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, 2011 **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
5.25% Senior Notes due March 1, 2022
(Title of Class)

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

þ **Annual Information Form** þ **Audited Annual Financial Statements**

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

93,247,755 Common Shares were outstanding as of December 31, 2011

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** þ

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

Yes þ **No** ¨

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** ¨

FORWARD-LOOKING STATEMENTS

This annual report includes or incorporates by reference certain statements that constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this annual report and documents incorporated by reference herein and include statements regarding the Registrant's intent, belief or current expectations and those of the Registrant's management. These forward-looking statements involve known and unknown risks and uncertainties that may cause the Registrant's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this annual report or in documents incorporated by reference in this annual report, words such as "believes," "expects," "may," "will," "should," "estimates," "anticipates," "aims," "goal," or the negative version of those words or other comparable terminology and similar statements of a future or forward-looking nature are intended identify these forward-looking statements. These forward-looking statements are based on various factors and were derived utilizing numerous assumptions that could cause the Registrant's actual results to differ materially from those in the forward-looking statements. Accordingly, readers are cautioned not to put undue reliance on these forward-looking statements. For additional information, please refer to the disclosure contained under the heading, "Caution Regarding Forward-Looking Statements" in the Registrant's Annual Information Form filed as Exhibit 99.1 to this report.

NOTE TO UNITED STATES READERS REGARDING DIFFERENCES BETWEEN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Registrant is permitted to prepare this annual report in accordance with Canadian disclosure requirements, which are different from those of the United States. The Registrant now prepares its consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, which principles differ in certain respects from generally accepted accounting principles applicable in the United States ("U.S. GAAP") and from practices prescribed by the SEC. Therefore, the Company's financial statements incorporated by reference in this annual report may not be comparable to financial statements prepared in accordance with U.S. GAAP.

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, 2011.

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 International Financial Reporting Standards, as issued by the International Accounting Standards Board. 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 generally accepted accounting principles, 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, 2011 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 44 of the Registrants' Management's Discussion and Analysis, filed as Exhibit 99.2 to this report. 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, 2011. The attestation report is included on the third page of our consolidated financial statements filed as Exhibit 99.3 to this report.

AUDIT COMMITTEE

The Registrant's Board of Directors has established a separately-designated Audit, Finance and Risk Committee ("Audit Committee") in accordance with Section 3(a)(58)(A) of the Exchange Act for the purpose of overseeing the Registrant's accounting and financial reporting processes and the audits of the Registrant's annual financial statements. As at the date of this report, the Registrant's audit committee is comprised of the following directors:

A. Terence Poole, Chair
Pierre Choquette
John Reid
Janice Rennie

The mandate of the Audit Committee, together with the relevant education and experience of its members and other Committee information, may be found in the "Audit Committee Information" section of the Registrant's Annual Information Form for the year ended December 31, 2011, filed as Exhibit 99.1 to this report.

AUDIT COMMITTEE FINANCIAL EXPERT

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

CODE OF ETHICS

The Registrant has adopted a code of ethics that applies to directors, officers and employees including the Registrant's principal executive officer, principal financial officer and principal accounting officer. A copy of the Registrant's code, entitled "Code of Business Conduct", can be found on the Registrant's website at www.methanex.com. No waivers from or material amendments to the provisions of the Code were made in 2011.

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, 2011 and December 31, 2010 are as follows:

US$000s	2011	2010
Audit Fees	1,827	1,600
Audit-Related Fees	116	138
Tax Fees	99	304
Total	**2,042**	**2,042**

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 globally. 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 2011 compared with 2010 is due to an expanded scope resulting from the start-up of the Egypt and Medicine Hat facilities, the appointment of KPMG as our statutory auditors in New Zealand, and services provided in relation to the shelf prospectus.

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

At December 31, 2011, 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.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Tabular disclosure of contractual obligations is made on page 27 of the Registrant's Management's Discussion and Analysis for the year ended December 31, 2011, filed as Exhibit 99.2 to this report.

NASDAQ CORPORATE GOVERNANCE

The Registrant's Common Shares are listed for trading on the NASDAQ Global Select Market under the symbol MEOH. NASDAQ Equity Rule 5615(a)(3) permits a foreign private issuer to follow its home country practice in lieu of certain corporate governance requirements of the NASDAQ Equity Rules. A foreign private issuer that follows a home country practice in lieu of one or more provisions of the NASDAQ Equity Rules is required to disclose in its annual report filed with the Commission, or on its website, each corporate governance requirement of the NASDAQ Equity Rules that it does not follow and describe the home country practice followed by the issuer in lieu of such NASDAQ corporate governance requirements.

We do not follow NASDAQ Equity Rule 5620(c), but instead follow our home country practice relating to quorum requirements at meetings of shareholders as more fully described on page 23 of the Registrant's Annual Information Form for the year ended December 31, 2011, filed as Exhibit 99.1 to this report.

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: (a) with respect to the Common Shares, was filed with the Commission together with the Form 40-F of the Registrant on June 16, 1995; (b) 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; (c) 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; and (d) with respect to the 5.25% Senior Notes due March 1, 2022 was filed with the Commission together with the Form F-9 of the Registrant on October 31, 2011.

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 16, 2012

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
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, Corporate Development 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, Corporate Development 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 15, 2012
99.2	Management's Discussion and Analysis for the Year Ended December 31, 2011
99.3	Audited Consolidated Financial Statements of the Registrant for the year ended December 31, 2011 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 15, 2012 on the consolidated statements of financial position of Methanex Corporation ("the Company") as at December 31, 2011, December 31, 2010 and January 1, 2010, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2011 and December 31, 2010; and
- Our Report of Independent Registered Public Accounting Firm dated March 15, 2012 on the effectiveness of internal control over financial reporting as of December 31, 2011

each of which is contained in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2011.

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 and No. 333-177632 on Form F-9/A of the Company.

KPMG LLP

Chartered Accountants

Vancouver Canada

March 15, 2012

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 16, 2012

/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 16, 2012

/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, 2011 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 16, 2012

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, 2011 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 16, 2012

Exhibit 99.1



METHANEX CORPORATION

ANNUAL INFORMATION FORM

www.methanex.com

March 15, 2012

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REFERENCE INFORMATION

In this Annual Information Form ("AIF"), a reference to the "Company" refers to Methanex Corporation and a reference to "Methanex," "we," "us," "our" and similar words 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 2011 Management's Discussion and Analysis ("2011 MD&A"), which contains information required to be included in this AIF. The 2011 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., DeWitt & Company Incorporated 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 our industry. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Statements that include the words “believes,” “expects,” “may,” “will,” “should,” “potential”, “estimates,” “anticipates,” “aim”, “goal” 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 shutdowns (either temporary or permanent) or restarts of existing methanol supply (including our own facilities), including, without limitation, timing and length of planned maintenance outages,
- expected methanol and energy prices,
- expected levels of methanol purchases from traders or other third parties,
- expected levels, timing and availability of economically priced natural gas supply to each of our plants, including, without limitation, levels of natural gas supply from investments in natural gas exploration and development in Chile and New Zealand,
- commitments, capital or otherwise, of third parties to future natural gas exploration and development in the vicinity of our plants,
- expected capital expenditures, including, without limitation, those to support natural gas exploration and development for our plants and the restart of our idled methanol facilities,
- anticipated production rates of our plants, including, without limitation, our Chilean facilities and the planned restart of the Motunui 1 facility in New Zealand,
- expected operating costs, including natural gas feedstock costs and logistics costs,
- ability to reduce CO_2 emissions and other greenhouse gases from our operations,
- expected tax rates or resolutions to tax disputes,
- expected cash flows, earnings capability and share price,
- ability to meet covenants or obtain waivers associated with our long-term debt obligations, including, without limitation, the Egypt limited recourse debt facilities which have conditions associated with finalization of certain land title registration and related mortgages which require actions by Egyptian 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, plant restarts, capacity expansions, plant relocations, or other business initiatives or opportunities, including the planned relocation of one of our idle Chile methanol plants to the United States Gulf Coast,
- financial strength and ability to meet future financial commitments,
- expected global or regional economic activity (including industrial production levels),
- expected outcomes of litigation or other disputes, claims and assessments,
- 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,
- expected actions of governments, government agencies, 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,
- 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,
- availability of committed credit facilities and other financing,
- timing of completion and cost of our Motunui 1 restart project in New Zealand,
- global and regional economic activity (including industrial production levels),
- absence of a material negative impact from major natural disasters,
- absence of a material negative impact from changes in laws or regulations,
- accuracy and sustainability of opinions provided by our legal, accounting and other professional advisors,
- absence of material negative impact from political instability in the countries in which we operate, 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.

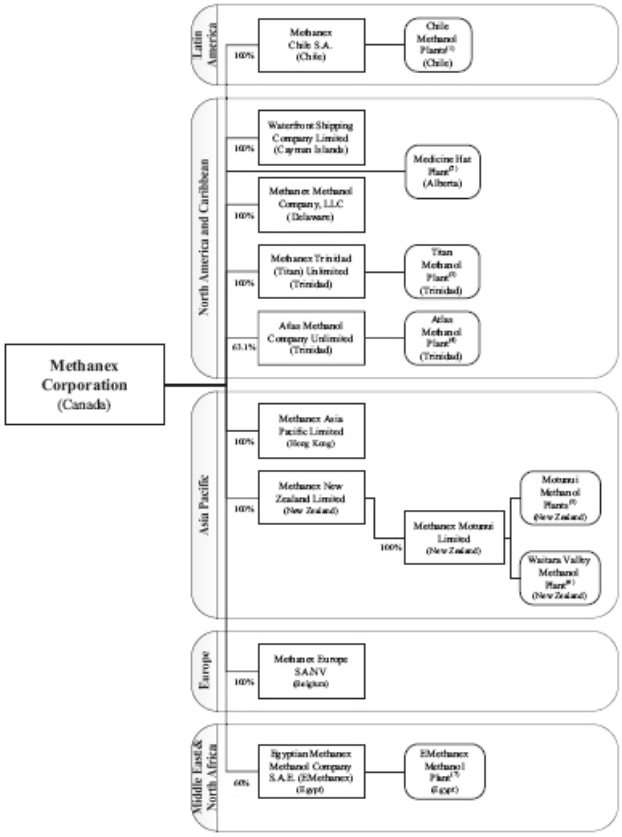
- conditions in the methanol and other industries, including fluctuations in supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses,
- the price of natural gas, oil and oil derivatives,
- the success of natural gas exploration and development activities 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 ability to successfully carry out corporate initiatives and strategies,
- actions of competitors, suppliers, and financial institutions,
- 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 the 2011 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.

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 as of December 31, 2011 and, for each subsidiary, 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 four plants in Chile represent 3.8 million tonnes per year of annual production capacity; 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 was restarted in April 2011.
(3) The Titan plant represents 900,000 tonnes of annual production capacity.
(4) Our equity interest in the Atlas plant represents 1.2 million tonnes of annual production capacity.
(5) We restarted one idled 850,000 tonne per year Motunui plant in 2008 and we have committed to restart the other 850,000 tonne per year Motunui plant in mid-2012. Due to current distillation capacity constraints at the Motunui site, the combined operating capacity of both plants is approximately 1.5 million tonnes per year.
(6) Our 530,000 tonne per year Waitara Valley plant was idled in October 2008 after the restart of one of our 850,000 tonne per year Motunui plants.
(7) Our equity interest in the EMethanex plant represents 760,000 tonnes of annual production capacity and commenced commercial operations in March 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 other chemical derivatives for which demand is influenced by levels of global economic activity. The remaining one-third of methanol demand comes from energy-related applications. There has been strong demand growth for direct methanol blending into gasoline, as a feedstock in the production of dimethyl ether (DME), which can be blended with liquefied petroleum gas for use in household cooking and heating, and in the production of biodiesel. Methanol is also used to produce methyl tertiary-butyl ether (MTBE), a gasoline component, and an emerging application is for methanol demand into olefins.

