methanol derivatives, natural gas, oil and oil derivatives,
- success of natural gas exploration in Chile and New Zealand and our ability to procure economically priced natural gas in Chile, New Zealand and Canada,
- production rates of our facilities, including without limitation, our Chilean facilities, the new methanol plant in Egypt which is currently in the

commissioning phase and the restart of our Medicine Hat facility expected in the second quarter of 2011,

- receipt or issuance of third party consents or approvals, including without limitation, governmental registrations of land title and related mortgages in Egypt, governmental approvals related to natural gas exploration rights, rights to purchase natural gas or the establishment of new fuel standards,
- operating costs including natural gas feedstock and logistics costs, capital costs, tax rates, cash flows, foreign exchange rates and interest rates,
- timing of completion and cost of our methanol project in Egypt and the Medicine Hat restart project,
- ability to meet covenants associated with our long-term debt obligations, including without limitation, the Egypt limited recourse debt facilities which have conditions associated with operational completion of the plant and completion of certain land title registrations and related mortgages which require actions by governmental entities,
- availability of committed credit facilities and other financing,
- global and regional economic activity (including industrial production levels),
- absence of a material negative impact from major natural disasters or global pandemics,
- absence of a material negative impact from changes in laws or regulations, and
- enforcement of contractual arrangements and ability to perform contractual obligations by customers, suppliers and other third parties.

However, forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The risks and uncertainties primarily include those attendant with producing and marketing methanol and successfully carrying out major capital expenditure projects in various jurisdictions, including without limitation.

- conditions in the methanol and other industries, including fluctuations in supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses,
- the price of natural gas, oil and oil derivatives,
- the success of natural gas exploration and development activities in southern Chile and New Zealand and our ability to obtain any additional gas in Chile, New Zealand and Canada on commercially acceptable terms,
- the timing of start-up and cost to complete our new methanol joint venture project in Egypt,
- the ability to successfully carry out corporate initiatives and strategies,
- actions of competitors and suppliers,
- actions of governments and governmental authorities including without limitation, implementation of policies or other measures that could impact the supply or demand for methanol or its derivatives,
- changes in laws or regulations,
- import or export restrictions, anti-dumping measures, increases in duties, taxes and government royalties, and other actions by governments that may adversely affect our operations or existing contractual arrangments,
- world-wide economic conditions, and
- other risks described in our 2010 MD&A.

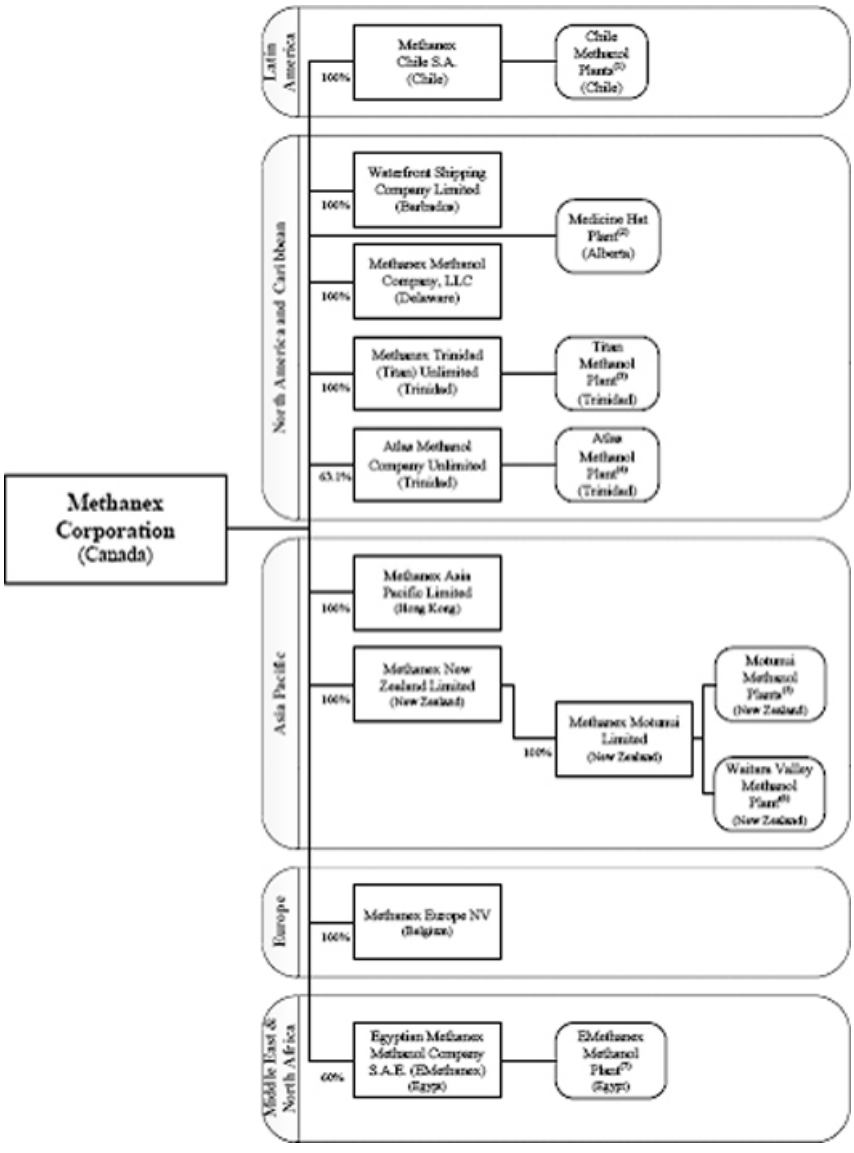
In addition to the foregoing risk factors, the current uncertain economic environment has added additional risks and uncertainties, including changes in capital markets and corresponding effects on the Company's investments, our ability to access existing or future credit and defaults by customers, suppliers or insurers.

Having in mind these and other factors, investors and other readers are cautioned not to place undue reliance on forward-looking statements. They are not a substitute for the exercise of one's own due diligence and judgment. The outcomes anticipated in forward-looking statements may not occur and we do not undertake to update forward-looking statements except as required by applicable securities laws.

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 Company's principal operating subsidiaries and partnerships as of December 31, 2010 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) Our plants in Chile represent 3.8 million tonnes per year of annual production capacity and since 2007 we have operated the site significantly below capacity due primarily to curtailments of natural gas supply from Argentina.

(2) Our 470,000 tonne per year plant in Medicine Hat is scheduled to restart in the second quarter of 2011.

(3) The Titan methanol plant represents 900,000 tonnes per year of annual production capacity.

(4) The Atlas methanol plant represents 1.15 million tonnes of annual production capacity.

(5) The Motunui facilities in New Zealand can produce up to 1.7 million tonnes per year of methanol and were idled in November 2004 as a result of natural gas supply constraints. We restarted one idled 850,000 tonne per year Motunui plant in October 2008.

(6) Our 530,000 tonne per year Waitara Valley Plant in New Zealand was idled in October 2008 after the restart of our 850,000 tonne per year Motunui Plant.

(7) The 1.26 million tonne per year EMethanex methanol facility in Egypt is in the commissioning phase and produced first methanol in January 2011.

BUSINESS OF THE COMPANY

Overview of the Business

Methanol is a clear liquid commodity chemical that is predominantly produced from natural gas and also, particularly in China, from coal. Approximately two-thirds of all methanol demand is used to produce traditional chemical derivatives, including formaldehyde, acetic acid and a variety of other chemicals that form the basis of a large number of chemical derivatives for which demand is influenced by levels of global economic activity. The remaining one-third of methanol demand comes from the energy sector. There has recently been strong demand growth for methanol in energy-related applications such as direct methanol blending into gasoline and dimethyl ether ("DME"), which can be blended with liquefied petroleum gas ("LPG") for use in household cooking and heating, and also as a substitute for diesel. Methanol is also used to produce biodiesel and methyl tertiary butyl ether ("MTBE"), a gasoline component.

We are the world's largest supplier of methanol to the major international markets of Asia Pacific, North America, Europe and Latin America. Our total annual production capacity, including equity interest in jointly owned plants, is approximately 9.31 million tonnes and is located in Chile, Trinidad, New Zealand, Egypt and Canada. In Egypt, we have a 60% interest in a new 1.26 million tonne per year methanol plant (refer to *Natural Gas Supply* section on page 15 for more information). We have marketing rights for 100% of the production from our jointly owned plants in Trinidad and Egypt and this provides us with an additional 1.17 million tonnes per year of methanol offtake supply. In addition to the methanol produced at our sites, we purchase methanol produced by others under methanol offtake contracts and on the spot market. This gives us flexibility and certainty in managing our supply chain while continuing to meet customer needs and support our marketing efforts.

Our operations consist of the production and sale of methanol, which constitutes a single operation segment. Revenue, sales volumes and production volumes for each of the last two years can be found under *Financial Highlights* in our 2010 MD&A.

DEVELOPMENT OF THE BUSINESS AND CORPORATE STRATEGY

Our Strategy

Our primary objective is to create value by maintaining and enhancing our leadership in the global production, marketing and delivery of methanol to our customers. Our simple, clearly defined strategy – global leadership, low cost, and operational excellence – has helped us achieve this objective.

Global Leadership

Global Leadership is a key element of our strategy with a focus on maintaining and enhancing our position as the major supplier to the global methanol industry, enhancing our ability to cost-effectively deliver methanol supply to our customers and supporting global methanol demand growth for both traditional and energy-related methanol derivatives.

We are the leading supplier of methanol to the major international markets of North America, Asia Pacific, Europe and Latin America. Our sales volumes in 2010 represented approximately 15% of total global methanol demand and we grew sales volumes by 16% from 5.95 million tonnes in 2009 to 6.93 million tonnes in 2010. Our leadership position has enabled us to play an important role in the industry, which includes publishing Methanex reference prices that are generally used in each major market as the basis of pricing for most of our customer contracts (refer to *Methanol Industry Information* section on page 9 for further information).

The geographically diverse location of our production sites allows us to deliver methanol cost-effectively to customers in all major global markets, while our investments in global distribution and supply infrastructure, which includes a dedicated fleet of ocean-going vessels and terminal capacity within all major international markets, enable us to enhance value to customers by providing reliable and secure supply.

A key component of our Global Leadership strategy is a focus on strengthening our asset position and increasing production at our sites. We expect to increase production in 2011 with the start-up of production from the 1.26 million tonne per year methanol plant in Egypt and the restart of our 0.47 million tonne per year Medicine Hat, Alberta plant. Both of these sites are well located and will provide additional security of supply for our customers. Our methanol facilities in Chile represent 3.8 million tonnes of annual production capacity and since 2007 we have operated the site significantly below capacity. This is primarily due to curtailments of natural gas supply from Argentina (refer to *Natural Gas Supply – Chile* section on page 16 for further information). Our goal is to progressively increase production at our Chile site with natural gas from suppliers in Chile by supporting the acceleration of natural gas development in southern Chile. We are also focused on accessing additional natural gas supply to increase production in New Zealand, where we currently have approximately 1.35 million tonnes of idled annual production capacity.

Another key component of our Global Leadership strategy is our ability to supplement our methanol production with methanol purchased from others to give us flexibility in our supply chain and continue to meet customer commitments. We purchase through a combination of methanol offtake contracts and spot purchases. We manage the cost of purchased methanol by taking advantage of our global supply chain infrastructure, which allows us to purchase methanol in the most cost-effective region while still maintaining overall security of supply. We grew our sales and purchasing levels in 2010 in anticipation of increased production from the Egypt plant. However, we expect purchased methanol will represent a lower proportion of our overall sales volumes with increased production in Egypt and Canada in 2011.

The Asia Pacific region continues to lead global methanol demand growth and we have invested in and developed our presence in this important region. In 2007, we added storage capacity in China, and combined with our storage facilities in Korea, this has allowed us to cost-effectively manage supply to customers in this region. We have offices in Hong Kong, Shanghai, Beijing, Korea and Japan to enhance customer service and industry positioning in the region. This also enables us to participate in and improve our knowledge of the rapidly evolving and high growth methanol markets in China and other Asian countries. Our expanding presence in Asia has also helped us identify several opportunities to support the development of applications for methanol in the energy sector.

With China continuing to demonstrate the success of methanol for use in energy markets, other countries are also considering the use of methanol in energy applications and we are involved in a project to test methanol fuel blending in Trinidad. We are also working with several producers of renewable methanol to help develop markets that recognize the unique characteristics of methanol produced from renewable feedstock. We also continued to advance our joint venture DME project in Egypt.

Low Cost

A low cost structure is an important element of competitive advantage in a commodity industry and is a key element of our strategy. Our approach to major business decisions is guided by our drive to improve our cost structure, expand margins and return value to shareholders. The most significant components of our costs are natural gas for feedstock and distribution costs associated with delivering methanol to customers.

Our production facilities in Trinidad represent 2.05 million tonnes per year of competitive cost production capacity. These facilities are well located to supply markets in North America and Europe and are underpinned by take-or-pay natural gas purchase agreements where the gas price varies with methanol prices.

As described above, we expect an increase in our production capability in 2011 from the new methanol plant in Egypt and the restart of our Medicine Hat, Alberta plant. We also are focused on accessing natural gas to increase production at our existing sites in Chile and New Zealand. We believe these initiatives will further enhance our competitive cost structure and our ability to cost-effectively deliver methanol to customers (refer to the *Natural Gas Supply section* on page 15 for more information).

The cost to distribute methanol from 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 reduce these costs, including optimizing the use of our shipping fleet to reduce costs and taking advantage of prevailing conditions in the shipping market by varying the type and length of term of ocean vessel contracts. We are continuously investigating opportunities to further improve the efficiency and cost-effectiveness of distributing methanol from our production facilities to customers. We also look for opportunities to leverage our global asset position by entering into product exchanges with other methanol producers to reduce distribution costs.

Operational Excellence

We maintain a focus on operational excellence in all aspects of our business. This includes excellence in our manufacturing and supply chain processes, marketing and sales, human resources, corporate governance practices and financial management.

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 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. We have a commitment to Responsible Care (a risk-minimization approach developed by the Chemistry Industry Association of Canada) and we use it as the umbrella under which we manage issues related to health, safety, the environment, community involvement, social responsibility, security and emergency preparedness at each of our facilities and locations. We believe our commitment to Responsible Care helps us reduce the likelihood of unplanned shutdowns and safety incidents and achieve an excellent overall environmental record. In 2010, we experienced no employee recordable injuries across the organization as well as improvement in contractor safety performance resulting in overall safety performance that exceeds the Canadian industry average for comparable companies (refer to the *Responsible Care* section on page 19 for more information).

Product stewardship is a vital component of our Responsible Care culture and guides our actions through the complete life cycle of our product. We aim for the highest safety standards to minimize risk to our employees, customers and suppliers as well as to the environment and the communities in which we do business. We promote the proper use and safe handling of methanol at all times through a variety of internal and external health, safety and environmental initiatives, and we work with industry colleagues to improve safety standards and regulatory compliance. We readily share our technical and safety expertise with key stakeholders, including customers, end-users, suppliers, logistics providers and industry associations in the methanol and methanol applications marketplace through active participation in local and international industry seminars and conferences, and online education initiatives.

As a natural extension of our Responsible Care ethic, we have a Social Responsibility policy that aligns our corporate governance, employee engagement and development, community involvement and social investment strategies with our core values and corporate strategy.

Our strategy of operational excellence includes the financial management of the Company. We operate in a highly competitive commodity industry. Accordingly, we believe it is important to maintain financial flexibility and we have adopted a prudent approach to financial management. At December 31, 2010, we had a strong balance sheet with a cash balance of $194 million, a $200 million undrawn credit facility and no re-financing requirements until mid-2012. We believe we are well positioned to meet our financial commitments and continue investing to grow our business.

METHANOL INDUSTRY INFORMATION

General

In 2010, approximately two-thirds of all methanol was used to produce formaldehyde, acetic acid and a variety of other chemicals that form the foundation of a large number of chemical derivatives for which demand is influenced by levels of global economic activity. These derivatives are used to manufacture a wide range of products, including plywood, particleboard, foams, resins and plastics. The remainder of methanol demand is largely in the energy sector, principally as a feedstock in the production of direct blending into gasoline, DME, biodiesel and MTBE.

Methanol is a commodity chemical and the methanol industry has historically been characterized by cycles of oversupply caused by either excess supply or reduced demand, resulting in lower prices and idling of capacity, followed by periods of shortage and rising prices as demand exceeds supply until increased prices lead to new plant investment or the restart of idled capacity.

The methanol market is global and, over the last several years, has become more complex and subject to increasingly diverse influences due to the expanding number of uses for methanol and its derivatives around the world, combined with volatile global energy prices and significant increases to capital costs for new methanol plants. The global economic slowdown had a significant negative impact on demand in our industry in late 2008 and early 2009. However, in 2009 and through 2010, demand for methanol improved significantly as global economies recovered. See *Demand Factors* below for more information.

Refer to the *Risk Factors and Risk Management* section of our 2010 MD&A for more information regarding risks related to methanol price cyclicality and methanol demand, as well as the current uncertain economic environment and its impact on the methanol industry and our Company.

Demand Factors

Reflecting the diversity of its uses, methanol demand is influenced by a wide range of economic, industrial, environmental, legal, regulatory and other factors and risks. More recently, demand has also been influenced by energy prices due to the growing use of methanol in energy applications.

We estimate that global demand for methanol in 2010 increased by approximately 13% to approximately 45 million tonnes. This increase was driven primarily by China, both in traditional chemical derivatives as well as energy applications. More recently, we have seen increases in traditional derivative demand in other regions, including Europe and North America.

Overall, traditional chemical derivatives accounted for 60% of the annual 2010 growth and grew by 12% year-over-year, while energy demand accounted for 40% of the annual 2010 growth and grew by 16% year-over-year.

Chemical Derivative Demand

Historically, demand growth for methanol in chemical derivatives has been closely correlated to levels of industrial production. The use of methanol derivatives such as formaldehyde and acetic acid 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 demand for such derivatives. Demand is also affected by automobile production, durable goods production, industrial investment and environmental and health trends, as well as new product development. 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 in most cases account for only a small portion of the value of many of the end products. In 2010, chemical derivative demand represented approximately two-thirds of total global demand.

Formaldehyde Demand

In 2010, methanol demand for the production of formaldehyde represented approximately 34% of global demand. 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.

Acetic Acid Demand

In 2010, methanol used to produce acetic acid was approximately 11% of global methanol demand. Acetic acid is a chemical intermediate used principally in the production of vinyl acetate monomer, 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.

Other Chemical Derivative Demand

The remaining chemical derivative demand for methanol is in the manufacture of methylamines, methyl methacrylate and a diverse range of other chemical products that in turn are ultimately used to make products such as adhesives, coatings, plastics, film, textiles, paints, solvents, paint removers, polyester resins and fibres, explosives, herbicides, pesticides and poultry feed additives. Other end uses include silicone products, aerosol products, deicing fluid, windshield washer fluid for automobiles and antifreeze for pipeline dehydration.

Energy and Other Chemical Demand

There are several energy-related uses for methanol that have developed more recently and many of these have experienced substantial growth. We believe that these energy-related uses have the potential to grow further, particularly in an environment of higher energy prices. These include direct blending of methanol into gasoline and diesel fuel (primarily in China), DME and biodiesel. Methanol has also been used to make MTBE, a gasoline additive, for many years.

In 2010, methanol demand for energy-related uses continued to grow in the high energy demand environment and represented approximately 33% of total global demand. This 33% was comprised of methanol for the production of MTBE, which represented about 13% of 2010 demand, while other energy applications, including direct blending of methanol into gasoline, DME and biodiesel, accounted for approximately 20% of 2010 demand (compared to 19% in 2009). DME and fuel blending were the fastest-growing end-use segments for methanol in 2010, with methanol DME demand growing at approximately 32% and methanol into fuel blending growing at 16%.

Methanol Demand for Fuel

Methanol may be blended into gasoline for use as a transportation fuel to reduce reliance on imported oil products and because of its clean air benefits and competitive pricing relative to gasoline. Methanol-gasoline blending in China has grown rapidly and significantly over the last several years. In addition, smaller quantities of methanol are also used directly as a cooking fuel. In 2010, we estimate that methanol demand for fuel applications in China – blending into gasoline for use as a transportation fuel as well as methanol used directly as a cooking fuel – was approximately 4.5 million tonnes (compared to approximately 3.9 million tonnes in 2009). Chinese demand for methanol blending into gasoline has remained strong due to the favourable economics of methanol compared to other gasoline components as well as China's continued economic growth in 2010, which has boosted automobile sales and thus gasoline demand. Chinese gasoline prices have remained high in relation to methanol prices, and profits for fuel blenders in China have continued to be healthy through 2010. The Chinese government also continues to introduce industry standards that support the use of methanol as a fuel. National standards for M-100 and M-85 methanol gasoline (100% methanol and 85% methanol blends) took effect at the end of 2009. We expect the Government of China to introduce the M-15 (15% methanol blend) national standard in 2011 and provincial M-15 standards are already in place in six provinces (Shanxi, Shaanxi, Zhejiang, Heilongjiang, Liaoning and Guizhou). In addition, provincial standards are also in place for other methanol blends (M-10, M-25, M-30, M-45 and M-50). We believe that these standards will provide a further catalyst to grow methanol fuel blending in China. We also understand that certain Chinese provincial and national government organizations are conducting further research and trials using methanol as a transportation fuel.

No countries outside China are actively blending methanol into gasoline on the scale seen in China. However, a number of other countries have been exploring fuel-blending programs. In addition, some major auto companies in Europe and Asia and some government bodies are conducting research and trials related to the use of methanol as a transportation fuel.

DME Demand

DME is a clean-burning fuel that can be stored and transported like LPG. DME, which is typically produced from methanol, can be blended up to approximately 20% with LPG and used for household cooking and heating. DME has experienced rapid growth for blending into LPG and we believe it will continue to show strong growth in coming years, particularly in China and in an environment of higher energy prices. DME can also be used as a clean-burning substitute for diesel fuel in transportation. However, while the technology for using DME as a diesel fuel substitute is well advanced, it has not yet entered widespread commercialization. In 2010, a new "DME as city gas" national standard was published in China and we expect it to be implemented in 2011. In 2010, global methanol demand for use in DME was estimated at approximately 3.1 million tonnes (compared to 2.3 million tonnes in 2009). DME projects are also planned or under construction in regions outside of China, including Egypt and a number of other countries.

Biodiesel Demand

Biodiesel is a renewable fuel made from plant oils or animal fats that requires an alcohol, such as methanol, as part of the production process. As well, a significant quantity of methanol is consumed to manufacture the catalyst used to produce biodiesel. In 2010, global demand for methanol use in biodiesel was estimated at 1.5 million tonnes (compared to 1.4 million tonnes in 2009). We expect future growth in biodiesel will be driven primarily by higher energy prices and government programs to promote a renewable alternative to petroleum fuels, such as the Renewable Fuel Standard (RFS-2) legislation passed by the US Senate in December 2010, which we anticipate to have a positive impact on US biodiesel demand growth in 2011 and beyond.

MTBE Demand

MTBE is used primarily as a source of octane and as an oxygenate for gasoline to reduce the amount of harmful exhaust emissions from motor vehicles.

Environmental concerns and legislative action in the United States related to gasoline leaking into water supplies from underground gasoline storage tanks led to the phase-out of MTBE as a gasoline additive in the United States in 2006. In addition, governmental efforts in recent years in some other jurisdictions, primarily in the European Union, Japan and Latin America, to promote biofuels and alternative fuels through legislation are putting competitive pressures on the use of MTBE in gasoline in these countries. This has resulted in some MTBE producers switching production to ethyl tert-butyl ether ("ETBE") to access biofuels incentives. However, MTBE remains a competitive and efficient oxygenate providing clean air benefits. Countries facing significant gasoline demand growth, as well as environmental concerns – such as China – are generating an increasingly strong MTBE demand. As a result, some oxygenate producers in 2009/2010 have converted back to MTBE and new MTBE capacity has been added in China to satisfy this growing demand. We believe that global demand for MTBE in 2011 should remain relatively stable, despite somewhat lower demand in the Western world. This is due to increases in fuel demand in emerging regions like China, the Middle East and Latin America.

Methanol-to-Olefins

Light olefins (ethylene and propylene) are the basic building blocks to make plastics. Olefins can be produced from various feedstocks, including naphtha, LPG, natural gas and methanol. Ethylene and propylene are further processed to produce polyethylene and polypropylene, both of which have wide application in packaging, textiles, plastic parts and containers and automotive components. Polypropylene in particular, is experiencing fast-growing global demand growth. In China, olefins have historically been produced in naphtha-based steam cracker complexes, but increasingly the feedstock considered for new olefins plants is methanol via coal. Methanol-to-olefins ("MTO") is emerging in China as a substitute for naphtha-based olefins. We are aware of one MTO plant that commenced operations in 2010 and more are planned to come onstream in 2011 and beyond. These projects consume a substantial amount of methanol and there are a number of projects under development in several countries. MTO is currently more competitive than naphtha-based olefins, and if the growing market interest in merchant MTO plants is realized, we believe this could have a significant positive impact on demand for methanol in the future.

Regulatory Developments Affecting Demand

There are various studies and legislative proposals currently under way in a number of countries with respect to the carcinogenicity classification of, and the reduction of permitted exposure levels for, methanol, formaldehyde and MTBE. Such studies and proposals could lead to regulatory or other actions that could materially reduce demand for methanol. Refer to the *Risk Factors and Risk Management* section of our 2010 MD&A for more information regarding risks to methanol demand related to regulatory developments.

Supply Factors

While a significant amount of new methanol capacity has come on stream over the past several years, a large number of methanol producers with higher cost structures have shut down plants. Methanol is predominantly produced from natural gas and is also produced from coal, particularly in China. In addition, the industry has historically operated significantly below stated capacity on a consistent basis, even in periods of high methanol prices, due primarily to shutdowns for planned and unplanned repairs and maintenance as well as shortages of feedstock and other production inputs.

Newer world-scale methanol plants are generally constructed in remote coastal locations with access to lower cost feedstock, although this advantage is sometimes offset by higher distribution costs due to their distance to major markets. There is typically a span of four to six years to plan and construct a new world-scale methanol plant. As well, additional methanol supply can potentially become available by restarting methanol plants whose production has been idled, relocating methanol plants to lower production cost locations, carrying out major expansions of existing plants and de-bottlenecking existing plants to increase their production capacity.

Typical of most commodity chemicals, periods of high methanol prices encourage high cost producers to operate at maximum rates and also encourage the construction of new plants and expansion projects, leading to the possibility of oversupply in the market. However, historically, many of the announced capacity additions have not been constructed for a variety of reasons. There are significant barriers to entry in this industry. The construction of world-scale methanol facilities requires significant capital over a long lead time, a location with access to significant natural gas or coal feedstock with appropriate pricing, and an ability to cost-effectively and reliably deliver methanol to customers.

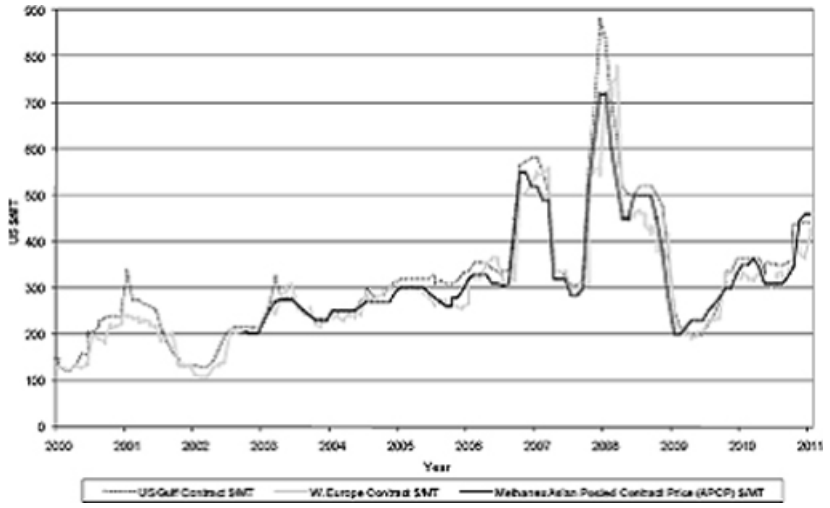
During 2010, there were three significant methanol production capacity additions outside of China that totaled approximately 2.8 million tonnes. These included a 0.9 million tonne per year facility in Brunei and a 1.0 million tonne per year facility in Oman, which both started up in the first half of 2010, and a 0.9 million tonne per year facility that was added in Venezuela during the latter half of 2010. Over the next two-year period to the end of 2012, it is projected that new methanol capacity, restarts, and expansions outside of China will add approximately 3.3 million tonnes of capacity to the global industry, which includes our own 1.26 million tonne Egypt plant and 0.47 million tonne Medicine Hat plant. We believe that this increase in capacity will be offset by global demand growth outside of China, import growth into China and further closures of high cost capacity in the industry.

With respect to China, we estimate that approximately 7.0 million tonnes of new capacity was added in 2010. However, we believe that this was offset by the closure of several smaller, older high cost coal-based plants, resulting in a net addition of approximately 3.0 million tonnes for 2010. Over the next two-year period to the end of 2012, we anticipate that approximately 9.0 million tonnes of new capacity will be added, but further shut-ins are likely to lead to a net addition of only approximately 3.5 million tonnes. The Chinese methanol industry has historically operated at low rates due to various constraints related to feedstock availability, weather restrictions (typically during winter) and technical/operational issues. There has also been increasing pressure on the Chinese methanol industry's cost structure as a result of escalating feedstock costs for both coal and natural gas-based producers. In addition, the majority of the methanol produced in China is made from coal and is typically lower quality and not suitable for all customers. During the latter half of 2010 we also witnessed the temporary shut-in of some coal-based capacity due to plant emission controls imposed by the Chinese government. We believe that in a high global energy price environment, methanol demand in China should continue to grow at high rates. This will more than offset increases of domestic production in China and we anticipate that imports of methanol into China will remain high over the coming period.

Methanol Prices

Methanol is an internationally traded commodity. Methanol prices have historically been cyclical and sensitive to overall production capacity relative to demand, the price of feedstock (primarily natural gas or coal), energy prices and general economic conditions. The following chart shows published methanol contract prices (in United States dollars per tonne) in the United States Gulf, Western Europe and Asia:

CMAI US GULF AND WESTERN EUROPE METHANOL CONTRACT PRICES JANUARY 2000 to JANUARY 2011 AND METHANEX ASIAN POSTED CONTRACT PRICE (APCP) SEPTEMBER 2002 to JANUARY 2011



* We began publishing our Methanex Asian Posted Contract Price in September 2002

Methanol prices in the United States, Europe and Asia Pacific have largely tracked each other. The majority of methanol sold globally is priced with reference to various published regional contract prices to which discounts may be applied. While there is a significant spot market in Asia, the spot market in Europe, North America and Latin America is relatively small in relation to the total volume of methanol traded.

Currently, the majority of our sales are covered by long-term or rolling shorter-term sales contracts. We publish a regional non-discounted price for each major methanol market and these posted prices are reviewed and revised monthly or quarterly based on industry fundamentals and market conditions. Most of our customer contracts now use published Methanex reference prices as a basis for pricing, and customer discounts to these prices may apply based on various factors. In addition, we have entered into long-term contracts for a portion of our production volume with certain global customers where prices are either fixed or linked to our costs plus a margin. As a result of these contracts, the difference between our non-discounted published reference prices and our realized prices is expected to narrow during periods of lower pricing. In 2010, sales under these contracts represented approximately 8% of our total sales volumes (compared to approximately 19% of our total sales volumes in 2009).

Our average realized methanol price in 2010 was $306 per tonne, compared to $225 per tonne in 2009. While there were some fluctuations in price over the course of the year due to the start-up of new capacity and other supply factors, the generally high energy price environment and growing demand for methanol supported strong pricing through 2010. In addition, the industry faced supply challenges during the last quarter of the year that resulted in increased global prices during that quarter. In January 2011, our average non-discounted methanol price across all major regions was approximately $450 per tonne. Going forward, methanol prices will continue to depend primarily on global energy prices, industry operating rates, the rate of industry re-structuring, and the strength of global demand.

PRODUCTION

Production Process

The methanol manufacturing process used in our facilities 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 to lower our overall delivered cost of methanol. Scheduled shutdowns of plants typically occur every three or more years and are necessary to change catalysts or perform maintenance activities that 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 six years, although there is flexibility to extend catalyst life if conditions warrant. 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 the annual production capacity and actual production for our facilities that operated for the last two years (in the case of Atlas and Egypt, both of which are joint ventures, the table reflects our proportionate share in each):

	Year Built	Annual Production Capacity[1] (000 tonnes/year)	2010 Production (000 tonnes)	2009 Production (000 tonnes)
Chile				
Chile I	1988	882	—	—
Chile II	1996	990	159	275
Chile III	1999	1,088	776	667
Chile IV	2005	840	—	—
Trinidad				
Titan	2000	900	891	764
Atlas[2]	2004	1,150	884	1,015
New Zealand				
Motunui 1	1985	850	—	—
Motunui 2	1985	850	830	822
Waitara Valley	1983	530	—	—
Egypt[3]	2011	760	—	—
Medicine Hat[4]	1981	470	—	—
Total		**9,310**	**3,540**	**3,543**

(1) The stated production capacity for our facilities may be higher than original nameplate capacity as, over time, these figures have been adjusted to reflect ongoing operating efficiencies at these facilities.
(2) The production capacity represents our 63.1% interest in the Atlas methanol facility; our partner, BP, owns 36.9%.
(3) The production capacity represents our 60% interest in the Egypt methanol facility, which is in the commissioning phase and produced first methanol in January 2011.
(4) The Medicine Hat methanol facility is scheduled to restart in the second quarter of 2011.

Refer to the *Production Summary* section of our 2010 MD&A for more information.

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 (Vancouver and Dallas), Europe (Brussels and Billingham, England), Asia Pacific (Hong Kong, Shanghai, Tokyo, Beijing and Seoul), Latin America (Santiago, Chile), and the Middle East (Dubai, UAE). Most of our customers are large global or regional petrochemical manufacturers or distributors. Refer to the *Risk Factors and Risk Management* section of our 2010 MD&A for more information regarding customer credit risk.

We believe our ability to sell methanol from a number of geographically dispersed 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 global network of marketing offices, together with storage and terminal facilities and worldwide shipping operations, also allow us to provide larger customers with multinational sourcing of product and other customized arrangements.

In addition to selling methanol that we produce at our own facilities, we also sell methanol that we purchase from other suppliers through methanol purchase agreements and on the spot market. We do this to meet customer needs, support our marketing efforts and build our sales base prior to bringing on our own new capacity.

DISTRIBUTION AND LOGISTICS

The majority of our methanol production facilities around the world are located adjacent to deepwater ports. Methanol is pumped from our coastal plants by pipeline to these ports for shipping. We currently own or manage a fleet of 19 ocean-going vessels to ship this methanol. We also lease or own in-region storage and terminal facilities in the United States, Canada, Europe, Latin America and Asia. In North America and Europe we use barge, rail and, to a lesser extent, truck transport in our delivery system.

To retain optimal flexibility in managing our shipping fleet, we have entered into short-term and long-term time charter agreements 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 and for direct delivery to some customers. We also use smaller vessels capable of entering into restricted ports to deliver directly to other customers.

The cost to distribute methanol to customers represents a significant component of our operating costs. These include costs for ocean shipping, storage and distribution. We are focused on identifying initiatives to reduce these costs and we seek to maximize the use of our shipping fleet to reduce costs. We take advantage of prevailing conditions in the shipping market by varying the type and length of term of ocean vessel charter contracts. We are continuously investigating opportunities to further improve the efficiency and cost-effectiveness of distributing methanol from our production facilities to customers. We also look for opportunities to leverage our global asset position by entering into product exchanges with other methanol producers to reduce distribution costs.

Our Atlas and Titan plants in Trinidad are ideally located to supply customers in the United States and Europe. Our plant in New Zealand supplies customers in the Asia Pacific region. Our production site in Chile can supply all global regions due to its geographic location. Our Egypt plant which is in the commissioning phase is well situated to service European markets and can also serve Asian markets. Our Medicine Hat facility, scheduled to restart in the second quarter of 2011, is well situated to supply our customer base in North America.

Due to the natural gas curtailments at our Chilean facilities that have caused the loss of a significant amount of our Chilean production since 2007, we have had excess shipping capacity that is subject to fixed time charter costs. We have been mitigating some of these costs by entering into sub-charters and third-party backhaul arrangements. However, we cannot provide assurance that we will continue to be able to mitigate these costs in the future.

NATURAL GAS SUPPLY

General

Natural gas is the principal feedstock for methanol at our production facilities and accounts for a significant portion of our total production costs. Accordingly, our profitability depends in large part on both the security of supply and the price of natural gas. An important part of our strategy is to ensure long-term security of supply of natural gas feedstock. If, for any reason, we are unable to obtain sufficient natural gas for any of our plants on commercially acceptable terms or there are interruptions in the supply of contracted natural gas to our facilities, we could be forced to curtail production or close such plants. Refer to the *Risk Factors and Risk Management – Security of Natural Gas Supply and Price* section of our 2010 MD&A.

Most of the natural gas supply contracts for our production facilities are “take-or-pay” contracts denominated in United States dollars that include base and variable price components to reduce our commodity price risk exposure. “Take-or-pay” means that we are obliged to pay for the gas supply regardless of whether or not we take delivery. Such commitments are typical in the methanol industry. These contracts generally provide a quantity that is subject to take-or-pay terms that is lower than the maximum quantity that we are entitled to purchase. The variable price component of each gas contract is adjusted by a formula related to methanol prices above a certain level. We believe this pricing relationship enables these facilities to be competitive throughout the methanol price cycle and provides gas suppliers with attractive returns.

Chile

Since 2007, we have operated our methanol facilities in Chile significantly below site capacity primarily due to curtailments of natural gas supply from Argentina. In June 2007, our natural gas suppliers from Argentina curtailed all gas supply to our plants in Chile in response to various actions by the Argentinean government, including imposing a large increase to the duty on natural gas exports. Under the existing circumstances, we do not expect to receive any further natural gas supply from Argentina. As a result of the Argentinean natural gas supply issues, all of the methanol production at our Chile facilities since June 2007 has been produced with natural gas from Chile.

We have a number of existing long-term supply agreements in place with the state-owned energy company Empresa Nacional del Petroleo (“ENAP”) that have expiration dates that range from 2017 to 2025 and represent 20% of the contracted natural gas supply for our Chilean facilities when operated at capacity. Under these contracts, we have the right to receive quantities of “make-up gas” if ENAP fails to deliver quantities of gas that it is obligated to deliver to us. Over the last few years, ENAP has delivered less than the full amount of natural gas that it was obligated to deliver under these contracts.

Our goal is to progressively increase production at our Chile site with natural gas from suppliers in Chile. We are pursuing investment opportunities with ENAP, GeoPark Chile Limited (“GeoPark”) and others to help accelerate natural gas exploration and development in southern Chile. We are working with ENAP to develop natural gas in the Dorado Riquelme block in southern Chile. Under the arrangement, we fund a 50% participation in the block; at the end of 2010, we had contributed approximately $86 million. Over the past few years, we have also provided $57 million in financing to GeoPark (of which approximately $32 million had been repaid at the end of 2010) to support and accelerate GeoPark’s natural gas exploration and development activities in southern Chile. GeoPark has agreed to supply us with all natural gas sourced from the Fell block in southern Chile under a ten-year exclusive supply arrangement that commenced in 2008. Approximately 60% of total production at our Chilean facilities is currently being produced with natural gas supplied from the Fell and Dorado Riquelme blocks.

Other investment activities are also supporting the acceleration of natural gas exploration and development in areas of southern Chile. In late 2007, the government of Chile completed an international bidding round to assign oil and natural gas exploration areas that lie close to our production facilities and announced the participation of several international oil and gas companies. The terms of the agreements from the bidding round require minimum investment commitments. To date, two companies that participated in the bidding round have advised of gas discoveries and we expect first deliveries of gas from these new finds in 2011. We are participating in a consortium for two exploration blocks under this bidding round – the Tranquilo and Otway blocks. The consortium includes Wintershall, GeoPark and Pluspetrol, each having 25% participation, and International Finance Corporation (a member of the World Bank Group) and Methanex each having 12.5% participation. GeoPark is the operator of both blocks.

Our methanol facilities in Chile produced 0.94 million tonnes of methanol in both 2010 and 2009. During 2010, natural gas deliveries from ENAP were lower than 2009 primarily as a result of declines in deliverability from existing wells, offset by increased natural gas deliveries from the Dorado Riquelme block in 2010 compared with 2009. As we entered 2011, we were operating one plant at approximately 65% capacity at our Chile site and the short-term outlook for gas supply in Chile continues to be challenging. While significant investments have been made in the last few years for natural gas exploration and development in southern Chile, the timelines for a significant increase in gas deliveries to our plants are much longer than we originally anticipated. As a result, we expect there to be short-term pressure on gas supply in southern Chile that could impact the operating rate of our Chile site, particularly in the southern hemisphere winter months when residential energy demand is at its peak.

Refer to the *Risk Factors and Risk Management – Chile* section of our 2010 MD&A for more information.

Trinidad

Our equity interest in two methanol facilities in Trinidad (Atlas and Titan) represents approximately 2.05 million tonnes of annual capacity. Natural gas for these facilities is sourced from gas fields that are located off the coast of Trinidad. These fields are operated by major international oil and gas companies. The National Gas Company of Trinidad and Tobago Limited (“NGC”) transports the gas by pipeline to a processing facility located near our facilities and from there it is distributed and sold under individual contracts to industrial consumers.

Natural gas is supplied to our facilities under contracts with NGC, which purchases the gas from gas producers under back-to-back purchase arrangements. Titan's take-or-pay gas supply contract with NGC expires in 2014, with an option to renew for a further five years subject to availability of gas and agreement on price. The price paid for gas by the Titan plant is based on a fixed escalation of a minimum US dollar base price plus a variable price component that is determined with reference to average published industry methanol prices each quarter. 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 the Titan plant in any year may be received in subsequent years subject to some limitations. The Atlas plant's gas contract with NGC expires in 2024 and the price formula and take-or-pay obligations are similar to those found in Titan's gas contract.

New Zealand

We have three plants in New Zealand with a total production capacity of up to 2.2 million tonnes. Two 850,000 tonne per year plants are located at Motunui and the remaining 530,000 tonne per year plant is located nearby, at Waitara Valley. In 2004 we idled our two Motunui plants but continued to operate the Waitara Valley plant until October 2008 to match natural gas supply availability. In October 2008, we restarted one plant in Motunui and idled the Waitara Valley plant, and we have been operating the single Motunui plant since that time. We have natural gas contracts with a number of gas suppliers that will allow us to continue to operate the Motunui plant through to the end of 2012. The Motunui plant produced 830,000 tonnes of methanol during 2010. Our idled Motunui plant and Waitara Valley plant provide the potential to increase production in New Zealand, depending on methanol supply and demand and the availability of natural gas on commercially acceptable terms.

We believe there has been continued improvement in the natural gas supply outlook in New Zealand and we continue to pursue opportunities to obtain economically priced natural gas with suppliers in New Zealand to underpin a restart of a second plant. We are also pursuing opportunities to accelerate the exploration and development of natural gas in the area close to our plants. During 2010, we entered into an agreement to help accelerate natural gas exploration with Kea Exploration ("Kea"), an oil and gas exploration and development company with licences and permits to explore areas of the Taranaki basin in New Zealand close to our plants. Under the agreement, funding will be shared 50% by both parties, and we will be entitled to all natural gas deliveries from our participation at a price that is competitive to our other locations in Trinidad, Chile and Egypt. During 2010, we spent approximately $10 million on exploration activities with Kea. Under the agreement, there are no minimum investment commitments and future contributions will be agreed by the parties on an ongoing basis.

Egypt

We have a 25 year, take-or-pay natural gas supply agreement for a 1.26 million tonne per year methanol plant that we have constructed in Egypt. The plant is in the commissioning phase and produced first methanol in January 2011. In March 2011, EGAS (the gas supplier to EMethanex) requested us to enter into discussions concerning the gas supply agreement based on a 2008 government declaration concerning natural gas pricing. The Company met with EGAS concerning this issue and based on these discussions, we do not believe that this issue will result in a material adverse impact on the anticipated results of operations from the Egypt plant or on our financial condition. Any ultimate outcome of this issue would be subject to ratification by various parties.

Canada

We have a 470,000 tonne per year plant in Medicine Hat, Alberta that was idled in 2001 due to high natural gas feedstock prices in North America. During the past few years there have been improvements in natural gas supply in North America that have provided the opportunity to secure sufficient natural gas on commercially acceptable terms to enable a restart of this facility.

In 2010, we secured 80% of the natural gas requirements for this plant at market-based prices for a period of 19 months beginning on April 1, 2011. This gas will be utilized in the plant or resold into the market during plant outages. The remaining 20% of the natural gas requirements are being purchased on an opportunistic basis.

FOREIGN OPERATIONS AND GOVERNMENT REGULATION

General

We have substantial operations and investments outside of North America, and as such we are affected by foreign political developments and federal, provincial, state and other local laws and regulations. To date, we believe we have complied in all material respects with governmental requirements. We are subject to risks inherent in foreign operations, including loss of revenue, property and equipment as a result of expropriation, import or export restrictions, nationalization, war, civil unrest, insurrection, acts of terrorism and other political risks; increases in duties, taxes and governmental royalties; renegotiation of contracts with governmental entities; as well as changes in laws or policies or other actions by governments that may adversely affect our operations.

We derive the majority of our revenue from production and sales by subsidiaries outside of Canada, and 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 taxation 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.

The dominant currency in which we conduct business is the United States dollar, which is also our reporting currency. The most significant components of our costs are natural gas feedstock and ocean-shipping costs, substantially all of which are incurred in United States dollars. Some of our underlying operating costs and capital expenditures, however, are incurred in currencies other than the United States dollar, principally the Canadian dollar, the Chilean peso, the Trinidad and Tobago dollar, the New Zealand dollar, the euro and the Egyptian pound. 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 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 our revenue.

Trade in methanol is subject to duty in a number of jurisdictions. Methanol sold in China from any of our producing regions is currently subject to duties ranging from 2.2% to 5.5%. In 2010, the Chinese Ministry of Commerce investigated allegations made by domestic Chinese producers related to dumping into China of imported methanol. In December 2010, the Ministry recommended duties of approximately 9% be imposed on methanol imports from New Zealand, Malaysia and Indonesia. However, citing special circumstances, the Customs Tariff Commission of the State Council, which is China's chief administrative authority, suspended enforcement of the recommended dumping duties with the effect that methanol will continue to be allowed to be imported from these three countries without the imposition of additional duties. If the suspension is lifted, we do not expect there to be a significant impact on industry supply/demand fundamentals and we would realign our supply chain.

Methanol from Chile that is sold in Japan, one of the other major methanol markets in Asia, is not subject to duties. Free trade agreements allow 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 Korea, North America and the European Union. Currently, the costs we incur in respect of duties are not significant. However, there can be no assurance that the duties that we are currently subject to will not increase, that the suspension of Chinese dumping duties would not be lifted, that duties will not be levied in other jurisdictions in the future or that we will be able to mitigate the impact of future duties, if levied.

Chile

Our wholly owned subsidiary, Methanex Chile S.A. ("Methanex Chile"), owns the four methanol plants on our Chilean production site. Chilean foreign investment regulations provide certain benefits and guarantees to companies that enter into a foreign investment contract ("DL 600 Contract") with Chile. Methanex Chile has entered into four DL 600 Contracts, substantially identical in all matters material for Methanex Chile, one for each of the plants. 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. As well, under the DL 600 Contracts, Methanex Chile has elected to pay income tax at the general applicable rate, currently 35%. The DL 600 Contracts provide that they cannot be amended or terminated except by written agreement.

Please also refer to the *Natural Gas Supply – Chile* section starting on page 16 for a discussion of the imposition of a significant increase to the duty on exports of natural gas from Argentina to Chile.

Trinidad

Our Atlas plant was declared an approved enterprise under the *Fiscal Incentives Act* of Trinidad and was granted, for a ten-year period beginning in 2004, total relief from corporate income tax for the first two years of operation, 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 out of profits or gains derived from the manufacture of methanol (other than interest) 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 corporate income tax rate without tax relief is currently 35%.

New Zealand

New Zealand has enacted legislation 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) is 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.

Egypt

Our Egypt plant was constructed pursuant to Egypt's *Law No. 8 of 1997 on Investment Guarantees and Incentives.* The Egypt plant is subject to domestic Egyptian tax laws, including a tax on earnings that is currently at a rate of 20%.

The start-up of our Egypt plant in early 2011 coincided with widespread anti-government protests and civil unrest in Egypt. For the safety and security of our employees, we took the decision to temporarily close our Cairo office and curtail the commissioning activities at the plant in Damietta, Egypt. As conditions stabilized, we reopened our Cairo office and our plant in Damietta resumed operations to continue the start-up and commissioning process. (Refer to the *Risk Factors and Risk Management* section of our 2010 MD&A for more information.)

RESPONSIBLE CARE

As a member of the Chemistry Industry Association of Canada ("CIAC"), the American Chemistry Council, Asociacion Gremial de Industriales Quimicos de Chile, Responsible Care New Zealand and as a signatory to the Association of International Chemical Manufacturers Responsible Care Manifesto (China), 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, the environment, community involvement, social responsibility, 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 do no harm to human health and well-being, the environment and the communities in which we operate while striving to improve the environment and people's lives.

Methanex's Responsible Care/Social Responsibility ("RC/SR") policies and programs are based on CIAC's RC Ethic and Principles for Sustainability and the CIAC RC Commitments (formerly known as Codes of Practice). Some of the countries where 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 each of our facilities. As a signatory to the CIAC RC Ethic and Principles for Sustainability, we subscribe to CIAC's statement of sustainability: "We dedicate ourselves, our technology and our business practices to sustainability – the betterment of society, the environment and the economy."

Sound corporate governance is the foundation of our long-term success and the sustainability of our operations. Our corporate governance policies ensure that we have strong management and clear direction for all of Methanex's business affairs. The application of Responsible Care begins with our Board of Directors, where we have a Responsible Care Committee, and extends throughout our organization.

The Company's Board of Directors and senior management team establish the direction for Methanex's RC/SR practices. The Board's Responsible Care Committee oversees RC program performance and issues at the policy level, while the Public Policy Committee provides focus on the SR program. The two committees consider ethics, accountability, governance, business relationships, products and services, community involvement and the protection of people and the environment. The Senior Vice President of Corporate Resources has overall responsibility for Methanex's RC/SR policies and programs, ensuring that they align with the Board's requirements and the Company's business strategy. These programs are directed and managed by the Director of Responsible Care and the Director of Government & Public Affairs, who lead Methanex's Global Responsible Care Team and Global Public Policy Team, respectively.

Methanex evaluates the performance of its RC/SR management system through internal and third-party external audit and assessment programs. The internal program includes ongoing in-region self-audits as well as a global audit conducted by Methanex subject matter experts every three years. Third-party verification of the performance of Methanex's RC/SR program occurs every three years through the CIAC RC verification process.

We have an established Environment Policy that aligns with our goal to be a global leader in the chemical industry in environmental performance by reducing resource and energy use and minimizing waste and emissions. The Environment Policy requires that facilities have systems in place to: monitor and comply with all local environmental regulations as well as internal standards; periodically audit environmental performance and compliance; measure environmental performance against key performance indicators; report incidents with the potential to cause environmental harm; and demonstrate continual improvement. A Greenhouse Gas ("GHG") Management Policy was introduced in 2010 in order to identify and address the risks associated with GHG emissions. The policy directs the Company to: consider the GHG-related risks when assessing new investments; improve reliability and utilization performance; evaluate energy-efficiency improvement opportunities; and keep an inventory of GHG emissions. These policies are reviewed at least biennially and are endorsed by the Board of Directors and approved by the Company's senior management team.

We have also adopted a number of risk assessment tools that are formally applied as part of our normal business processes to identify and mitigate current and future environmental and process safety-related risks. When incidents do occur, we have a formal incident investigation process that ensures effective mitigation as well as application of lessons learned throughout our organization. As a result, we have had zero environmental non-compliances over the past four years.

As a natural extension of our RC ethic, we have a Social Responsibility Policy that aligns our corporate governance, employee engagement and development, community involvement and social investment strategies with our core values and corporate strategy. Specifically, our RC Policy commits the Company to recognize and respond to community concerns about the manufacture, storage, handling, transportation and disposal of our products and promptly provide information concerning any potential health or environmental hazard to the appropriate authorities, employees and all stakeholders. Methanex's Social Responsibility Policy further commits the Company to have an open, honest, proactive relationship in the communities where we have a significant presence; to be accountable and responsive to the public; to have effective processes to identify and respond to community concerns; and to inform the community of risks associated with our operations.

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

ENVIRONMENTAL MATTERS

The countries in which we operate all have laws and regulations to which we are subject 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 and regulations governing emissions and 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 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 materially comply 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 also expose us to liability for the conduct of, or conditions caused by, others, or for our own acts even if we complied with applicable laws at the time such acts were performed. To date, environmental laws and regulations have not had a significant adverse effect on our capital expenditures, earnings or competitive position. However, operating petrochemical manufacturing plants and distributing methanol exposes us to risks in connection with compliance with such laws and we cannot provide assurance that we will not incur significant costs or liabilities in the future.

Management of Greenhouse Gas Emissions

We believe that minimizing emissions and waste from our business activities is good business practice. Carbon dioxide ("CO_2") is a significant by-product of the methanol production process. The amount of CO_2 generated by the methanol production process depends on the production technology (and hence often the plant age), the feedstock and any export of by-product hydrogen. We continually strive to increase the energy efficiency of our plants, which not only reduces the use of energy but also minimizes CO_2 emissions. We have reduced CO_2 emission intensity in our manufacturing operations by 33% between 1994 and 2010 through asset turnover, improved plant reliability and energy efficiency and emissions management. Plant efficiency, thus CO_2 emissions, is highly dependent on the design of the methanol plant, so the CO_2 emission figure may vary from year to year depending on the asset mix that is operating. We also recognize that CO_2 is generated from our marine operations, and in that regard we measure the consumption of fuels by our ocean vessels based on the volume of product transported. Between 2002 and 2010, we reduced our CO_2 intensity (tonnes of CO_2 from fuel burned per tonne of product moved) from marine operations by 17%. We also actively support global industry efforts to voluntarily reduce both energy consumption and CO_2 emissions.

We manufacture methanol in Chile, Trinidad and New Zealand and we have constructed a new facility in Egypt. We are also currently working on restarting our manufacturing facility at Medicine Hat, Canada, with production expected to commence in the second quarter of 2011. All of these countries have signed and ratified the Kyoto Protocol. Under the Kyoto Protocol, the developing nations of Chile, Trinidad and Egypt are not currently required to reduce GHGs, whereas New Zealand and Canada are countries that have committed to GHG reductions during the first commitment period (2008-2012).

New Zealand passed legislation to establish an Emissions Trading Scheme ("ETS") that came into force in 2010. The ETS imposes a carbon price on producers of fossil fuels, including natural gas, which is passed on to Methanex, increasing the cost of gas that Methanex purchases in New Zealand. However, as a trade-exposed company, Methanex is entitled to a free allocation of emissions units to partially offset those increased costs, and the legislation provides further moderation of any residual cost exposure until the end of 2012. Consequently, we do not believe that these costs will be significant to the end of 2012. However, after this date, the moderating features are expected to be removed and our eligibility for free allocation of emissions units will be progressively reduced. As a consequence, we will likely incur increased costs after 2012. It is impossible to accurately quantify the impact on our business after 2012 and therefore we cannot provide assurance that the ETS will not have a significant impact on our business after 2012.

Medicine Hat is located in the Canadian province of Alberta, which has an established GHG reduction regulation that is expected to apply to the plant in 2011. The regulation requires that established facilities reduce emissions intensities by up to 12% of their established emissions intensity baseline. "Emissions intensity" means the quantity of specified greenhouse gases released per unit of production. In order to meet the reduction obligation, a facility can choose to make emissions reduction improvements or it can opt to purchase either offset credits or "technology fund" credits for CDN-$15 per tonne of CO_2 equivalent. Based on the expected GHG baseline intensity, we do not believe that, when applied, the cost will be material.

As part of our commitment to the ethic of Responsible Care, we believe it is important to promote renewable energy where it makes sense for our business. In this regard, we have constructed three wind turbines in southern Chile that were completed in late 2010 and are now supplying electricity to our nearby production facility. We have submitted an application to the United Nations for approval of this project as a Clean Development Mechanism project for carbon credits derived from this wind facility. We cannot provide assurance that this approval will be received. The facility has an installed generation capacity of 2.55 megawatts with an expected generation capacity of 1.28 megawatts based on a usage factor of approximately 50%. This project contributes to the diversification of energy resources in southern Chile.

Refer also to the *Risk Factors and Risk Management* section of our 2010 MD&A for more information regarding risks related to environmental regulations.

We have accrued $16.2 million for asset retirement obligations related to environmental remediation, site demolition and restoration for those sites where a reasonably definitive estimate of the fair value of the obligation can be made. During 2010, cash expenditures applied against the asset retirement obligations accrual were $0.3 million.

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 adversely affect our revenues and operating income. We maintain operational and construction insurance, including business interruption insurance and delayed start-up insurance, subject to certain deductibles, 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 not been available on commercially acceptable terms or, in some cases, have been 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 the delivered price of methanol and reliability of supply. The relative cost and availability of natural gas or coal feedstock and the efficiency of production facilities and distribution systems are also important competitive factors. Some of our competitors are not dependent on a single product for revenues and some have greater financial resources than we do. Our competitors include state-owned enterprises. These competitors may be better able than we are to withstand price competition and volatile market conditions. Because of our ability to service our customers globally, the reliability and cost-effectiveness of our distribution system and the enhanced service we provide customers, we believe we are well positioned to compete in each of the major international methanol markets.

EMPLOYEES

As of December 31, 2010, we had 1,017 employees (including our EMethanex joint venture).

RISK FACTORS

The risks relating to our business are described under the heading *Risk Factors and Risk Management* in our 2010 MD&A, and are incorporated in this document by reference. Any of those risks, as well as risks and uncertainties currently not known to us, could adversely affect our business, financial condition, results of operations or the market price of our securities.

DIVIDENDS

Dividends are payable to the holders of common shares of the Company (“Common Shares”) if, as and when declared by our Board of Directors and in such amounts 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 historically cyclical nature of the methanol industry to preserve financial flexibility and creditworthiness.

We pay a quarterly dividend on the Common Shares. The first quarterly dividend of $0.05 per share was paid on September 30, 2002 and the dividend amount has been increased every year since then with the exception of 2009 and 2010. The table below shows the amount and percentage increases to the dividend since its inception in 2002:

Date	Quarterly Dividend Amount	% Increase
September 30, 2002	$ 0.050	n/a
September 30, 2003	$ 0.060	20%
September 30, 2004	$ 0.080	33%
June 30, 2005	$ 0.110	37.5%
June 30, 2006	$ 0.125	14%
June 30, 2007	$ 0.140	12%
June 30, 2008	$ 0.155	11%
June 30, 2009	$ 0.155	0%
June 30, 2010	$ 0.155	0%

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

Financial Year Ended	Regular Dividend Paid per Share
December 31, 2008	$ 0.605
December 31, 2009	$ 0.620
December 31, 2010	$ 0.620

CAPITAL STRUCTURE

We are 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 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 attached to the shares of each such series. Currently, there are no preferred shares outstanding.

Our bylaws 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.

RATINGS

The following information relating to the Company's credit ratings is provided as it relates to the Company's financing costs, liquidity and operations. Specifically, credit ratings affect the Company's ability to obtain short-term and long-term financing and the cost of such financing. Additionally, the ability of the Company to engage in certain collateralized business activities on a cost-effective basis depends on the Company's credit ratings. A reduction in the current rating on the Company's debt by its rating agencies, or a negative change in the Company's ratings outlook could adversely affect the Company's cost of financing and its access to sources of liquidity and capital. In addition, changes in credit ratings may affect the Company's ability to, and the associated costs of: (i) entering into ordinary course derivative or hedging transactions that may require the Company to post additional collateral under certain of its contracts, and (ii) entering into and maintaining ordinary course contracts with customers and suppliers on acceptable terms.

The following table sets forth the ratings assigned to the Company's unsecured debt by Standard & Poor's Financial Services ("S&P") and Moody's Investors Service, Inc. ("Moody's").

Security	S&P[1]	Moody's[2]
Unsecured Notes	BBB- (stable)	Ba1 (stable)

(1) S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to SD, 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 13 categories. According to the S&P rating system, 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 subject to substantial credit risk. 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.

The rating agencies regularly evaluate the Company, and their ratings of the Company's long-term and short-term debt are based on a number of factors, including the Company's financial strength as well as factors not entirely within the Company's control, including conditions affecting the methanol industry generally and the wider state of the economy.

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, 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. 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), on the NASDAQ Global Market in the United States (trading symbol: MEOH) and on the Foreign Securities Market of the Santiago Stock Exchange of Chile (trading symbol: Methanex). The following table sets out the market price ranges and trading volumes of our Common Shares on the Toronto Stock Exchange as well as on the NASDAQ Global Market for each month of our most recently completed financial year (January 1, 2010 through December 31, 2010).

2010 Trading Volumes

	The Toronto Stock Exchange Trading Symbol: MX				**NASDAQ Global Market Trading Symbol: MEOH**		
	High (CDN$)	Low (CDN$)	Volume		High (US$)	Low (US$)	Volume
January	27.00	20.61	14,024,242	January	26.17	19.76	9,127,636
February	25.82	22.58	14,715,871	February	24.36	21.38	7,446,225
March	27.34	24.38	12,519,502	March	26.79	23.58	6,863,990
April	26.09	22.83	10,954,901	April	26.08	22.70	8,478,185
May	24.23	20.67	12,883,373	May	23.98	19.44	9,755,643
June	23.28	20.95	9,315,440	June	22.72	19.69	7,052,179
July	24.57	20.43	9,147,378	July	23.82	19.23	6,667,602
August	24.17	21.00	7,768,652	August	23.59	19.73	7,469,302
September	25.57	22.76	10,184,696	September	24.88	21.75	5,855,070
October	29.30	25.11	11,021,140	October	28.56	24.53	8,279,666
November	30.98	27.77	6,710,635	November	30.49	27.16	6,735,688
December	31.45	29.33	7,784,767	December	31.27	29.00	5,167,416

DIRECTORS AND EXECUTIVE OFFICERS

As at December 31, 2010, the directors and executive officers of the Company owned, controlled or directed, directly or indirectly, 519,621 Common Shares representing approximately 0.56% of the outstanding Common Shares as at December 31, 2010.

The following tables set forth the names and places of residence of the current 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 the Last Five Years	Director Since[13]
AITKEN, BRUCE Vancouver, British Columbia Canada	Director and President and Chief Executive Officer	President and Chief Executive Officer of the Company since May 2004.	July 2004
BALLOCH, HOWARD[2][3][4] Beijing China	Director	Chairman of Canaccord Genuity Asia Limited[6] since January 2011; prior thereto President of The Balloch Group since July 2001.	December 2004
CHOQUETTE, PIERRE[1][3][5] Vancouver, British Columbia Canada	Director	Corporate Director.	October 1994
COOK, PHILLIP[1][4][5] Austin, Texas USA	Director	Corporate Director. Senior Advisor to The Dow Chemical Company[7] from June 2006 to January 2007.	May 2006
HAMILTON, THOMAS Houston, Texas USA	Director and Chairman of the Board	Co-Owner of Medora Investments, LLC[8] since April 2003.	May 2007
KOSTELNIK, ROBERT[2][4][5] Corpus Christi, Texas USA	Director	President and Chief Executive Officer of Cinatra Clean Technologies, Inc.[9] since 2008. Vice President of Refining for CITGO Petroleum Corporation from 2006 until 2007.	September 2008
MAHAFFY, DOUGLAS[2][3][4] Toronto, Ontario Canada	Director	Corporate Director. Chairman of McLean Budden Limited[10] from February 2008 until March 2010; prior thereto Chairman and Chief Executive Officer of McLean Budden Limited since September 2006.	May 2006
POOLE, A. TERENCE[1][2][4] Calgary, Alberta Canada	Director	Corporate Director. Executive Vice President, Corporate Strategy and Development of NOVA Chemicals Corporation[11] from May 2000 to June 2006.	September 2003, and from February 1994 to June 2003
REID, JOHN[1][3][5] Vancouver, British Columbia Canada	Director	Corporate Director.	September 2003
RENNIE, JANICE[1][3][5] Edmonton, Alberta Canada	Director	Corporate Director.	May 2006
SLOAN, MONICA[2][3][5] Calgary, Alberta Canada	Director	Corporate Director. Chief Executive Officer of Intervera Ltd.[12] from January 2004 to December 2008.	September 2003

(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) Canaccord Genuity Asia Limited is an investment banking firm specializing in China and international firms active in the Chinese market.
(7) The Dow Chemical Company provides chemical, plastic and agricultural products and services.
(8) Medora Investments, LLC is a private investment firm.
(9) Cinatra Clean Technologies, Inc. is the exclusive provider in the United States of the patented BLABO tank-cleaning process to the refining, pipeline and terminal sectors of the oil and gas industry.
(10) McLean Budden Limited is an investment management firm that manages over $35 billion in assets for pension, foundation and private clients in Canada, the United States, Europe and Asia.
(11) NOVA Chemicals Corporation is a commodity chemicals company.
(12) Intervera Ltd. provided data quality products and services to the energy industry.
(13) The Directors of the Company are elected each year at the Annual General Meeting of the Company and hold office until the close of the next Annual General Meeting or until their successors are elected or appointed.