We are the world's largest supplier of methanol to major international markets in Asia Pacific, North America, Europe and Latin America. Our total annual production capacity, including Methanex equity interests in jointly owned plants, is currently 9.3 million tonnes and is located in Chile, Trinidad, Egypt, New Zealand and Canada (refer to the Production section on page 14 for more information). We have marketing rights for 100% of the production from the jointly owned plants in Trinidad and Egypt and this provides us with an additional 1.2 million tonnes per year of methanol offtake supply when those plants are operating at full capacity. 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.

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 2011 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 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 customers and supporting both traditional and energy-related global methanol demand growth.

We are the leading supplier of methanol to the major international markets of North America, Asia Pacific, Europe and Latin America. We grew sales volumes by 8% in 2011 to 7.51 million tonnes, representing approximately 15% of global demand. 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 customer contracts.

The geographically diverse locations of our production sites allow us to deliver methanol cost-effectively to customers in all major global markets, while investments in global distribution and supply infrastructure, which include 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 capability. We increased production in 2011 with the start-up of the new 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. We recently announced our commitment to restart a second facility in New Zealand in mid-2012 and this will provide an additional 0.65 million tonnes of methanol capacity. Our New Zealand facilities are ideally situated to supply the growing Asia Pacific market.

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 the *Natural Gas Supply – Chile* section on page 16 for further information). Our primary goal is to progressively increase production at the Chile site with natural gas from suppliers in Chile by supporting the acceleration of natural gas development in southern Chile. Significant investments have been made in the last few years for natural gas exploration and development in southern Chile and gas deliveries from these investments have allowed us to continue to operate one plant. However, the timelines for significant increases in gas production are much longer than we had originally anticipated and existing gas fields are experiencing declines. As a result, the short-term outlook for gas supply in Chile continues to be challenging and we are considering other projects to increase the utilization of our Chile assets. We are planning to relocate one of the idle Chile methanol plants with a capacity of approximately 1.0 million tonnes to Geismar, Louisiana, with a final investment decision expected in the third quarter of 2012. We are also continuing to examine the viability of utilizing coal gasification as an alternative feedstock in Chile.

Another key component of our global leadership strategy is our ability to supplement 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 sales and purchasing levels in 2011 in anticipation of increased production from the Egypt and Medicine Hat facilities. We expect purchased methanol will represent a lower proportion of overall sales volumes in 2012 compared to 2011 as a result of higher production from Egypt, Medicine Hat and New Zealand.

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 and we have offices in Hong Kong, Shanghai, Beijing, Seoul and Tokyo to enhance customer service and industry positioning in the region. This 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.

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 a drive to improve our cost structure, expand margins and create value for shareholders. The most significant components of total costs are natural gas for feedstock and distribution costs associated with delivering methanol to customers.

Our production facilities in Trinidad and Egypt represent 2.8 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. This pricing relationship enables these facilities to be competitive throughout the methanol price cycle.

During 2011, we operated one Motunui facility in New Zealand and we recently announced our commitment to restart a second Motunui facility in mid-2012, which will add up to 0.65 million tonnes of incremental capacity per annum. In support of the restart, Methanex has entered into a ten-year natural gas purchase agreement that is expected to supply up to half of the 1.5 million tonnes of annual capacity at the Motunui site under terms that include base and variable price components.

Our 0.47 million tonne facility in Medicine Hat, Alberta is ideally situated to supply customers in North America. We have a program in place to purchase natural gas on the Alberta gas market and we believe that the long-term natural gas dynamics in North America will support the long-term operation of this facility.

The cost to distribute methanol from production locations to customers is also a significant component of total 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 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 the manufacturing and supply chain processes, marketing and sales, human resources, corporate governance practices and financial management.

To differentiate ourselves from 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 a commitment to Responsible Care helps us reduce the likelihood of unplanned shutdowns and safety incidents and achieve an excellent overall environmental and safety record.

Product stewardship is a vital component of a 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 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 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 the Responsible Care ethic, we have a Social Responsibility policy that aligns corporate governance, employee engagement and development, community involvement and social investment strategies with our core values and corporate strategy.

Our strategy of operational excellence also 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, 2011, we had a strong balance sheet with a cash balance of $351 million and a $200 million undrawn credit facility. On February 21, 2012, we issued $250 million of notes due in 2022. We intend to repay the $200 million of notes due in August 2012 from cash on hand, cash generated from operations and proceeds from the 2012 offering. We believe we are well positioned to meet our financial commitments and continue investing to grow the business.

METHANOL INDUSTRY INFORMATION

General

In 2011, 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 in fuels applications (direct blending into gasoline and cooking fuels), and as a feedstock in the production of DME, biodiesel and MTBE. We consider the emerging demand for methanol-to-olefins (MTO) to be another energy application of methanol since methanol can be cost competitive relative to the traditional production of olefins from naphtha.

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 2008 global recession had a significant negative impact on demand in our industry, but through 2009 and 2010, demand for methanol improved significantly. In 2011, we estimate that global demand for methanol grew 7%, notwithstanding the European debt crisis and uncertain global economic situation. See *Demand Factors* below for more information.

Refer to the *Risk Factors and Risk Management* section of our 2011 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 2011, excluding methanol produced in integrated MTO facilities, increased by about 7% to approximately 49 million tonnes. This increase was driven primarily by China, both in traditional chemical derivatives as well as energy applications.

Overall, traditional chemical derivatives accounted for about half of the annual 2011 growth and grew by 5% year-over-year, while energy demand accounted for the other half of the annual 2011 growth and grew by 11% 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 products 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 2011, chemical derivative demand represented approximately two-thirds of total global demand.

Formaldehyde Demand

In 2011, methanol demand for the production of formaldehyde represented approximately 33% of global methanol 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 2011, 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 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, de-icing 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 (primarily in China), DME and biodiesel. In addition, due to favourable economics, methanol-to-olefins (MTO) is rapidly emerging in China as a substitute for naphtha-based olefins. Methanol has also been used to make MTBE, a gasoline additive, for many years.

In 2011, methanol demand for energy-related uses continued to grow in the high energy demand environment and represented approximately 34% of total global demand. This 34% was comprised of methanol for the production of MTBE, which represented about 12% of 2011 demand, while other energy applications, including direct blending of methanol into gasoline, DME and biodiesel, accounted for approximately 22% of 2011 demand (compared to 20% in 2010). Fuel applications and DME were the fastest-growing end-use segments for methanol in 2011, with methanol fuels demand growing at approximately 16% and methanol into DME growing at 14%.

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 2011, we estimate that methanol demand for these fuel applications in China was approximately 5.3 million tonnes (compared to approximately 4.5 million tonnes in 2010). 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 2011, 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 2011. 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 in 2009. Provincial M-15 standards are already in place in nearly half of China's 27 provinces and provincial standards are also in place for other methanol blends, varying from M-5 to M-100. 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, 3% methanol blends have been allowed for many years in Europe under the EN228 standard and 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 liquefied petroleum gas (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 2011, the new "DME as city gas" national standard was implemented in China, which will further support the development of the DME industry there. In 2011, global methanol demand for use in DME was estimated at approximately 3.5 million tonnes (compared to 3.0 million tonnes in 2010). DME projects are also in development in regions outside of China.

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 2011, global demand for methanol use in biodiesel was estimated at 1.9 million tonnes (compared to 1.6 million tonnes in 2010). 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 implementation of the Renewable Fuel Standard (RFS2) regulations in the United States. The RFS2 mandates the use of certain volumes of renewable fuels to be blended into the US transportation fuel pool and had a positive impact on US biodiesel demand growth in 2011.

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, over the past two to three years, some oxygenate producers 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 should remain relatively stable or increase slightly.

Methanol-to-Olefins (MTO)

Light olefins (ethylene and propylene) are the basic building blocks to make many plastics. Olefins can be produced from various feedstocks, including naphtha, LPG, ethane 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. Over the past year, methanol demand into olefins emerged as a significant methanol derivative. China is leading the commercialization of MTO, and at current energy prices, the process is cost competitive relative to the traditional production of olefins from naphtha. The first MTO plant in China started up in 2010, and there are now four plants operating in China, consuming over five million tonnes of methanol annually. Three of these projects were not expected to impact the merchant methanol market as they are integrated projects – coal to methanol to olefins. However, over the past year, these plants have purchased methanol to supplement their own methanol production. The one non-integrated plant is dependent on merchant methanol supply. A number of non-integrated projects are currently being planned in China and would be dependent on merchant methanol supply. If these projects go ahead, they could significantly impact the global supply and demand balance of methanol.

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 2011 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 have generally been 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. As regional natural gas prices fluctuate and shipping costs escalate, there may be a greater incentive to build new methanol capacity closer to customers in 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.

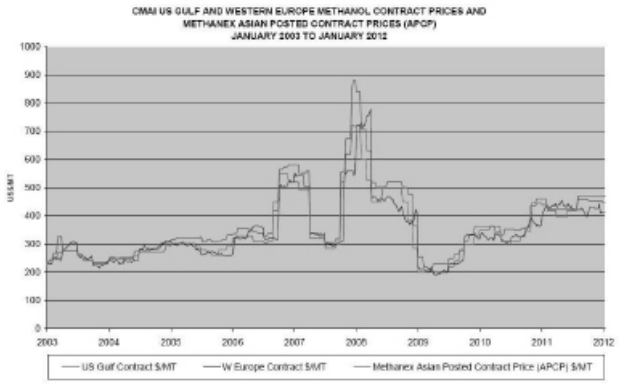
Typical of most commodity chemicals, periods of high methanol prices encourage high cost producers to operate at maximum rates and also encourage the construction of new plants and expansion projects, leading to the possibility of oversupply in the market. However, historically, many of the announced 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 2011, there were two significant methanol production capacity additions outside of China that totalled approximately 1.7 million tonnes, comprising our own 1.26 million tonne Egypt plant and 0.47 million tonne Medicine Hat plant. Over the next two-year period to the end of 2013, it is projected that new methanol capacity, restarts and expansions outside of China will add approximately 2.6 million tonnes of capacity to the global industry. We believe that this increase in capacity will be offset by global demand growth outside of China.

With respect to China, we estimate that approximately 3.0 million tonnes of net new capacity was added in 2011. Over the next two-year period to the end of 2013, we anticipate that approximately 6.0 million tonnes of net new capacity will be added and that idled capacity will be required to restart to meet growing domestic methanol demand in China. 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. We believe that in an environment of high global energy prices and growing industrial production, methanol demand in China should continue to grow at healthy 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:



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 and an appreciable spot market in Europe, the spot markets in North America and Latin America are relatively small in relation to the total volume of methanol traded.

The methanol industry is highly competitive and prices are affected by supply and demand fundamentals. We publish regional non-discounted reference prices 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 use published Methanex reference prices as a basis for pricing, and we offer discounts to customers based on various factors. Our average non-discounted published reference price for 2011 was $440 per tonne compared with $356 per tonne in 2010. Our average realized prices of $374 per tonne for 2011 and $306 per tonne for 2010 were 15% and 14%, respectively, lower than the average non-discounted published prices.

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 five 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, the table reflects our equity interest share of 63.1% and 60%, respectively):

	Year Built	Annual Production Capacity[1] (000 tonnes/year)	2011 Production (000 tonnes)	2010 Production (000 tonnes)
Chile				
Chile I	1988	882	—	—
Chile II	1996	990	—	159
Chile III	1999	1,088	554	776
Chile IV	2005	840	—	—
Trinidad				
Titan	2000	900	711	891
Atlas[2]	2004	1,150	891	884
New Zealand				
Motunui 1[3]	1985	850	—	—
Motunui 2[3]	1985	850	830	830
Waitara Valley	1983	530	—	—
Egypt[4]	2011	760	532	—
Medicine Hat[5]	1981	470	329	—
Total		**9,310**	**3,847**	**3,540**

(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) In January 2012, we announced our intention to restart the Motunui 1 facility in mid-2012. Due to the current distillation capacity constraints at the Motunui site, the combined operating capacity of both plants is approximately 1.5 million tonnes, which is lower than the combined nameplate capacity shown above of 1.7 million tonnes.
(4) The production capacity represents our 60% interest in the Egypt methanol facility and our partners own the remaining 40%. This facility commenced commercial operations in March 2011.
(5) The Medicine Hat facility was idled in 2001 and was restarted in April 2011.

Refer to the *Production Summary* section of our 2011 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), 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 2011 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 lease or own in-region storage and terminal facilities in the United States, Canada, Europe, Latin America and Asia. We also 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 began operations in 2011, primarily services our European markets, but can also supply Asia and North America. Our Medicine Hat plant, which was restarted in April 2011, serves 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.

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 2011 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. For all of our production facilities except Medicine Hat, the natural gas supply contracts have pricing terms with base and variable price components. 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. Over the last few years, ENAP has delivered significantly less than the full amount of natural gas that it was obligated to deliver under these contracts.

Our primary 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 2011, we had contributed approximately $106 million. Over the past few years, we have also provided $57 million in financing to GeoPark (of which approximately $40 million had been repaid by the end of 2011) 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 began in 2008. Approximately 75% of total production at our Chilean facilities in 2011 was 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. Over the past few years, the Government of Chile has completed international bidding rounds 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. For two of the exploration blocks, we are participating in a consortium with other international oil and gas companies with GeoPark as the operator. We have approximately a 15% participation in the consortium and at the end of 2011, we had contributed $9 million for our share of the exploration costs.

Our methanol facilities in Chile produced 0.55 million tonnes of methanol in 2011 compared to 0.94 million tonnes in 2010. During 2011, natural gas deliveries were lower than 2010 primarily as a result of declines in deliverability from existing wells. As we entered 2012, we were operating one plant at approximately 40% capacity at our Chile site and we are working closely with ENAP to manage through the seasonality of gas demand with the objective of maintaining operations through the winter season of 2012. 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 and existing fields are experiencing declines. 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.

We are also examining the viability of other projects to increase the utilization of our Chilean assets. We are planning to relocate one of the idle Chile methanol plants with a capacity of approximately 1.0 million tonnes to the Gulf Coast area of the United States. We recently announced that we have secured land in Geismar, Louisiana and are progressing site-specific engineering works. We expect to make a final investment decision in the third quarter of 2012 and the plant to be operational in late 2014. We are also continuing to examine the viability of utilizing coal gasification as an alternative feedstock in Chile.

Refer to the *Risk Factors and Risk Management – Chile* section of our 2011 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. We have recently experienced some natural gas curtailments to the Titan plant due to a mismatch between upstream commitments to supply NGC and downstream demand from NGC's customers which becomes apparent when an upstream technical problem arises. We are engaged with key stakeholders to find a solution to the issue, but in the meantime, we expect to experience some gas curtailments to our Trinidad site. 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 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. The Motunui plant produced 830,000 tonnes of methanol during 2011. In January 2012, we committed to restart the second Motunui methanol plant in mid-2012. Due to distillation constraints at the Motunui site, the combined annual production capacity of the two Motunui plants is currently limited to 1.5 million tonnes of methanol.

Our ability to obtain significant volumes of competitively priced natural gas has improved over the past several years owing to the much-improved gas supply fundamentals in New Zealand. Gas exploration has increased significantly in recent years and the gas fields near our plants benefit from having high-value natural gas liquids, creating a strong incentive for exploration and development activities.

We have currently acquired sufficient amounts of natural gas from various suppliers to allow us to produce about half the annual production capacity at the Motunui site until late 2013. In addition, we have also entered into a 10-year natural gas supply agreement with Todd Energy that underpins the restart of the second Motunui plant and that is expected to allow us to produce up to about half the Motunui site's annual methanol capacity. The Todd contract illustrates the improved natural gas supply dynamics in New Zealand.

We continue to pursue opportunities to obtain competitively priced natural gas with suppliers in New Zealand and believe we will be able to access sufficient volumes of natural gas to allow us to continue to operate both plants at the Motunui site over the long term and, potentially, to restart the idled Waitara Valley plant.

We also continue to pursue opportunities to accelerate the exploration and development of natural gas in the area close to our plants. During 2011, we progressed the analysis of natural gas exploration prospects with Kea Petroleum ("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 with Kea, funding is 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. We can elect to provide funding on a project by project basis and we have agreed to jointly fund an onshore exploration well with Kea, expected to be drilled during 2012.

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 began commercial production in March 2011. The price paid for gas is based on a US dollar base price plus a variable price component that is determined with reference to methanol prices. Under the contract, the gas supplier is obligated to supply and we are obliged to take-or-pay for, a specified annual quantity of natural gas. Gas paid for, but not taken, in any year may be received in subsequent years subject to limitations.

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. The plant returned to production in April 2011.

We currently have a program in place to purchase natural gas on AECO – the Alberta gas trading market – and we believe that the long-term natural gas dynamics in North America will support the long-term operations of this facility.

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; anti-dumping measures; 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 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, Canadian dollars 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 0% 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 that duties of approximately 9% be imposed on methanol imports from New Zealand, Malaysia and Indonesia for five years starting from December 24, 2010. 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 Korea and Japan, two 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 Japan, 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 will 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 United States 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

The Egypt plant is subject to domestic Egyptian tax laws, including a tax on earnings that is currently at a rate of 25%.

During 2011, Egypt experienced periods of anti-government protests and civil unrest and in November 2011, for the safety and security of our employees, we took the decision to temporarily curtail operations of the methanol plant in Damietta, Egypt. The plant restarted in December and has since then operated at near full capacity. (Refer to the *Risk Factors and Risk Management* section of our 2011 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 Gulf Petrochemicals and Chemicals Association, 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 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, 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, Responsible Care and the Director, 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. The most recent third-party verification was successfully completed in 2011.

We have an established Environment Policy that requires that our 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 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 31% between 1994 and 2011 through asset turnover, improved plant reliability and energy efficiency and emissions management. Plant efficiency, and 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 fuel by our ocean vessels based on the volume of product transported. Between 2002 and 2011, we reduced our CO_2 intensity (tonnes of CO_2 from fuel burned per tonne of product moved) from marine operations by nearly 22%. We also actively support global industry efforts to voluntarily reduce both energy consumption and CO_2 emissions.

We manufacture methanol in Chile, Trinidad, New Zealand, Canada and Egypt. All of these countries signed and ratified the Kyoto Protocol; however, Canada has since removed itself from that Agreement. We are not currently required to reduce GHGs in the developing nations of Chile, Trinidad and Egypt, but our production in New Zealand and Canada is subject to GHG reduction regulations.

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 applies to our plant. The regulation requires that 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 purchase either offset credits or "technology fund" credits for CDN$15 per tonne of CO_2 equivalent. Financial obligations are set to begin in 2014 and 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. 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 2011 MD&A for more information regarding risks related to environmental regulations.

We have accrued $26 million for site restoration costs related to the decommissioning and reclamation of our methanol production sites and oil and gas properties. During 2011, cash expenditures applied against the site restoration liability were $0.1 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, 2011, we had 1,042 employees (including the employees at the EMethanex and Atlas facilities).

RISK FACTORS

The risks relating to our business are described under the heading *Risk Factors and Risk Management* in our 2011 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%
June 30, 2011	$ 0.170	10%

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, 2009	$ 0.620
December 31, 2010	$ 0.620
December 31, 2011	$ 0.665

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 outlook)**	**Ba1 (positive outlook)**

(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. The ratings outlook addresses trends or risks with the potential, but not the certainty, of raising or lowering the credit rating sometime over the next two years.

(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 ratings outlook is an opinion regarding the likely direction of the issuer's rating over the medium term.

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, 2011 through December 31, 2011).

2011 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	31.20	26.83	10,216,524	January	31.44	26.73	3,533,063
February	29.02	27.37	8,269,412	February	29.29	27.45	2,034,853
March	30.75	26.56	6,746,103	March	31.64	26.91	2,222,611
April	33.12	29.80	4,755,425	April	34.90	31.11	1,469,577
May	31.13	28.90	3,970,642	May	32.32	29.50	1,696,768
June	31.09	27.82	4,007,306	June	31.95	28.25	1,825,705
July	31.20	27.72	2,946,484	July	32.50	29.20	1,167,470
August	28.36	22.26	6,382,348	August	30.21	22.44	2,523,622
September	25.47	20.64	6,738,416	September	26.18	20.01	1,971,747
October	26.98	20.77	5,723,483	October	27.27	19.52	2,214,003
November	26.05	22.85	7,235,620	November	25.74	22.04	2,453,317
December	25.38	22.31	4,615,629	December	25.02	21.68	1,719,486

DIRECTORS AND EXECUTIVE OFFICERS

As at December 31, 2011, the directors and executive officers of the Company owned, controlled or directed, directly or indirectly, 501,669 Common Shares representing approximately 0.54% of the outstanding Common Shares as at December 31, 2011.

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[12]
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[4][5] 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][7] Vancouver, British Columbia Canada	Director	Corporate Director.	October 1994
COOK, PHILLIP[4][5] Austin, Texas USA	Director	Corporate Director.	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][5] Corpus Christi, Texas USA	Director	Corporate Director. Since February 2012, principal in Glenrock Recovery Partners, LLC[9]. President and Chief Executive Officer of Cinatra Clean Technologies, Inc. from 2008 to May 2011.	September 2008
MAHAFFY, DOUGLAS[2][3] 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 October 1989.	May 2006
POOLE, A. TERENCE[1][4] Calgary, Alberta Canada	Director	Corporate Director.	February 1994 except for June – September 2003
REID, JOHN[1][3] Vancouver, British Columbia Canada	Director	Corporate Director.	September 2003
RENNIE, JANICE[1][3] Edmonton, Alberta Canada	Director	Corporate Director.	May 2006
SLOAN, MONICA[2][5] Calgary, Alberta Canada	Director	Corporate Director. Chief Executive Officer of Intervera Ltd.[11] 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) Pierre Choquette is not standing for re-election at the April 26, 2012 Annual General Meeting.
(8) Medora Investments, LLC is a private investment firm.
(9) Glenrock Recovery Partners, LLC is a company that facilitates the sale of non-fungible hydrocarbons in the United States.
(10) McLean Budden Limited (currently MFS McLean Budden) is an investment management firm that manages over $30 billion in assets for pension, foundation and private clients in Canada, the United States, Europe and Asia.
(11) Intervera Ltd. provided data quality products and services to the energy industry.
(12) 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, RANDALL 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

The Board of Inland Revenue of Trinidad and Tobago issued an assessment in 2011 against our 63.1% owned joint venture, Atlas Methanol Company Unlimited ("Atlas"), in respect of the 2005 financial year. All subsequent tax years remain open to assessment. The assessment relates to the pricing arrangements of certain long-term fixed price sales contracts that extend to 2014 and 2019 related to methanol produced by Atlas. The impact of the amount in dispute for the 2005 financial year is nominal as Atlas was not subject to corporation income tax in that year. Atlas has partial relief from corporation income tax until 2014.