Name and Municipality of Residence	Office	Principal Occupations and Positions During the Last Five Years
CAMERON, IAN P. Vancouver, British Columbia Canada	Senior Vice President, Corporate Development and Chief Financial Officer	Senior Vice President, Corporate Development and Chief Financial Officer of the Company since November 2010; prior thereto Senior Vice President, Finance and Chief Financial Officer of the Company since January 1, 2003.
FLOREN, JOHN Eastham, Massachusetts USA	Senior Vice President, Global Marketing and Logistics	Senior Vice President, Global Marketing and Logistics of the Company since June 2005.
GORDON, JOHN K. Vancouver, British Columbia Canada	Senior Vice President, Corporate Resources	Senior Vice President, Corporate Resources of the Company since September 1999.
MACDONALD, MICHAEL G. Vancouver, British Columbia Canada	Senior Vice President, Global Operations	Senior Vice President, Global Operations of the Company since November 2010; prior thereto Senior Vice President, Corporate Development of the Company since January 2004.
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.
SCHIODTZ, PAUL Santiago Chile	Senior Vice President, Latin America	Senior Vice President, Latin America of the Company since January 1, 2006.
WEAKE, HARVEY Auckland New Zealand	Senior Vice President, Asia Pacific	Senior Vice President, Asia Pacific of the Company since December, 2005.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since the start of our most recently completed financial year, and for the three most recently completed financial years, no director or executive officer of the Company, and no person or company that beneficially owns, controls or directs, directly or indirectly, 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.

EXPERTS

KPMG LLP are the auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia and within the meaning of the *US Securities Act* of 1933, as amended, and the applicable rules and regulations thereunder.

LEGAL PROCEEDINGS

In 2009, the Board of Inland Revenue of Trinidad and Tobago issued an assessment against our wholly owned subsidiary, Methanex Trinidad (Titan) Unlimited, in respect of the 2003 and 2004 financial years. The assessments related to the deferral of tax depreciation deductions during a five-year tax holiday that ended in 2005. The impact of the amount in dispute as at December 31, 2010 is approximately $26 million in current taxes and $23 million in future taxes, exclusive of any interest charges. The Company has appealed the assessment. Based on the merits of the case and legal interpretation, management believes its position should be sustainable.

Other than the tax dispute with the Board of Inland Revenue of Trinidad and Tobago described immediately above: (i) during 2010, we were not a party to, and our property was not the subject of, any material legal proceedings, and (ii) we are not a party to, and our property is not the subject of, any material legal proceedings that are currently in place or that we know to be contemplated.

AUDIT COMMITTEE INFORMATION

The Audit Committee Charter

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

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

Composition of the Audit Committee

The Committee is comprised of five directors: A. Terence Poole (Chair), Pierre Choquette, Phillip Cook, John Reid and Janice Rennie. Each Committee member is independent and financially literate. Mr. Poole is designated as the "audit committee financial expert." The U.S. 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 we use to prepare our annual and interim financial statements.

Mr. A. Terence Poole

Mr. Poole is a corporate director. Prior to his retirement in June 2006, he was Executive Vice President, Corporate Strategy and Development of NOVA Chemicals Corporation ("NOVA"), a commodity chemical company with international operations. Prior to that position, Mr. Poole was the 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 held 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 degree from Dalhousie University in Halifax, Nova Scotia. Mr. Poole is a Member of the Canadian, Quebec and Ontario Institutes of Chartered Accountants and is also a Member of Financial Executives International.

Mr. Poole serves on the board of Pengrowth Energy Corporation and chairs its Audit Committee.

Mr. Poole has served on the Committee since September 2003, as well as from February 1994 to June 2003. Mr. Poole has chaired the Committee since May 2006.

Mr. Phillip Cook

Mr. Cook is a corporate director. He spent the majority of his career working for The Dow Chemical Company ("Dow Chemical"), which provides chemical, plastic and agricultural products and services. His most recent position at Dow Chemical was Senior Advisor from June 2006 until his retirement in January 2007. From 2005 to 2006, he was Corporate Vice President, Strategic Development and New Ventures. Other senior positions at Dow Chemical included Senior Vice President, Performance Chemicals and Thermosets for two years and Business Vice President, Epoxy Products and Intermediates for three years. Through Mr. Cook's experience at Dow Chemical, he has gained an understanding of accounting and financial reporting, including internal controls and procedures for financial reporting.

Mr. Cook holds a Bachelor of Mechanical Engineering degree from the University of Texas at Austin and is a member of The Cockrell School of Engineering Advisory Board and the Environmental Sciences Institute Advisory Board of the University of Texas at Austin.

Mr. Cook has served on the Committee since May 2006.

Mr. Pierre Choquette

Mr. Choquette is a corporate director. He has over 25 years of senior management experience, concentrated in the petrochemical industry. Most recently he was Chairman of the Board of the Company from September 2003 until May 2010 and Chairman and Chief Executive Officer of the Company from September 2003 until May 2004. From October 1994 to September 2003 Mr. Choquette was President and Chief Executive Officer of the Company. Prior to joining the Company, Mr. Choquette had been President and Chief Operating Officer of Novacorp International and President of Polysar Inc.

Through Mr. Choquette's experience as President and Chief Executive Officer and the deep knowledge of the Company he has gained during his 16-year involvement with the Company, he has an understanding of accounting and financial reporting, including internal controls and procedures for financial reporting.

Mr. Choquette holds a Bachelor of Arts, Bachelor of Science and a Master of Science in Chemical Engineering from Laval University, Quebec City. He is also a graduate of the Advanced Management Program at the Harvard Graduate School of Business Administration.

Mr. Choquette also serves as a director on the Canada Pension Plan Investment Board.

Mr. Choquette has served on the Committee since May 2010 and attended all Committee meetings from 1994 to 2004 in his capacity as CEO and the vast majority of Committee meetings in his capacity as Chairman of the Board from 2004 to 2010.

Mr. John Reid

Mr. Reid is a corporate director. He held the position of President and Chief Executive Officer of Terasen Inc., an energy distribution and transportation company, from November 1997 to November 2005, and prior to that was Executive Vice President and Chief Financial Officer of Terasen. 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 Newcastle University and is a Fellow of the British Columbia, England and Wales Institutes of Chartered Accountants.

Mr. Reid also serves on the board of Finning International Inc. as the Lead Independent Director, is a member of its Audit Committee and in the past was designated as its "financial expert." Mr. Reid also sits on the board of the private companies Corix Infrastructure Inc. and Corix Water Products Inc.

Mr. Reid has served on the Committee since September 2003.

Ms. Janice Rennie

Ms. Rennie is a corporate director. From 2004 to 2005, Ms. Rennie was Senior Vice President, Human Resources and Organizational Effectiveness for EPCOR Utilities Inc. At that time, EPCOR built, owned and operated power plants, electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure in Canada and the United States. Prior to 2004, Ms. Rennie held senior management positions in a number of private firms, including Principal of Rennie & Associates, which provided investment and related advice to small and mid-sized companies.

Ms. Rennie holds a Bachelor of Commerce degree from the University of Alberta and is a Fellow of the Institute of Chartered Accountants of Alberta.

Ms. Rennie serves on the boards of Teck Resources Limited, West Fraser Timber Co. Ltd., Capital Power Corporation and Major Drilling Group International Inc. and is a member of all their Audit Committees. In addition, Ms. Rennie serves on the board and chairs the Audit Committee of Greystone Capital Management Inc., a private company.

Ms. Rennie has served on the Committee since May 2006.

Pre-Approval Policies and Procedures

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

KPMG LLP, Chartered Accountants, Vancouver, are the independent auditors of the Company. The holders of the Company's Common Shares have resolved to have the directors of the Company determine the auditor's remuneration. KPMG's global fees relating to the years ended December 31, 2010 and December 31, 2009 are as follows:

US$000s	2010	2009
Audit Fees	1,600	1,429
Audit-Related Fees	138	166
Tax Fees	304	186
Total	**2,042**	**1,781**

The nature of each category of fees is described below.

Audit Fees

Audit fees for professional services rendered by the external 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 fees for professional services rendered by the external auditors for the audit of the Company's consolidated financial statements were in respect of an "integrated audit" performed by KPMG globally. The integrated audit encompasses an opinion on the fairness of presentation of the Company's financial statements as well as an opinion on the effectiveness of the Company's internal controls over financial reporting. The increase in audit fees for 2010 compared with 2009 is primarily due to changes in foreign exchange rates.

Audit-Related Fees

Audit-related fees 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; and consultations related to the Company's IFRS transition and the accounting or disclosure treatment of other transactions.

Tax Fees

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

TRANSFER AGENT AND REGISTRAR

Our principal transfer agent is CIBC Mellon Trust Company at its offices in Vancouver, British Columbia. Our co-transfer agent in the United States for our Common Shares is Registrar and Transfer Company at its offices in New Jersey.

CONTROLS AND PROCEDURES

Our disclosure controls and procedures are described under the heading *Controls and Procedures* in our 2010 MD&A and are incorporated in this AIF by reference.

CODE OF ETHICS

We have a written code of ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. A copy of our code, entitled "Code of Business Conduct", can be found on our website at www.methanex.com or upon request from the Corporate Secretary at the address below under the heading "Additional *Information".*

ADDITIONAL INFORMATION

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 our Information Circular dated March 4, 2011 relating to our Annual General Meeting that will be held on April 28, 2011.

Additional financial information about the Company is provided in the Company's financial statements for the year ended December 31, 2010 and in our 2010 MD&A.

Copies of the documents referred to above are available on the Canadian Securities Administrators' SEDAR website at www.sedar.com and may also 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 Canadian Securities Administrators' SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission's EDGAR 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 professional qualifications and independence of the external auditors; 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 ("GAAP"), 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 General 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 Chair and Secretary

d) The Board or, if it does not do so, the members of the Committee, must appoint one of their members as Chair. If the Chair of the Committee is not present at any meeting of the Committee, the Chair of the meeting must be chosen by the Committee from the Committee members present. The Chair 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 Chair 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 electronic transmission 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;

Meeting without Management

vii) each regular meeting of the Committee will conclude with a session without any management personnel present;

Calling a Meeting	viii)	a meeting of the Committee may be called by the Secretary of the Committee on the direction of the Chair or Chief Executive Officer of the Corporation, by any member of the Committee or the external auditors; and
Committee Determines Attendees	(ix)	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 Consolidated Financial Statements, annual Management's Discussion and Analysis, Management Information Circular, any reports on adequacy of internal controls, and all financial statements in prospectuses or other disclosure documents.
Prospectuses	b)	Review and recommend for approval by the Board all prospectuses and documents that 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 that are acceptable under 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 strategic and 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 managing 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 General 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 strengthening 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 that 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 the 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.
Report from the External Auditors	i)	Prior to filing the Quarterly Consolidated Financial Statements and the Annual Consolidated Financial Statements, the Committee should receive a report from the external auditors on the results of the audit.
Meeting with Auditors and Management	j)	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 and/or the Corporation's Internal Auditor 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$10 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 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 material 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 and any special actuarial reports.

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$10 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.

Delegation of Authority	k)	Administer and delegate to management-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 and 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 that 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 policies. 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 to the Board 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.



RR DONNELLEY

Management's Discussion & Analysis

INDEX

8 Overview of the Business
10 Our Strategy
12 How We Analyze Our Business
13 Financial Highlights
13 Production Summary
15 Results of Operations
21 Liquidity and Capital Resources
27 Risk Factors and Risk Management
35 Critical Accounting Estimates
37 Anticipated Changes to Canadian Generally Accepted Accounting Principles
45 Supplemental Non-GAAP Measures
46 Quarterly Financial Data (Unaudited)
46 Selected Annual Information
46 Controls and Procedures
47 Forward-Looking Statements

This Management's Discussion and Analysis is dated March 24, 2011 and should be read in conjunction with our consolidated financial statements and the accompanying notes for the year ended December 31, 2010. Our consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). We use the United States dollar as our reporting currency. **Except where otherwise noted, all dollar amounts are stated in United States dollars.**

Canadian GAAP differs in some respects from accounting principles generally accepted in the United States (US GAAP). Significant differences between Canadian GAAP and US GAAP are described in note 20 to our consolidated financial statements. The Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to start using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Accordingly, we will issue our first interim consolidated financial statements in accordance with IFRS beginning with the first quarter ending March 31, 2011 with comparative financial results for 2010 (refer to the *Anticipated Changes to Canadian Generally Accepted Accounting Principles* section on page 37 for more information).

At March 18, 2011 we had 92,715,072 common shares issued and outstanding and stock options exercisable for 3,987,749 additional common shares.

Additional information relating to Methanex, including our Annual Information Form, is available on the Canadian Securities Administrators' SEDAR website at www.sedar.com and on the United States Securities and Exchange Commission's EDGAR website at www.sec.gov.

OVERVIEW OF THE BUSINESS

Methanol is a clear liquid commodity chemical that is predominantly produced from natural gas and also, particularly in China, from coal. Approximately two-thirds of all methanol demand is used to produce traditional chemical derivatives including formaldehyde, acetic acid and a variety of other chemicals that form the basis of a large number of chemical derivatives for which demand is influenced by levels of global economic activity. The remaining one-third of methanol demand comes from the energy sector. There has been strong demand growth for methanol in energy-related applications such as direct methanol blending into gasoline and dimethyl ether (DME), which can be blended with liquefied petroleum gas for use in household cooking and heating, and also as a substitute for diesel. Methanol is also used to produce biodiesel and methyl tertiary butyl ether (MTBE), a gasoline component.

We are the world's largest supplier of methanol to the major international markets of Asia Pacific, North America, Europe and Latin America. Our total annual production capacity, including equity interests in jointly owned plants, is approximately 7.93 million tonnes and is located in Chile, Trinidad, New Zealand, Egypt and Canada (refer to the *Production Summary* section on page 13 for more information). We have marketing rights for 100% of the production from our jointly owned plants in Trinidad and Egypt and this provides us with an additional 1.17 million tonnes per year of methanol offtake supply. In addition to the methanol produced at our sites, we purchase methanol produced by others under methanol

offtake contracts and on the spot market. This gives us flexibility in managing our supply chain while continuing to meet customer needs and support our marketing efforts.

2010 Industry Overview & Outlook

Methanol is a global commodity and our earnings are significantly affected by fluctuations in the price of methanol, which is directly impacted by the balance of methanol supply and demand. Demand for methanol is driven primarily by levels of industrial production, energy prices and the strength of the global economy.

During 2010, the methanol industry experienced strong demand growth with total demand of approximately 45 million tonnes, representing a 13% increase over 2009. The increase in demand was driven primarily by demand for both traditional and energy-related derivatives in Asia, particularly China. There were also increases in demand for traditional methanol derivatives in other regions, including Europe, Latin America and North America.

Energy-related derivatives currently represent approximately one-third of global methanol demand, and over the last few years high energy prices have driven strong demand growth for methanol into energy applications such as gasoline blending and DME in China. During 2010, methanol blending into gasoline in China was particularly strong and continues to be supported by standards introduced by national and provincial governments. There are a number of provincially sponsored programs for methanol fuel blending and more are under development. In 2009, national standards were introduced for the use of M85 and M100 (85 percent and 100 percent methanol blends) and we expect the Government of China to introduce an M15 national standard in 2011, which should be a further catalyst to grow methanol fuel blending in China. China is currently the largest energy and automobile market in the world and, as a developing country, the per capita use of automobiles and the demand for transportation fuels is expected to grow significantly over time. DME demand in China in 2010 was also strong and ended the year at record levels.

The methanol industry conditions were balanced to tight in 2010, underpinned by strong global methanol demand growth and supply constraints. While three new world-scale plants (in Brunei, Oman and Venezuela) with combined capacity totalling 2.8 million tonnes per year started up in 2010, there were also some shut-ins of higher cost capacity and a number of planned and unplanned plant outages across the industry. These factors, combined with the continuing higher energy price environment, led to balanced to tight market conditions and a strong methanol pricing environment throughout 2010. Our average non-discounted price in 2010 was $356 per tonne compared with $252 per tonne in 2009, and our average realized price for 2010 was $306 per tonne compared with $225 per tonne in 2009.

Going forward, with China continuing to demonstrate the success of methanol for use in energy, other countries are also considering the use of methanol in energy applications. Australia, Iran, Pakistan and Malaysia are currently studying the use of methanol in gasoline, and we are involved in a project to test methanol fuel blending in Trinidad. We are also working with several producers of renewable methanol to help develop markets that recognize the unique characteristics of methanol produced from renewable feedstock. Finally, there is also potential for growth in the DME industry outside China, with Indonesia, Japan, Sweden, Iran, Egypt and India all studying or developing DME projects.

Another recent development that is also being led by China is the use of methanol to produce olefins, with the first commercial methanol-to-olefins plant starting up in Baotou in 2010. Historically, we have viewed these projects as fully integrated and therefore having little impact on the merchant methanol market. However, some projects are now being considered that require the purchase of merchant methanol. These methanol-to-olefin projects consume a significant amount of methanol and there are a number of projects under development in several countries. This industry could therefore have a significant impact on future demand for merchant methanol.

We anticipate a significant increase in our production capacity in 2011 from the 1.26 million tonne per year Egypt plant and the restart of our 0.47 million tonne per year Medicine Hat facility. We also are focused on accessing natural gas to increase production at our existing sites in Chile and New Zealand over the next few years (refer to the *Production Summary* section on page 13 for more information). Beyond our own capacity additions, there are few global methanol capacity additions outside China expected over the next few years. There is a 0.85 million tonne plant in Beaumont, Texas and a 0.7 million tonne plant in Azerbaijan and we anticipate that product from both of these plants will enter the market over the 2012-2013 period.

Global methanol demand continues to be strong, supported by continuing growth of methanol into energy applications, and further recovery of global economies should lead to increased demand for traditional methanol derivatives. With few capacity additions expected to enter the market over the next few years, we believe we are well positioned with anticipated production increases from our existing sites. As production from these sites comes on line, we believe our leadership position in the industry will be strengthened, the overall cost position of our assets will be improved and we will have significant upside potential to our cash flows and earnings.

The methanol price will ultimately depend on the strength of the economic recovery, industry operating rates, global energy prices, 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 competitive cost position will provide a sound basis for Methanex to continue to be the leader in the methanol industry and to invest to grow the Company.

OUR STRATEGY

Our primary objective is to create value by maintaining and enhancing our leadership in the global production, marketing and delivery of methanol to our customers. Our simple, clearly defined strategy – global leadership, low cost and operational excellence – has helped us achieve this objective.

Global Leadership

Global Leadership is a key element of our strategy, with a focus on maintaining and enhancing our position as the major supplier to the global methanol industry, enhancing our ability to cost-effectively deliver methanol supply to our customers and supporting global methanol demand growth for both traditional and energy-related methanol derivatives.

We are the leading supplier of methanol to the major international markets of North America, Asia Pacific, Europe and Latin America. Our sales volumes in 2010 represented approximately 15% of total global methanol demand and we grew sales volumes by 16% from 5.95 million tonnes in 2009 to 6.93 million tonnes in 2010. Our leadership position has enabled us to play an important role in the industry, which includes publishing Methanex reference prices that are generally used in each major market as the basis of pricing for most of our customer contracts and which we believe enhances market transparency.

The geographically diverse location of our production sites allows us to deliver methanol cost-effectively to customers in all major global markets, while our global distribution and supply infrastructure, which includes a dedicated fleet of ocean-going vessels and terminal capacity within all major international markets, enables us to enhance value to customers by providing reliable and secure supply.

A key component of our Global Leadership strategy is a focus on strengthening our asset position and increasing production at our sites. We expect increased production in 2011 with the start-up of production from the 1.26 million tonne per year methanol plant in Egypt and the restart of our 0.47 million tonne per year Medicine Hat, Alberta plant. Both of these sites are well located and will provide additional security of supply for our customers. Our methanol facilities in Chile represent 3.8 million tonnes of annual production capacity and since mid-2007 we have operated the site significantly below capacity. This is primarily due to curtailments of natural gas supply from Argentina (refer to the *Production Summary – Chile* section on page 14). Our goal is to progressively increase production at our Chile site with natural gas from suppliers in Chile by supporting the acceleration of natural gas development in southern Chile. We are also focused on accessing additional natural gas supply to increase production in New Zealand, where we currently have approximately 1.35 million tonnes of annual idled production capacity.

Another key component of our Global Leadership strategy is our ability to supplement our methanol production with methanol purchases from others to give us flexibility in our supply chain and continue to meet customer commitments. We purchase through a combination of methanol offtake contracts and spot purchases. We manage the cost of purchased methanol by taking advantage of our global supply chain infrastructure, which allows us to purchase methanol in the most cost-effective region while still maintaining overall security of supply. We grew our sales and purchasing levels in 2010 in anticipation of increased production from the Egypt plant. However, we expect purchased methanol will represent a lower proportion of our overall sales volumes with increased production in Egypt and Canada in 2011.

The Asia Pacific region continues to lead global methanol demand growth and we have invested in and developed our presence in this important region. We have storage capacity in China and Korea that allows us to cost-effectively manage supply to customers in this region. We have offices in Hong Kong, Shanghai, Beijing, Korea and Japan to enhance customer service and industry positioning in the region. This also enables us to participate in and improve our knowledge of the rapidly evolving and high growth methanol market in China and other Asian countries. Our expanding presence in Asia has also helped us identify several opportunities to support the development of applications for methanol in the energy sector.

With China continuing to demonstrate the success of methanol for use in energy markets, other countries are also considering the use of methanol in energy applications and we are involved in a project to test methanol fuel blending in Trinidad. We are also working with several producers of renewable methanol to help develop markets that recognize the unique characteristics of methanol produced from renewable feedstock. We also continued to advance our joint venture DME project in Egypt.

Low Cost

A low cost structure is an important element of competitive advantage in a commodity industry and is a key element of our strategy. Our approach to major business decisions is guided by our drive to improve our cost structure, expand margins and return value to shareholders. The most significant components of our costs are natural gas for feedstock and distribution costs associated with delivering methanol to customers.

Our production facilities in Trinidad represent 2.05 million tonnes per year of competitive cost production capacity. These facilities are well located to supply markets in North America and Europe and are underpinned by take-or-pay natural gas purchase agreements where the gas price varies with methanol prices.

As described above, we expect an increase in our production capability in 2011 from the new methanol plant in Egypt and the restart of our Medicine Hat, Alberta plant. We also are focused on accessing natural gas to increase production at our existing sites in Chile and New Zealand. We believe these initiatives will further enhance our competitive cost structure and our ability to cost-effectively deliver methanol to customers (refer to the *Production Summary* section on page 13 for more information on all of our production sites).

The cost to distribute methanol from 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 reduce these costs, including optimizing the use of our shipping fleet to reduce costs and taking advantage of prevailing conditions in the shipping market by varying the type and length of term of ocean vessel contracts. We are continuously investigating opportunities to further improve the efficiency and cost-effectiveness of distributing methanol from our production facilities to customers. We also look for opportunities to leverage our global asset position by entering into product exchanges with other methanol producers to reduce distribution costs.

Operational Excellence

We maintain a focus on operational excellence in all aspects of our business. This includes excellence in our manufacturing and supply chain processes, marketing and sales, human resources, corporate governance practices and financial management.

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 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. We have a commitment to Responsible Care (a risk-minimization approach developed by the Chemistry Industry Association of Canada) and we use it as the umbrella under which we manage issues related to health, safety, the environment, community involvement, social responsibility, security and emergency preparedness at each of our facilities and locations. We believe our commitment to Responsible Care helps us reduce the likelihood of unplanned shutdowns and safety incidents and achieve an excellent overall environmental record. In 2010 we experienced no employee recordable injuries across the organization as well as improvement in contractor safety performance, resulting in overall safety performance that exceeds the Canadian industry average for comparable companies.

Product stewardship is a vital component of our Responsible Care culture and guides our actions through the complete life cycle of our product. We aim for the highest safety standards to minimize risk to our employees, customers and suppliers as well as to the environment and the communities in which we do business. We promote the proper use and safe handling of methanol at all times through a variety of internal and external health, safety and environmental initiatives, and we work with industry colleagues to improve safety standards and regulatory compliance. We readily share our technical and safety expertise with key stakeholders, including customers, end-users, suppliers, logistics providers and industry associations in the methanol and methanol applications marketplace through active participation in local and international industry seminars and conferences, and online education initiatives.

As a natural extension of our Responsible Care ethic, we have a Social Responsibility policy that aligns our corporate governance, employee engagement and development, community involvement and social investment strategies with our core values and corporate strategy.

Our strategy of operational excellence includes the financial management of the Company. We operate in a highly competitive commodity industry. Accordingly, we believe it is important to maintain financial flexibility and we have adopted a prudent approach to financial management. At December 31, 2010, we had a strong balance sheet with a cash balance of $194 million, a $200 million undrawn credit facility and no re-financing requirements until mid-2012. We believe we are well positioned to meet our financial commitments and continue investing to grow our business.

HOW WE ANALYZE OUR BUSINESS

Our operations consist of a single operating segment – the production and sale of methanol. We review our results of operations by analyzing changes in the components of our adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) (refer to the *Supplemental Non-GAAP Measures* section on page 45 for a reconciliation to the most comparable GAAP measure), depreciation and amortization, interest expense, interest and other income, and income taxes. In addition to the methanol that we produce at our facilities ("Methanex-produced methanol"), we also purchase and re-sell methanol produced by others ("purchased methanol") and we sell methanol on a commission basis. We analyze the results of all methanol sales together. The key drivers of change in our Adjusted EBITDA are average realized price, cash costs and sales volume.

The price, cash cost and volume variances included in our Adjusted EBITDA analysis are defined and calculated as follows:

PRICE	The change in Adjusted EBITDA as a result of changes in average realized price is calculated as the difference from period to period in the selling price of methanol multiplied by the current period total methanol sales volume excluding commission sales volume plus the difference from period to period in commission revenue.
CASH COST	The change in our Adjusted EBITDA as a result of changes in cash costs is calculated as the difference from period to period in cash costs per tonne multiplied by the current period total methanol sales volume excluding commission sales volume in the current period. The cash costs per tonne is the weighted average of the cash cost per tonne of Methanex-produced methanol and the cash cost per tonne of purchased methanol. The cash cost per tonne of Methanex-produced methanol includes absorbed fixed cash costs per tonne and variable cash costs per tonne. The cash cost per tonne of purchased methanol consists principally of the cost of methanol itself. In addition, the change in our Adjusted EBITDA as a result of changes in cash costs includes the changes from period to period in unabsorbed fixed production costs, consolidated selling, general and administrative expenses and fixed storage and handling costs.
VOLUME	The change in Adjusted EBITDA as a result of changes in sales volume is calculated as the difference from period to period in total methanol sales volume excluding commission sales volumes multiplied by the margin per tonne for the prior period. The margin per tonne for the prior period is the weighted average margin per tonne of Methanex-produced methanol and margin per tonne of purchased methanol. The margin per tonne for Methanex-produced methanol is calculated as the selling price per tonne of methanol less absorbed fixed cash costs per tonne and variable cash costs per tonne. The margin per tonne for purchased methanol is calculated as the selling price per tonne of methanol less the cost of purchased methanol per tonne.

We also sell methanol on a commission basis. Commission sales represent volumes marketed on a commission basis related to the 36.9% of the Atlas methanol facility in Trinidad that we do not own.

FINANCIAL HIGHLIGHTS

($ MILLIONS, EXCEPT WHERE NOTED)	2010	2009
Production (thousands of tonnes):	3,540	3,543
Sales volumes (thousands of tonnes):		
Produced methanol	3,540	3,764
Purchased methanol	2,880	1,546
Commission sales[1]	509	638
Total sale volumes	6,929	5,948
Methanex average non-discounted posted price ($ per tonne) [2]	356	252
Average realized price ($ per tonne) [3]	306	225
Revenue	1,967	1,198
Adjusted EBITDA[4]	267	142
Cash flows from operating activities	153	110
Cash flows from operating activities before changes in non-cash working capital	252	129
Net income	102	1
Net income before unusual items[4]	80	1
Basic net income per common share ($ per share)	1.10	0.01
Diluted net income per common share ($ per share)	1.09	0.01
Diluted net income per common share before unusual item ($ per share) [4]	0.85	0.01
Common share information (millions of shares):		
Weighted average number of common shares outstanding	92	92
Diluted weighted average number of common shares outstanding	94	93
Number of common shares outstanding	93	92

[1] Commission sales represent volumes marketed on a commission basis. Commission income is included in revenue when earned.
[2] Methanex average non-discounted posted price represents the average of our non-discounted posted prices in North America, Europe and Asia Pacific weighted by sales volume. Current and historical pricing information is available on our website at www.methanex.com.
[3] Average realized price is calculated as revenue, net of commission income, divided by total sales volumes of produced and purchased methanol.
[4] These items are non-GAAP measures that do not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to the *Supplemental Non-GAAP Measures* section on page 45 for a description of each non-GAAP measure and a reconciliation to the most comparable GAAP measure.

PRODUCTION SUMMARY

The following table details the annual production capacity and actual production of our facilities that operated in 2010 and 2009:

(THOUSANDS OF TONNES)	ANNUAL PRODUCTION CAPACITY[1]	2010	2009
Chile I, II, III and IV	3,800	935	942
Atlas (Trinidad) (63.1% interest)	1,150	884	1,015
Titan (Trinidad)	900	891	764
New Zealand[2]	850	830	822
Egypt (60% interest)[3]	760	–	–
Medicine Hat[3]	470	–	–
	7,930	3,540	3,543

[1] The annual production capacity of our production facilities may be higher than original nameplate capacity as, over time, these figures have been adjusted to reflect ongoing operating efficiencies at these facilities.
[2] The annual production capacity of New Zealand represents only our 0.85 million tonne per year Motunui facility that we restarted in late 2008. Practical operating capacity will depend partially on the composition of natural gas feedstock and may differ from the stated capacity above. We also have additional potential production capacity that is currently idled in New Zealand (refer to the *New Zealand* section on page 14 for more information).
[3] These two plants are anticipated to commence production in 2011. The Egypt methanol facility produced first methanol in January 2011 and we are nearing completion of the restart of our Medicine Hat, Alberta facility (refer to the *Egypt* and *Medicine Hat* sections on page 15 for more information).

Chile

Our methanol facilities in Chile produced 0.94 million tonnes of methanol in 2010 and 2009. Since 2007, we have operated our methanol facilities in Chile significantly below site capacity primarily due to curtailments of natural gas supply from Argentina. In June 2007, our natural gas suppliers from Argentina curtailed all gas supply to our plants in Chile in response to various actions by the Argentinean government, including imposing a large increase to the duty on natural gas exports. Under the current circumstances, we do not expect to receive any further natural gas supply from Argentina. As a result of the Argentinean natural gas supply issues, all of the methanol production at our Chile facilities since June 2007 has been produced with natural gas from Chile.