The Company has lodged an objection to the assessment. Based on the merits of the case and legal interpretation, management believes its position should be sustained.

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 four directors: A. Terence Poole (Chair), Pierre Choquette, 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. 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 18-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. Choquette is not standing for re-election as a director at the April 26, 2012 Annual General Meeting.

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 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 and the Institute of Corporate Directors.

Ms. Rennie serves on the boards of Teck Resources Limited, West Fraser Timber Co. Ltd., Capital Power Corporation, Major Drilling Group International Inc. and WestJet Airlines Ltd. 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 Company’s Audit, Finance and Risk Committee (the “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 by which permissible services proposed to be performed by KPMG LLP 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, must 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’s global fees relating to the years ended December 31, 2011 and December 31, 2010 are as follows:

US$000s	2011	2010
Audit Fees	1,827	1,600
Audit-Related Fees	116	138
Tax Fees	99	304
Total	**2,042**	**2,042**

Each fee category 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 2011 compared with 2010 is due to an expanded scope resulting from the start-up of the Egypt and Medicine Hat facilities, the appointment of KPMG as our statutory auditors in New Zealand and services provided in relation to the shelf prospectus.

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 transition to international financial reporting standards ("IFRS") 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 2011 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 2, 2012 relating to our Annual General Meeting that will be held on April 26, 2012.

Additional financial information about the Company is provided in the Company's financial statements for the year ended December 31, 2011 and in our 2011 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 two 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 their review or 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.



R.R. DONNELLEY

Exhibit 99.2

Management's Discussion & Analysis

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This Management's Discussion and Analysis is dated March 15, 2012 and should be read in conjunction with our consolidated financial statements and the accompanying notes for the year ended December 31, 2011. We use the United States dollar as our reporting currency. Except where otherwise noted, all currency amounts are stated in United States dollars.

The year ending December 31, 2011, with comparative results for 2010, is our first annual period reported under International Financial Reporting Standards (IFRS). All comparative figures have been restated to be in accordance with IFRS, unless specifically noted otherwise. For a description of the significant accounting policies the Company has adopted under IFRS, including the estimates and judgments we consider most significant in applying those accounting policies, please refer to note 2 of the consolidated financial statements.

Our financial statements were prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) until December 31, 2010. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosures. The transition to IFRS had a cumulative impact on the Company's shareholders' equity of $25 million as of January 1, 2010, excluding the presentation reclassification of the non-controlling interests. To help users of the financial statements better understand the impact of the adoption of IFRS on the Company, we have provided reconciliations from Canadian GAAP to IFRS for total assets, liabilities and equity, as well as net income and comprehensive income, for the comparative reporting periods. Please refer to note 24 of the consolidated financial statements for the reconciliations between IFRS and Canadian GAAP.

At March 9, 2012 we had 93,522,155 common shares issued and outstanding and stock options exercisable for 4,239,460 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 energy-related applications. There has been strong demand growth for direct methanol blending into gasoline, as a feedstock in the production of dimethyl ether (DME), which can be blended with liquefied petroleum gas for use in household cooking and heating, and in the production of biodiesel. Methanol is also used to produce methyl tertiary-butyl ether (MTBE), a gasoline component, and an emerging application is for methanol demand into olefins.

We are the world's largest supplier of methanol to major international markets in Asia Pacific, North America, Europe and Latin America. Our total annual production capacity, including Methanex equity interests in jointly owned plants, is currently 9.3 million

tonnes and is located in Chile, New Zealand, Trinidad, Egypt and Canada (refer to the *Production Summary* section on page 15 for more information). We have marketing rights for 100% of the production from the jointly owned plants in Trinidad and Egypt and this provides us with an additional 1.2 million tonnes per year of methanol offtake supply when the plants are operating at full capacity. 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.

2011 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.

Despite concerns throughout 2011 regarding the health of the global economy, the methanol industry experienced demand growth of 7% compared with 2010, leading to total demand of approximately 49 million tonnes. Increases in demand have been driven by both traditional derivatives and energy-related applications in Asia, particularly in China.

The methanol industry added 1.7 million tonnes of capacity outside of China in 2011, consisting of the new 1.26 million tonne plant in Egypt and our 0.47 million tonne plant in Medicine Hat, Alberta; however, there were also a number of planned and unplanned outages. Overall industry conditions were balanced and this led to a stable methanol pricing environment throughout 2011. Our average realized price for 2011 was $374 per tonne.

The outlook for methanol demand growth continues to be strong. The wide disparity between the price of crude oil and that of natural gas and coal has resulted in increased use of methanol in energy applications, which now accounts for approximately one-third of global methanol demand. Led by China, methanol demand for gasoline blending and in the production of DME has been particularly strong and grew at high rates in 2011. We believe that future growth in these applications is supported by regulatory changes in that country as many provinces in China have implemented fuel blending standards, and M85 and M100 (or 85% methanol and 100% methanol respectively) national standards took effect in 2009. We believe demand potential into energy-related applications will be stronger in a high energy price environment.

China is also leading the commercialization of methanol demand into olefins (MTO), which is emerging as a significant methanol application. MTO, at current energy prices, is proving to be cost competitive relative to the traditional production of olefins from naphtha. The first MTO plant in China started up in 2010, and there are now four plants operating in China, consuming over five million tonnes of methanol annually. Three of these projects were not expected to impact the merchant methanol market as they are integrated projects – coal to methanol to olefins. However, over the past year, these plants have purchased methanol to supplement their own methanol production and the one non-integrated plant has been dependent on merchant methanol supply. A number of non-integrated projects are currently being planned in China, and these will depend on merchant methanol supply. If the projects go ahead, they could significantly impact the global supply and demand balance of methanol.

While methanol demand in energy applications is strongest in China, many other countries have projects in place or are considering adopting these derivatives on a wider scale. For example, methanol is being used in small quantities in gasoline in the United Kingdom and Korea, and there are fuel-blending trials under way in various countries around the world. DME projects are also under development in countries that include Indonesia, India, Sweden and Japan.

We increased production in 2011 and anticipate a further increase in production capacity over the next few years. In addition to our commitment to restart a second New Zealand facility in mid-2012, we are also focused on increasing the utilization of our Chile assets. We are pursuing investment opportunities to accelerate natural gas exploration and development in Chile, which we expect will allow us to increase production rates at our Chile site in the future. We are considering other projects to increase the utilization of our Chilean assets. We are planning to relocate one of the idle Chile methanol plants to Geismar, Louisiana, with a final investment decision expected in the third quarter of 2012, and we are also continuing to examine the viability of utilizing coal gasification as an alternative feedstock in Chile.

Beyond our own capacity additions, there is a modest level of new capacity expected to come on stream over the next few years. There is a 0.85 million tonne plant expected to restart in Beaumont, Texas in 2012, a 0.8 million tonne plant expected to restart in

Channelview, Texas in 2013, a 0.7 million tonne plant expected to start up in Azerbaijan in 2014, and a 0.8 million tonne plant expected to start up in Russia in 2015.

Despite continued concerns regarding the global economy, methanol demand continues to be stable, supported by a higher energy price environment. With few capacity additions expected to enter the market over the next few years relative to expected demand growth, we believe we are well positioned with anticipated production increases from our existing assets. As production from these assets 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 cash flows and earnings.

The methanol price will ultimately depend on the strength of the global economy, 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 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 customers and supporting both traditional and energy-related global methanol demand growth.

We are the leading supplier of methanol to the major international markets of North America, Asia Pacific, Europe and Latin America. We grew sales volumes by 8% in 2011 to 7.5 million tonnes, representing approximately 15% of global demand. 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.

The geographically diverse location of our production sites allows us to deliver methanol cost-effectively to customers in all major global markets, while investments in global distribution and supply infrastructure, which include 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 capability. We increased production in 2011 with the start-up of the new 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. We recently announced our commitment to restart a second facility in New Zealand in mid-2012 and this will provide an additional 0.65 million tonnes of methanol capacity. Our New Zealand facilities are ideally situated to supply the growing Asia Pacific market.

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 the *Risk Factors and Risk Management – Chile* section on page 30 for further information). Our primary goal is to progressively increase production at the Chile site with natural gas from suppliers in Chile by supporting the acceleration of natural gas development in southern Chile. Significant investments have been made in the last few years for natural gas exploration and development in southern Chile, and gas deliveries from these investments have allowed us to continue to operate one plant. However, the timelines for significant increases in gas production are much longer than we had originally anticipated and existing gas fields are experiencing declines. As a result, the short-term outlook for gas supply in Chile continues to be challenging and we are considering other projects to increase the utilization of our Chile assets. We are planning to relocate one of the idle Chile methanol plants with a capacity of approximately 1.0 million tonnes to Geismar, Louisiana, with a final investment decision expected in the third quarter of 2012. We are also continuing to examine the viability of utilizing coal gasification as an alternative feedstock in Chile.

Another key component of our global leadership strategy is our ability to supplement 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 sales and purchasing levels in 2011 in anticipation of increased production from the Egypt and Medicine Hat facilities. We expect purchased methanol will represent a lower proportion of overall sales volumes in 2012 compared to 2011 as a result of higher production from Egypt, Medicine Hat and New Zealand.

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 and we have offices in Hong Kong, Shanghai, Beijing, Seoul and Tokyo to enhance customer service and industry positioning in the region. This 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.

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 a drive to improve our cost structure, expand margins and create value for shareholders. The most significant components of total costs are natural gas for feedstock and distribution costs associated with delivering methanol to customers.

Our production facilities in Trinidad and Egypt represent 2.8 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. This pricing relationship enables these facilities to be competitive throughout the methanol price cycle.

During 2011, we operated one Motunui facility in New Zealand and we recently announced our commitment to restart a second Motunui facility in mid-2012, which will add up to 0.65 million tonnes of incremental capacity per annum. In support of the restart, Methanex has entered into a ten-year natural gas purchase agreement that is expected to supply up to half of the 1.5 million tonnes of annual capacity at the Motunui site under terms that include base and variable price components.

Our 0.47 million tonne facility in Medicine Hat, Alberta is ideally situated to supply customers in North America. We have a program in place to purchase natural gas on the Alberta gas market and we believe that the long-term natural gas dynamics in North America will support the long-term operation of this facility.

The cost to distribute methanol from production locations to customers is also a significant component of total 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 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 the manufacturing and supply chain processes, marketing and sales, human resources, corporate governance practices and financial management.

To differentiate ourselves from 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 a commitment to Responsible Care helps us reduce the likelihood of unplanned shutdowns and safety incidents and achieve an excellent overall environmental and safety record.

Product stewardship is a vital component of a 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 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 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 the Responsible Care ethic, we have a Social Responsibility policy that aligns corporate governance, employee engagement and development, community involvement and social investment strategies with our core values and corporate strategy.

Our strategy of operational excellence also 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, 2011, we had a strong balance sheet with a cash balance of $351 million and a $200 million undrawn credit facility. On February 21, 2012, we issued $250 million of notes due in 2022. We intend to repay the $200 million of notes due in August 2012 from cash on hand, cash generated from operations and proceeds from the 2012 offering. We believe we are well positioned to meet our financial commitments and continue investing to grow the business.

FINANCIAL HIGHLIGHTS

($ MILLIONS, EXCEPT WHERE NOTED)	2011	2010
Production (thousands of tonnes) (attributable to Methanex shareholders)	**3,847**	3,540
Sales volumes (thousands of tonnes):		
Methanex-produced methanol (attributable to Methanex shareholders)	**3,853**	3,540
Purchased methanol	**2,815**	2,880
Commission sales[1]	**846**	509
Total sale volumes	**7,514**	6,929
Methanex average non-discounted posted price ($ per tonne) [2]	**440**	356
Average realized price ($ per tonne) [3]	**374**	306
Revenue	**2,608**	1,967
Adjusted EBITDA (attributable to Methanex shareholders) [4]	**427**	291
Cash flows from operating activities	**480**	183
Adjusted cash flows from operating activities (attributable to Methanex shareholders) [4]	**392**	303
Net income (attributable to Methanex shareholders)	**201**	96
Net income before unusual item (attributable to Methanex shareholders) [4]	**201**	74
Basic net income per common share ($ per share)	**2.16**	1.04
Diluted net income per common share ($ per share) [5]	**2.06**	1.03
Diluted net income per common share before unusual item ($ per share) [4]	**2.06**	0.79
Common share information (millions of shares):		
Weighted average number of common shares outstanding	**93**	92
Diluted weighted average number of common shares outstanding	**94**	94
Number of common shares outstanding	**93**	93

[1] Commission sales represent volumes marketed on a commission basis related to the 36.9% of the Atlas methanol facility and 40% of the Egypt methanol facility that we do not own.
[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 at www.methanex.com.
[3] Average realized price is calculated as revenue, excluding commissions earned and the Egypt non-controlling interest share of revenue, divided by the total sales volumes of Methanex-produced (attributable to Methanex shareholders) and purchased methanol.

[4] These items are non-GAAP measures that do not have any standardized meaning prescribed by 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 41 for a description of each non-GAAP measure and a reconciliation to the most comparable GAAP measure.

[5] For the year ended December 31, 2011, diluted net income per common share is $0.10 lower than basic net income per common share. The large difference between diluted and basic net income per common share is due to the basis for the calculation of diluted net income per common share differing from the accounting treatment for certain types of share-based compensation. See note 13 of the Company's consolidated financial statements for the calculation of diluted net income per common share.

PRODUCTION SUMMARY

The following table details the annual production capacity and actual production of our facilities in 2011 and 2010:

(THOUSANDS OF TONNES)	ANNUAL PRODUCTION CAPACITY[1]	2011	2010
Chile I, II, III and IV	3,800	**554**	935
New Zealand[2]	2,230	**830**	830
Atlas (Trinidad) (63.1% interest)	1,150	**891**	884
Titan (Trinidad)	900	**711**	891
Egypt (60% interest)[3]	760	**532**	–
Medicine Hat[3]	470	**329**	–
	9,310	**3,847**	3,540

[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 the two 0.85 million tonne facilities at Motunui and the 0.5 million tonne facility at Waitara Valley. We recently committed to restart a second Motunui facility in mid-2012, which is supported by a new ten-year natural gas agreement (refer to the *New Zealand* section on page 16 for more information). Due to current distillation capacity constraints at the Motunui site, the combined operating capacity of both plants is approximately 1.5 million tonnes, compared with the combined nameplate capacity of 1.7 million tonnes.

[3] The Egypt methanol facility commenced commercial production in March 2011 and the Medicine Hat facility was restarted in April 2011.

Chile

The methanol facilities in Chile produced 0.55 million tonnes of methanol in 2011 compared with 0.94 million tonnes in 2010. Since 2007, we have operated the methanol facilities in Chile significantly below site capacity, primarily due to curtailments of natural gas supply from Argentina. In June 2007, 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 the Chile facilities since June 2007 has been produced with natural gas from Chile.

Our primary goal is to progressively increase production at the 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, 2011, we had contributed approximately $106 million. Over the past few years, we have also provided $57 million in financing to GeoPark (of which approximately $40 million had been repaid at December 31, 2011) 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 began in 2008.

Other investment activities are also supporting the acceleration of natural gas exploration and development in areas of southern Chile. Over the past few years, the Government of Chile has completed international bidding rounds 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. For two of the exploration blocks, we are participating in a consortium with other international oil and gas companies with Geopark as the operator. We have approximately a 15% participation in the consortium and at December 31, 2011, we had contributed $9 million for our share of the exploration costs.

During 2011, approximately 75% of total production at the Chilean facilities was produced with natural gas supplied from the Fell and Dorado Riquelme blocks, with the remaining natural gas supplied by ENAP. Lower production from the Chile facilities in 2011 compared with 2010 was primarily as a result of declines in the deliverability from existing fields. As we entered 2012, we were operating one plant at approximately 40% of capacity and were working closely with ENAP to manage through the seasonality of gas demand with the objective of maintaining operations through the winter season in 2012.

While significant investments have been made in the last few years for oil and natural gas exploration and development in southern Chile, the timelines for significant increases in gas production are much longer than we had originally anticipated and existing gas fields are experiencing declines. As a result, the short-term outlook for gas supply in Chile continues to be challenging and we are also considering other projects to increase the utilization of the Chilean assets. We are planning to relocate one of the idle Chile methanol plants with a capacity of approximately 1.0 million tonnes to Geismar, Louisiana and expect to make a final investment decision in the third quarter of 2012 with production in late 2014. We are also continuing to examine the viability of utilizing coal gasification as an alternative feedstock in Chile. Refer to the *Risk Factors and Risk Management – Chile* section on page 30 for more information.

New Zealand

During 2010 and 2011, we operated one methanol facility at the Motunui site in New Zealand and produced 0.83 million tonnes of methanol each year. We recently announced our commitment to restart a second Motunui facility in mid-2012 which will add up to 0.65 million tonnes of incremental annual capacity to our New Zealand operations. In support of the restart, we have entered into a ten-year gas supply agreement that is expected to supply up to half of the 1.5 million tonnes of annual capacity at the Motunui site. We have an additional 0.53 million tonne per year plant at the nearby Waitara Valley site which remains idle. This facility provides additional potential to increase New Zealand production depending on methanol supply and demand dynamics and the availability of competitively priced natural gas. We continue to pursue opportunities to contract additional natural gas supply to our plants in New Zealand and are also pursuing natural gas exploration and development opportunities in that country. We have an agreement with Kea Petroleum, an oil and gas exploration and development company, to explore areas of the Taranaki basin, which is close to our plants.

Trinidad

Our equity ownership of methanol facilities in Trinidad represents 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 1.60 million tonnes in 2011 compared with 1.78 million tonnes in 2010. As a result of an equipment failure in July 2011, the Atlas facility operated at approximately 70% of capacity until it was shut down in January 2012 for a maintenance outage to complete the repair.

In addition, production at the Titan facility was lower than capacity, primarily due to unplanned maintenance outages and lower gas deliveries. During 2011, we experienced some natural gas curtailments to the Titan facility due to a mismatch between upstream commitments to supply The National Gas Company in Trinidad (NGC) and downstream demand from NGC's customers which becomes apparent when an upstream technical problem arises. We are engaged with key stakeholders to find a solution to this issue, but in the meantime expect to continue to experience some gas curtailments to the Trinidad site. Refer to the *Risk Factors and Risk Management – Trinidad* on page 30 for more information.

Egypt

The new 1.26 million tonne per year methanol plant in Egypt commenced commercial operations in March 2011 and produced 0.89 million tonnes (0.53 million tonnes on a 60% basis) in 2011. We have a 60% interest in the facility and have marketing rights for 100% of the production. This facility is well located to supply the European market and is underpinned by a 25-year take-or-pay natural gas purchase agreement where the gas price varies with methanol prices.

During 2011, Egypt experienced periods of anti-government protests and civil unrest and in November 2011, for the safety and security of our employees, we took the decision to temporarily curtail operations of the methanol plant. Since restarting in December the plant has operated near capacity. Refer to the *Risk Factors and Risk Management – Egypt* section on page 31 for more information.

Medicine Hat

Our 0.47 million tonne per year facility in Medicine Hat, Alberta was restarted in April 2011 and has operated well since that time, producing 0.33 million tonnes of methanol in 2011. We have a program in place to purchase natural gas on the Alberta gas market and we believe that the long-term natural gas dynamics in North America will support the long-term operation of this facility.

HOW WE ANALYZE OUR BUSINESS

Our operations consist of a single operating segment – the production and sale of methanol. We review our financial results by analyzing changes in the components of Adjusted EBITDA (refer to the *Supplemental Non-GAAP Measures* section on page 41 for a description of Adjusted EBITDA and a reconciliation to the most comparable GAAP measure), mark-to-market impact of share-based compensation, depreciation and amortization, finance costs, finance income and other expenses, 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, excluding commission sales volumes. The key drivers of change in Adjusted EBITDA are average realized price, cash costs and sales volume which 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 COSTS	The change in 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 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 own 63.1% of the Atlas methanol facility and market the remaining 36.9% of its production through a commission offtake agreement. We account for this investment using proportionate consolidation, which results in 63.1% of its results being included in revenues and expenses with the remaining 36.9% portion included as commission income.

We own 60% of the 1.26 million tonne per year Egypt methanol facility and market the remaining 40% of its production through a commission offtake agreement. We account for this investment using consolidation accounting, which results in 100% of the revenues and expenses being included in our financial statements with the other investors' interest in the methanol facility being presented as "non-controlling interests". For purposes of analyzing our business, Adjusted EBITDA and Adjusted cash flows from operating activities exclude the amounts associated with the other investors' 40% non-controlling interest, which are included in commission income on a consistent basis with how we present the Atlas facility.

FINANCIAL RESULTS

($ MILLIONS)	2011	2010
Consolidated statements of income:		
Revenue	**$ 2,608**	$ 1,967
Cost of sales and operating expenses , excluding mark-to-market impact of share-based compensation	**(2,128)**	(1,676)
	480	291
Comprised of:		
Adjusted EBITDA (attributable to Methanex shareholders)[1]	**427**	291
Amounts attributable to non-controlling interests	**53**	–
	480	291
Mark-to-market impact of share-based compensation	**21**	(19)
Gain on sale of Kitimat assets	**–**	22
Depreciation and amortization	**(157)**	(137)
Operating income [1]	**344**	157
Finance costs	**(62)**	(31)
Finance income and other expenses	**2**	2
Income tax expense	**(56)**	(34)
Net income	**$ 228**	$ 94
Net income attributable to Methanex shareholders	**$ 201**	$ 96

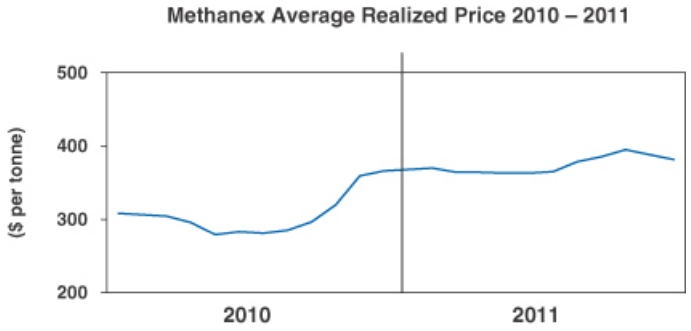
[1] These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to the *Supplemental Non-GAAP Measures* section on page 41 for a description of the non-GAAP measures and a reconciliation to the most comparable GAAP measures.

For the year ended December 31, 2011, we recorded Adjusted EBITDA (attributable to Methanex shareholders) of $427 million and net income attributable to Methanex Corporation shareholders of $201 million ($2.16 basic net income per common share and $2.06 per share on a diluted basis). This compares with Adjusted EBITDA (attributable to Methanex shareholders) of $291 million and net income attributable to Methanex Corporation shareholders of $96 million ($1.04 basic net income per common share and $1.03 per share on a diluted basis) for the year ended December 31, 2010. Included in our 2010 results was an unusual gain of $22 million from the sale of Kitimat assets. Refer to page 42 for a reconciliation of net income to net income before unusual item.