Our goal is to progressively increase production at our Chile site with natural gas from suppliers in Chile. We are pursuing investment opportunities with the state-owned energy company Empresa Nacional del Petroleo (ENAP), GeoPark Chile Limited (GeoPark) and others to help accelerate natural gas exploration and development in southern Chile. We are working with ENAP to develop natural gas in the Dorado Riquelme block in southern Chile. Under the arrangement, we fund a 50% participation in the block and, as at December 31, 2010, we had contributed approximately $86 million. Over the past few years, we have also provided $57 million in financing to GeoPark (of which approximately $32 million had been repaid at December 31, 2010) to support and accelerate GeoPark's natural gas exploration and development activities in southern Chile. GeoPark has agreed to supply us with all natural gas sourced from the Fell block in southern Chile under a ten-year exclusive supply arrangement that commenced in 2008. Approximately 60% of total production at our Chilean facilities is currently being produced with natural gas supplied from the Fell and Dorado Riquelme blocks.

Other investment activities are also supporting the acceleration of natural gas exploration and development in areas of southern Chile. In late 2007, the Government of Chile completed an international bidding round to assign oil and natural gas exploration areas that lie close to our production facilities and announced the participation of several international oil and gas companies. The terms of the agreements from the bidding round require minimum investment commitments. To date, two companies that participated in the bidding round have advised of gas discoveries and we expect first deliveries of gas from these new finds in 2011. We are participating in a consortium for two exploration blocks under this bidding round – the Tranquilo and Otway blocks. The consortium includes Wintershall, GeoPark and Pluspetrol each having 25% participation and International Finance Corporation, member of the World Bank Group, and Methanex each having 12.5% participation. GeoPark is the operator of both blocks.

Our methanol facilities in Chile produced 0.94 million tonnes of methanol in both 2010 and 2009. During 2010, natural gas deliveries from ENAP were lower than 2009 primarily as a result of declines in deliverability from existing wells and this was offset by increased natural gas deliveries from the Dorado Riquelme block in 2010 compared with 2009. As we entered 2011, we were operating one plant at approximately 65% capacity at our Chile site and the short-term outlook for gas supply in Chile continues to be challenging. While significant investments have been made in the last few years for natural gas exploration and development in southern Chile, the timelines for a significant increase in gas deliveries to our plants are much longer than we originally anticipated. As a result, we expect there to be short-term pressure on gas supply in southern Chile that could impact the operating rate of our Chile site, particularly in the southern hemisphere winter months when residential energy demand is at its peak.

Refer to the *Risk Factors and Risk Management – Chile* section on page 27 for more information.

Trinidad

Our equity ownership of methanol facilities in Trinidad represents approximately 2.05 million tonnes of competitive cost annual capacity. The Titan and Atlas facilities in Trinidad are well located to supply markets in North America and Europe and are underpinned by take-or-pay natural gas purchase agreements that expire in 2014 and 2024, respectively, where the gas price varies with methanol prices. These facilities produced a total of 1.78 million tonnes in both 2010 and 2009. For both 2010 and 2009, we operated these facilities at below operating capacity due to planned and unplanned maintenance activities. During 2010, we experienced an outage at our Atlas facility that lasted approximately 60 days.

New Zealand

Our New Zealand facilities provide competitive cost capacity and are underpinned by shorter term natural gas supply contracts. For both 2010 and 2009, we produced 0.83 million tonnes from one 0.85 million tonne per year plant at our Motunui facility in New Zealand. We have natural gas contracts with a number of gas suppliers that will allow us to

continue to operate the 0.85 million tonne per year Motunui plant through 2012. We also have an additional 1.38 million tonnes per year of idled capacity in New Zealand, including a second 0.85 million tonne per year Motunui plant and a 0.53 million tonne per year plant at our nearby site in Waitara Valley. These facilities provide the potential to increase production in New Zealand depending on the methanol supply and demand dynamics and the availability of economically priced natural gas feedstock.

We believe there has been continued improvement in the natural gas supply outlook in New Zealand and we are focused on accessing additional natural gas supply to increase production in New Zealand. We continue to pursue opportunities to obtain economically priced natural gas with suppliers in New Zealand to underpin a restart of a second plant. We are also pursuing natural gas exploration and development opportunities in the area close to our plants with the objective of obtaining long-term competitively priced supply. During 2010, we entered into an agreement with Kea Exploration (Kea), an oil and gas exploration and development company, to explore areas of the Taranaki basin in New Zealand close to our plants. Under the agreement, funding will be shared 50% by both parties, and we will be entitled to all natural gas deliveries from our participation at a price that is competitive to our other locations in Trinidad, Chile and Egypt. During 2010, we spent approximately $10 million on exploration activities with Kea. Under the agreement, there are no minimum investment commitments and future contributions will be agreed by the parties on an ongoing basis.

Egypt

The new 1.26 million tonne per year methanol plant in Egypt is in the commissioning phase and produced first methanol in January 2011. The start-up coincided with widespread anti-government protests and civil unrest in Egypt. For the safety and security of our employees, we took the decision to temporarily close our Cairo office and curtail the commissioning activities at the plant in Damietta, Egypt. As conditions stabilized, we reopened our Cairo office and our plant in Damietta resumed operations to continue the start-up and commissioning process.

We have a 60% interest in the facility and have marketing rights for 100% of the production. This facility is underpinned by a 25-year take-or-pay natural gas purchase agreement where the gas price varies with methanol prices. We believe this methanol facility will further enhance our cost structure and our market position and it is well located to supply the European market.

Medicine Hat

In September 2010, we made the decision to restart the 0.47 million tonne per year idled facility in Medicine Hat, Alberta, Canada. In support of the restart, we commenced a program to purchase natural gas on the Alberta gas market, and by the end of 2010 we had contracted sufficient volumes of natural gas to meet approximately 80% of our requirements when operating at capacity for the period from start-up to October 2012. We are nearing completion of this restart project with production expected to commence in the second quarter of 2011.

RESULTS OF OPERATIONS

($ MILLIONS)	2010	2009
Consolidated statements of income:		
Revenue	$ 1,967	$ 1,198
Cost of sales and operating expenses	(1,700)	(1,056)
Adjusted EBITDA[1]	267	142
Gain on sale of Kitimat assets	22	–
Depreciation and amortization	(131)	(118)
Operating income[1]	158	24
Interest expense	(24)	(27)
Interest and other income	2	–
Income tax recovery (expense)	(34)	4
Net income	$ 102	$ 1

[1] These items are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to the *Supplemental Non-GAAP Measures* section on page 45 for a description of each non-GAAP measure and a reconciliation to the most comparable GAAP measure.

For the year ended December 31, 2010, we recorded Adjusted EBITDA of $267 million and net income of $102 million ($1.09 per share on a diluted basis) and net income of $80 million ($0.85 per share on a diluted basis) before an after-tax gain of $22 million related to the sale of land and terminal facilities in Kitimat, Canada. This compares with Adjusted EBITDA of $142 million and net income of $1 million ($0.01 per share on a diluted basis) for the year ended December 31, 2009.

The following discussion on pages 16 – 20 provides a description of changes in revenue, Adjusted EBITDA, depreciation and amortization, interest expense, interest and other income, and income taxes for 2010 compared with 2009.

Revenue

There are many factors that impact our global and regional revenue levels. The methanol business is a global commodity industry affected by supply and demand fundamentals. Due to the diversity of the end products in which methanol is used, demand for methanol largely depends upon levels of industrial production, the value of energy and changes in general economic conditions, which can vary across the major international methanol markets.



Revenue for 2010 was $2.0 billion compared with $1.2 billion in 2009. The increase in revenue was primarily due to higher methanol pricing and increased sales volumes in 2010 compared with 2009.

Entering 2010, global methanol demand had recovered to pre-recession levels. During 2010, global methanol demand was 45 million tonnes, a 13% increase over 2009. This was primarily driven by demand growth for both traditional and energy-related derivatives in Asia (particularly China). There were also increases in demand for traditional methanol derivatives in other regions, including Europe, Latin America and North America. In anticipation of the start-up of the new methanol plant in Egypt, we grew our total sales volumes by approximately 16%, from 5.95 million tonnes in 2009 to 6.93 million tonnes in 2010, and this increased our revenues by approximately $0.2 billion.

Methanol industry conditions were balanced to tight in 2010, underpinned by strong global demand growth and supply constraints. While three new world-scale plants (in Brunei, Oman and Venezuela) with combined capacity totalling 2.8 million tonnes per year started up in 2010, there were also some shut-ins of higher cost capacity and a number of planned and unplanned plant outages across the industry. These factors, combined with the continuing higher energy price environment, led to tight market conditions and a strong methanol pricing environment throughout 2010. Our average realized price in 2010 was $306 per tonne compared with $225 per tonne in 2009, and this increased our revenues by approximately $0.6 billion.

The methanol industry is highly competitive and prices are affected by supply and demand fundamentals. We publish non-discounted reference prices for each major methanol market and offer discounts to customers based on various factors. Our average non-discounted published reference price for 2010 was $356 per tonne compared with $252 per tonne in 2009. Our average realized price was approximately 14% and 11% lower than our average non-discounted published reference price for 2010 and 2009, respectively.

We have entered into long-term contracts for a portion of our production volume with certain global customers where prices are either fixed or linked to costs plus a margin. Sales under these contracts represented approximately 8% of our total sales volumes in 2010 compared with 19% of our total sales volumes in 2009. The difference between our average non-discounted published reference price and our average realized price is expected to narrow during periods of lower pricing.

Distribution of Revenue

The distribution of revenue for 2010 and 2009 is as follows:

($ MILLIONS, EXCEPT WHERE NOTED)	2010		2009	
Canada	$ 142	7%	$ 106	9%
United States	470	24%	355	30%
Europe	454	23%	198	17%
China	351	18%	195	16%
Korea	216	11%	136	11%
Other Asia	127	6%	83	7%
Latin America	207	11%	125	10%
	$ 1,967	100%	$ 1,198	100%

The primary changes in the distribution of our revenue in 2010 compared with 2009 were an increase in the proportion of revenues earned in Europe and Asia and a decrease in the proportion of revenues earned in North America. This is primarily due to growth in sales volumes in Europe and China, with sales volumes remaining relatively flat in North America in 2010 compared with 2009. Revenue in Europe increased as a proportion of our total revenue in 2010 compared with 2009 by 6%, primarily as a result of our initiative to grow sales in this region in anticipation of the start-up of the 1.26 million tonne per year methanol facility in Egypt. We also grew sales volumes in China, resulting in a 2% increase in the proportion of total revenue earned in China in 2010 compared with 2009. China continues to play an important role in the methanol industry as a substantial producer and consumer. A key part of our global leadership strategy is to increase our presence in China and the Asia Pacific region.

Adjusted EBITDA

We review our results of operations by analyzing changes in the components of Adjusted EBITDA. In addition to the methanol that we produce at our facilities, we also purchase and re-sell methanol produced by others and we sell methanol on a commission basis. We analyze the results of all methanol sales together. The key drivers of change in our Adjusted EBITDA are average realized price, sales volume and cash costs (refer to the *How We Analyze Our Business* section on page 12 for more information).

2010 Adjusted EBITDA was $267 million compared with $142 million in 2009. The increase in Adjusted EBITDA of $125 million resulted from changes in the following:

($ MILLIONS)	2010 vs. 2009
Average realized price	$ 520
Sales volume	62
Total cash costs[1]	(457)
Increase in Adjusted EBITDA	$ 125

[1] Includes cash costs related to both Methanex-produced methanol and purchased methanol, as well as consolidated selling, general and administrative expenses and fixed storage and handling costs.

Average Realized Price

Our average realized price for the year ended December 31, 2010 was $306 per tonne compared with $225 per tonne for 2009, and this increased our revenues by $520 million (refer to the *Revenue* section on page 16 for more information).

Sales Volumes

Total methanol sales volumes, excluding commission sales volumes, for the year ended December 31, 2010 were 1.11 million tonnes higher than in 2009, which resulted in higher Adjusted EBITDA of $62 million.

Total Cash Costs

The primary driver of changes in our total cash costs are changes in the cost of methanol we produce at our facilities and changes in the cost of methanol we purchase from others. Our production facilities are underpinned by natural gas purchase agreements with pricing terms that include base and variable price components. We supplement our production with methanol produced by others through methanol offtake contracts and purchases on the spot market to meet

customer needs and support our marketing efforts within the major global markets. We have adopted the first-in, first-out method of accounting for inventories and it generally takes between 30 and 60 days to sell the methanol we produce or purchase. Accordingly, the changes in Adjusted EBITDA as a result of changes in natural gas costs and purchased methanol costs will depend on changes in methanol pricing and the timing of inventory flows.

Cash costs for produced methanol and purchased methanol were $457 million higher in 2010 than in 2009. The primary changes in cash costs were as follows:

($ MILLIONS)	2010 vs. 2009
Natural gas costs on sales of produced methanol	$ 98
Purchased methanol costs	223
Proportion of purchased methanol sales	90
Stock-based compensation	19
Other, net	27
Increase in total cash costs	$ 457

Natural gas costs on sales of produced methanol

Natural gas is the primary feedstock at our methanol production facilities and is the most significant component of our cost structure. The natural gas supply contracts for our production facilities in Chile, Trinidad and New Zealand include base and variable price components to reduce our commodity price risk exposure. The variable price component of each gas contract is adjusted by a formula related to methanol prices above a certain level. We believe this pricing relationship enables these facilities to be competitive throughout the methanol price cycle. The higher average methanol prices in 2010 increased our natural gas costs per tonne for produced methanol and this increased cash costs by approximately $98 million compared with 2009.

For additional information regarding our natural gas agreements refer to the *Summary of Contractual Obligations and Commercial Commitments* section on page 24.

Purchased methanol costs

A key element of our corporate strategy is global leadership, and as such we have built a leading market position in each of the major global markets where methanol is sold. We supplement our production with purchased methanol through methanol offtake contracts and on the spot market to meet customer needs and support our marketing efforts within the major global markets. In structuring offtake agreements, we look for opportunities that provide synergies with our existing supply chain and market position. Our strong global supply chain allows us to take advantage of unique opportunities to add value through logistics cost savings and purchase methanol in the lowest-cost region. The cost 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 higher average methanol prices in 2010 increased the cost of purchased methanol per tonne and this increased cash costs by approximately $223 million compared with 2009.

Proportion of purchased methanol sales

The cost of purchased methanol is directly linked to the selling price for methanol at the time of purchase and the cost of purchased methanol is generally higher than the cost of produced methanol. Accordingly, an increase in the proportion of purchased methanol sales results in an increase in our overall cost structure for a given period. The proportion of purchased methanol sales for the year ended December 31, 2010 was higher compared with 2009 and this increased cash costs by $89 million. The increase in the proportion of purchased methanol sales in 2010 compared with 2009 was primarily due to the increase in sales volumes in anticipation of the start-up of the Egypt methanol facility. When the Egypt and Medicine Hat methanol facilities commence production in 2011, we expect the proportion of purchased methanol to decrease.

Stock-based compensation

We grant stock-based awards as an element of compensation. Stock-based awards granted include stock options, share appreciation rights or tandem share appreciation rights, deferred share units, restricted share units and performance share units.

For stock options, the cost is measured based on an estimate of the fair value at the date of grant and this grant-date fair value is recognized as compensation expense over the related service period. Accordingly, stock-based compensation expense associated with stock options will not vary significantly from period to period. Commencing in 2010, we granted share appreciation rights (SARs) and tandem share appreciation rights (TSARs) to replace grants of stock options as a result of our initiative to reduce dilution to shareholders. SARs and TSARs are units that grant the holder the right to receive a cash payment upon exercise for the difference between the market price of the Company's common shares and the exercise price, which is determined at the date of grant. SARs and TSARs are measured based on the intrinsic value, which is defined as the amount by which the market value of common shares exceeds the exercise price.

Deferred, restricted and performance share units are grants of notional common shares that are redeemable for cash upon vesting based on the market value of the Company's common shares and are non-dilutive to shareholders. Performance share units have an additional feature where the ultimate number of units that vest will be determined by the Company's total shareholder return in relation to a predetermined target over the period to vesting. The number of units that will ultimately vest will be in the range of 50% to 120% of the original grant. For deferred, restricted and performance share units, the fair value is initially measured at the grant date and subsequently remeasured based on the market value of common shares.

For all the stock-based awards with the exception of stock options, the initial value and any subsequent change in value due to changes in the market value of common shares is recognized in earnings over the related service period for the proportion of the service that has been rendered at each reporting date. Accordingly, stock-based compensation associated with these stock-based awards may vary significantly from period to period as a result of changes in the share price.

Stock-based compensation expense for the year ended December 31, 2010 was $31 million compared with $12 million for 2009. The increase in stock-based compensation of $19 million during 2010 was primarily due to the impact of the increase in the share price during the year from $19.49 per share to $30.40 per share. This resulted in a higher charge of approximately $13 million from an increase in the fair value of deferred, restricted and performance share units and a higher charge of approximately $3 million related to the value of SARs and TSARs. Additionally, the increase in share price resulted in a higher charge of approximately $3 million due to an increase in the estimated number of performance share units that will ultimately vest.

Other, net

Our investment in global distribution and supply infrastructure includes a dedicated fleet of ocean-going vessels. We utilize these vessels to enhance value to customers by providing reliable and secure supply and to optimize supply chain costs overall. Due to the significant reduction of production levels in Chile since mid-2007, we have had excess shipping capacity that is subject to fixed time charter costs. We have been successful in mitigating some of these costs by entering into sub-charters and third-party backhaul arrangements. However, excess capacity in the global tanker market over the last two years has made it more difficult to mitigate these costs. For the year ended December 31, 2010 compared with 2009, ocean freight and other logistics costs were higher by $16 million primarily as a result of lower backhaul cost recoveries and higher bunker fuel costs.

Selling, general and administrative expenses were higher by $11 million in 2010 compared with 2009 as a result of higher costs associated with employee training, travel and other initiatives combined with the negative impact of the weakening US dollar in 2010 on costs incurred in other currencies. Selling, general and administrative costs returned to more normalized levels in 2010 following spending deferrals and reductions in 2009 as a result of economic recession.

Depreciation and Amortization

Depreciation and amortization was $131 million for the year ended December 31, 2010 compared with $118 million for 2009. The increase in depreciation and amortization expense for 2010 compared with 2009 was primarily due to the inclusion of depletion charges associated with our oil and gas investment in Chile. Upon receipt of final approval from the Government of Chile in late 2009, we adopted the full cost methodology for accounting for oil and gas exploration costs associated with our 50% participation in the Dorado Riquelme block in southern Chile (refer to the *Production Summary* section on page 13 for more information). Under these accounting standards, cash investments in the block are initially capitalized and are recorded to earnings through non-cash depletion charges as natural gas is produced from the block.

Interest Expense

($ MILLIONS)	2010	2009
Interest expense before capitalized interest	$ 62	$ 60
Less capitalized interest related to Egypt plant under construction	(38)	(33)
Interest expense	$ 24	$ 27

Interest expense before capitalized interest in 2010 was $62 million compared with $60 million in 2009. Interest expense before capitalized interest was higher in 2010 primarily as a result of higher debt balances related to our methanol project in Egypt. We have limited recourse debt facilities of $530 million for this 1.26 million tonne per year methanol facility that we are developing with partners. Interest costs related to the project are capitalized.

Interest and Other Income

Interest and other income for the year ended December 31, 2010 was $2 million compared with nil for 2009. The increase in interest and other income during 2010 compared with 2009 was primarily due to the impact of changes in foreign exchange rates.

Income Taxes

We recorded an income tax expense of $34 million for the year ended December 31, 2010 compared with an income tax recovery of $4 million for 2009. The effective tax rate for the year ended December 31, 2010 was approximately 25%. Included in income before tax for 2010 was a before and after-tax gain of $22.2 million on the sale of our land and terminal assets in Kitimat, Canada. Excluding this item, the effective tax rate for 2010 was approximately 30%.

The statutory tax rate in Chile and Trinidad, where we earn a substantial portion of pre-tax earnings, is 35%. Our Atlas facility in Trinidad has partial relief from corporate income tax until 2014. In Chile, the tax rate consists of a first tier tax that is payable when income is earned and a second tier tax that is due when earnings are distributed from Chile. The second category tax is initially recorded as future income tax expense and is subsequently reclassified to current income tax expense when earnings are distributed. Accordingly, the ratio of current income tax expense to total income tax expense is highly dependent on the level of cash distributed from Chile.

For additional information regarding income taxes, refer to note 13 of our 2010 consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

($ MILLIONS)	2010	2009
Cash flows from operating activities:		
Cash flows from operating activities [1]	$ 252	$ 128
Changes in non-cash working capital	(99)	(18)
	153	110
Cash flows from investing activities:		
Property, plant and equipment	(58)	(61)
Egypt plant under construction	(86)	(262)
Oil and gas assets	(24)	(23)
GeoPark financing, net	20	(9)
Proceeds on sale of assets	32	–
Other, net	(1)	3
Changes in non-cash working capital	(2)	(28)
	(119)	(380)
Cash flows from financing activities:		
Dividend payments	(57)	(57)
Proceeds from limited recourse debt	68	151
Equity contributions by non-controlling interest	23	45
Repayment of limited recourse debt	(31)	(15)
Settlements on interest rate swap contracts	(16)	(6)
Proceeds on issue of shares on exercise of stock options	9	–
Other, net	(6)	(6)
	(10)	112
Increase (decrease) in cash and cash equivalents	24	(158)
Cash and cash equivalents, end of year	$ 194	$ 170

[1] Before changes in non-cash working capital.

Cash Flow Highlights

Cash Flows from Operating Activities

Cash flows from operating activities for the year ended December 31, 2010 were $153 million compared with $110 million for 2009. The change in cash flows from operating activities is explained by changes in Adjusted EBITDA after excluding non-cash expenses such as stock-based compensation expense and other items (net of any related cash payments), and changes in interest expense, interest and other income, current taxes and non-cash working capital. The following table provides a summary of these items for 2010 and 2009.

($ MILLIONS)	2010	2009
Adjusted EBITDA	$ 267	$ 142
Stock-based compensation expense	31	12
Other non-cash items (net of cash payments)	2	(4)
Interest expense	(24)	(27)
Interest and other income	3	–
Current taxes	(27)	6
	252	129
Changes in non-cash working capital:		
Receivables	(62)	(43)
Inventories	(55)	5
Prepaid expenses	(3)	(7)
Accounts payable and accrued liabilities	21	26
	(99)	(19)
Cash flows from operating activities	$ 153	$ 110

Cash flows from operating activities before changes in non-cash working capital for the year ended December 31, 2010 were $252 million compared with $129 million for 2009. Adjusted EBITDA was higher by $125 million for the year ended

December 31, 2010 compared with 2009 and this was the primary driver of the increase in cash flows from operating activities before changes in non-cash working capital (refer to the *Adjusted EBITDA* section on page 17 for a discussion of changes in Adjusted EBITDA). Non-cash stock-based compensation expense included in Adjusted EBITDA for the year ended December 31, 2010 was higher compared with 2009 by $19 million primarily due to the impact of the increase in our share price during 2010 (refer to the *Stock-based Compensation* section on page 18 for more information). Cash flows from operating activities were lower by $33 million for the year ended December 31, 2010 compared with 2009 due to higher current taxes as a result of higher income levels in 2010.

For the year ended December 31, 2010, non-cash working capital increased by $99 million, resulting in a decrease in cash flows from operating activities. The primary changes in non-cash working capital for 2010 were increases in receivables and inventories of $62 million and $55 million, respectively, offset by an increase in accounts payable and accrued liabilities of $21 million. The increase in receivables was primarily due to the impact of higher methanol pricing and higher sales volumes on trade receivables at December 31, 2010 compared with December 31, 2009. The increase in inventories was also primarily due to the impact of higher methanol pricing on both produced and purchased ending inventory as well as higher ending inventory volumes at December 31, 2010 compared with December 31, 2009. During 2010, we grew total sales volumes by approximately 16% from 5.95 million tonnes in 2009 to 6.93 million tonnes in 2010, and as a result we had a higher volume of trade receivables and higher ending inventory at December 31, 2010 compared with December 31, 2009 to support these sales. The increase in accounts payable and accrued liabilities at December 31, 2010 compared with December 31, 2009 was primarily as a result of the impact of higher methanol pricing on natural gas payables and the timing of other payments.

Cash Flows from Investing Activities

In 2010, our priorities for allocating capital were funding the completion of the methanol project in Egypt, supporting natural gas development in Chile and investing to maintain the reliability of our existing plants.

During 2010, additions to property, plant and equipment, which include turnarounds, catalyst and other capital expenditures, were $58 million. This includes approximately $12 million associated with major maintenance activities at our Trinidad facilities with the remaining capital expenditure of approximately $27 million relating primarily to maintenance costs at our plants in Chile and New Zealand. In 2010, approximately $10 million was also incurred for the restart of our Medicine Hat, Alberta plant. Included in additions to property, plant and equipment for 2010 is $9 million for the acquisition of an ocean-going vessel that we acquired through a 50% interest in a joint venture.

During 2010, total capital expenditures were $86 million for the development and construction of the 1.26 million tonne per year methanol plant in Egypt.

We have an agreement with ENAP to invest in natural gas exploration and development in the Dorado Riquelme exploration block in southern Chile. Under the arrangement, we fund a 50% participation in the block and receive 100% of the natural gas produced in the block. In 2010, we contributed $24 million and to December 31, 2010, we had made total contributions of approximately $86 million.

We also have agreements with GeoPark under which we have provided $57 million in financing to support and accelerate GeoPark's natural gas exploration and development activities in southern Chile. During 2010, GeoPark repaid approximately $20 million of this financing, $15 million of which was funded through proceeds of a debt financing, bringing cumulative repayments for this financing to $32 million as at December 31, 2010. We have no further obligations to provide funding to GeoPark.

During 2010, we sold our land and terminal facilities at the Kitimat, Canada site and received proceeds from this sale of $32 million.

We are pursuing natural gas exploration and development opportunities in New Zealand. During 2010, we entered into an agreement with Kea to explore areas of the Taranaki basin in New Zealand close to our plants. Under the agreement, funding will be shared 50% by both parties, and we will be entitled to all natural gas deliveries from our participation at a price that is competitive to our other locations in Trinidad, Chile and Egypt. During 2010, we spent approximately $10 million on exploration activities with Kea.

During 2010, we sold our 20% equity interest in Xinneng (Zhangjiagang) Energy Co. Ltd, a company that owns a DME production facility in China, for approximately $10 million to the ENN Group with no gain or loss on sale. Under the arrangement, we continue to supply all of the methanol requirements for the DME facility under an exclusive supply arrangement.

Cash Flows from Financing Activities

During 2010, we paid our regular quarterly dividend of $0.155 per share and made total dividend payments of $57 million, the same amount as in 2009.

We own 60% of the 1.26 million tonne per year Egypt methanol facility and we account for this investment using consolidation accounting, which results in 100% of the assets and liabilities being included in our financial statements with the other investors' interest in the project being presented as "non-controlling interest". We have limited recourse debt facilities totalling $530 million for the methanol facility in Egypt. During 2010, a total of $58 million of this limited recourse debt was drawn for construction activities and a total of $23 million was funded by equity contributions from our partners in the project. At December 31, 2010, the full amount of $530 million had been drawn under these facilities. The remaining proceeds on limited recourse debt of $10 million relates to debt facilities obtained on the acquisition of an ocean-going vessel during 2010.

We repaid $15 million in principal on our Atlas and other limited recourse debt facilities in each of 2010 and 2009. On September 30, 2010, we also made the first debt principal payment of $16 million on the Egypt limited recourse debt facilities.

The Egypt limited recourse debt facilities bear interest at LIBOR plus a spread. We have entered into interest rate swap contracts to swap the LIBOR-based interest payments for an average aggregated fixed rate of 4.8% plus a spread on approximately 75% of the Egypt limited recourse debt facilities for the period to March 31, 2015 (refer to the *Financial Instruments* section on page 26 for more information). The cash settlements associated with these interest rate swap contracts during 2010 and 2009 were approximately $16 million and $6 million, respectively.

During 2010, we received proceeds of $9 million on the issue of 0.5 million common shares on the exercise of stock options.

Liquidity and Capitalization

We maintain conservative financial policies and focus on maintaining our financial strength and flexibility through prudent financial management. Our objectives in managing liquidity and capital are to provide financial capacity and flexibility to meet our strategic objectives, to provide an adequate return to shareholders commensurate with the level of risk and to return excess cash through a combination of dividends and share repurchases.

The following table provides information on our liquidity and capitalization position as at December 31, 2010 and December 31, 2009, respectively:

($ MILLIONS, EXCEPT WHERE NOTED)	2010	2009
Liquidity:		
Cash and cash equivalents	$ 194	$ 170
Undrawn Egypt limited recourse debt facilities	–	58
Undrawn credit facilities	200	200
Total liquidity	$ 394	$ 428
Capitalization:		
Unsecured notes	$ 348	$ 347
Limited recourse debt facilities, including current portion	599	567
Total debt	947	914
Non-controlling interest	146	133
Shareholders' equity	1,277	1,236
Total capitalization	$ 2,370	$ 2,283
Total debt to capitalization[1]	40%	40%
Net debt to capitalization[2]	35%	35%

[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.

We manage our liquidity and capital structure and make adjustments to it in light of changes to economic conditions, the underlying risks inherent in our operations and the capital requirements to maintain and grow our business. The strategies we employ include the issue or repayment of general corporate debt, the issue of project debt, the issue of equity, the payment of dividends and the repurchase of shares.

We are not subject to any statutory capital requirements and have no commitments to sell or otherwise issue common shares except pursuant to outstanding employee stock options.

We operate in a highly competitive commodity industry and believe that it is appropriate to maintain a conservative balance sheet and retain financial flexibility. At December 31, 2010, we had a strong balance sheet with a cash balance of $194 million, a $200 million undrawn credit facility and no re-financing requirements until mid-2012. We invest cash only in highly rated instruments that have maturities of three months or less to ensure preservation of capital and appropriate liquidity.

At December 31, 2010, our long-term debt obligations included $350 million in unsecured notes ($200 million that matures in 2012 and $150 million that matures in 2015), $514 million related to the Egypt limited recourse debt facilities and $81 million related to our Atlas limited recourse debt facilities.

We have covenant and default provisions on our long-term debt obligations, including certain conditions of the Egypt limited recourse debt facilities associated with completion of plant construction and commissioning. We also have certain covenants that could restrict access to the credit facility. For additional information regarding long-term debt, refer to note 8 of our consolidated financial statements.

Our planned capital maintenance expenditures directed towards major maintenance, turnarounds and catalyst changes for current operations are estimated to be approximately $80 million for the period to the end of 2012.

The estimated capital cost to restart the Medicine Hat plant is approximately $40 million, of which $10 million was incurred in 2010 and the remaining $30 million is expected to be incurred in the first half of 2011.

As previously discussed, we are focused on accessing natural gas to increase production at our existing sites in Chile and New Zealand. We are working with ENAP in the Dorado Riquelme block in southern Chile and with Kea in the Taranaki basin in New Zealand. For 2011, we expect our share of total contributions for oil and gas exploration and development in Chile and New Zealand to be approximately $60-70 million.

We believe we are well positioned to meet our financial commitments and continue to invest to grow our business.

Summary of Contractual Obligations and Commercial Commitments

A summary of the estimated amount and estimated timing of cash flows related to our contractual obligations and commercial commitments as at December 31, 2010 is as follows:

($ MILLIONS)	2011	2012-2013	2014-2015	AFTER 2015	TOTAL
Long-term debt repayments	$ 50	309	254	352	$ 965
Long-term debt interest obligations	57	81	48	54	240
Repayment of other long-term liabilities	21	34	4	46	105
Natural gas and other	237	390	262	1,424	2,313
Operating lease commitments	142	241	162	409	954
	$ 507	1,055	730	2,285	$ 4,577

The above table does not include costs for planned capital maintenance expenditures, costs for purchased methanol under offtake contracts or any obligations with original maturities of less than one year. We have supply contracts with Argentinean suppliers for natural gas sourced from Argentina for a significant portion of the capacity of our facilities in Chile. These contracts have expiration dates between 2017 and 2025 and represent a total potential future commitment of approximately $1 billion at December 31, 2010. We have excluded these potential purchase obligations from the table above. Since June 2007, our natural gas suppliers from Argentina have curtailed all gas supply to our plants in Chile in response to various actions by the Argentinean government, including imposing a large increase to the duty on natural gas exports. Under the current circumstances, we do not expect to receive any further natural gas supply from Argentina.