The following discussion provides a description of changes in revenue, Adjusted EBITDA, mark-to-market impact of share-based compensation, depreciation and amortization, finance costs, finance income and other expenses, and income taxes for 2011 compared with 2010.

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, energy prices and changes in general economic conditions, which can vary across the major international methanol markets.



Revenue for 2011 was $2.6 billion compared with $2.0 billion in 2010. The increase in revenue was primarily due to higher methanol pricing and increased sales volumes in 2011 compared with 2010.

Despite concerns throughout 2011 regarding the health of the global economy, we estimate that global methanol demand grew at approximately 7% in 2011 and is currently 49 million tonnes on an annualized basis. Increases in demand have been driven by both traditional derivatives and energy-related applications in Asia (particularly in China). We grew our total sales volumes, including commission sales volumes, by approximately 8% in 2011, primarily in anticipation of the start-up of the Egypt and Medicine Hat facilities.

The methanol industry added 1.7 million tonnes of capacity outside of China in 2011, consisting of the new 1.26 million tonne plant in Egypt and our 0.47 million tonne plant in Medicine Hat, Alberta; however, there were also a number of planned and unplanned outages. Overall market conditions were balanced and this led to a stable methanol pricing environment throughout 2011. Our average realized price for 2011 was $374 per tonne compared with $306 per tonne in 2010.

The methanol industry is highly competitive and prices are affected by supply and demand fundamentals. We publish regional non-discounted reference prices 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 use published Methanex reference prices as a basis for pricing, and we offer discounts to customers based on various factors. Our average non-discounted published reference price for 2011 was $440 per tonne compared with $356 per tonne in 2010, and our average realized prices were 15% and 14% lower, respectively, than the average non-discounted published prices.

Distribution of Revenue

The distribution of revenue for 2011 and 2010 is as follows:

($ MILLIONS, EXCEPT WHERE NOTED)	2011		2010	
Canada	**$ 176**	**7%**	$ 142	7%
United States	**632**	**24%**	470	24%
Europe	**679**	**26%**	454	23%
China	**431**	**17%**	351	18%
Korea	**267**	**10%**	216	11%
Other Asia	**155**	**6%**	127	6%
Latin America	**268**	**10%**	207	11%
	$2,608	**100%**	$1,967	100%

The geographic distribution in our revenue in 2011 was similar to 2010.

Adjusted EBITDA (Attributable to Methanex Shareholders)

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 revenues and expenses being included in our financial statements with the other investors' interest in the methanol facility being presented as "non-controlling interests". We analyze Adjusted EBITDA by excluding the amounts associated with the other investors' 40% non-controlling interest and include these results in commission income on a consistent basis with how we present the Atlas facility.

Commencing in 2011, we have modified our definition of Adjusted EBITDA to exclude the mark-to-market impact of items that impact the comparability of our results from one period to another, which currently include only the mark-to-market impact of share-based compensation as a result of changes in our share price. We grant share-based awards as an element of compensation and, as more fully discussed on page 22, certain of these awards are marked to market each period with the changes in fair value recognized in earnings for the proportion of the service that has been rendered at the reporting date. We believe excluding the mark-to-market impact of share-based compensation as a result of changes in our share price will provide readers with a better measure of the Company's underlying ability to generate cash from operations and improve the comparability of our results from one period to another. A reconciliation of the change in the definition of Adjusted EBITDA is as follows:

($ MILLIONS)	2011	2010
Adjusted EBITDA, as previously defined	**$448**	$272
Mark-to-market impact of share-based compensation	**(21)**	19
Adjusted EBITDA (attributable to Methanex shareholders)	**$427**	$291

2011 Adjusted EBITDA was $136 million higher than 2010 Adjusted EBITDA. The key drivers of changes in our Adjusted EBITDA are average realized price, sales volume and cash costs as described below (refer to the *How We Analyze Our Business* section on page 17 for more information).

($ MILLIONS)	2011 VS. 2010
Average realized price	**$ 454**
Sales volume	**17**
Total cash costs	**(335)**
Increase in Adjusted EBITDA	**$ 136**

Average Realized Price

Our average realized price for the year ended December 31, 2011 was $374 per tonne compared with $306 per tonne for 2010, and this increased our Adjusted EBITDA by $454 million (refer to the *Revenue* section on page 18 for more information).

Sales Volumes

Total methanol sales volumes, excluding commission sales volumes, for the year ended December 31, 2011 were 0.25 million tonnes higher than in 2010, and this increased Adjusted EBITDA by $17 million. We grew our sales volumes in 2011, primarily in anticipation of the start-up of the Egypt and Medicine Hat facilities.

Total Cash Costs

The primary drivers of changes in our total cash costs are changes in the cost of methanol we produce at our facilities (Methanex-produced methanol) and changes in the cost of methanol we purchase from others (purchased methanol). All of our production facilities except Medicine Hat 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 Methanex-produced and purchased methanol costs will depend on changes in methanol pricing and the timing of inventory flows.

Costs for Methanex-produced methanol and purchased methanol were $335 million higher in 2011 than 2010. The changes in our cash costs were due to the following:

($ MILLIONS)	2011 VS. 2010
Methanex-produced methanol costs	**$ (144)**
Purchased methanol costs	**(200)**
Proportion of Methanex-produced methanol sales	**24**
Other, net	**(15)**
Increase in total cash costs	**$ (335)**

Methanex-Produced Methanol Costs

Natural gas is the primary feedstock at our methanol facilities and is the most significant component of Methanex-produced methanol costs. We purchase natural gas for the Chile, Trinidad, Egypt and New Zealand methanol facilities under natural gas purchase agreements where the terms include a base price and a variable price component linked to the price of methanol 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. Methanex-produced methanol costs were higher in 2011 compared with 2010 by $144 million, primarily due to the impact of higher methanol prices on our natural gas costs and the timing of inventory flows. For additional information regarding our natural gas agreements refer to the *Summary of Contractual Obligations and Commercial Commitments* section on page 27.

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 purchase agreements, we look for opportunities that provide synergies with our existing supply chain that allow us to 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 2011 increased the cost of purchased methanol per tonne and this decreased Adjusted EBITDA by $200 million compared with 2010.

Proportion of Methanex-Produced 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 Methanex-produced methanol. Accordingly, an increase in the proportion of Methanex-produced methanol sales results in a decrease in our overall cost structure for a given period. The proportion of Methanex-produced methanol sales for the year ended 2011 was higher compared with 2010 and this increased Adjusted EBITDA by $24 million. We increased our production capacity in 2011 with the start-up of the new methanol plant in Egypt and the restart of our facility in Medicine Hat, Alberta. Higher sales volumes from these facilities in 2011 were partially offset by lower sales of methanol produced at our Chile and Titan facilities.

Other, net

We experienced an equipment failure at our Atlas facility in July 2011 and operated this facility at approximately 70% of capacity for the remainder of the year. Our operations are covered by business interruption insurance and we have recorded $17 million for the estimated insurance proceeds net of deductibles related to 2011 as a result of this event.

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 few years has made it more difficult to mitigate these costs. For the year ended December 31, 2011 compared with 2010, ocean freight and other logistics costs were higher by $15 million primarily as a result of fewer backhaul opportunities and higher bunker fuel costs.

Other cash costs in 2011 were $17 million higher than 2010 due primarily to the impact of a weaker US dollar on our cost structure and the timing of recognizing fixed manufacturing costs in earnings. We allocate fixed manufacturing costs to inventory based on the normal operating capacity of our manufacturing facilities. During 2011, primarily as a result of our facilities in Chile and Trinidad operating below capacity for certain periods, a portion of fixed manufacturing costs were charged directly to earnings rather than to inventory and this decreased Adjusted EBITDA in 2011.

Mark-to-Market Impact of Share-Based Compensation

We grant share-based awards as an element of compensation. Share-based compensation expense (recovery) includes an amount related to the grant-date fair value and a mark-to-market impact as a result of subsequent changes in the Company's share price. The grant-date fair value amount is included in Adjusted EBITDA. The mark-to-market impact of share-based compensation as a result of changes in the share price is excluded from Adjusted EBITDA and analyzed separately.

($ MILLIONS, EXCEPT PER SHARE AMOUNTS)	2011	2010
Methanex Corporation share price [1]	**$22.82**	$30.40
Grant-date fair value expense included in Adjusted EBITDA	**16**	17
Mark-to-market impact due to change in share price	**(21)**	19
Total share-based compensation expense (recovery)	**$ (5)**	$ 36

[1] US dollar share price of Methanex Corporation as quoted on NASDAQ Global Market on the last trading day of the respective period.

Share-based awards granted include stock options, share appreciation rights, 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 using the Black-Scholes option pricing model, and this grant-date fair value is recognized as compensation expense over the related vesting period with no subsequent re-measurement in fair value. Accordingly, share-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 with the objective 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. The fair value of SARs and TSARs are re-measured each quarter using the Black-Scholes option pricing model, which considers the market value of the Company's common shares on the last trading day of the quarter.

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 re-measured based on the market value of the Company's common shares on the last trading day of each quarter.

For all the share-based awards, the grant-date fair value is recognized in earnings and Adjusted EBITDA over the related vesting period for the proportion of the service that has been rendered at each reporting date. Any mark-to-market impact as a result of subsequent changes in the share price are also recognized in earnings over the related vesting period for the proportion of the service that has been rendered at each reporting date but are excluded from Adjusted EBITDA.

Depreciation and Amortization

Depreciation and amortization was $157 million for the year ended December 31, 2011 compared with $137 million for 2010. The increase in depreciation and amortization for 2011 compared with 2010 was primarily a result of the commencement of depreciation associated with the methanol facilities in Egypt (100% basis) and Medicine Hat and due to a portion of depreciation being charged directly to earnings rather than to inventory due to lower production from our Titan and Chile facilities.

Finance Costs

($ MILLIONS)	2011	2010
Finance costs before capitalized interest	**$ 69**	$ 69
Less capitalized interest related to Egypt plant under construction	**(7)**	(38)
Finance costs	**$ 62**	$ 31

Finance costs before capitalized interest were $69 million for each of the years ended December 31, 2011 and 2010. Capitalized interest relates to interest costs capitalized during the construction of the 1.26 million tonne per year methanol facility in Egypt (100% basis). The Egypt methanol facility commenced production in mid-March 2011 and, accordingly, we ceased capitalization of interest costs from this date.

Finance Income and Other Expenses

Finance income and other expenses were $2 million for each of the years ended December 31, 2011 and 2010.

Income Taxes

We recorded income tax expense of $56 million for the year ended December 31, 2011 compared with $34 million for 2010. The effective tax rate for the year ended December 31, 2011 was approximately 20% compared with 27% for the same period in 2010. 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, British Columbia. Excluding this item, the effective tax rate for 2010 was 32%.

We earn the majority of our pre-tax earnings in Trinidad, Egypt, Chile, Canada and New Zealand. In Chile and Trinidad, the statutory tax rate is 35%, and in Egypt, the statutory tax rate is 25%. Our Atlas facility in Trinidad has partial relief from corporate income tax until 2014. During the year ended December 31, 2011, we earned a higher proportion of our consolidated income from Egypt, Canada and New Zealand and a lower proportion of our consolidated income from Chile and this resulted in a lower effective tax rate in 2011 compared with 2010. We have loss carryforwards and other temporary differences in Canada and New Zealand of $304 million and $82 million, respectively, which have not been recognized for accounting purposes.