Long-Term Debt Repayments and Interest Obligations

We have $200 million of unsecured notes that mature in 2012 and $150 million of unsecured notes that mature in 2015. The remaining debt repayments represent the total expected principal repayments relating to the Egypt project debt, our

proportionate share of total expected principal repayments related to the Atlas limited recourse debt facilities. Interest obligations related to variable interest rate long-term debt were estimated using current interest rates in effect at December 31, 2010. For additional information, refer to note 8 of our 2010 consolidated financial statements.

Repayments of Other Long-Term Liabilities

Repayments of other long-term liabilities represent contractual payment dates or, if the timing is not known, we have estimated the timing of repayment based on management's expectations.

Natural Gas and Other

We have commitments under take-or-pay contracts to purchase annual quantities of natural gas and to pay for transportation capacity related to this natural gas. We also have take-or-pay contracts 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 in the methanol industry. These contracts generally provide a quantity that is subject to take-or-pay terms that is lower than the maximum quantity that we are entitled to purchase. The amounts disclosed in the table represent only the minimum take-or-pay quantity.

Most of the natural gas supply contracts for our facilities in Chile, Trinidad, New Zealand and the natural gas supply contract for the new methanol plant in Egypt are take-or-pay contracts denominated in United States dollars and include base and variable price components to reduce our commodity price risk exposure. The variable price component of each natural gas contract is adjusted by a formula related to methanol prices above a certain level. We believe this pricing relationship enables these facilities to be competitive at all points in the methanol price cycle and provides gas suppliers with attractive returns. The amounts disclosed in the table for these contracts represent only the base price component.

In support of the restart of the Medicine Hat plant, we commenced a program to purchase natural gas on the Alberta gas market and have contracted sufficient volumes of natural gas to meet 80% of our requirements when operating at capacity for the period from start-up to October 2012. In the above table, we have included these natural gas commitments at the contractual volumes and prices.

The natural gas commitments for our Chile facilities included in the above table relate to our natural gas contracts with ENAP, the Chilean state-owned energy company. These contracts represent approximately 20% of the natural gas requirements for our Chile facilities operating at capacity. These contracts have a base component and variable price component determined with reference to 12-month trailing average published industry methanol prices and have expiration dates that range from 2017 to 2025. Under these contracts with ENAP, we have rights to receive quantities of "make-up gas" if ENAP fails to deliver quantities of gas that it is obligated to deliver to us. Over the past few years, ENAP has delivered less than the full amount of natural gas that it was required to deliver under these contracts.

We have an agreement with ENAP to accelerate natural gas exploration and development in the Dorado Riquelme exploration block in southern Chile. Under the arrangement, we fund a 50% participation in the block and take all natural gas produced from the block. We also have an arrangement with GeoPark to purchase all natural gas produced by GeoPark from the Fell block in southern Chile for a 10-year period. The pricing under this arrangement has a base component and a variable component determined with reference to a three-month trailing average of methanol prices. We cannot determine the amount of natural gas that will be purchased under these agreements in the future, and accordingly, no amounts have been included in the above table.

In Trinidad, we also have take-or-pay supply contracts for natural gas, oxygen and other feedstock requirements and these are included in the above table. The variable component of our natural gas contracts in Trinidad is determined with reference to average published industry methanol prices each quarter and the base prices increase over time. The natural gas and oxygen supply contracts for Titan and Atlas expire in 2014 and 2024, respectively.

In New Zealand, we have take-or-pay supply contracts that have a variable pricing component and these are included in the above table. These contracts are with a number of suppliers, which, together with some spot purchases of natural gas, will enable us to continue operating our 0.85 million tonne per year Motunui plant until the end of 2012.

We have a 25 year, take-or-pay natural gas supply agreement for a 1.26 million tonne per year methanol plant that we have constructed in Egypt. The plant is in the commissioning phase and produced first methanol in January 2011. In March 2011, EGAS (the gas supplier to EMethanex) requested us to enter into discussions concerning the gas supply agreement based

on a 2008 government declaration concerning natural gas pricing. The Company met with EGAS concerning this issue and based on these discussions, we do not believe that this issue will result in a material adverse impact on the anticipated results of operations from the Egypt plant or on our financial position. Any ultimate outcome of this issue would be subject to ratification by various parties.

We have marketing rights for 100% of the production from our jointly owned plants (the Atlas plant in Trinidad in which we have a 63.1% interest and the new plant in Egypt in which we have a 60% interest), which results in purchase commitments of an additional 1.17 million tonnes per year of methanol offtake supply when these plants operate at capacity. At December 31, 2010, we also have annual methanol purchase commitments with other suppliers under offtake contracts for approximately 0.38 million tonnes for 2011 and approximately 0.27 million tonnes for 2012. The pricing under the purchase commitments related to our 100% marketing rights from our jointly owned plants and the purchase commitments with other suppliers is referenced to pricing at the time of purchase or sale, and accordingly, no amounts have been included in the above table.

Operating Lease Commitments

The majority of these commitments relate to time charter vessel agreements with terms of up to 15 years. Time charter vessels typically meet most of our ocean shipping requirements.

Off-Balance Sheet Arrangements

At December 31, 2010, we did 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.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are either measured at amortized cost or fair value. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost. Held for trading financial assets and liabilities and available-for-sale financial assets are measured on the balance sheet at fair value. From time to time we enter into derivative financial instruments to limit our exposure to foreign exchange volatility and to variable interest rate volatility and to contribute towards achieving cost structure and revenue targets. Until settled, the fair value of derivative financial instruments will fluctuate based on changes in foreign exchange rates and variable interest rates. Derivative financial instruments are classified as held for trading and are recorded on the balance sheet at fair value unless exempted. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges.

The following table shows the carrying value of each of our categories of financial assets and liabilities and the related balance sheet item as at December 31, 2010 and December 31, 2009, respectively:

($ MILLIONS)	2010	2009
Financial assets:		
Held for trading financial assets:		
Cash and cash equivalents	$ 194	$ 170
Debt service reserve accounts included in other assets	12	13
Loans and receivables:		
Receivables, excluding current portion of GeoPark financing	316	249
GeoPark financing, including current portion	26	46
	$ 548	$ 478
Financial liabilities:		
Other financial liabilities:		
Accounts payable and accrued liabilities	$ 251	$ 233
Long-term debt, including current portion	947	914
Held for trading financial liabilities:		
Derivative instruments designated as cash flow hedges	43	33
	$ 1,241	$ 1,180

At December 31, 2010, all of the financial instruments were recorded on the balance sheet at amortized cost with the exception of cash and cash equivalents, derivative financial instruments and debt service reserve accounts included in other assets, which were recorded at fair value.

The Egypt limited recourse debt facilities bear interest at LIBOR plus a spread. We have entered into interest rate swap contracts to swap the LIBOR-based interest payments for an average aggregated fixed rate of 4.8% plus a spread on approximately 75% of the Egypt limited recourse debt facilities for the period to March 31, 2015.

These interest rate swaps had outstanding notional amounts of $368 million as at December 31, 2010. The notional amount decreases over the expected repayment of the Egypt limited recourse debt facilities. At December 31, 2010, these interest rate swap contracts had a negative fair value of $43 million (December 31, 2009 – $33 million) recorded in other long-term liabilities. The fair value of these interest rate swap contracts will fluctuate until maturity. Changes in the fair value of derivative financial instruments designated as cash flow hedges have been recorded in other comprehensive income.

RISK FACTORS AND RISK MANAGEMENT

We are subject to risks that require prudent risk management. We believe the following risks, in addition to those described in the *Critical Accounting Estimates* section on page 35, to be among the most important for understanding the issues that face our business and our approach to risk management.

Security of Natural Gas Supply and Price

We use natural gas as the principal feedstock for producing methanol and it accounts for a significant portion of our operating costs. Accordingly, our results from operations depend in large part on the availability and security of supply and the price of natural gas. If, for any reason, we are unable to obtain sufficient natural gas for any of our plants on commercially acceptable terms or we experience interruptions in the supply of contracted natural gas, we could be forced to curtail production or close such plants, which could have an adverse effect on our results of operations and financial condition.

Chile

We have four methanol plants in Chile with a total production capacity of 3.8 million tonnes per year. Although we have long-term natural gas supply contracts in place that entitle us to receive a significant quantity of our total natural gas requirements in Chile from suppliers in Argentina, these suppliers have curtailed all gas supply to our plants in Chile since June 2007 in response to various actions by the Argentinean government that include imposing a large increase to the duty on natural gas exports from Argentina. Since then we have been operating our Chile facilities significantly below site capacity. We are not aware of any plans by the Government of Argentina to decrease or remove this duty. Under the current circumstances, we do not expect to receive any further natural gas supply from Argentina.

Over the past few years, ENAP, our primary supplier in Chile, has delivered less than the full amount of natural gas that it was obligated to deliver to us primarily due to declines in the production rates of existing wells. The shortfalls in natural gas deliveries from ENAP are generally greater in the southern hemisphere winter due to the need to satisfy increased demand for residential uses in the region. We are focused on sourcing additional gas supply for our Chile facilities from suppliers in Chile as discussed in more detail in the *Production Summary – Chile* section on page 14 of this document. We are pursuing investment opportunities with ENAP, GeoPark and others to help accelerate natural gas exploration and development in southern Chile. In addition, the Government of Chile completed an international bidding round in 2007 to assign natural gas exploration areas that lie close to our production facilities and announced the participation of several international oil and gas companies.

As we entered 2011, we were operating one plant at approximately 65% capacity at our Chile site. The future operating rate of our Chile site is primarily dependent on demand for natural gas for residential purposes, which is higher in the southern hemisphere winter, production rates from existing natural gas fields, and the level of natural gas deliveries from future exploration and development activities in southern Chile. We cannot provide assurance regarding the production rates from existing natural gas fields or that we, ENAP, GeoPark or others will be successful in the exploration and development of natural gas or that we will obtain any additional natural gas from suppliers in Chile on commercially acceptable terms. As a result, we cannot provide assurance over changes in the level of natural gas supply or that we will be able to source sufficient natural gas to operate any capacity in Chile and that this will not have an adverse impact on our results of operations and financial condition.

Trinidad

Natural gas for our two methanol production facilities in Trinidad, with a total production capacity of 2.05 million tonnes per year, is supplied under long-term contracts with The National Gas Company of Trinidad and Tobago Limited. The contracts for Titan and Atlas expire 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 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.

New Zealand

We have three plants in New Zealand with a total production capacity of up to 2.23 million tonnes per year. Two plants are located at Motunui and the third is located at nearby Waitara Valley. In 2004, we idled our two Motunui plants and continued to operate the Waitara Valley plant. As a result of improvements to natural gas availability and deliverability, in 2008 we restarted one 0.85 million tonne per year plant in Motunui and idled the 0.53 million tonne per year Waitara Valley plant. Currently, our second Motunui plant and our Waitara Valley plant provide the potential to increase production in New Zealand depending on methanol supply and demand dynamics and the availability of natural gas on commercially acceptable terms.

During the past few years, increased natural gas exploration and development activity in New Zealand has resulted in improved gas availability and deliverability. We have a range of gas suppliers with short-term contracts and currently have sufficient quantities of natural gas to operate one Motunui plant through 2011 and 2012. We continue to pursue opportunities to obtain economically priced natural gas with suppliers in New Zealand to underpin a restart of a second plant. We are also pursuing natural gas exploration and development opportunities in the area close to our plants and have entered into an agreement with Kea, an oil and gas exploration and development company, to explore areas of the Taranaki basin in New Zealand. Based on the improved outlook for natural gas in New Zealand, we are optimistic that we can secure additional gas supply in New Zealand and restart more capacity there in the future.

The future operation of our New Zealand facilities depends on methanol industry supply and demand and the availability of natural gas on commercially acceptable terms, and the success of ongoing exploration and development activities. We cannot provide assurance that we will be able to secure additional gas for our facilities on commercially acceptable terms or that the ongoing exploration and development activities in New Zealand will be successful.

Egypt

Natural gas for the 1.26 million tonne per year production facility in Egypt, which produced first methanol in January 2011, is supplied under a single long-term contract with the government-owned Egyptian Natural Gas Holding Company (EGAS). Gas will be supplied to this facility from the same gas delivery grid infrastructure that supplies other industrial users in Egypt, as well as the general Egyptian population and, accordingly, the natural gas supplied under this long-term contract could be impacted by the supply and demand balance of natural gas in Egypt. There can be no assurance that we will not experience curtailments of natural gas supply, which could have an adverse impact on our results of operations and financial condition.

Refer also to the *Foreign Operations* section on page 31.

Canada

We are nearing completion of the project to restart our 0.47 million tonne per year idled facility in Medicine Hat, Alberta, Canada. In support of the restart, which is expected in the second quarter of 2011, we commenced a program to purchase natural gas on the Alberta gas market and have contracted sufficient volumes of natural gas to meet 80% of our requirements when operating at capacity for the period from start-up to October 2012. The Alberta gas market offers substantial volumes of natural gas in a competitive market where prices can fluctuate widely.

The future operation of our Medicine Hat facility depends on our ability to secure sufficient natural gas on commercially acceptable terms. There can be no assurance that we will be able to continue to secure sufficient natural gas for our Medicine Hat facilities on commercially acceptable terms.

Methanol Price Cyclicality and Methanol Supply and Demand

The methanol business is a highly competitive commodity industry and prices are affected by supply and demand fundamentals and global energy prices. Methanol prices have historically been, and are expected to continue to be, characterized by significant cyclicality. 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 been shut down or idled when methanol prices are low but there can be no assurance that this practice will occur in the future. Demand for methanol largely depends upon levels of global industrial production, changes in general economic conditions and energy prices.

We are not able to predict future methanol supply and demand balances, market conditions, global economic activity, methanol prices or energy prices, all of which are affected by numerous factors beyond our control. 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.

Global Economic Conditions

The global economic recession that began in late 2008 added significant risks and uncertainties to our business, including risks and uncertainties related to the impact on global supply and demand for methanol, its impact on methanol prices, changes in capital markets and corresponding effects on our investments, our ability to access existing or future credit and increased risk of defaults by customers, suppliers and insurers. While the global economy has improved and demand for methanol and methanol prices have recovered, there can be no assurance that this recovery will be sustained.

Liquidity Risk

We have an undrawn $200 million credit facility that expires in mid-2012. This facility is provided by highly rated financial institutions and our ability to access the facility is subject to certain financial covenants, including an EBITDA to interest coverage ratio and a debt to capitalization ratio, as defined.

At December 31, 2010, our long-term debt obligations include $350 million in unsecured notes ($200 million which matures in 2012 and $150 million which matures in 2015), $514 million related to the Egypt limited recourse debt facilities and $81 million related to our Atlas limited recourse debt facilities. The covenants governing the unsecured notes apply to the Company and its subsidiaries excluding the Atlas joint venture and Egypt entity (“limited recourse subsidiaries”) and include restrictions on liens and sale and lease-back transactions, or merger or consolidation with another corporation or sale of all or substantially all of the Company’s assets. The indenture also contains customary default provisions. The Atlas and Egypt limited recourse debt facilities are described as limited recourse as they are secured only by the assets of the Atlas joint venture and the Egypt entity, respectively. Accordingly, the lenders to the limited recourse debt facilities have no recourse to the Company or its other subsidiaries. The Atlas and Egypt limited recourse debt facilities have customary covenants and default provisions that apply only to these entities, including restrictions on the incurrence of additional indebtedness and a requirement to fulfill certain conditions before the payment of cash or other distributions. The Egypt limited recourse debt facilities also require that certain conditions associated with completion of plant construction and commissioning be met by no later than September 30, 2011. These conditions include a 90-day plant reliability test and finalization of certain land title registrations and related mortgages which require actions by governmental entities.

For additional information regarding long-term debt, refer to note 8 of our 2010 consolidated financial statements.

We cannot provide assurance that we will be able to access new financing in the future or that the financial institutions providing the credit facility will have the ability to honour future draws. Additionally, failure to comply with any of the covenants or default provisions could restrict our access to the credit facility or result in acceleration of payment of outstanding principal and accrued interest on our long-term debt. Any of these factors could have a material adverse effect on our results of operations, our ability to pursue and complete strategic initiatives or on our financial condition.

Customer Credit Risk

Most of our customers are large global or regional petrochemical manufacturers or distributors and a number are highly leveraged. We monitor our customers’ financial status closely; however, some customers may not have the financial ability

to pay for methanol in the future and this could have an adverse effect on our results of operations and financial condition. Although credit losses have not been significant in the past, this risk still exists.

Methanol Demand

Demand for Methanol – General

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 on revenues from 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.

Changes in environmental, health and safety laws, regulations or requirements could impact methanol demand. The U.S. Environmental Protection Agency (EPA) is currently evaluating the carcinogenicity classification for methanol as part of a standard review of chemicals under its Integrated Risk Information System (IRIS). Methanol is currently unclassified under IRIS. A draft assessment for methanol was released by the EPA in January 2010 classifying methanol as “Likely to Be Carcinogenic to Humans”. As of June 2010, the EPA’s methanol assessment has been placed “on hold”. Although the EPA maintains a public target for the second quarter of 2011, we are unable to determine at this time if and when the methanol assessment will resume, whether the current draft classification will be maintained in the final assessment or if this will lead other government agencies to reclassify methanol. Any reclassification could reduce future methanol demand, which could have an adverse effect on our results of operations, financial condition or our stock price.

Demand for Methanol in the Production of Formaldehyde

In 2010, methanol demand for the production of formaldehyde represented approximately 34% of global demand. 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.

The current EPA IRIS carcinogenicity classification for formaldehyde is “Likely to Be Carcinogenic to Humans.” However, the EPA is reviewing this classification for formaldehyde as part of a standard review of chemicals. The final assessment of formaldehyde is currently set for release in the third quarter of 2011.

In May 2009, the U.S. National Cancer Institute (NCI) published a report on the health effects of occupational exposure to formaldehyde and a possible link to leukemia, multiple myeloma and Hodgkin’s disease. The NCI report concluded that there may be an increased risk of cancers of the blood and bone marrow related to a measure of peak formaldehyde exposure. The NCI report is the first part of an update of the 2004 NCI study that indicated possible links between formaldehyde exposure and nasopharyngeal cancer and leukemia. The second portion of the study, which focuses on nasopharyngeal cancer and other cancers, should appear in peer reviewed literature in 2011. The International Agency for Research on Cancer also recently concluded that there is sufficient evidence in humans of a causal association of formaldehyde with leukemia.

The U.S. Department of Health and Human Services’ (HHS) National Toxicology Program (NTP) Report on Carcinogens (RoC) currently lists formaldehyde as “reasonably anticipated to be a human carcinogen.” This classification is currently under review. In April 2010, the NTP released its draft substance profile for formaldehyde with the classification “Known to be a Human Carcinogen”. Final classification will be confirmed when the NTP releases its 12th RoC. At this time, the release date, which was originally expected in December 2010, is uncertain.

In 2010, the *U.S. Formaldehyde Standards for Composite Wood Products Act* became effective. The legislation sets new national emissions standards for formaldehyde in various wood products. These standards require a reduction in the emissions standards for formaldehyde used in hardwood plywood, particleboard and medium-density fibreboard sold in the United States However, most United States producers are believed to have the technology in place to meet the new emissions requirements and we do not expect a significant impact on the demand for methanol for formaldehyde in the United States.

We are unable to determine at this time if the EPA, the HHS or other governments or government agencies will reclassify formaldehyde or what limits could be imposed related to formaldehyde emissions in the United States or elsewhere. Any such actions could reduce future methanol demand for use in producing formaldehyde, which could have an adverse effect on our results of operations and financial condition.

Demand for Methanol in the Production of MTBE

In 2010, methanol demand for the production of MTBE represented approximately 13% of global methanol demand. MTBE is used primarily as a source of octane and as an oxygenate for gasoline to reduce the amount of harmful exhaust emissions from motor vehicles.

Several years ago, environmental concerns and legislative action related to gasoline leaking into water supplies from underground gasoline storage tanks in the United States resulted in the phase-out of MTBE as a gasoline additive in the United States. We believe that methanol has not been used in the United States to make MTBE for use in domestic fuel blending since 2007. However, approximately 0.65 million tonnes of methanol was used in the United States in 2010 to produce MTBE for export markets, where demand for MTBE has continued at strong levels. While we currently expect demand for methanol for MTBE production in the United States for 2011 to remain steady or to decline slightly, it could decline materially if export demand was impacted by legislation or policy changes.

Additionally, the EPA in the United States is preparing an IRIS review of the human health effects of MTBE, including its potential carcinogenicity, and its final report is expected to be released in the third quarter of 2011.

The European Union issued a final risk assessment report on MTBE in 2002 that permitted the continued use of MTBE, although several risk reduction measures relating to the storage and handling of fuels were recommended. Governmental efforts in recent years in some countries, primarily in the European Union and Latin America, to promote biofuels and alternative fuels through legislation or tax policy are putting competitive pressures on the use of MTBE in gasoline in these countries. However, due to strong MTBE demand in other countries, we have observed methanol demand growth for MTBE production. We cannot provide assurance that this will continue.

Although MTBE demand has remained strong outside of the United States, we cannot provide assurance that further legislation banning or restricting the use of MTBE or promoting alternatives to MTBE will not be passed or that negative public perceptions will not develop outside of the United States, either of which would lead to a decrease in the global demand for methanol for use in MTBE. Declines in demand for methanol for use in MTBE could have an adverse effect on our results of operations and financial condition.

Foreign Operations

The majority of our operations and investments are located outside of North America, including Chile, Trinidad, New Zealand, Egypt, 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; import or export restrictions, anti-dumping measures; nationalization, war, insurrection, civil unrest, terrorism and other political risks; increases in duties, taxes and governmental royalties; renegotiation of contracts with governmental entities; as well as changes in laws or policies or other actions by governments that may adversely affect our operations. Many of the foregoing risks related to foreign operations may also exist for our domestic operations in North America.

In late January 2011, there were widespread anti-government protests and civil unrest in Egypt. For the safety and security of our employees, we took the decision to temporarily close our Cairo office and curtail the commissioning activities at the plant in Damietta, Egypt. As conditions stabilized, we reopened our Cairo office and our plant in Damietta resumed operations to continue the start-up and commissioning process. We cannot provide assurance that future developments in Egypt, including changes in government or further civil unrest or other disturbances, would not have an adverse impact on the plant start-up and commissioning or ongoing operations or on the terms or enforceability of our natural gas or other contracts with governmental entities.

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 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 taxation 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.

The dominant currency in which we conduct business is the United States dollar, which is also our reporting currency. The most significant components of our costs are natural gas feedstock and ocean-shipping costs and substantially all of these costs are incurred in United States dollars. Some of our underlying operating costs and capital expenditures, however, are incurred in currencies other than the United States dollar, principally the Canadian dollar, the Chilean peso, the Trinidad and Tobago dollar, the New Zealand dollar, the euro and the Egyptian pound. 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 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 our revenue.

In June 2009, the Chinese Ministry of Commerce (MOFCOM) began an investigation into domestic methanol producer allegations of the dumping of methanol from New Zealand, Saudi Arabia, Indonesia and Malaysia. In late December 2010, MOFCOM issued its Final Determination and recommended that duties of approximately 9% be imposed on imports from existing producers in New Zealand, Malaysia and Indonesia. However, citing special circumstances, the Customs Tariff Commission of the Chinese State Council decided to suspend enforcement of the anti-dumping measures, which will allow methanol from all three countries to enter into China without the imposition of additional duties. In the event that the suspension is lifted, we do not expect there would be any significant impact on industry supply/demand fundamentals and we would realign our supply chain. We cannot provide assurance that the suspension will not be lifted or that the Chinese government will not impose duties or other measures in the future that could have an adverse effect on our results of operations and financial condition.

Methanol is a globally traded commodity that is produced by many producers at facilities located in many countries around the world. Some producers and marketers may have direct or indirect contacts with countries that may, from time to time, be subject to international trade sanctions or other similar prohibitions (“Sanctioned Countries”). In addition to the methanol we produce, we purchase methanol from third parties under purchase contracts or on the spot market in order to meet our commitments to customers, and we also engage in product exchanges with other producers and marketers. We believe that we are in compliance with all applicable laws with respect to sales and purchases of methanol and product exchanges. However, as a result of the participation of Sanctioned Countries in our industry, we cannot provide assurance that we will not be exposed to reputational or other risks that could have an adverse impact on our results of operations, our financial condition or our stock price.

Operational Risks

Production Risks

Most of our earnings 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, longer-than-anticipated planned maintenance activities, loss of port facilities, natural disasters or any other event, including unanticipated events beyond our control, that 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 have an adverse effect on our results of operations and financial condition.

Purchased Product Price Risk

In addition to the sale of methanol produced at our plants, we also purchase methanol produced by others on the spot market and through purchase contracts to meet our customer commitments and support our marketing efforts. We have adopted the first-in, first-out method of accounting for inventories and it generally takes between 30 and 60 days to sell the methanol we purchase. Consequently, we have the risk of holding losses on the resale of this product to the extent that methanol prices decrease from the date of purchase to the date of sale. We grew our sales levels in 2010 in anticipation of increased production from the Egypt plant and we have continued to meet our commitments to customers

by increasing the amount of methanol we purchase. Holding losses, if any, on the resale of purchased methanol could have an adverse effect on our results of operations and financial condition.

Distribution Risks

Excess capacity within our fleet of ocean vessels resulting from a prolonged plant shutdown or other event could also have an adverse effect on our results of operations and financial condition. Due to the significant reduction of production levels at our Chilean facilities since mid-2007, we have had excess shipping capacity that is subject to fixed time charter costs. We have been successful in mitigating some of these costs by entering into sub-charters and third-party backhaul arrangements, although there has been significant excess global shipping capacity over the last few years which has made it more difficult to mitigate these costs. If we are unable to mitigate these costs in the future, or if we suffer any other disruptions in our distribution system, this could have an adverse effect on our results of operations and financial condition.

Insurance Risks

Although we maintain operational and construction insurances, including business interruption insurance and delayed start-up insurance, we cannot provide assurance that we will not incur losses beyond the limits of, or outside the coverage of, such insurance or that insurers will be financially capable of honouring future claims. 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.

Egypt Plant Start-up

The 1.26 million tonne per year methanol facility in Egypt is in the commissioning phase and produced first methanol in January 2011. We cannot provide any assurance that the facility will begin commercial production within the anticipated schedule, if at all, or that the facility will operate at its designed capacity or on a sustained basis. This could have an adverse impact on our financial condition and anticipated results of operations.

Medicine Hat Plant Restart

We believe that our estimates of project costs and anticipated completion for the restart of our 0.47 million tonne per year methanol plant in Medicine Hat are reasonable. However, we cannot provide any assurance that the cost estimates will not be exceeded or that the facility will begin commercial production within the anticipated schedule, if at all, or that the facility will operate at its designed capacity or on a sustained basis. This could have an adverse impact on our financial condition and anticipated results of operations.

New Capital Projects

As part of our strategy to strengthen our position as the global leader in the production and marketing of methanol, we intend to continue pursuing new opportunities to enhance our strategic position in the methanol industry. Our ability to successfully identify, develop and complete new capital projects is subject to a number of risks, including finding and selecting favourable locations for new facilities where sufficient natural gas and other feedstock is available through long-term contracts with acceptable commercial terms, obtaining project or other financing on satisfactory terms, developing and not exceeding acceptable project cost estimates, constructing and completing the projects within the contemplated schedules and other risks commonly associated with the design, construction and start-up of large complex industrial projects. We cannot provide assurance that we will be able to identify or develop new methanol projects.

Environmental Regulation

The countries in which we operate all have laws and regulations to which we are subject 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 and regulations governing emissions and 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 these laws and regulations may give rise to work orders, fines, injunctions, civil liability and criminal sanctions.

As a result of frequently scheduled external and internal audits, we believe that we materially comply 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 also expose us to liability for the conduct of, or conditions caused by, others, or for our own acts even if we complied with applicable laws at the time such acts were performed. To date, environmental laws and regulations have not had a significant adverse effect on our capital expenditures, earnings or competitive position. However, operating petrochemical manufacturing plants and distributing methanol exposes us to risks in connection with compliance with such laws and we cannot provide assurance that we will not incur significant costs or liabilities in the future.

We believe that minimizing emissions and waste from our business activities is good business practice. Carbon dioxide (CO2) is a significant by-product of the methanol production process. The amount of CO2 generated by the methanol production process depends on the production technology (and hence often the plant age), the feedstock and any export of by-product hydrogen. We continually strive to increase the energy efficiency of our plants, which not only reduces the use of energy but also minimizes CO2 emissions. We have reduced CO2 emission intensity in our manufacturing operations by 33% between 1994 and 2010 through asset turnover, improved plant reliability, and energy efficiency and emissions management. Plant efficiency, and thus CO2 emission, is highly dependent on a particular design of the methanol plant, so our level of CO2 emissions may vary from year to year depending on the asset mix that is operating. We also recognize that CO2 is generated from our marine operations, and in that regard we measure the consumption of fuels by our ocean vessels based on the volume of product transported. Between 2002 and 2010, we reduced our CO2 intensity (tonnes of CO2 from fuel burned per tonne of product moved) from marine operations by 17%. We also actively support global industry efforts to voluntarily reduce both energy consumption and CO2 emissions.

We manufacture methanol in Chile, Trinidad and New Zealand and we have constructed a new facility in Egypt. Also, we are currently working on restarting our manufacturing facility at Medicine Hat, Canada, with the intended start of production in the second quarter of 2011. All of these countries have signed and ratified the Kyoto Protocol. Under the Kyoto Protocol, the developing nations of Chile, Trinidad and Egypt are not currently required to reduce greenhouse gases (GHGs), whereas Canada and New Zealand are listed as industrialized Annex 1 countries and have committed to GHG reductions under the Kyoto Protocol during the first commitment period (2008-2012).

Medicine Hat is located in the province of Alberta, which has an established GHG reduction regulation that is expected to apply to the plant in 2011. The regulation requires established facilities to reduce emissions intensities by up to 12% of their established emissions intensity baseline. “Emissions intensity” means the quantity of specified GHGs released by a facility per unit of production from that facility. In order to meet the reduction obligation, a facility can choose to make emissions reduction improvements or it can opt to purchase either offset credits or “Technology Fund” credits for CDN$15 per tonne of CO2 equivalent. Based on the expected emissions intensity baseline for the Medicine Hat plant, we do not believe that, when applied, the cost will be significant.

New Zealand also passed legislation to establish an Emission Trading Scheme (ETS) that came into force on July 1, 2010. The ETS imposes a carbon price on producers of fossil fuels, including natural gas, which is passed on as a liability to Methanex, increasing the cost of gas that Methanex purchases in New Zealand. However, as a trade-exposed company, Methanex is entitled to a free allocation of emissions units to partially offset those increased costs, and the legislation provides further moderation of any residual cost exposure until the end of 2012. Consequently, we do not believe that these costs will be significant to the end of 2012. However, after this date the moderating features are expected to be removed and our eligibility for free allocation of emissions units will be progressively reduced. We cannot accurately quantify the impact on our business after 2012 and therefore we cannot provide assurance that the ETS will not have a significant adverse impact on our results of operation or financial condition after 2012.

We cannot provide assurance over ongoing compliance with existing legislation or that future laws and regulations to which we are subject governing the environment and the management of natural resources as well as the handling, storage, transportation and disposal of hazardous or waste materials will not have an adverse effect on our results of operations or financial condition.

Legal Proceedings

The Board of Inland Revenue of Trinidad and Tobago has issued assessments against our wholly owned subsidiary, Methanex Trinidad (Titan) Unlimited, in respect of the 2003 and 2004 financial years. The assessments relate to the deferral of tax depreciation deductions during the five-year tax holiday that ended in 2005. The impact of the amount in dispute as at December 31, 2010 is approximately $26 million in current taxes and $23 million in future taxes, exclusive of any interest charges.

We have appealed the assessments and based on the merits of the case and legal interpretation, we believe our position should be sustained. However, we cannot provide assurance that the final assessment will not have an adverse effect on our results of operations or financial condition.

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 2010 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, 2010, the net book value of our property, plant and equipment was $2,214 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.

We test our long-lived assets for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Examples of such events or changes in circumstances related to our long-lived assets include, but are not restricted to: a significant adverse change in the extent or manner in which the asset is being used or in its physical condition; a significant change in the price or availability of natural gas feedstock required to manufacture methanol; a significant adverse change in legal factors or in the business climate that could affect the asset's value, including an adverse action or assessment by a foreign government that impacts the use of the asset; or a current-period operating or cash flow loss combined with a history of operating or cash flow losses, or a projection or forecast that demonstrates continuing losses associated with the asset's use. For purposes of recognition and measurement of an impairment loss, we group our long-lived assets with other assets and liabilities to form an "asset group," at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. To the extent that our methanol facilities in a particular location are interdependent as a result of common infrastructure and/or feedstock from shared sources that can be shared within a facility location, we group our assets based on site locations for the purpose of determining impairment.