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 16 of our 2011 consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

($ MILLIONS)	2011	2010
Cash flows from operating activities:		
Cash flows from operating activities before changes in non-cash working capital [1]	**$ 444**	$ 303
Changes in non-cash working capital	**36**	(120)
	480	183
Cash flows from investing activities:		
Property, plant and equipment	**(128)**	(122)
Oil and gas properties	**(30)**	(24)
GeoPark repayments	**8**	20
Proceeds on sale of assets	**–**	32
Other, net	**–**	(1)
Changes in non-cash working capital relating to investing activities	**7**	(2)
	(143)	(97)
Cash flows from financing activities:		
Dividend payments	**(62)**	(57)
Interest paid, including interest rate swap settlements	**(60)**	(64)
Proceeds from limited recourse debt	**3**	68
Repayment of limited recourse debt	**(50)**	(31)
Change in project finance reserve accounts	**(27)**	–
Equity contributions by non-controlling interests	**19**	26
Distributions to non-controlling interests	**(8)**	(1)
Proceeds on issue of shares on exercise of stock options	**11**	9
Repayment of finance leases and other long-term liabilities	**(6)**	(12)
	(180)	(62)
Increase in cash and cash equivalents	**157**	24
Cash and cash equivalents, end of year	**$ 351**	$ 194

[1] This is a non-GAAP measure. Refer to page 41 for a reconciliation to the most comparable GAAP measure.

Cash Flow Highlights

Cash Flows from Operating Activities

Cash flows from operating activities for the year ended December 31, 2011 were $480 million compared with $183 million for 2010. The increase in cash flows from operating activities is primarily explained by higher net income before unusual item, after excluding depreciation and amortization, share-based compensation expense and finance costs, and changes in non-cash working capital. The following table provides a summary of these items for 2011 and 2010:

($ MILLIONS)	2011	2010
Net income before unusual item [1]	**$228**	$ 72
Add (deduct) non-cash items:		
Depreciation and amortization	**157**	137
Share-based compensation expense	**(5)**	36
Finance costs	**62**	31
Other, net	**2**	27
Cash flows from operating activities before changes in non-cash working capital [1]	**444**	303
Changes in non-cash working capital:		
Trade and other receivables	**(59)**	(64)
Inventories	**(44)**	(52)
Prepaid expenses	**2**	(3)
Accounts payable and accrued liabilities, including long-term payables	**137**	(1)
	36	(120)
Cash flows from operating activities	**$480**	$ 183
Adjusted cash flows from operating activities (attributable to Methanex shareholders) [1]	**$392**	$ 303

[1] These are non-GAAP measures. Refer to page 41 for a reconciliation to the most directly comparable GAAP measure.

For a discussion of the changes in net income before unusual item, depreciation and amortization, share-based compensation expense and finance costs, refer to the analysis of our financial results on page 18.

Changes in non-cash working capital increased cash flows from operating activities by $36 million for the year ended December 31, 2011 compared with decreasing cash flows from operating activities by $120 million for the year ended December 31, 2010. The most significant change in non-cash working capital for 2011 was an increase in accounts payable and accrued liabilities of $137 million as higher methanol pricing resulted in higher natural gas payables and purchased methanol payables. Trade and other receivables increased in both 2011 and 2010, primarily as a result of higher methanol pricing and higher sales volumes. Inventories also increased in both 2011 and 2010, primarily as a result of the impact of higher methanol pricing on Methanex-produced and purchased methanol.

Adjusted cash flows from operating activities, which exclude the amounts associated with the 40% non-controlling interest in the methanol facility in Egypt and changes in non-cash working capital, were $392 million and $303 million for 2011 and 2010, respectively (refer to *Supplemental Non-GAAP Measures* on page 41 for a reconciliation from cash flows from operating activities to adjusted cash flows from operating activities). The change in adjusted cash flows from operating activities between 2011 and 2010 was primarily due to higher Adjusted EBITDA of $136 million. Refer to page 19 for a discussion of the change in Adjusted EBITDA.

Cash Flows from Investing Activities

In 2011, our priorities for allocating capital were funding the completion of the methanol project in Egypt and the restart of the Medicine Hat methanol facility, supporting natural gas development in Chile and investing to maintain the reliability of our existing plants.

During 2011, additions to property, plant and equipment totaled $128 million. Capital expenditures were $34 million for the completion of the methanol project in Egypt and $40 million for the restart of our Medicine Hat, Alberta plant. The remaining $54 million of expenditures include $30 million associated with turnarounds, catalyst and maintenance activities, and $24 million of costs incurred in relation to the expected restart of a second Motunui facility in 2012.

In 2011, we incurred $18 million related to our share of Dorado Riquelme expenditures and $12 million related to other oil and gas initiatives in southern Chile. 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.

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 2011, GeoPark repaid approximately $8 million, bringing cumulative repayments for this financing to $40 million as at December 31, 2011. We have no further obligations to provide funding to GeoPark.

Cash Flows from Financing Activities

During 2011, we increased our regular quarterly dividend by 10% to $0.17 per share, beginning with the dividend payable on June 30, 2011. Total dividend payments in 2011 were $62 million compared with $57 million in 2010.

We have limited recourse debt facilities totaling $530 million (100% basis) for the methanol facility in Egypt that were fully drawn at December 31, 2010. During 2011, project finance reserve accounts related to the limited recourse debt facilities increased by $27 million.

During 2011, we repaid $32 million on our Egypt limited recourse debt facilities, $16 million on our Atlas limited recourse debt facilities and $2 million on our other limited recourse debt facilities compared with total repayments in 2010 of $31 million.

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 29 for more information). The cash settlements associated with these interest rate swap contracts during 2011 and 2010 were approximately $16 million and $16 million, respectively, and are included in interest paid.

During 2011, we received proceeds of $11 million on the issue of 0.6 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, 2011 and December 31, 2010:

($ MILLIONS, EXCEPT WHERE NOTED)	2011	2010
Liquidity:		
Cash and cash equivalents	**$ 351**	$ 194
Undrawn credit facilities	**200**	200
Total liquidity	**551**	394
Capitalization:		
Unsecured notes	**349**	348
Limited recourse debt facilities, including current portion	**554**	599
Total debt	**903**	947
Non-controlling interest	**197**	156
Shareholders' equity	**1,405**	1,253
Total capitalization	**$2,505**	$2,356
Total debt to capitalization[1]	**36%**	40%
Net debt to capitalization[2]	**26%**	35%

[1] Defined as total debt divided by total capitalization (including 100% of debt related to the Egypt methanol facility).
[2] Defined as total debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents (including 100% of debt related to the Egypt methanol facility).

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, 2011, we had a strong balance sheet with a cash balance of $351 million, including $37 million relating to the Egypt non-controlling interest, and a $200 million undrawn credit facility. 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, 2011, our long-term debt obligations included $350 million in unsecured notes ($200 million that matures in 2012 and $150 million that matures in 2015), $483 million related to the Egypt limited recourse debt facilities and $65 million related to our Atlas limited recourse debt facilities. Subsequent to December 31, 2011, we issued $250 million of unsecured notes that mature in 2022.

We have covenant and default provisions on our long-term debt obligations and we also have certain covenants that could restrict access to the credit facility. The Egypt limited recourse debt facilities contain a covenant to complete by March 31, 2013 certain land title registrations and related mortgages that require action by Egyptian government entities. We do not believe that the finalization of these items is material. Refer to note 8 of the Company's consolidated financial statements for further information.

At December 31, 2011, management believes the Company was in compliance with all of the covenants and default provisions related to its long-term debt obligations.

Our planned capital maintenance expenditures directed towards major maintenance, turnarounds and catalyst changes for current operations are estimated to be approximately $60 million for the period to the end of 2012. We also recently committed to restart a second facility in New Zealand with an estimated future capital cost of $60 million.

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 2012, we expect our share of total contributions for strategic oil and gas exploration and development in Chile and New Zealand to be approximately $60 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, 2011 is as follows:

($ MILLIONS)	2012	2013-2014	2015-2016	AFTER 2016	TOTAL
Long-term debt repayments	$251	$ 115	$ 253	$ 299	$ 918
Long-term debt interest obligations	49	66	35	38	188
Repayment of other long-term liabilities	21	89	18	91	219
Natural gas and other	248	323	204	1,233	2,008
Operating lease commitments	136	200	137	340	813
	$705	$ 793	$ 647	$ 2,001	$ 4,146

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 that expire between 2017 and 2025 with Argentinean suppliers for natural gas sourced from Argentina for a significant portion of the capacity of our facilities in Chile. 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 and other limited recourse debt. Interest obligations related to variable interest rate long-term debt were estimated using current interest rates in effect at December 31, 2011. For additional information, refer to note 8 of our 2011 consolidated financial statements.

Subsequent to December 31, 2011, we issued $250 million of unsecured notes bearing an interest rate of 5.25% that mature in 2022 (effective yield 5.30%). These notes and the associated interest payments are excluded from the table above.

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 common 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, Egypt and New Zealand 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.

We have a program in place to purchase natural gas on the Alberta gas market and we believe that the long-term natural gas dynamics in North America will support the long-term operation of this facility. In the above table, we have included 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. Over the past few years, ENAP has delivered significantly 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 ten-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 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.

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 1.2 million tonnes per year of methanol offtake supply when these plants operate at capacity. At December 31, 2011, we also have methanol purchase commitments with other suppliers under offtake contracts for approximately 0.54 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, 2011, 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. 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, 2011 and December 31, 2010:

($ MILLIONS)	2011	2010
Financial assets:		
Loans and receivables:		
Cash and cash equivalents	**$ 351**	$ 194
Trade and other receivables, excluding current portion of GeoPark financing	**333**	273
Project financing reserve accounts included in other assets	**40**	12
GeoPark financing, including current portion	**18**	26
Total financial assets[1]	**$ 742**	$ 505
Financial liabilities:		
Other financial liabilities:		
Trade, other payables and accrued liabilities	**$ 306**	$ 232
Deferred gas payments included in other long-term liabilities	**51**	–
Long-term debt, including current portion	**903**	947
Financial liabilities held-for-trading:		
Derivative instruments designated as cash flow hedges[2]	**42**	43
Total financial liabilities	**$1,302**	$1,222

[1] The carrying amount of the financial assets represents the maximum exposure to credit risk at the respective reporting periods.
[2] We have Egypt interest rate swaps designated as cash flow hedges and these are measured at fair value based on industry accepted valuation models and inputs obtained from active markets.

At December 31, 2011, all of the financial instruments were recorded on the balance sheet at amortized cost with the exception of derivative financial instruments, which are 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 $367 million as at December 31, 2011. The notional amount decreases over the expected repayment of the Egypt limited recourse debt facilities. At December 31, 2011, these interest rate swap contracts had a fair value of negative $42 million (December 31, 2010 – negative $43 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 38, 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

Natural gas is 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 significantly 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 15. We are pursuing investment opportunities with ENAP, GeoPark and others to help accelerate natural gas exploration and development in southern Chile. In addition, over the past few years, the Government of Chile has completed international bidding rounds 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 2012, we were operating one plant at approximately 40% capacity at our Chile site. We are working closely with ENAP to manage through the seasonality of gas demand with the objective of being able to maintain our operations throughout the southern hemisphere winter season in 2012. The future operating rate of our Chile site is primarily dependent on production rates from existing natural gas fields, the level of natural gas deliveries from future exploration and development activities in southern Chile, and demand for natural gas for residential purposes, which is higher in the southern hemisphere winter. 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 about the level of natural gas supply or whether we will be able to source sufficient natural gas to operate any capacity in Chile or that we will have sufficient future cash flows from Chile to support the carrying value of our Chilean assets 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 could be a source of supply 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 and that this will not have an adverse impact on our results of operations and financial condition.