There are two key variables that impact our estimate of future cash flows: (1) the methanol price and (2) the price and availability of natural gas feedstock. Short-term methanol price estimates are based on current supply and demand fundamentals and current methanol prices. Long-term methanol price estimates are based on our view of long-term supply and demand, and consideration is given to many factors, including, but not limited to, estimates of global industrial production rates, energy prices, changes in general economic conditions, future global methanol production capacity, industry operating rates and the global industry cost structure. Our estimate of the price and availability of natural gas takes into consideration the current contracted terms, as well as factors that we believe are relevant to supply under these contracts and supplemental natural gas sources. Other assumptions included in our estimate of future cash flows include the estimated cost incurred to maintain the facilities, estimates of transportation costs and other variable costs incurred in producing methanol in each period. Changes in these assumptions will impact our estimates of future 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 adversely affected by asset impairment charges or by changes in depreciation and amortization 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, 2010, we have accrued $16 million for asset retirement obligations. Inherent uncertainties exist because the restoration activities will take place 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 future 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 site restoration activities, future costs could differ materially from the amounts estimated.

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 realizing 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 use 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 used to offset future taxable income otherwise calculated. Our management routinely reviews these judgments. At December 31, 2010, we had future income tax assets of $205 million that are substantially offset by a valuation allowance of $143 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.

Inventories

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value. The cost of our inventory, for both produced methanol as well as methanol we purchase from others, is impacted by methanol prices at the time of production or purchase. The net realizable value of inventories will depend on methanol prices when sold. Inherent uncertainties exist in estimating future methanol prices and therefore the net realizable value of our inventory. Methanol prices are influenced by supply and demand fundamentals, industrial production, energy prices and the strength of the global economy.

Oil and Gas Accounting

We apply the full cost method of accounting for our investment in the Dorado Riquelme block. Under this method, all costs, including internal costs and asset retirement costs, directly associated with the acquisition of, the exploration for, and the development of natural gas reserves are capitalized. Costs are then depleted and amortized using the unit-of-production method based on estimated proved reserves. Capitalized costs subject to depletion include estimated future costs to be incurred in developing proved reserves. Costs of major development projects and costs of acquiring and evaluating significant unproved properties are excluded from the costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. Costs that have been impaired are included in the costs subject to depletion and amortization.

Under full cost accounting, an impairment assessment ("ceiling test") is performed on an annual basis for all oil and gas assets. An impairment loss is recognized in earnings when the carrying amount is not recoverable and the carrying amount exceeds its fair value. The carrying amount is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves. If the sum of the cash flows is less than the carrying amount, the impairment loss is measured as the amount by which the carrying amount exceeds the sum of the discounted cash flows of proved and probable reserves.

Derivative Financial Instruments

From time to time we enter into derivative financial instruments to limit our exposure to foreign exchange volatility and variable interest rate volatility and to contribute towards managing our cost structure. The valuation of derivative financial instruments is a critical accounting estimate due to the complex nature of these products, the degree of judgment required to appropriately value these products and the potential impact of such valuation on our financial statements.

Derivative financial instruments are classified as held-for-trading and are recorded on the balance sheet at fair value. Changes in the fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges, in which case the effective portion of any changes in fair value are recorded in other comprehensive income. At December 31, 2010, the fair value of our derivative financial instruments used to limit our exposure to variable interest rate volatility which have been designated as cash flow hedges approximated their carrying value of negative $43 million. Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in variable interest rates.

ANTICIPATED CHANGES TO CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to start using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

As a result of the IFRS transition, changes in accounting policies are likely and may materially impact our consolidated financial statements. The IASB will also continue to issue new accounting standards throughout 2011, and as a result, the final impact of IFRS on our consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known.

We have established a working team to manage the transition to IFRS. Additionally, we have established a formal project governance structure that includes the Audit, Finance and Risk Committee, senior management, and an IFRS steering committee to monitor progress and review and approve recommendations from the working team for the transition to IFRS. The working team provides regular updates to the IFRS steering committee and to the Audit, Finance and Risk Committee of the Board.

In 2008, we commenced our plan to convert our consolidated financial statements to IFRS at the changeover date of January 1, 2011, with comparative financial results for 2010. The IFRS transition plan addresses the impact of IFRS on accounting policies and implementation decisions, infrastructure, business activities and control activities. We are progressing according to schedule and continue to be on track toward project completion and will issue our first interim consolidated financial statements in accordance with IFRS as issued by the IASB beginning with the first quarter ending March 31, 2011, with comparative financial results for 2010. A summary status of the key elements of the changeover plan is as follows:

Accounting policies and implementation decisions

§ **Key activities:**

- Identification of differences in Canadian GAAP and IFRS accounting policies
- Selection of ongoing IFRS policies
- Selection of IFRS 1, First-time Adoption of International Financial Reporting Standards (“IFRS 1”) choices
- Development of financial statement format
- Quantification of effects of change in initial IFRS 1 disclosures and 2010 financial statements

§ **Status:**

- We have identified differences between our accounting policies under Canadian GAAP and accounting policy choices under IFRS, both on an ongoing basis and with respect to certain choices available on conversion, in accordance with IFRS 1
- We have engaged the Company’s external auditors, KPMG LLP, to discuss our proposed IFRS accounting policies to ensure consistent interpretation of IFRS guidance in all areas
- We continue to monitor changes in accounting policies issued by the IASB and the impact of those changes on our accounting policies under IFRS
- We have a process for compiling parallel 2010 IFRS results for comparative reporting purposes in 2011

- See the corresponding sections below for discussion of optional exemptions under IFRS 1 that the Company expects to elect on transition to IFRS, accounting policy changes that management considers most significant to the Company, and an overview of the adjustments to the financial statements on transition to IFRS as at January 1, 2010 and for the year ended December 31, 2010

Infrastructure: Financial reporting expertise and communications

§ **Key activities:**

- Development of IFRS expertise

§ **Status:**

- We have provided training for key employees and senior management
- In 2009, we held an IFRS information session with the Audit, Risk and Finance Committee that included an in-depth review of differences between Canadian GAAP and IFRS, a review of the implementation timeline, an overview of the project activities to date and a preliminary discussion of the significant impact areas of IFRS
- In 2010, we held IFRS information sessions with the IFRS steering committee, the Audit, Finance and Risk Committee, and the Board that included an in-depth review of accounting policy changes on transition to IFRS, a discussion of optional exemptions under IFRS 1 that the Company expects to elect on transition to IFRS, and an overview of the expected adjustments to the financial statements on transition to IFRS
- In 2010, we held an external Investor Day Conference, which included a presentation to shareholders, research analysts and other members of the investment community on the expected significant impacts of the IFRS transition

Infrastructure: Information technology and data systems

§ **Key activities:**

- Identification of system requirements for the conversion and post-conversion periods

§ **Status:**

- We have assessed the impact on system requirements for the conversion and post-conversion periods and expect there will be no significant impact to applications arising from the transition to IFRS

Business activities: Financial covenants

§ **Key activities:**

- Identification of impact on financial covenants and financing relationships
- Completion of any required renegotiations/changes

§ **Status:**

- The financial covenant requirements in our financing relationships are measured on the basis of Canadian GAAP in effect at the commencement of the various agreements, and the transition to IFRS will therefore have no impact on our current financial covenant requirements
- We will maintain a process to compile our financial results on a historical Canadian GAAP basis and to monitor financial covenant requirements through to the conclusion of our current financing relationships

Business activities: Compensation arrangements

§ **Key activities:**

- Identification of impact on compensation arrangements
- Assessment and implementation of required changes

§ **Status:**

- We have identified compensation policies that rely on indicators derived from the financial statements

- As part of the transition project, we will ensure that compensation arrangements incorporate IFRS results in accordance with the Company's overall compensation principles
- We held an information session to educate the Human Resources Committee of the Board about the impacts of the IFRS transition on compensation arrangements

Control activities: Internal control over financial reporting

§ **Key activities:**

- For all accounting policy changes identified, assessment of the design and effectiveness of respective changes to internal controls over financial reporting
- Implementation of appropriate changes

§ **Status:**

- We have identified the required accounting process changes that result from the application of IFRS accounting policies; these changes are not considered significant
- We are completing the design, implementation and documentation of the accounting process changes that result from the application of IFRS accounting policies

Control activities: Disclosure controls and procedures

§ **Key activities:**

- For all accounting policy changes identified, assessment of the design and effectiveness of respective changes to disclosure controls and procedures
- Implementation of appropriate changes

§ **Status:**

- Throughout the transition period, we have continued to provide IFRS project updates in quarterly and annual disclosure documents

IFRS 1 First-Time Adoption of International Financial Reporting Standards

Adoption of IFRS requires the application of IFRS 1, First-time Adoption of International Financial Reporting Standards, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The following are the optional exemptions available under IFRS 1 that the Company will elect on transition to IFRS. The list below and comments should not be regarded as a complete list of IFRS 1 that are available to the Company as a result of the transition to IFRS.

Business Combinations

Under IFRS 1 an entity has the option to retroactively apply IFRS 3, Business Combinations, to all business combinations or may elect to apply the standard prospectively only to those business combinations that occur after the date of transition. The Company has elected this exemption under IFRS 1, which removes the requirement to retrospectively restate all business combinations prior to the date of transition to IFRS.

Employee Benefits

We have defined benefit pension plans in Canada and Chile. IFRS 1 provides an option to recognize all cumulative actuarial gains and losses on defined benefit pension plans existing at the date of transition immediately in retained earnings, rather than continuing to defer and amortize into the results of operations. The Company currently has elected this exemption under IFRS 1. As at January 1, 2010 this results in a decrease to retained earnings of approximately $16 million, a decrease to other assets of $10 million and an increase to other long-term liabilities of $6 million.

In comparison to Canadian GAAP for the year ended December 31, 2010, this has resulted in an increase in net earnings by approximately $1 million as a result of lower pension expense due to this immediate recognition to retained earnings of

these actuarial losses on transition to IFRS. As at December 31, 2010, this resulted in a decrease to shareholders' equity of approximately $16 million, a decrease to other assets of $11 million and an increase to other long-term liabilities of $6 million.

Fair Value or Revaluation as Deemed Cost

IFRS 1 provides an option to allow a first-time IFRS adopter to elect to use the amount determined under a previous GAAP revaluation as the deemed cost of an item of property, plant and equipment so long as the revaluation was broadly comparable to either fair value or cost or depreciated cost under IFRS. We consider our Canadian GAAP writedown of certain assets as a "revaluation broadly comparable to fair value" and will elect the written down amount to be deemed IFRS cost. The IFRS carrying value of those assets on transition to IFRS is therefore consistent with the Canadian GAAP carrying value on the transition date.

Share-based Payment Transactions

IFRS 1 permits an exemption for the application of IFRS 2, Share-based Payments, to equity instruments granted before November 7, 2002 and those granted but fully vested before the date of transition to IFRS. Accordingly, we have elected this exemption and will apply IFRS 2 for stock options granted after November 7, 2002 that are not fully vested at January 1, 2010.

Changes in Asset Retirement Obligations

Under IFRS, we are required to determine a best estimate of asset retirement obligations for all sites, whereas under Canadian GAAP, asset retirement obligations were not recognized with respect to assets with indefinite or indeterminate lives. In addition, under IFRS a change in the market-based discount rate will result in a change in the measurement of the provision. We have elected to apply the IFRS 1 exemption whereby we have measured the asset retirement obligations at January 1, 2010 in accordance with the requirements in IAS 37 Provisions, estimated the amount that would have been in property, plant and equipment when the liabilities first arose and discounted the transition date liability to that date using our best estimate of the historical risk-free discount rate. As at January 1, 2010, adjustments to the financial statements to recognize asset retirement obligations on transition to IFRS are recognized as an increase to other long-term liabilities of approximately $5 million and an increase to property, plant and equipment of approximately $1 million, with the balancing amount recorded as a decrease to retained earnings to reflect the depreciation expense and interest accretion since the date the liabilities first arose.

In comparison to Canadian GAAP at December 31, 2010, recognition of asset retirement obligations resulted in an increase to other long-term liabilities of approximately $8 million and an increase to property, plant and equipment of approximately $4 million, with a corresponding decrease to shareholders' equity and no significant impact to net earnings.

Oil & Gas Assets

For a first-time adopter that has previously employed the full cost method in accounting for oil and natural gas exploration and development expenditures, IFRS 1 provides an exemption that allows entities to measure those assets at the transition date at amounts determined under the entity's previous GAAP. We have elected under IFRS 1 to carry forward the Canadian GAAP oil and gas asset carrying value as of January 1, 2010 as our balance on transition to IFRS.

Significant Impacts on Transition to IFRS

The Company has completed its initial assessment of the impacts of the transition to IFRS. Based on an analysis of Canadian GAAP and IFRS in effect at December 31, 2010, we have identified several significant differences between our current accounting policies and those expected to apply in preparing IFRS consolidated financial statements. In the determination of what constitutes a significant impact to our consolidated financial statements, we have identified the following:

- **Areas of difference between IFRS and Canadian GAAP that have a significant opening day transition financial statement impact.**
- **Areas of difference between IFRS and Canadian GAAP that present greater risk of potential future financial statement impact.**
- **Areas of potential future changes to IFRS that could have a significant financial statement impact.**

Information on those changes that management considers most significant to the Company is presented below.

Interest in Joint Ventures

Under Canadian GAAP, our 63.1% interest in Atlas Methanol Company (Atlas) is accounted for using proportionate consolidation in the accounting for joint ventures. Current IFRS allows a choice between proportionate consolidation and equity accounting in the accounting for joint ventures. On transition to IFRS, we have chosen to continue to apply proportionate consolidation in accounting for our interest in Atlas.

The IASB is currently proceeding on projects related to consolidation and joint venture accounting. The IASB is revising the definition of "control," which is a criterion for consolidation accounting. In addition, future changes to IFRS in the accounting for joint ventures are expected and these changes may remove the option for proportionate consolidation and allow only the equity method of accounting for such interests. The impact of applying consolidation accounting or the equity method of accounting does not result in any change to net earnings or shareholders' equity, but would result in a significant presentation impact.

The impact these projects may have on the conclusions related to the accounting treatment of our interest in joint ventures is currently unknown. We continue to monitor changes in accounting policies issued by the IASB in this area.

Leases

Canadian GAAP requires an arrangement that at its inception can be fulfilled only through the use of a specific asset or assets, and which conveys a right to use that asset, may be a lease or contain a lease, and therefore should be accounted for as a lease, regardless of whether it takes the legal form of a lease, and therefore should be recorded as an asset with a corresponding liability. However, Canadian GAAP has grandfathering provisions that exempts contracts entered into before 2004 from these requirements.

IFRS has similar accounting requirements as Canadian GAAP for lease-like arrangements, with IFRS requiring full retrospective application. We have long-term oxygen supply contracts for our Atlas and Titan methanol plants in Trinidad, executed prior to 2004, which are regarded as finance leases under these standards. Accordingly, the oxygen supply contracts are required to be accounted for as finance leases from original inception of the lease. We measured the value of these finance leases and applied finance lease accounting retrospectively from inception to January 1, 2010 to determine the opening day IFRS impact. As at January 1, 2010, this results in an increase to property, plant and equipment of $61 million and other long-term liabilities of $74 million, with a corresponding decrease to retained earnings of $13 million.

In comparison to Canadian GAAP, for the year ended December 31, 2010, this accounting treatment resulted in lower operating costs and higher interest and depreciation charges with no significant impact to net earnings. As at December 31, 2010, this resulted in an increase to property, plant and equipment of $55 million and other long-term liabilities of $69 million, with a corresponding decrease to shareholders' equity of $14 million.

As part of their global conversion project, the IASB and the U.S. Financial Accounting Standards Board ("FASB") issued in August 2010 a joint Exposure Draft proposing that all leases would be required to be recognized on-balance sheet. We have a fleet of ocean-going vessels under time charter agreements with terms up to 15 years. The proposed rules would require these time charter agreements to be recorded on-balance sheet resulting in a material increase to our assets and liabilities. The boards expect to issue a final standard in mid-2011 with a likely effective date for the standard no earlier than 2014. We continue to monitor changes in accounting policies issued by the IASB in this area.

Impairment of Assets

If there is an indication that an asset may be impaired, an impairment test must be performed. Under Canadian GAAP, this is a two-step impairment test in which (1) undiscounted future cash flows are compared to the carrying value; and (2) if those undiscounted cash flows are less than the carrying value, the asset is written down to fair value. Under IFRS, an entity is required to assess, at the end of each reporting period, whether there is any indication that an asset may be impaired. If such an indication exists, the entity shall estimate the recoverable amount of the asset by performing a one-step impairment test, which requires a comparison of the carrying value of the asset to the higher of value in use and fair value less costs to sell. Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state.

As a result of this difference, in principle, impairment writedowns may be more likely under IFRS than are currently identified and recorded under Canadian GAAP. The extent of any new writedowns, however, may be partially offset by the requirement under IAS 36, Impairment of Assets, to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses. We have concluded that the adoption of these standards will not result in a change to the carrying value of our assets on transition to IFRS and for the year ended December 31, 2010.

Provisions

Under Canadian GAAP, a provision is required to be recorded in the financial statements when required payment is considered "likely" and can be reasonably estimated. The threshold for recognition of provisions under IFRS is lower than that under Canadian GAAP as provisions must be recognized if required payment is "probable." Therefore, in principle, it is possible that there may be some provisions that would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP.

Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (IFRS uses the mid-point of the range, whereas Canadian GAAP uses the low end of the range), and the requirement under IFRS for provisions to be discounted where material.

We have reviewed our positions and concluded that there is no adjustment to our financial statements on transition to IFRS and for the year ended December 31, 2010 arising from the application of IFRS provisions recognition and measurement guidance.

Share-based Payments

During 2010, we granted share appreciation rights (SARs) and tandem share appreciation rights (TSARs) in connection with our employee long-term incentive compensation plan. A SAR gives the holder a right to receive a cash payment equal to the amount by which the market price of the Company's common shares exceeds the exercise price of a unit. A TSAR gives the holder the choice between exercising a regular stock option or surrendering the option for a cash payment equal to the amount by which the market price of the Company's common share exceeds the exercise price of a unit. All SARs and TSARs have a maximum term of seven years with one-third vesting each year after the date of grant.

Under Canadian GAAP, both SARs and TSARs are accounted for using the intrinsic value method. The intrinsic value related to SARs and TSARs is measured by the amount the market price of the Company's common shares exceeds the exercise price of a unit. Changes in intrinsic value each period are recognized in earnings for the proportion of the service that has been rendered at each reporting date. Under IFRS, SARs and TSARs are required to be accounted for using a fair value method. The fair value related to SARs and TSARs is measured using an option pricing model. Changes in fair value determined using an option pricing model each period are recognized in earnings for the proportion of the service that has been rendered at each reporting date.

The fair value determined using an option pricing model will be higher than the intrinsic value due to the time value included in the fair value. Accordingly, it is expected that the difference between the accounting expense under IFRS compared with Canadian GAAP would be higher in the beginning life of a SAR or TSAR with this difference narrowing as time passes and the total accounting expense ultimately being the same on the date of exercise.

The SARs and TSARs were granted in March 2010, and therefore, there is no adjustment required to our financial statements on January 1, 2010. The difference in fair value method under IFRS compared with the intrinsic value method under Canadian GAAP, is the primary reason for the decrease to net earnings of approximately $5 million, increase to other long-term liabilities of approximately $6 million and corresponding decrease to shareholders' equity for the year ended December 31, 2010, respectively.

Summary of Adjustments to Financial Statements

The table below provides a summary of the adjustments to our balance sheet on transition to IFRS at January 1, 2010 and at December 31, 2010:

($ MILLIONS)	January 1, 2010	December 31, 2010
Total assets per Canadian GAAP	**$ 2,923**	**$ 3,070**
Leases (a)	61	55
Employee benefits (b)	(10)	(11)
Asset retirement obligations (c)	1	4
Borrowing costs (d)	**8**	24
Total assets per IFRS	**$ 2,984**	**$ 3,142**
Total liabilities per Canadian GAAP	**$ 1,687**	**$ 1,794**
Leases (a)	74	69
Employee benefits (b)	6	6
Asset retirement obligations (c)	5	8
Borrowing costs (d)	3	10
Uncertain tax positions (e)	5	7
Share-based payments (f)	–	6
Deferred tax impact of adjustments (g)	(8)	(9)
Reclassification of non-controlling interest (h)	**(136)**	(156)
Total liabilities per IFRS	**$ 1,637**	**$ 1,733**
Total shareholders' equity per Canadian GAAP	**$ 1,236**	**$ 1,277**
Leases (a)	(13)	(14)
Employee benefits (b)	(16)	(16)
Asset retirement obligations (c)	(4)	(4)
Borrowing costs (d)	5	14
Uncertain tax positions (e)	(5)	(7)
Share-based payments (f)	–	(6)
Deferred tax impact of adjustments (g)	8	9
Reclassification of non-controlling interest (h)	**136**	156
Total shareholders' equity per IFRS	**$ 1,347**	**$ 1,409**
Total liabilities and shareholders' equity per IFRS	**$ 2,984**	**$ 3,142**

The table below provides a summary of the adjustments to our income statement for the year ended December 31, 2010:

($ MILLIONS)	2010
Net income per Canadian GAAP	**$ 102**
Employee benefits (b)	**1**
Uncertain tax positions (e)	**(2)**
Share-based payments (f)	**(5)**
Deferred tax impact of adjustments (g)	**1**
Net income per IFRS	**$ 98**

The items noted above in the reconciliations of the balance sheet and income statement from Canadian GAAP to IFRS are described below:

(a) Leases

For a description of this reconciling item, see discussion under Significant Impacts on Transition to IFRS above.

(b) Employee Benefits

For a description of this reconciling item, see discussion under IFRS 1 First-time Adoption of International Financial Reporting Standards above.

(c) Asset Retirement Obligations

For a description of this reconciling item, see discussion under IFRS 1 First-time Adoption of International Financial Reporting Standards above.

(d) Borrowing Costs

IAS 23 prescribes the accounting treatment and eligibility of borrowing costs. We have entered into interest rate swap contracts to hedge the variability in LIBOR-based interest payments on our Egypt limited recourse debt facilities. Under Canadian GAAP, cash settlements for these swaps during construction are recorded in accumulated other comprehensive income (AOCI). Under IFRS, the cash settlements during construction are recorded to property, plant and equipment (PP&E). Accordingly, there is an increase to PP&E of approximately $8 million and $24 million, an increase to AOCI of approximately $5 million and $14 million (our 60% portion) and an increase in non-controlling interest of approximately $3 million and $10 million as of January 1, 2010 and December 31, 2010, respectively, with no net impact on earnings.

(e) Uncertain Tax Positions

IAS 12 prescribes recognition and measurement criteria of a tax position taken or expected to be taken in a tax return. As at January 1, 2010, this resulted in an increase to income tax liabilities and a decrease to retained earnings of approximately $5 million in comparison to Canadian GAAP. For the year ended December 31, 2010, this has resulted in a decrease in net earnings by $2 million with a corresponding increase to income tax liabilities.

(f) Share-Based Payments

For a description of this reconciling item, see discussion under Significant Impacts on Transition to IFRS above.

(g) Deferred Tax Impact of Adjustments

This adjustment represents the income tax effect of the adjustments related to accounting differences between Canadian GAAP and IFRS. As at January 1, 2010, this has resulted in a decrease to future income tax liabilities and an increase to retained earnings of approximately $8 million. For the year ended December 31, 2010, this has resulted in an increase in net earnings by $1 million with a corresponding decrease to future income tax liabilities.

(h) Reclassification of Non-Controlling Interest from Liabilities

We have a 60% interest in EMethanex, the Egyptian company through which we have developed the Egyptian methanol project. We account for this investment using consolidation accounting, which results in 100% of the assets and liabilities of EMethanex being included in our financial statements. The other investors' interest in the project is presented as "non-controlling interest". Under Canadian GAAP, the non-controlling interest is classified as a liability, whereas under IFRS the non-controlling interest is classified as equity, but presented separately from the parent's shareholders' equity. This reclassification results in a decrease to liabilities and an increase in equity of approximately $136 million and $156 million as of January 1, 2010 and December 31, 2010, respectively.

The discussion above on IFRS 1 elections, significant accounting policy changes and adjustments to the financial statements on transition to IFRS is provided to allow readers to obtain a better understanding of our IFRS changeover plan and the resulting potential effects on our consolidated financial statements. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose. IFRS employs a conceptual framework that is similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. In order to allow the users of the financial statements to better understand these differences and the resulting changes to our financial statements, we have provided a description of the significant IFRS 1 exemptions we intend to elect, a description of significant impacts related to the IFRS transition project as well as the above reconciliations between Canadian GAAP and IFRS for total assets, total liabilities, shareholders' equity and net earnings. While this information does not represent the official adoption of IFRS, it provides an indication of the major differences identified to date based on the current IFRS guidance, relative to our Canadian GAAP accounting policies at transition and for the year ended December 31, 2010. This discussion reflects our most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions or expectations. Any further changes to the election of IFRS 1 exemptions, the selection of IFRS accounting policies and any related adjustments

to the financial statements would be subject to approval by the Audit, Finance and Risk Committee prior to being finalized. Accordingly, the discussion above is subject to change.

SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with Canadian GAAP, we present certain supplemental non-GAAP measures. These are Adjusted EBITDA, operating income and cash flows from operating activities before changes in non-cash working capital. These measures do not have any standardized meaning prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. We believe these measures are useful in evaluating the operating performance and liquidity of our 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 Canadian GAAP.

Net Income before Unusual Item and Diluted Net Income before Unusual Item 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 by management to be non-operational and/or non-recurring. Diluted income before unusual items per share has been calculated by dividing net income before unusual item by the diluted weighted average number of common shares outstanding.

The following table shows a reconciliation of net income to net income before unusual item and the calculation of diluted net income before unusual item per share:

($ MILLIONS, EXCEPT SHARES OR PER SHARE AMOUNTS)	2010	2009
Net income	$ 101.7	$ 0.7
Gain on sale of Kitimat assets	(22.2)	–
Net income before unusual item	$ 79.5	$ 0.7
Diluted weighted average number of common shares (millions)	93.5	92.7
Diluted net income per share before unusual item	$ 0.85	$ 0.01

Adjusted EBITDA

This supplemental non-GAAP measure is provided to help readers determine our ability to generate cash from operations. We believe this measure is useful in assessing performance and highlighting trends on an overall basis. We also believe Adjusted EBITDA is frequently used by securities analysts and investors when comparing our results with those of other companies. Adjusted 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, stock-based compensation expense and other non-cash items net of cash payments, interest expense, interest and other income, and current income taxes.

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

($ MILLIONS)	2010	2009
Cash flows from operating activities	$ 153	$ 110
Add (deduct):		
Changes in non-cash working capital	99	19
Other cash payments	6	11
Stock-based compensation expense	(31)	(12)
Other non-cash items	(8)	(8)
Interest expense	24	27
Interest and other income	(3)	–
Income taxes – current	27	(5)
Adjusted EBITDA	$ 267	$ 142

Operating Income and Cash Flows from Operating Activities before Changes in Non-Cash Working Capital

Operating income and cash flows from operating activities before changes in non-cash working capital are reconciled to Canadian GAAP measures in our consolidated statement of income and consolidated statement of cash flows, respectively.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	THREE MONTHS ENDED			
($ MILLIONS, EXCEPT WHERE NOTED)	**DEC 31**	**SEP 30**	**JUN 30**	**MAR 31**
2010				
Revenue	**$ 570**	**$ 481**	**$ 449**	**$ 467**
Net income	**28**	**33**	**12**	**29**
Net income before unusual item	**28**	**11**	**12**	**29**
Basic net income per share	**0.30**	**0.36**	**0.13**	**0.32**
Basic net income per share before unusual item	**0.30**	**0.11**	**0.13**	**0.32**
Diluted net income per share	**0.30**	**0.35**	**0.13**	**0.31**
Diluted net income per share before unusual item	**0.30**	**0.11**	**0.13**	**0.31**
2009				
Revenue	$ 382	$ 317	$ 246	$ 254
Net income (loss)	26	(1)	(6)	(18)
Basic net income (loss) per share	0.28	(0.01)	(0.06)	(0.20)
Diluted net income (loss) per share	0.28	(0.01)	(0.06)	(0.20)

A discussion and analysis of our results for the fourth quarter of 2010 is set out in our fourth quarter of 2010 Management's Discussion and Analysis filed with Canadian Securities Administrators and the U.S. Securities and Exchange Commission and incorporated herein by reference.

SELECTED ANNUAL INFORMATION

($ MILLIONS, EXCEPT WHERE NOTED)	**2010**	2009	2008
Revenue	**$ 1,967**	$ 1,198	$ 2,314
Net income	**102**	1	169
Basic net income per share	**1.10**	0.01	1.79
Diluted net income per share	**1.09**	0.01	1.78
Diluted net income per share before unusual item	**0.85**	0.01	1.78
Cash dividends declared per share	**0.620**	0.620	0.605
Total assets	**3,070**	2,923	2,799
Total long-term financial liabilities	**1,025**	982	864

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are those controls and procedures that are designed to ensure that the information required to be disclosed in the filings under applicable securities regulations is recorded, processed, summarized and reported within the time periods specified. As at December 31, 2010, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures are effective.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

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.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2010, based on the framework set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of that date.

KPMG LLP an independent registered public accounting firm that audited and reported on our consolidated financial statements, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2010. The attestation report is included on the second page of our consolidated financial statements.

Changes in Internal Control over Financial Reporting

There have been no changes during the year ended December 31, 2010 to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

This 2010 Annual Report contains forward-looking statements with respect to us and the chemical 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.

More particularly and without limitation, any statements regarding the following are forward-looking statements:

- **expected demand for methanol and its derivatives,**
- **expected new methanol supply and timing for start-up of the same,**
- **expected shut downs (either temporary or permanent) or re-starts of existing methanol supply (including our own facilities), including, without limitation, timing of planned maintenance outages,**
- **expected methanol and energy prices,**
- **expected levels and timing of natural gas supply to our plants, including without limitation, levels of natural gas supply from investments in natural gas exploration and development in Chile and New Zealand and availability of economically priced natural gas in Chile, New Zealand and Canada,**
- **capital committed by third parties towards future natural gas exploration in Chile and New Zealand,**
- **expected capital expenditures, including without limitation, those to support natural gas exploration and development in Chile and New Zealand and the restart of our idled methanol facilities,**
- **anticipated production rates of our plants, including without limitation, our Chilean facilities, the new methanol plant in Egypt which is currently in the commissioning phase and the restart of our Medicine Hat facility expected in the second quarter of 2011,**
- **expected operating costs, including natural gas feedstock costs and logistics costs,**
- **expected tax rates or resolutions to tax disputes,**
- **expected cash flows and earnings capability,**
- **anticipated completion date of, and cost to complete, our methanol project in Egypt and the Medicine Hat restart project,**
- **ability to meet covenants associated with our long-term debt obligations, including without limitation, the Egypt limited recourse debt facilities which have conditions associated with operational completion of the plant and related mortgages which require actions by governmental entities,**
- **availability of committed credit facilities and other financing,**
- **shareholder distribution strategy and anticipated distributions to shareholders,**
- **commercial viability of, or ability to execute, future projects or capacity expansions,**

- financial strength and ability to meet future financial commitments,
- expected impact of regulatory actions, including assessments of carcinogenicity of methanol, formaldehyde and MTBE, the imposition of formaldehyde emission limits and legislation related to CO_2 emissions in New Zealand and Canada,
- expected global or regional economic activity (including industrial production levels),
- expected actions of governments, gas suppliers, courts, tribunals or other third parties, and
- expected impact on our results of operations in Egypt and our financial condition as a consequence of actions taken by the Government of Egypt and its agencies.

We believe that we have a reasonable basis for making such forward-looking statements. The forward-looking statements in this document are based on our experience, our perception of trends, current conditions and expected future developments as well as other factors. Certain material factors or assumptions were applied in drawing the conclusions or making the forecasts or projections that are included in these forward-looking statements, including, without limitation, future expectations and assumptions concerning the following:

- supply of, demand for, and price of, methanol, methanol derivatives, natural gas, oil and oil derivatives,
- success of natural gas exploration in Chile and New Zealand and our ability to procure economically priced natural gas in Chile, New Zealand and Canada,
- production rates of our facilities, including without limitation, our Chilean facilities, the new methanol plant in Egypt which is currently in the commissioning phase and the restart of our Medicine Hat facility expected in the second quarter of 2011,
- receipt or issuance of third party consents or approvals, including without limitation, governmental registrations of land title and related mortgages in Egypt, governmental approvals related to natural gas exploration rights, rights to purchase natural gas or the establishment of new fuel standards,
- operating costs including natural gas feedstock and logistics costs, capital costs, tax rates, cash flows, foreign exchange rates and interest rates,
- timing of completion and cost of our methanol project in Egypt and the Medicine Hat restart project,
- ability to meet covenants associated with our long-term debt obligations, including without limitation, the Egypt limited recourse debt facilities which have conditions associated with operational completion of the plant and completion of certain land title registrations and related mortgages which require actions by governmental entities,
- availability of committed credit facilities and other financing,
- global and regional economic activity (including industrial production levels),
- absence of a material negative impact from major natural disasters or global pandemics,
- absence of a material negative impact from changes in laws or regulations, and
- enforcement of contractual arrangements and ability to perform contractual obligations by customers, suppliers and other third parties.

However, forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The risks and uncertainties primarily include those attendant with producing and marketing methanol and successfully carrying out major capital expenditure projects in various jurisdictions, including without limitation:

- conditions in the methanol and other industries, including fluctuations in the supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses,
- the price of natural gas, oil and oil derivatives,
- the success of natural gas exploration and development activities in southern Chile and New Zealand and our ability to obtain any additional gas in Chile, New Zealand and Canada on commercially acceptable terms,
- the timing of start-up and cost to complete our new methanol joint venture project in Egypt,

- **the ability to successfully carry out corporate initiatives and strategies,**
- **actions of competitors and suppliers,**
- **actions of governments and governmental authorities, including without limitation, implementation of policies or other measures that could impact the supply or demand for methanol or its derivatives,**
- **changes in laws or regulations,**
- **import or export restrictions, anti-dumping measures, increases in duties, taxes and government royalties, and other actions by governments that may adversely affect our operations or existing contractual arrangements,**
- **world-wide economic conditions and conditions, and**
- **other risks described in our 2010 Management's Discussion and Analysis.**

Having in mind these and other factors, investors and other readers are cautioned not to place undue reliance on forward-looking statements. They are not a substitute for the exercise of one's own due diligence and judgment. The outcomes anticipated in forward-looking statements may not occur and we do not undertake to update forward-looking statements except as required by applicable securities laws.

Exhibit 99.3

RESPONSIBILITY FOR FINANCIAL REPORTING

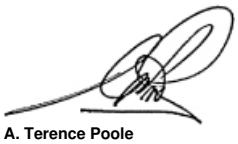
The consolidated financial statements and all financial information contained in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, have incorporated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

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the internal control framework set out in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.

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 five non-management directors, all of whom are independent as defined by the applicable rules in Canada and the United States. The Committee is appointed by the Board to assist the Board in fulfilling its oversight responsibility relating to: the integrity of the Company's financial statements, news releases and securities filings; the financial reporting process; the systems of internal accounting and financial controls; the professional qualifications and independence of the external auditor; the performance of the external auditors; risk management processes; financing plans; pension plans; and the Company's compliance with ethics policies and legal and regulatory requirements.

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 has full and unrestricted access to the Committee. KPMG audited the consolidated financial statements and the effectiveness of internal controls over financial reporting. Their opinions are included in the annual report.



A. Terence Poole
Chairman of the Audit, Finance and Risk Committee

March 24, 2011



Bruce Aitken
President and
Chief Executive Officer



Ian Cameron
Senior Vice President, Corporate Development and
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Methanex Corporation

We have audited the accompanying consolidated balance sheets of Methanex Corporation ("the Company") as at December 31, 2010 and 2009 and the related consolidated statements of income, shareholders' equity, comprehensive income (loss) and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009 and the results of its operations and its cash flows for each of the years then ended in conformity with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 24, 2011, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 24, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Chartered Accountants
Vancouver, Canada
March 24, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Methanex Corporation

We have audited Methanex Corporation's ("the Company") internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the section entitled "Management's Annual Report on Internal Control over Financial Reporting" included in the accompanying Management's Discussion and Analysis. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010 based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as at December 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity, comprehensive income (loss) and cash flows for the years then ended, and our report dated March 24, 2011, expressed an unqualified opinion on those consolidated financial statements.

Chartered Accountants
Vancouver, Canada
March 24, 2011

Consolidated Balance Sheets

(thousands of US dollars, except number of common shares)

AS AT DECEMBER 31	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 193,794	$ 169,788
Receivables (note 3)	320,027	257,418
Inventories	230,322	171,554
Prepaid expenses	26,877	23,893
	771,020	622,653
Property, plant and equipment (note 5)	2,213,836	2,183,787
Other assets (note 7)	85,303	116,977
	$ 3,070,159	$ 2,923,417
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 250,730	$ 232,924
Current maturities on long-term debt (note 8)	49,965	29,330
Current maturities on other long-term liabilities (note 9)	13,395	9,350
	314,090	271,604
Long-term debt (note 8)	896,976	884,914
Other long-term liabilities (note 9)	128,502	97,185
Future income tax liabilities (note 13)	307,865	300,510
Non-controlling interest	146,099	133,118
Shareholders' equity:		
Capital stock		
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, 2010 were 92,632,022 (2009 – 92,108,242)	440,092	427,792
Contributed surplus	26,308	27,007
Retained earnings	850,691	806,158
Accumulated other comprehensive loss	(40,464)	(24,871)
	1,276,627	1,236,086
	$ 3,070,159	$ 2,923,417

Commitments and contingencies (notes 13 and 19)

See accompanying notes to consolidated financial statements.

Approved by the Board:



A. Terence Poole
Director



Bruce Aitken
Director

Consolidated Statements of Income

(thousands of US dollars, except number of common shares and per share amounts)

FOR THE YEARS ENDED DECEMBER 31	2010	2009
Revenue	$ 1,966,583	$ 1,198,169
Cost of sales and operating expenses	(1,699,845)	(1,056,342)
Depreciation and amortization	(131,381)	(117,590)
Gain on sale of Kitimat assets (note 2)	22,223	–
Operating income	157,580	24,237
Interest expense (note 11)	(24,238)	(27,370)
Interest and other income (expense)	2,779	(403)
Income (loss) before income taxes	136,121	(3,536)
Income taxes (note 13):		
Current	(27,033)	5,592
Future	(7,355)	(1,318)
	(34,388)	4,274
Net income	$ 101,733	$ 738
Basic net income per common share	$ 1.10	$ 0.01
Diluted net income per common share	$ 1.09	$ 0.01
Weighted average number of common shares outstanding (note 1(k))	92,218,320	92,063,371
Diluted weighted average number of common shares outstanding (note 1(k))	93,503,568	92,688,510

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(thousands of US dollars, except number of common shares)

	Number of Common Shares	Capital Stock	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, December 31, 2008	92,031,392	$ 427,265	$ 22,669	$ 862,507	$ (24,025)	$ 1,288,416
Net income	–	–	–	738	–	738
Compensation expense recorded for stock options	–	–	4,440	–	–	4,440
Issue of shares on exercise of stock options	76,850	425	–	–	–	425
Reclassification of grant date fair value on exercise of stock options	–	102	(102)	–	–	–
Dividend payments	–	–	–	(57,087)	–	(57,087)
Other comprehensive loss	–	–	–	–	(846)	(846)
Balance, December 31, 2009	92,108,242	427,792	27,007	806,158	(24,871)	1,236,086
Net income	–	–	–	101,733	–	101,733
Compensation expense recorded for stock options	–	–	2,364	–	–	2,364
Issue of shares on exercise of stock options	523,780	9,237	–	–	–	9,237
Reclassification of grant date fair value on exercise of stock options	–	3,063	(3,063)	–	–	–
Dividend payments	–	–	–	(57,200)	–	(57,200)
Other comprehensive loss	–	–	–	–	(15,593)	(15,593)
Balance, December 31, 2010	**92,632,022**	**$ 440,092**	**$ 26,308**	**$ 850,691**	**$ (40,464)**	**$ 1,276,627**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

(thousands of US dollars)

FOR THE YEARS ENDED DECEMBER 31	2010	2009
Net income	$ 101,733	$ 738
Other comprehensive income (loss):		
Change in fair value of forward exchange contracts, net of tax	–	36
Change in fair value of interest rate swap contracts, net of tax (note 16)	(15,593)	(882)
	(15,593)	(846)
Comprehensive income (loss)	$ 86,140	$ (108)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(thousands of US dollars)

FOR THE YEARS ENDED DECEMBER 31	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 101,733	$ 738
Add (deduct) non-cash items:		
Depreciation and amortization	131,381	117,590
Gain on sale of Kitimat assets	(22,223)	–
Future income taxes	7,355	1,318
Stock-based compensation	31,496	12,527
Other	7,897	7,639
Other cash payments, including stock-based compensation	(6,051)	(11,302)
Cash flows from operating activities before undernoted	251,588	128,510
Changes in non-cash working capital (note 14)	(98,706)	(18,253)
	152,882	110,257
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend payments	(57,200)	(57,087)
Proceeds from limited recourse debt	67,515	151,378
Repayment of limited recourse debt	(30,991)	(15,282)
Equity contributions by non-controlling interest	23,376	45,103
Proceeds on issue of shares on exercise of stock options	9,237	425
Settlements on interest rate swap contracts	(15,682)	(6,386)
Other, net	(5,999)	(6,720)
	(9,744)	111,431
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	31,771	–
Property, plant and equipment	(58,154)	(60,906)
Egypt plant under construction	(85,996)	(261,646)
Oil and gas assets	(24,233)	(22,840)
GeoPark repayment (financing)	20,227	(9,285)
Change in project debt reserve accounts	372	5,229
Other assets, net	(769)	(2,454)
Changes in non-cash working capital (note 14)	(2,350)	(28,428)
	(119,132)	(380,330)
Increase (decrease) in cash and cash equivalents	24,006	(158,642)
Cash and cash equivalents, beginning of year	169,788	328,430
Cash and cash equivalents, end of year	$ 193,794	$ 169,788
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 57,880	$ 52,767
Income taxes paid, net of amounts refunded	$ 9,090	$ 6,363

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Tabular dollar amounts are shown in thousands of US dollars, except where noted)

Years ended December 31, 2010 and 2009

1. Significant accounting policies:

(a) Basis of presentation:
These consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in Canada. These accounting principles are different in some respects from those generally accepted in the United States and the significant differences are described and reconciled in note 20.

These consolidated financial statements include the accounts of Methanex Corporation, its wholly owned subsidiaries, less than wholly owned entities for which it has a controlling interest and its proportionate share of the accounts of jointly controlled entities (collectively, the Company). For less than wholly owned entities for which the Company has a controlling interest, a non-controlling interest is included in the Company's financial statements and represents the non-controlling shareholders' interest in the net assets of the entity. In accordance with Accounting Guideline No. 15, *Consolidation of Variable Interest Entities*, the Company also consolidates any variable interest entities of which it is the primary beneficiary, as defined. When the Company does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Company applies the equity method of accounting. 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 US dollars and, accordingly, these 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 the rates of exchange at the dates of the transactions. 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. The Company records an allowance for doubtful accounts or writes down the receivable to estimated net realizable value if not collectible in full. Credit losses have historically been within the range of management's expectations.

(e) Inventories:
Inventories are valued at the lower of cost and estimated net realizable value. Cost is determined by the first-in, first-out basis and includes direct purchase costs, cost of production, allocation of production overhead based on normal operating capacity and transportation.

(f) Property, plant and equipment:
Property, plant and equipment are recorded at cost. Interest during construction and commissioning is capitalized until the plant is operating in the manner intended by management. Routine repairs and maintenance costs are expensed as incurred. At regular intervals, 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 capitalized and amortized over the period until the next planned turnaround.

Depreciation and amortization is generally provided on a straight-line basis, or in the case of the New Zealand operations, on a unit-of-natural gas consumption basis, 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.

The Company periodically reviews the carrying value of property, plant and equipment for impairment when circumstances indicate an asset's value may not be recoverable. If it is determined that an asset's undiscounted cash flows are less than its carrying value, the asset is written down to its fair value.

(g) Other assets:
Marketing and production rights 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.

Financing fees related to undrawn credit facilities are capitalized to other assets and amortized to interest expense over the term of the credit facility. Financing fees related to project debt facilities are capitalized to other assets until the project debt is fully drawn. Once the project debt is fully drawn, these fees are reclassified to long-term debt net of financing fees. Financing fees included in other long-term debt are amortized to interest expense over the repayment term on an effective interest rate basis.

(h) Asset retirement obligations:
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 until the estimated date of settlement. The resulting expense is referred to as accretion expense and 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 value of the asset retirement obligations cannot be reasonably estimated due to uncertainties regarding the timing of expenditures. The Company reviews asset retirement obligations and adjusts the liability as necessary to reflect changes in the estimated future cash flows and timing underlying the fair value measurement.

(i) 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 to the accrued benefit obligation and the fair value of the plan assets that arise from changes in actuarial assumptions, experience gains and losses and plan amendments that exceed 10% of the greater of the accrued benefit obligation and the fair value of the plan assets are amortized to earnings on a straight-line basis over the estimated average remaining service lifetime of the employee group. The cost for defined contribution benefit plans is expensed as earned by the employees.

(j) Stock-based compensation:
The Company grants stock-based awards as an element of compensation. Stock-based awards granted by the Company can include stock options, tandem share appreciation rights, share appreciation rights, deferred share units, restricted share units or performance share units.

For stock options granted by the Company, the cost of the service received as consideration is measured based on an estimate of the fair value at the date of grant. The grant-date fair value is recognized as compensation expense over the related service period with a corresponding increase in contributed surplus. On the exercise of stock options, consideration received, together with the compensation expense previously recorded to 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.

Share appreciation rights are units which grant the holder the right to receive a cash payment upon exercise for the difference between the market price of the Company's common shares and the exercise price which is determined at the date of grant. Tandem share appreciation rights gives the holder the choice between exercising a regular stock option or share appreciation rights. Share appreciation rights and tandem share appreciation rights are measured based on the intrinsic value, the amount by which the market value of common shares exceeds the exercise price. Changes in intrinsic value are recognized in earnings for the proportion of the service that has been rendered at each reporting date.

Deferred, restricted and performance share units are grants of notional common shares that are redeemable for cash based on the market value of the Company's common shares and are non-dilutive to shareholders. Performance share units have an additional feature where the ultimate number of units that vest will be determined by the Company's total shareholder return in relation to a predetermined target over the period to vesting. The number of units that will ultimately vest will be in the range of 50% to 120% of the original grant. The fair value of deferred, restricted and performance share units is initially measured at the grant date based on the market value of the Company's common shares and is recognized in earnings 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.

Additional information related to the stock option plan, the assumptions used in the Black-Scholes option pricing model, tandem share appreciation rights, share appreciation rights and the deferred, restricted and performance share units of the Company are described in note 10.

(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 grant-date 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. The diluted net income per common share is calculated without the effect of tandem share appreciation rights.

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

FOR THE YEARS ENDED DECEMBER 31	2010	2009
Denominator for basic net income per common share	**92,218,320**	92,063,371
Effect of dilutive stock options	**1,285,248**	625,139
Denominator for diluted net income per common share	**93,503,568**	92,688,510

At December 31, 2010, 1,590,270 stock options (2009 – 3,487,764 stock options) were excluded from the diluted weighted average number of common shares calculation as their effect would have been anti-dilutive.

(l) Revenue recognition:
Revenue is recognized based on individual contract terms when the title and risk of loss to the product transfers to the customer, which usually occurs at the time shipment is made. Revenue is recognized at the time of delivery to the customer's location if the Company retains title and risk of loss during shipment. For methanol shipped on a consignment basis, revenue is recognized when the customer consumes the methanol. For methanol sold on a commission basis, the commission income is included in revenue when earned.

(m) Financial instruments:
Financial instruments must be classified into one of five categories and, depending on the category, will either be measured at amortized cost or fair value. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost. Held-for-trading financial assets and liabilities and available-for-sale financial assets are measured at fair value. Changes in the fair value of held-for-trading financial assets and liabilities are recognized in earnings and changes in the fair value of available-for-sale financial assets are recorded in other comprehensive income until the investment is either derecognized or impaired, at which time the amounts would be recorded in earnings. The Company classifies its cash and cash equivalents as held- for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities, long-term debt, net of financing costs, and other long-term liabilities are classified as other financial liabilities.

Under these standards, derivative financial instruments, including embedded derivatives, are classified as held-for-trading and are recorded on the balance sheet at fair value unless exempted. The Company records all changes in fair value of derivative financial instruments in earnings unless the instruments are designated as cash flow hedges. The Company enters into and designates as cash flow hedges certain interest rate swap contracts to hedge variable interest rate exposure on its limited recourse debt. The Company also enters into and designates as cash flow hedges certain forward exchange sales contracts to hedge foreign exchange exposure on anticipated sales. The Company assesses at inception and on an ongoing basis whether the hedges are and continue to be effective in offsetting changes in the cash flows of the hedged transactions. The effective portion of changes in the fair value of these hedging instruments is recognized in other comprehensive income. The ineffective portion of changes in fair value of these hedging instruments is recognized immediately in earnings.

(n) 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 substantially enacted tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized. The effect of a change in tax rates or tax legislation 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 Company accrues for taxes that will be incurred upon distributions from its subsidiaries when it is probable that the earnings will be repatriated.

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.

(o) Oil and natural gas exploration and development expenditure:
The Company applies the full cost method of accounting for the investment associated with oil and gas exploration and development in the Dorado Riquelme block in southern Chile. Under this method, all costs, including internal costs and asset retirement costs, directly associated with the acquisition of, the exploration for and the development of natural gas reserves are capitalized. Costs are then depleted and amortized using the unit-of-production method based on estimated proved reserves. Capitalized costs subject to depletion include estimated future costs to be incurred in developing proved reserves. Costs of major development projects and costs of acquiring and evaluating significant unproved properties are excluded from the costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. Costs that have been impaired are included in the costs subject to depletion and amortization.

Under full cost accounting, an impairment assessment ("ceiling test") is performed on an annual basis for all oil and gas assets. An impairment loss is recognized in earnings when the carrying amount is not recoverable and the carrying amount exceeds its fair value. The carrying amount is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows from proved reserves. If the sum of the cash flows is less than the carrying amount, the impairment loss is measured as the amount by which the carrying amount exceeds the sum of the discounted cash flows of proved and probable reserves. The Company performed the annual ceiling test for its investment in the Dorado Riquelme block and concluded no impairment existed as at December 31, 2010.

(p) Anticipated changes to Canadian generally accepted accounting principles:
The Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to start using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, we will issue our first interim consolidated financial statements in accordance with IFRS as issued by the IASB beginning with the first quarter ending March 31, 2011, with comparative financial results for 2010. Following the adoption of IFRS, the Company will no longer reconcile the financial statements to US GAAP as presented in note 20.

2. Gain on sale of Kitimat assets:

During 2010 the Company exercised an option to sell the Kitimat land and terminal assets for total proceeds of $31.8 million. The net book value associated with the assets sold was $9.6 million, resulting in the recognition of a gain of $22.2 million in 2010.

3. Receivables:

AS AT DECEMBER 31	2010	2009
Trade	$ 257,945	$ 191,002
Value-added and other tax receivables	43,495	56,264
Current portion of GeoPark financing (note 7)	8,800	8,086
Other	9,787	2,066
	$ 320,027	$ 257,418

4. Inventories:

Inventories are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value. Substantially all inventories consist of produced and purchased methanol. The amount of inventories included in cost of sales and operating expenses and depreciation and amortization during the year ended December 31, 2010 is $1,604 million (2009 – $997 million).

5. Property, plant and equipment:

AS AT DECEMBER 31	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
2010			
Plant and equipment	**$ 2,618,802**	**$ 1,475,323**	**$ 1,143,479**
Egypt plant under construction	**942,045**	**–**	**942,045**
Oil and gas assets	**92,634**	**20,092**	**72,542**
Other	**116,203**	**60,433**	**55,770**
	$ 3,769,684	**$ 1,555,848**	**$ 2,213,836**
2009			
Plant and equipment	$ 2,591,480	$ 1,384,939	$ 1,206,541
Egypt plant under construction	854,164	–	854,164
Oil and gas assets	68,402	4,560	63,842
Other	127,623	68,383	59,240
	$ 3,641,669	$ 1,457,882	$ 2,183,787

6. Interest in Atlas joint venture:

The Company has a 63.1% joint venture interest in Atlas Methanol Company (Atlas). Atlas owns a 1.7 million tonne per year methanol production facility in Trinidad. Included in the consolidated financial statements are the following amounts representing the Company's proportionate interest in Atlas:

CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31	2010	2009
Cash and cash equivalents	**$ 10,675**	$ 8,252
Other current assets	**80,493**	72,667
Property, plant and equipment	**231,978**	240,290
Restricted cash for debt service reserve account	**12,548**	12,920
Accounts payable and accrued liabilities	**23,934**	22,380
Long-term debt, including current maturities (note 8)	**79,577**	93,155
Future income tax liabilities	**21,189**	18,660

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31	2010	2009
Revenue	**$ 180,314**	$ 194,314
Expenses	**(165,282)**	(158,611)
Income before income taxes	**15,032**	35,703
Income tax expense	**(3,972)**	(6,127)
Net income	**$ 11,060**	$ 29,576

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31	2010	2009
Cash inflows from operating activities	**$ 25,080**	$ 36,166
Cash outflows from financing activities	**(14,032)**	(14,032)
Cash outflows from investing activities	**(8,625)**	(3,568)

7. Other assets:

AS AT DECEMBER 31	2010	2009
Marketing and production rights, net of accumulated amortization (a)	**$ 11,600**	$ 19,099
GeoPark financing (b)	**17,068**	37,969
Defined benefit pension plans (note 18)	**16,007**	16,003
Restricted cash (note 6)	**12,548**	12,920
Deferred financing costs, net of accumulated amortization (c)	**1,791**	9,725
Other	**26,289**	21,261
	$ 85,303	$ 116,977

(a) Marketing and production rights, net of accumulated amortization:
For the year ended December 31, 2010, amortization of marketing and production rights included in depreciation and amortization was $7.5 million (2009 – $8.0 million).

(b) GeoPark financing:
Over the past few years, the Company provided GeoPark Chile Limited (GeoPark) $57 million (of which $32 million has been repaid at December 31, 2010) in financing to support and accelerate GeoPark's natural gas exploration and development activities in the

Fell block in southern Chile. GeoPark agreed to supply the Company with all natural gas sourced from the Fell block under a ten-year exclusive supply arrangement. As at December 31, 2010, the outstanding balance is $25.9 million, of which $8.8 million, representing the current portion, has been recorded in receivables.

(c) Deferred financing costs, net of accumulated amortization:
For the year ended December 31, 2010, amortization of deferred financing fees included in interest expense was $0.8 million (2009 – $0.6 million). During 2010, the Company was fully drawn on the Egyptian limited recourse debt facilities and reclassified the balance relating to deferred financing fees included in other assets to long-term debt.

8. Long-term debt:

AS AT DECEMBER 31	2010	2009
Unsecured notes:		
(i) 8.75% due August 15, 2012 (effective yield 8.88%)	**$ 199,112**	$ 198,627
(ii) 6.00% due August 15, 2015 (effective yield 6.10%)	**148,908**	148,705
	348,020	347,332
Atlas limited recourse debt facilities (63.1% proportionate share):		
(i) Senior commercial bank loan facility with interest payable semi-annually with rates based on LIBOR plus a spread ranging from 2.25% to 2.75% per annum. Principal paid in 12 semi-annual payments that commenced June 2005.	**–**	7,071
(ii) Senior secured notes bearing an interest rate with semi-annual interest payments of 7.95% per annum. Principal paid in 9 semi-annual payments that commenced December 2010.	**55,476**	62,064
(iii) Senior fixed rate bond bearing an interest rate with semi-annual interest payments of 8.25% per annum. Principal will be paid in 4 semi-annual payments commencing June 2015.	**14,816**	14,769
(iv) Subordinated loans with an interest rate based on LIBOR plus a spread ranging from 2.25% to 2.75% per annum. Principal paid in 19 semi-annual payments commencing June 2011.	**9,285**	9,251
	79,577	93,155
Egypt limited recourse debt facilities:		
Four facilities with interest payable semi-annually with rates based on LIBOR plus a spread ranging from 1.0% to 1.7% per annum. Principal paid in 24 semi-annual payments that commenced in September 2010.	**499,706**	461,570
Other limited recourse debt	**19,638**	12,187
Total long-term debt[1]	**946,941**	914,244
Less current maturities	**(49,965)**	(29,330)
	$ 896,976	$ 884,914

[1] Total debt is presented net of deferred financing fees of $18.5 million at December 31, 2010 (2009 – $14.7 million).

The Egypt limited recourse debt facilities bear interest at LIBOR plus a spread. The Company has entered into interest rate swap contracts to swap the LIBOR-based interest payments for an average aggregated fixed rate of 4.8% plus a spread on approximately 75% of the Egypt limited recourse debt facilities for the period to March 31, 2015.

The other limited recourse debt includes one limited recourse debt with a remaining term of approximately nine years with interest payable at LIBOR plus 0.75% and another limited recourse debt with a remaining term of approximately six and a half years with interest payable at LIBOR plus 2.8%. Both of these financial obligations are paid in equal quarterly principal payments.

For the year ended December 31, 2010, non-cash accretion, on an effective interest basis, of deferred financing costs included in interest expense was $1.1 million (2009 – $1.2 million).

The minimum principal payments in aggregate and for each of the five succeeding years are as follows:

2011	$ 49,552
2012	251,041
2013	58,368
2014	54,136
2015	200,114
Thereafter	352,274
	$ 965,485

The covenants governing the Company's unsecured notes apply to the Company and its subsidiaries excluding the Atlas joint venture and Egypt entity ("limited recourse subsidiaries") and include restrictions on liens and sale and lease-back transactions, or merger or consolidation with another corporation or sale of all or substantially all of the Company's assets. The indenture also contains customary default provisions.

The Company has a $200 million unsecured revolving bank facility provided by highly rated financial institutions that expires in May 2012 and that contains covenant and default provisions in addition to those of the unsecured notes as described above. Significant covenants and default provisions under this facility include:

a)the obligation to maintain an EBITDA to interest coverage ratio of greater than 2:1 and a debt to capitalization ratio of less than or equal to 50%, calculated on a four quarter trailing average basis in accordance with definitions in the credit agreement that include adjustments related to the limited recourse subsidiaries,

b)a default if payment on any indebtedness of $10 million or more of the Company and its subsidiaries except for the limited recourse subsidiaries is accelerated by the creditor, and

c)a default if a default occurs on any other indebtedness of $50 million or more of the Company and its subsidiaries except for the limited recourse subsidiaries that permits the creditor to demand repayment.

The Atlas and Egypt limited recourse debt facilities are described as limited recourse as they are secured only by the assets of the Egypt entity and the Atlas joint venture, respectively. Accordingly, the lenders to the limited recourse debt facilities have no recourse to the Company or its other subsidiaries. The Atlas and Egypt limited recourse debt facilities have customary covenants and default provisions that apply only to these entities, including restrictions on the incurrence of additional indebtedness and a requirement to fulfill certain conditions before the payment of cash or other distributions. The Egypt limited recourse debt facilities also require that certain conditions associated with completion of plant construction and commissioning be met by no later than September 30, 2011. These conditions include a 90-day plant reliability test and finalization of certain land title registrations and related mortgages that require actions by governmental entities.

Failure to comply with any of the covenants or default provisions of the long-term debt facilities described above could result in a default under the applicable credit agreement that would allow the lenders to not fund future loan requests and to accelerate the due date of the principal and accrued interest on any outstanding loans.

At December 31, 2010, management believes the Company was in compliance with all of the covenants and default provisions referred to above.

9. Other long-term liabilities:

AS AT DECEMBER 31	2010	2009
Asset retirement obligations (a)	$ 16,241	$ 16,134
Capital lease obligation (b)	10,755	15,921
Stock-based compensation liability (note 10 (b) and 10 (c))	47,250	21,411
Fair value of derivative financial instruments (note 16)	43,488	33,284
Chile retirement arrangement (note 18)	24,163	19,785
	141,897	106,535
Less current maturities	(13,395)	(9,350)
	$ 128,502	$ 97,185

(a) Asset retirement obligations:
The Company has accrued for asset retirement obligations related to those sites where a reasonably definitive estimate of the fair value of the obligation can be made. Because of uncertainties in estimating future costs and the timing of expenditures related to the currently identified sites, actual results could differ from the amounts estimated. During the year ended December 31, 2010, cash expenditures applied against the accrual for asset retirement obligations were $0.2 million (2009 – nil). At December 31, 2010, the total undiscounted amount of estimated cash flows required to settle the obligation was $17.0 million (2009 – $17.8 million).

(b) Capital lease obligation:
As at December 31, 2010, the Company has a capital lease obligation related to an ocean-going vessel. The future minimum lease payment in aggregate until the expiry of the lease in 2012 is $10.8 million, which is net of $6.4 million of executory and imputed interest costs.

10. Stock-based compensation:

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

(a) Stock options:
At December 31, 2010, the Company had 2,495,458 common shares reserved for future stock option grants and tandem share appreciation rights 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. Options granted prior to 2005 have a maximum term of ten years with one-half of the options vesting one year after the date of the grant and a further vesting of one-quarter of the options per year over the subsequent two years. Beginning in 2005, all options granted have a maximum term of seven years with one-third of the options vesting each year after the date of grant.

Common shares reserved for outstanding incentive stock options at December 31, 2010 and 2009 are as follows:

	OPTIONS DENOMINATED IN CAD[1]		OPTIONS DENOMINATED IN USD	
	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 2008	76,450	$ 6.95	3,743,117	$ 23.27
Granted	–	–	1,361,130	6.33
Exercised	(20,100)	5.26	(21,750)	8.72
Cancelled	(1,000)	5.85	(84,255)	20.46
Outstanding at December 31, 2009	55,350	7.58	4,998,242	18.77
Granted	**–**	**–**	**89,250**	**25.22**
Exercised	**(45,600)**	**8.19**	**(478,180)**	**18.54**
Cancelled	**(7,500)**	**3.29**	**(35,055)**	**15.33**
Outstanding at December 31, 2010	**2,250**	**$ 9.56**	**4,574,257**	**$ 18.95**

[1] *All options denominated in CAD are outstanding and exercisable at December 31, 2010.*

Information regarding incentive stock options outstanding at December 31, 2010 is as follows:

	OPTIONS OUTSTANDING AT DECEMBER 31, 2010			OPTIONS EXERCISABLE AT DECEMBER 31, 2010	
RANGE OF EXERCISE PRICES	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OF STOCK OPTIONS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF STOCK OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
Options denominated in USD					
$ 6.33 to 11.56	**4.9**	**1,356,780**	**$ 6.53**	**479,570**	**$ 6.90**
$ 17.85 to 22.52	**2.0**	**1,256,000**	**20.27**	**1,256,000**	**20.27**
$ 23.92 to 28.43	**3.8**	**1,961,477**	**26.69**	**1,529,168**	**26.39**
	3.6	**4,574,257**	**$ 18.95**	**3,264,738**	**$ 21.17**

(ii) Fair value assumptions:
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:

FOR THE YEARS ENDED DECEMBER 31	**2010**	2009
Risk-free interest rate	**1.7%**	1.8%
Expected dividend yield	**2%**	2%
Expected life of option	**4 years**	5 years
Expected volatility	**47%**	44%
Expected forfeitures	**5%**	5%
Weighted average fair value of options granted (USD per share)	**$7.59**	$2.06

For the year ended December 31, 2010, compensation expense related to stock options was $2.4 million (2009 – $4.4 million).

(b) Share appreciation rights and tandem share appreciation rights:
During 2010, the Company's stock option plan was amended to include tandem share appreciation rights (TSARs) and a new plan was introduced for share appreciation rights (SARs). A SAR gives the holder a right to receive a cash payment equal to the amount the market price of the Company's common shares exceeds the exercise price. A TSAR gives the holder the choice between exercising a regular stock option or surrendering the option for a cash payment equal to the amount the market price of the Company's common shares exceeds the exercise price. All SARs and TSARs granted have a maximum term of seven years with one-third vesting each year after the date of grant.

(i) Outstanding SARs and TSARs:
SARs and TSARs outstanding at December 31, 2010:

	Share Appreciation Rights		Tandem Share Appreciation Rights	
	NUMBER OF UNITS	EXERCISE PRICE	NUMBER OF UNITS	EXERCISE PRICE
Outstanding at December 31, 2009	–	$ –	–	$ –
Granted	**394,065**	**25.22**	**735,505**	**25.19**
Exercised	**–**	**–**	**–**	**–**
Cancelled	**(5,100)**	**25.22**	**–**	**–**
Outstanding at December 31, 2010	**388,965**	**$ 25.22**	**735,505**	**$ 25.19**

(ii) Compensation expense related to SARs and TSARs:
Compensation expense for SARs and TSARs is initially measured based on their intrinsic value and is recognized over the related service period. The intrinsic value is measured by the amount the market price of the Company's common shares exceeds the exercise price of a unit. Changes in intrinsic value are recognized in earnings for the proportion of the service that has been rendered at each reporting date. The intrinsic value at December 31, 2010 was $5.8 million compared with the recorded liability of $3.4 million. The difference between the intrinsic value and the recorded liability of $2.4 million will be recognized over the weighted average remaining service period of approximately 2.2 years. For the year ended December 31, 2010, compensation expense related to SARs and TSARs included in cost of sales and operating expenses was $3.4 million (2009 – nil).

(c) Deferred, restricted and performance share units:
Deferred, restricted and performance share units outstanding at December 31, 2010 are as follows:

	NUMBER OF DEFERRED SHARE UNITS	NUMBER OF RESTRICTED SHARE UNITS	NUMBER OF PERFORMANCE SHARE UNITS
Outstanding at December 31, 2008	411,395	12,523	1,057,648
Granted	125,858	15,200	396,470
Granted in lieu of dividends	24,543	1,354	52,789
Redeemed	(56,620)	(6,599)	(395,420)
Cancelled	–	–	(32,675)
Outstanding at December 31, 2009	505,176	22,478	1,078,812
Granted	**48,601**	**29,500**	**404,630**
Granted in lieu of dividends	**14,132**	**1,265**	**28,915**
Redeemed	**(10,722)**	**(6,639)**	**(326,840)**
Cancelled	**–**	**–**	**(15,900)**
Outstanding at December 31, 2010	**557,187**	**46,604**	**1,169,617**

The fair value of deferred, restricted and performance share units is initially measured at the grant date based on the market value of the Company's common shares and is recognized in earnings 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. The fair value of deferred, restricted and performance share units outstanding at December 31, 2010 was $53.8 million (2009 – $26.7 million) compared with the recorded liability of $43.8 million (2009 – $21.4 million). The difference between the fair value and the recorded liability at December 31, 2010 of $10.0 million will be recognized over the weighted average remaining service period of approximately 1.5 years.

For the year ended December 31, 2010, compensation expense related to deferred, restricted and performance share units was $25.7 million (2009 – $8.2 million). Included in the compensation expense for the year ended December 31, 2010 was $16.3 million (2009 – $0.9 million) related to the effect of the change in the Company's share price.

11. Interest expense:

FOR THE YEARS ENDED DECEMBER 31	2010	2009
Interest expense before capitalized interest	**$ 62,313**	$ 59,799
Less capitalized interest related to Egypt plant under construction	**(38,075)**	(32,429)
Interest expense	**$ 24,238**	$ 27,370

Interest during construction and commissioning of the Egypt methanol facility is capitalized until the plant is operating in the manner intended by management. The Company has secured limited recourse debt of $530 million for its joint venture project to

construct a 1.26 million tonne per year methanol facility in Egypt. The Company has entered into interest rate swap contracts to swap the LIBOR-based interest payments for an average aggregated fixed rate of 4.8% plus a spread on approximately 75% of the Egypt limited recourse debt facilities for the period to March 31, 2015. For the year ended December 31, 2010 interest costs of $38.1 million (2009 – $32.4 million) related to this project were capitalized, inclusive of interest rate swaps.

12. Segmented information:

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

During the years ended December 31, 2010 and 2009, revenues attributed to geographic regions, based on the location of customers were as follows:

	UNITED STATES	CANADA	EUROPE	CHINA	KOREA	OTHER ASIA	LATIN AMERICA	TOTAL
Revenue								
2010	**$ 469,494**	**$ 142,347**	**$ 454,130**	**$ 350,578**	**$ 216,232**	**$ 127,242**	**$ 206,560**	**$ 1,966,583**
2009	$ 354,605	$ 106,437	$ 198,205	$ 195,315	$ 135,479	$ 83,039	$ 125,089	$ 1,198,169

As at December 31, 2010 and 2009, the net book value of property, plant and equipment by country was as follows:

	EGYPT	CHILE	TRINIDAD	NEW ZEALAND	CANADA	KOREA	OTHER	TOTAL
Property, plant and equipment								
2010	**$ 942,045**	**$ 658,412**	**$ 461,247**	**$ 86,491**	**$ 15,596**	**$ 14,038**	**$ 36,007**	**$ 2,213,836**
2009	$ 854,164	$ 687,313	$ 488,655	$ 86,730	$ 17,101	$ 14,840	$ 34,984	$ 2,183,787

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 income taxes. These differences are as follows:

FOR THE YEARS ENDED DECEMBER 31	2010	2009
Canadian statutory tax rate	**28.5%**	30.0%
Income tax expense (recovery) calculated at Canadian statutory tax rate	**$ 38,794**	$ (1,060)
Increase (decrease) in income tax expense resulting from:		
Impact of income and losses taxed in foreign jurisdictions	**5,982**	(5,499)
Previously unrecognized loss carryforwards and temporary differences	**(13,173)**	–
Other	**2,785**	2,285
Total income tax expense (recovery)	**$ 34,388**	$ (4,274)

(b) Net future income tax liabilities:
The tax effect of temporary differences that give rise to future income tax liabilities and future income tax assets are as follows:

AS AT DECEMBER 31	2010	2009
Future income tax liabilities:		
Property, plant and equipment	**$ 232,558**	$ 234,162
Other	**136,967**	121,668
	369,525	355,830
Future income tax assets:		
Non-capital loss carryforwards	**98,392**	126,014
Property, plant and equipment	**7,622**	17,842
Other	**98,561**	74,310
	204,575	218,166
Future income tax asset valuation allowance	**(142,915)**	(162,846)
	61,660	55,320
Net future income tax liabilities	**$ 307,865**	$ 300,510

At December 31, 2010, the Company had non-capital loss carryforwards available for tax purposes of approximately $172 million in Canada and approximately $102 million in New Zealand. In Canada, these loss carryforwards expire in the period 2014 to 2015, inclusive. In New Zealand the loss carryforwards do not have an expiry date.

(c) Contingent tax liability:
The Board of Inland Revenue of Trinidad and Tobago issued assessments against the Company's wholly owned subsidiary, Methanex Trinidad (Titan) Unlimited, in respect of the 2003 and 2004 financial years. The assessments relate to the deferral of tax depreciation deductions during the five-year tax holiday that ended in 2005. The impact of the amount in dispute as at December 31, 2010 is approximately $26 million in current taxes and $23 million in future taxes, exclusive of any interest charges.

The Company has appealed the assessments and based on the merits of the case and legal interpretation, management believes its position should be sustained.

14. Changes in non-cash working capital:

Changes in non-cash working capital for the years ended December 31, 2010 and 2009 are as follows:

FOR THE YEARS ENDED DECEMBER 31	2010	2009
Decrease (increase) in non-cash working capital:		
Receivables	$ (62,609)	$ (43,999)
Inventories	(58,768)	6,083
Prepaid expenses	(2,984)	(7,053)
Accounts payable and accrued liabilities	17,806	(2,445)
	(106,555)	(47,414)
Adjustments for items not having a cash effect	5,499	733
Changes in non-cash working capital	$ (101,056)	$ (46,681)
These changes relate to the following activities:		
Operating	$ (98,706)	$ (18,253)
Investing	(2,350)	(28,428)
Changes in non-cash working capital	$ (101,056)	$ (46,681)

15. Capital disclosures:

The Company's objectives in managing its liquidity and capital are to safeguard the Company's ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives, to provide an adequate return to shareholders commensurate with the level of risk, and to return excess cash through a combination of dividends and share repurchases.

AS AT DECEMBER 31	2010	2009
Liquidity:		
Cash and cash equivalents	$ 193,794	$ 169,788
Undrawn Egypt limited recourse debt facilities	–	58,048
Undrawn credit facilities	200,000	200,000
Total liquidity	$ 393,794	$ 427,836
Capitalization:		
Unsecured notes	$ 348,020	$ 347,332
Limited recourse debt facilities, including current portion	598,921	566,912
Total debt	946,941	914,244
Non-controlling interest	146,099	133,118
Shareholders' equity	1,276,627	1,236,086
Total capitalization	$ 2,369,667	$ 2,283,448
Total debt to capitalization[1]	40%	40%
Net debt to capitalization[2]	35%	35%

[1] Total debt divided by total capitalization.
[2] Total debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents.

The Company manages its liquidity and capital structure and makes adjustments to it in light of changes to economic conditions, the underlying risks inherent in its operations and capital requirements to maintain and grow its operations. The strategies

employed by the Company include the issue or repayment of general corporate debt, the issue of project debt, the issue of equity, the payment of dividends and the repurchase of shares.

The Company is not subject to any statutory capital requirements and has no commitments to sell or otherwise issue common shares except pursuant to outstanding employee stock options.

The undrawn credit facility in the amount of $200 million is provided by highly rated financial institutions, expires in May 2012 and is subject to certain financial and other covenants. Note 8 provides further details regarding the financial and other covenants.

16. Financial instruments:

Financial instruments are either measured at amortized cost or fair value. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost. Held-for-trading financial assets and liabilities and available-for-sale financial assets are measured on the balance sheet at fair value. Derivative financial instruments are classified as held-for-trading and are recorded on the balance sheet at fair value unless exempted. Changes in the fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges.

The following table provides the carrying value of each category of financial assets and liabilities and the related balance sheet item:

AS AT DECEMBER 31	2010	2009
Financial assets:		
Held-for-trading financial assets:		
Cash and cash equivalents[1]	$ 193,794	$ 169,788
Debt service reserve accounts included in other assets[1]	12,548	12,920
Loans and receivables:		
Receivables, excluding current portion of GeoPark financing	316,070	249,332
GeoPark financing, including current portion (note 7)	25,868	46,055
Total financial assets[2]	$ 548,280	$ 478,095
Financial liabilities:		
Other financial liabilities:		
Accounts payable and accrued liabilities	$ 250,730	$ 232,924
Long-term debt, including current portion	946,941	914,244
Held-for-trading financial liabilities:		
Derivative instruments designated as cash flow hedges[1]	43,488	33,185
Derivative instruments	–	99
Total financial liabilities	$ 1,241,159	$ 1,180,452

[1] Cash and cash equivalents and debt service reserve accounts are measured at fair value based on quoted prices in active markets for identical assets and the Egypt interest rate swaps designated as cash flow hedges are measured at fair value based on quoted prices in non-active markets received from counterparties.
[2] The carrying amount of the financial assets represents the maximum exposure to credit risk at December 31, 2010.

The Egypt limited recourse debt facilities bear interest at LIBOR plus a spread. The Company has entered into interest rate swap contracts to swap the LIBOR-based interest payments for an average aggregated fixed rate of 4.8% plus a spread on approximately 75% of the Egypt limited recourse debt facilities for the period to March 31, 2015.

These interest rate swaps had outstanding notional amounts of $368 million as at December 31, 2010. The notional amount decreases over the repayment period of the Egypt limited recourse debt facilities. At December 31, 2010, these interest rate swap contracts had a negative fair value of $43.5 million (2009 – $33.2 million) recorded in other long-term liabilities. The fair value of these interest rate swap contracts will fluctuate until maturity. Changes in the fair value of derivative financial instruments designated as cash flow hedges have been recorded in other comprehensive income.

The fair values of the Company's derivative financial instruments as disclosed above are determined based on quoted market prices received from counterparties and adjusted for credit risk.

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 nil at December 31, 2010 (2009 – nil).

The carrying values of the Company's financial instruments approximate their fair values, except as follows:

	2010		2009	
AS AT DECEMBER 31	**CARRYING VALUE**	**FAIR VALUE**	CARRYING VALUE	FAIR VALUE
Long-term debt	**$ 946,941**	**$ 951,388**	$ 914,244	$ 840,577

There is no publicly traded market for the limited recourse debt facilities the fair value of which is estimated by reference to current market prices for debt securities with similar terms and characteristics. The fair value of the unsecured notes was calculated by reference to a limited number of small transactions at the end of 2010 and 2009. The fair value of the Company's long-term debt will fluctuate until maturity.

17. Financial risk management:

(a) Market risks:
The Company's operations consist of the production and sale of methanol. Market fluctuations may result in significant cash flow and profit volatility risk for the Company. Its worldwide operating business as well as its investment and financing activities are affected by changes in methanol and natural gas prices and interest and foreign exchange rates. The Company seeks to manage and control these risks primarily through its regular operating and financing activities and uses derivative instruments to hedge these risks when deemed appropriate. This is not an exhaustive list of all risks, nor will the risk management strategies eliminate these risks.

Methanol price risk
The methanol industry is a highly competitive commodity industry and methanol prices fluctuate based on supply and demand fundamentals and other factors. Accordingly, it is important to maintain financial flexibility. The Company has adopted a prudent approach to financial management by maintaining a strong balance sheet including back-up liquidity.

Natural gas price risk
Natural gas is the primary feedstock for the production of methanol and the Company has entered into long-term natural gas supply contracts for its production facilities in Chile, Trinidad and Egypt and shorter-term natural gas supply contracts for its New Zealand operations. These natural gas supply contracts include base and variable price components to reduce the commodity price risk exposure. The variable price component is adjusted by formulas related to methanol prices above a certain level.

Interest rate risk
Interest rate risk is the risk that the Company suffers financial loss due to changes in the value of an asset or liability or in the value of future cash flows due to movements in interest rates.

The Company's interest rate risk exposure is mainly related to long-term debt obligations. Approximately one-half of its debt obligations are subject to interest at fixed rates. The Company also seeks to limit this risk through the use of interest rate swaps, which allows the Company to hedge cash flow changes by swapping variable rates of interest into fixed rates of interest.

AS AT DECEMBER 31	**2010**	2009
Fixed interest rate debt:		
Unsecured notes	**$ 348,020**	$ 347,332
Atlas limited recourse debt facilities (63.1% proportionate share)	**70,292**	76,833
	$ 418,312	$ 424,165
Variable interest rate debt:		
Atlas limited recourse debt facilities (63.1% proportionate share)	**$ 9,285**	$ 16,322
Egypt limited recourse debt facilities	**499,706**	461,570
Other limited recourse debt facilities	**19,638**	12,187
	$ 528,629	$ 490,079

The Company has entered into interest rate swap contracts to hedge the variability in LIBOR-based interest payments on its Egypt limited recourse debt facilities described in note 16. The notional amount decreases over the repayment period. The aggregate impact of these contracts is to swap the LIBOR-based interest payments for an average fixed rate of 4.8% plus a

spread on approximately 75% of the Egypt limited recourse debt facilities for the period to March 31, 2015. The net fair value of cash flow interest rate swaps was negative $43.5 million as at December 31, 2010. The change in fair value of the interest rate swaps and the related impact on other comprehensive income assuming a 1% change in the interest rates along the yield curve would be approximately $15.0 million as of December 31, 2010 (2009 – $16.1 million). These interest rate swaps are designated as cash flow hedges, which results in the effective portion of changes in their fair value being recorded in other comprehensive income.

For fixed interest rate debt, a 1% change in interest rates would result in a change in fair value of the debt (disclosed in note 16) of approximately $11.5 million as of December 31, 2010 (2009 – $13.9 million).

For the variable interest rate debt that is unhedged, a 1% change in LIBOR would result in a change in annual interest payments of $1.6 million as of December 31, 2010 (2009 – $1.4 million).

Foreign currency risk
The Company's international operations expose the Company to foreign currency exchange risks in the ordinary course of business. Accordingly, the Company has established a policy that provides a framework for foreign currency management and hedging strategies and defines the approved hedging instruments. The Company reviews all significant exposures to foreign currencies arising from operating and investing activities and hedges exposures if deemed appropriate.

The dominant currency in which the Company conducts business is the United States dollar, which is also the reporting currency.

Methanol is a global commodity chemical that is priced in United States dollars. In certain jurisdictions, however, the transaction price is set either quarterly or monthly in the local currency. Accordingly, a portion of the Company's revenue is transacted in Canadian dollars, euros and to a lesser extent other currencies. For the period from when the price is set in local currency to when the amount due is collected, the Company is exposed to declines in the value of these currencies compared to the United States dollar. The Company also purchases varying quantities of methanol for which the transaction currency is the euro and to a lesser extent other currencies. In addition, some of the Company's underlying operating costs and capital expenditures are incurred in other currencies. The Company is 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. The Company has elected not to actively manage these exposures at this time except for significant net exposure to euro revenues which is hedged through forward exchange contracts each quarter when the euro price for methanol is established.

As of December 31, 2010, the Company had a net working capital asset of $74.3 million in non-US dollar currencies (2009 – $25.5 million). As of December 31, 2010, each 10% strengthening (weakening) of the US dollar against these currencies would decrease (increase) the value of net working capital and pre-tax cash flows and earnings by approximately $7 million (2009 – $3 million).

(b) Liquidity risks:
Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities, such as the settlement of financial debt and lease obligations and payment to its suppliers. The Company maintains liquidity and makes adjustments to it in light of changes to economic conditions, underlying risks inherent in its operations and capital requirements to maintain and grow its operations. At December 31, 2010, the Company had $194 million of cash and cash equivalents. In addition, the Company has an undrawn, unsecured revolving bank facility of $200 million provided by highly rated financial institutions that expires in May 2012.

In addition to the above-mentioned sources of liquidity, the Company constantly monitors funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting refinancing risks.

The expected cash outflows of financial liabilities from the date of the balance sheet to the contractual maturity date are as follows:

AS AT DECEMBER 31	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	1 YEAR OR LESS	1 - 3 YEARS	3 - 5 YEARS	MORE THAN 5 YEARS
Trade and other payables[1]	**$ 219,731**	**$ 219,731**	219,731	–	–	–
Long-term debt[2]	**946,941**	**1,158,761**	90,868	366,152	295,278	406,463
Egypt interest rate swaps	**43,488**	**46,488**	15,398	23,791	7,299	–
	$ 1,210,160	**$ 1,424,980**	$ 325,997	$ 389,943	$ 302,577	$ 406,463

1 Excludes taxes and accrued interest.
2 Contractual cash flows include contractual interest payments related to debt obligations. Interest rates on variable rate debt are based on prevailing rates at December 31, 2010.

(c) Credit risk:
Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of offset exists, and also includes the fair values of contracts with individual counterparties that are recorded in the financial statements.

Trade credit risk
Trade credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time or if the value of the security provided declines. The Company has implemented a credit policy that includes approvals for new customers, annual credit evaluations of all customers and specific approval for any exposures beyond approved limits. The Company employs a variety of risk-mitigation alternatives including certain contractual rights in the event of deterioration in customer credit quality and various forms of bank and parent company guarantees and letters of credit to upgrade the credit risk to a credit rating equivalent or better than the stand-alone rating of the counterparty. Trade credit losses have historically been minimal and at December 31, 2010 substantially all of the trade receivables were classified as current.

Cash and cash equivalents
To manage credit and liquidity risk, the Company's investment policy specifies eligible types of investments, maximum counterparty exposure and minimum credit ratings. Therefore, the Company invests only in highly rated investment grade instruments that have maturities of three months or less.

Derivative financial instruments
The Company's hedging policies specify risk management objectives and strategies for undertaking hedge transactions. The policies also include eligible types of derivatives, required transaction approvals, as well as maximum counterparty exposures and minimum credit ratings. The Company does not use derivative financial instruments for trading or speculative purposes.

To manage credit risk, the Company only enters into derivative financial instruments with highly rated investment grade counterparties. Hedge transactions are reviewed, approved and appropriately documented in accordance with policies.

18. Retirement plans:

(a) Defined benefit pension plans:
The Company has non-contributory defined benefit pension plans covering certain employees. The Company does not provide any significant post-retirement benefits other than pension plan benefits. Information concerning the Company's defined benefit pension plans, in aggregate, is as follows:

AS AT DECEMBER 31	2010	2009
Accrued benefit obligations:		
Balance, beginning of year	$ 61,643	$ 50,020
Current service cost	2,329	2,271
Interest cost on accrued benefit obligations	3,540	3,088
Benefit payments	(3,220)	(7,602)
Gain on curtailment	–	(709)
Actuarial loss	2,204	4,266
Foreign exchange loss	3,576	10,309
Balance, end of year	70,072	61,643
Fair values of plan assets:		
Balance, beginning of year	42,103	31,864
Actual returns on plan assets	2,993	4,271
Contributions	1,229	8,555
Benefit payments	(3,220)	(7,602)
Foreign exchange gain	2,273	5,015
Balance, end of year	45,378	42,103
Unfunded status	24,694	19,540
Unamortized actuarial loss	(16,531)	(15,758)
Accrued benefit liabilities, net	$ 8,163	$ 3,782

The Company has an unfunded retirement arrangement for its employees in Chile that will be funded at retirement in accordance with Chilean law. At December 31, 2010, the balance of accrued benefit liabilities, net is comprised of $24.2 million recorded in other long-term liabilities for an unfunded retirement arrangement in Chile and $16.0 million recorded in other assets for defined benefit plans in Canada and Europe. The accrued benefit for the unfunded retirement arrangement in Chile is paid when an employee retires in accordance with Chilean regulations.

The Company's net defined benefit pension plan expense for the years ended December 31, 2010 and 2009 is as follows:

FOR THE YEARS ENDED DECEMBER 31	2010	2009
Net defined benefit plan pension expense:		
Current service cost	$ 2,329	$ 2,271
Interest cost on accrued benefit obligations	3,540	3,088
Actual return on plan assets	(2,993)	(4,271)
Settlement and termination benefit	–	1,521
Actuarial losses	2,204	3,557
Other	64	481
	$ 5,144	$ 6,647

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, 2007 in Canada. The next actuarial reports for funding purposes for the Company's Canadian defined benefit pension plans are scheduled to be completed for the 2011 year end, dated as of December 31, 2010.

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

	2010	2009
Benefit obligation at December 31:		
Weighted average discount rate	5.43%	5.86%
Rate of compensation increase	4.15%	4.14%
Net expense for years ended December 31:		
Weighted average discount rate	5.91%	6.08%
Rate of compensation increase	4.44%	4.54%
Expected rate of return on plan assets	7.00%	7.00%

The asset allocation for the defined benefit pension plan assets as at December 31, 2010 and 2009 is as follows:

AS AT DECEMBER 31	2010	2009
Equity securities	47%	46%
Debt securities	25%	24%
Cash and other short-term securities	28%	30%
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 ended December 31, 2010 was $3.4 million (2009 – $3.3 million).

19. Commitments and contingencies:

(a) Take-or-pay purchase contracts and related commitments:
The Company has commitments under take-or-pay natural gas supply contracts to purchase annual quantities of feedstock supplies and to pay for transportation capacity related to these supplies to 2035. The minimum estimated commitment under these contracts, excluding Argentina natural gas supply contracts, is as follows:

2011	2012	2013	2014	2015	THEREAFTER
$ 237,104	$ 240,107	$ 149,787	$ 150,260	$ 112,014	$ 1,423,921

(b) Argentina natural gas supply contracts:
The Company has supply contracts with Argentinean suppliers for natural gas sourced from Argentina for a significant portion of the capacity of its facilities in Chile. These contracts have expiration dates between 2017 and 2025 and represent a total future commitment of approximately $1 billion at December 31, 2010. Since June 2007, the Company's natural gas suppliers from Argentina have curtailed all gas supply to the Company's plants in Chile in response to various actions by the Argentinean government, including imposing a large increase to the duty on natural gas exports. Under the current circumstances, the Company does not expect to receive any further natural gas supply from Argentina.

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

2011	2012	2013	2014	2015	THEREAFTER
$ 141,984	$ 125,545	$ 115,279	$ 95,687	$ 65,979	$ 408,501

(d) Purchased methanol:
We have marketing rights for 100% of the production from our jointly owned plants (the Atlas plant in Trinidad in which we have a 63.1% interest and the new plant in Egypt in which we have a 60% interest) which results in purchase commitments of an additional 1.17 million tonnes per year of methanol offtake supply when these plants operate at capacity. At December 31, 2010, the Company had commitments to purchase methanol under offtake contracts for approximately 375,000 tonnes for 2011 and approximately 266,000 tonnes for 2012. The pricing under the purchase commitments related to our 100% marketing rights from our jointly owned plants and the purchase commitments with other suppliers is referenced to pricing at the time of purchase or sale, and accordingly, no amounts have been included in the above table.

20. United States generally accepted accounting principles:

The Company follows generally accepted accounting principles in Canada (Canadian GAAP) that are different in some respects from those applicable in the United States and from practices prescribed by the United States Securities and Exchange Commission (US GAAP). The significant differences between Canadian GAAP and US GAAP with respect to the Company's consolidated financial statements as at and for the years ended December 31, 2010 and 2009 are as follows:

	2010		2009	
CONDENSED CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31	**CANADIAN GAAP**	**US GAAP**	CANADIAN GAAP	US GAAP
ASSETS				
Current assets	**$ 771,020**	**$ 771,020**	$ 622,653	$ 622,653
Property, plant and equipment (a)	**2,213,836**	**2,242,503**	2,183,787	2,214,366
Other assets (d) (g)	**85,303**	**91,873**	116,977	122,055
	$ 3,070,159	**$ 3,105,396**	$ 2,923,417	$ 2,959,074
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities (c)	**$ 314,090**	**$ 321,724**	$ 271,604	$ 277,309
Long-term debt (g)	**896,976**	**915,521**	884,914	899,632
Other long-term liabilities (b) (d)	**128,502**	**137,068**	97,185	103,303
Future income taxes (d) (f)	**307,865**	**316,304**	300,510	309,559
Non-controlling interest (h)	**146,099**	**–**	133,118	–
Shareholders' equity:				
Capital stock (a) (b)	**440,092**	**846,635**	427,792	833,959
Additional paid-in capital	**–**	**26,056**	–	26,939
Contributed surplus	**26,308**	**–**	27,007	–
Retained earnings	**850,691**	**451,390**	806,158	414,230
Accumulated other comprehensive loss (d)	**(40,464)**	**(55,401)**	(24,871)	(38,975)
Non-controlling interest (h)	**–**	**146,099**	–	133,118
	1,276,627	**1,414,779**	1,236,086	1,369,271
	$ 3,070,159	**$ 3,105,396**	$ 2,923,417	$ 2,959,074

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) FOR THE YEARS ENDED DECEMBER 31	2010	2009
Net income in accordance with Canadian GAAP	$ 101,733	$ 738
Add (deduct) adjustments for:		
Depreciation and amortization (a)	(1,911)	(1,911)
Stock-based compensation (b)	(4,202)	(130)
Uncertainty in income taxes (c)	(1,929)	(2,136)
Income tax effect of above adjustments (f)	669	669
Net income (loss) in accordance with US GAAP	$ 94,360	$ (2,770)
Per share information in accordance with US GAAP:		
Basic net income (loss) per common share	$ 1.02	$ (0.03)
Diluted net income (loss) per common share	$ 1.01	$ (0.03)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) FOR THE YEARS ENDED DECEMBER 31	2010 CANADIAN GAAP	2010 ADJUSTMENTS	2010 US GAAP	2009 US GAAP
Net income (loss)	$ 101,733	$ (7,373)	$ 94,360	$ (2,770)
Change in fair value of forward exchange contracts, net of tax	–	–	–	36
Change in fair value of interest rate swap, net of tax	(15,593)	–	(15,593)	(882)
Change related to pension, net of tax (d)	–	(833)	(833)	1,253
Comprehensive income (loss)	$ 86,140	$ (8,206)	$ 77,934	$ (2,363)

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31	2010 CANADIAN GAAP	2010 ADJUSTMENTS	2010 US GAAP	2009 US GAAP
Balance, beginning of year	$ (24,871)	$ (14,104)	$ (38,975)	$ (39,382)
Change in fair value of forward exchange contracts, net of tax	–	–	–	36
Change in fair value of interest rate swap, net of tax	(15,593)	–	(15,593)	(882)
Change related to pension, net of tax (d)	–	(833)	(833)	1,253
Accumulated other comprehensive loss	$ (40,464)	$ (14,937)	$ (55,401)	$ (38,975)

(a) 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 US GAAP, the business combination would have been accounted for as a purchase with the Company identified as the acquirer. For US GAAP purposes, property, plant and equipment at December 31, 2010 has been increased by $28.7 million (2009 – $30.6 million) to reflect the business combination as a purchase. For the year ended December 31, 2010, an adjustment to increase depreciation expense by $1.9 million (2009 – $1.9 million) has been recorded in accordance with US GAAP.

(b) Stock-based compensation:
During 2010, the Company granted 394,065 share appreciation rights (SARs) and 735,505 tandem share appreciation rights (TSARs). A SAR gives the holder a right to receive a cash payment equal to the amount the market price of the Company's common shares exceeds the exercise price of a unit. A TSAR gives the holder the choice between exercising a regular stock option or surrendering the option for a cash payment equal to the difference between the market price of a common share and the exercise price. Refer to note 10 for further details regarding SARs and TSARs.

Under Canadian GAAP, both SARs and TSARs are accounted for using the intrinsic value method. The intrinsic value is measured by the amount the market price of the Company's common shares exceeds the exercise price of a unit. For December 31, 2010, compensation expense related to SARs and TSARs under Canadian GAAP was $3.4 million as the market price was higher than the exercise price. Under US GAAP, SARs and TSARs are required to be accounted for using a fair value method. Changes in fair value are recognized in earnings for the proportion of the service that has been rendered at each reporting date. The Company used the Black-Scholes option pricing model to determine the fair value of the SARs and TSARs and this has resulted in an increase in cost of sales and operating expenses and other long-term liabilities of $4.2 million for the year ended December 31, 2010.

(c) Accounting for uncertainty in income taxes:
US GAAP for recording uncertainties in income taxes prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For the year ended December 31, 2010, an adjustment to increase income tax expense by $1.9 million (2009 – $2.1 million) has been recorded in accordance with US GAAP.

(d) Defined benefit pension plans:
US GAAP requires the Company to measure the funded status of a defined benefit pension plan at its balance sheet reporting date and recognize the unrecorded overfunded or underfunded status as an asset or liability with the change in that unrecorded funded status recorded to other comprehensive income. As at December 31, 2010, the impact of this standard on the Company is the recognition of deferred actuarial losses for Canadian GAAP of $16.5 million (2009 – $15.7 million), net of a future income tax recovery of $1.6 million (2009 – $1.6 million) to accumulated other comprehensive loss, with a corresponding decrease to other assets of $12.0 million (2009 – $9.6 million) and an increase to other long-term liabilities of $4.5 million (2009 – $6.1 million).

(e) Interest in Atlas joint venture:
US 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 US 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 are provided in note 6.

(f) Income tax accounting:
The income tax differences include the income tax effect of the adjustments related to accounting differences between Canadian and US GAAP. During the year ended December 31, 2010, this resulted in an adjustment to increase net income by $0.7 million (2009 – $0.7 million).

(g) Deferred financing fees:
Under Canadian GAAP, the Company is required to present long-term debt net of deferred financing fees. Under US GAAP, the Company is required to present the long-term debt and related finance fees on a gross basis. As at December 31, 2010, the Company recorded an adjustment to increase other assets and long-term debt by $18.5 million (2009 – $14.7 million) in accordance with US GAAP.

(h) Non-controlling interests:
US GAAP requires that the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labelled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. Under this standard, the Company is required to reclassify non-controlling interest on the consolidated balance sheet into shareholders' equity. This adjustment has also been recorded for the comparative balances.