Over the past year, large industrial consumers in Trinidad, including our Titan facility, experienced periodic curtailments of natural gas supply due to a mismatch between upstream commitments to supply The National Gas Company in Trinidad (NGC) and downstream demand from NGC's customers which becomes apparent when an upstream technical problem arises. We are engaged with key stakeholders to find a solution to this issue, but in the meantime expect to continue to experience some gas

curtailments to our Trinidad facilities. We cannot provide assurance that we will not experience longer or greater than anticipated curtailments due to upstream outages or other issues in Trinidad and that these curtailments will not be material and that this would not have an adverse impact on our results of operations and financial condition.

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. We recently announced our commitment to restart a second Motunui facility in mid-2012 which will add up to 0.65 million tonnes of incremental annual capacity to our New Zealand operations. In support of the restart, we have entered into a ten-year gas supply agreement that is expected to supply up to half of the 1.5 million tonnes of annual capacity at the Motunui site. We have an additional 0.53 million tonne per year plant at the nearby Waitara Valley site which remains idle. This facility provides additional potential to increase New Zealand production depending on methanol supply and demand dynamics and the availability of competitively priced natural gas.

We continue to pursue opportunities to contract additional natural gas supply to our plants in New Zealand and are also pursuing natural gas exploration and development opportunities in that country. We have an agreement with Kea Petroleum, an oil and gas exploration and development company, to explore areas of the Taranaki basin, which is close to our plants.

The future operation of our New Zealand facilities depends on methanol industry supply and demand, the ability of our contracted suppliers to meet their commitments, 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 to enable our operations to operate at capacity.

Egypt

Natural gas for the 1.26 million tonne per year production facility in Egypt, which commenced commercial production in March 2011, is supplied under a single long-term contract with the government-owned Egyptian Natural Gas Holding Company (EGAS). Natural gas is 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 would have an adverse impact on our results of operations and financial condition.

Refer also to the *Foreign Operations* section on page 34.

Canada

We restarted our 0.47 million tonne per year facility in Medicine Hat, Alberta in April 2011. We have a program in place to purchase natural gas on the Alberta gas market and we believe that the long-term natural gas dynamics in North America will support the long-term operation of this facility.

The future operation of our Medicine Hat facility depends on methanol industry supply and demand and 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 and that this will not have an adverse impact on our results of operations and financial condition.

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

Volatile global economic conditions over the past few years have added significant risks and uncertainties to our business, including risks and uncertainties related to the 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 demand for methanol grew in 2011 and methanol prices were relatively stable, there can be no assurance that future global economic conditions will not have an adverse impact on the methanol industry and that this will not have an adverse impact on our results of operations and financial condition.

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 US 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". In April 2011, the EPA announced that it was dividing the draft assessment for methanol into carcinogenic and non-carcinogenic assessments. The timeline for the carcinogenic assessment remains unknown while the non-carcinogenic assessment is expected in 2012. We are unable to determine 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 and financial condition.

Demand for Methanol in the Production of Formaldehyde

In 2011, methanol demand for the production of formaldehyde represented approximately 33% 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 and in June 2010, the EPA released its draft formaldehyde assessment, proposing formaldehyde as "Known to be Carcinogenic to Humans". The timeline for the release of the final assessment of formaldehyde is currently unknown.

In May 2009, the US 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 NCI has not outlined its expected schedule with regards to the second portion of the study, which focuses on nasopharyngeal cancer and other cancers. The International Agency for Research on Cancer also concluded that there is sufficient evidence in humans of a causal association of formaldehyde with leukemia. Finally, in June 2011, the US Department of Health and Human Services' (HHS) National Toxicology Program (NTP) released its 12th Report on Carcinogens, modifying its listing of formaldehyde from "Reasonably Anticipated to be a Human Carcinogen" to "Known to be a Human Carcinogen."

In 2010, the US *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 2011, methanol demand for the production of MTBE represented approximately 12% of global methanol demand. Demand growth has been particularly strong in China. 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 2011 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 2012 to remain steady, 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 2012.

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, in 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.

During 2011, there were periods of anti-government protests and civil unrest in Egypt. For the safety and security of our employees, we took the decision to temporarily curtail the operations of the methanol plant in Damietta, Egypt in November 2011. The methanol plant is currently operating. 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 ongoing operations or on the terms or enforceability of our natural gas or other contracts and that this would not have an adverse impact on our results of operations and financial condition.

Because we derive the majority 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, Canadian dollars 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 for five years starting from December 24, 2010. 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. However, 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, which actions 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 and financial condition.

Liquidity Risk

We have an undrawn $200 million credit facility that expires in mid-2015. 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, 2011, our long-term debt obligations include $350 million in unsecured notes ($200 million that matures in 2012 and $150 million that matures in 2015), $483 million related to the Egypt limited recourse debt facilities, $65 million related to the Atlas limited recourse debt facilities and $20 million related to other limited recourse debt. The covenants governing the unsecured notes, which are specified in an indenture, 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, a requirement to fulfill certain conditions before the payment of cash or other distributions and a restriction on these distributions if there is a default subsisting.

The Egypt limited recourse debt facilities contain a covenant to complete by March 31, 2013 certain land title registrations and related mortgages that require action by Egyptian government entities. We do not believe that the finalization of these items is material. We cannot provide assurance that we will be able to obtain a waiver from the lenders.

For additional information regarding long-term debt, refer to note 8 of our 2011 consolidated financial statements.

Subsequent to December 31, 2011, we issued $250 million of unsecured notes that mature in 2022.

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 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. 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.

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. 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 that 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.

New Zealand Plant Restart

We believe that our estimates of project costs and anticipated completion for the restart of our second Motunui plant in New Zealand 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 results of operations and financial condition.

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 or relocation of existing 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 (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 31% between 1994 and 2011 through asset turnover, improved plant reliability, and energy efficiency and emissions management. Plant efficiency, and thus CO_2 emission, is highly dependent on a particular design of the methanol plant, so our level of CO_2 emissions 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 2011, we reduced our CO_2 intensity (tonnes of CO_2 from fuel burned per tonne of product moved) from marine operations by nearly 22%. We also actively support global industry efforts to voluntarily reduce both energy consumption and CO_2 emissions.

We manufacture methanol in Chile, Trinidad, Egypt, New Zealand and Canada. All of these countries have signed and ratified the Kyoto Protocol; however, Canada has since removed itself from that Agreement. Under the Kyoto Protocol, the developing nations of Chile, Trinidad and Egypt are not currently required to reduce greenhouse gases ("GHGs"), whereas our production in New Zealand and Canada is subject to GHG reduction regulations. We cannot predict whether GHG reductions will be required in Chile, Trinidad or Egypt in the future, which could have a significant adverse impact on our results of operation and financial condition.

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 adverse impact on our results of operation and financial condition after 2012.

Medicine Hat is located in the Canadian province of Alberta, which has an established GHG reduction regulation that applies to our plant. The regulation requires facilities to reduce emissions intensities by up to 12% of their established emissions intensity baseline. "Emissions intensity" means the quantity of specified GHGs released 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 CO_2 equivalent. Financial obligations are set to begin in 2014 and based on the expected GHG baseline intensity, we do not believe that, when applied, the cost will be significant.

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 and financial condition.

Legal Proceedings

The Board of Inland Revenue of Trinidad and Tobago issued an assessment in 2011 against our 63.1% owned joint venture, Atlas Methanol Company Unlimited ("Atlas"), in respect of the 2005 financial year. All subsequent tax years remain open to assessment. The assessment relates to the pricing arrangements of certain long-term fixed-price sales contracts that extend to 2014 and 2019 related to methanol produced by Atlas. The impact of the amount in dispute for the 2005 financial year is nominal as Atlas was not subject to corporation income tax in that year. Atlas has partial relief from corporation income tax until 2014.

The Company has lodged an objection to the assessment. Based on the merits of the case and legal interpretation, management believes its position should be sustained.

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 2 to our 2011 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, 2011, the net book value of our property, plant and equipment was $2,233 million.

Capitalization

Property, plant and equipment are initially recorded at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on self-constructed assets that meet certain criteria. Routine repairs and maintenance costs are expensed as incurred.

At December 31, 2011, we have accrued $25.9 million for site restoration costs relating to the decommissioning and reclamation of our methanol production sites and oil and gas properties. Inherent uncertainties exist in this estimate 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.

Depreciation and Amortization

We estimate the useful lives of property, plant and equipment for our major assets, and this is used as the basis for recording depreciation and amortization. Depreciation and amortization is generally provided on a straight-line basis at rates calculated to amortize the cost of the asset from the beginning of commercial operations over their estimated useful lives to estimated residual value. The estimated useful lives of our buildings, plant installations and machinery is 5 to 25 years.

Oil and Gas Properties

Exploration and evaluation costs incurred for oil and natural gas exploration properties with unproven reserves are capitalized to other assets. Upon recognition of proven reserves and internal approval for development, these costs are transferred to property, plant and equipment. Costs associated with properties with no proven reserves are transferred to property, plant and equipment and become subject to depreciation when they have been deemed abandoned by management. Subsequent costs incurred for

oil and natural gas properties with proven reserves are capitalized to property, plant and equipment. Oil and gas costs included in property, plant and equipment are depreciated using a unit-of-production method, taking into consideration estimated proven reserves and estimated future development costs.

Proven and probable reserves for oil and natural gas properties are estimated based on independent reserve reports and represent the estimated quantities of natural gas that are considered commercially feasible. These reserve estimates are used to determine depreciation and to assess the carrying value of oil and natural gas properties.

Recoverability of Asset Carrying Values

Property, Plant and Equipment and Oil and Gas Properties

Long-lived assets are tested 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.

Recoverability of long-lived assets is measured by comparing the carrying value of an asset or cash-generating unit to estimated pre-tax fair value, which is determined by measuring the pre-tax cash flows expected to be generated from the asset or cash-generating unit over their estimated useful life discounted by a pre-tax discount rate. An impairment writedown is recorded for the difference that the carrying value exceeds the pre-tax fair value. An impairment writedown recognized in prior periods for an asset or cash-generating unit is reversed if there has been a subsequent recovery in the value of the asset or cash-generating unit due to changes in events and circumstances. For purposes of recognition and measurement of an impairment writedown, we group our long-lived assets with other assets and liabilities to form a "cash-generating unit" 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.

The four methanol facilities at the Company's Chile site, the Chile oil and gas properties included in Property, Plant and Equipment, and the Chile oil and gas assets accounted for as Other Assets are considered as a single cash-generating unit ("Chile cash-generating unit"). Production from the site was lower than expected in 2011 as a result of lower natural gas deliveries, and as a consequence, the carrying value of the Chile cash-generating unit, being $650 million on a pre-tax basis and $460 million on a post-tax basis, was tested for recoverability. The estimated future pre-tax cash flows were discounted to a present value using a pre-tax discount rate based on the Company's weighted average cost of capital. Based on the test performed, the carrying value of the Company's Chile cash-generating unit is recoverable.

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 Methanex-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.

Income Taxes

Deferred income tax assets and liabilities are determined using enacted or substantially enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. We recognize deferred tax assets to the extent it is probable that taxable profit will be available against which the asset can be utilized. In making this determination, 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. We also consider historical profitability and volatility to assess whether we believe it is probable 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, 2011, we had recognized future tax assets of $115 million and unrecognized future income tax assets of approximately $100 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.

Financial Instruments

We enter into derivative financial instruments from time to time to manage certain exposures to commodity price volatility, foreign exchange volatility and variable interest rate volatility, which contributes towards managing our cost structure. 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. Assessment of contracts as derivative instruments, the valuation of financial instruments and derivatives, and hedge effectiveness assessments require a high degree of judgment and are considered critical accounting estimates due to the complex nature of these products and the potential impact on our financial statements.

At December 31, 2011, the fair value of our derivative financial instruments used to limit our exposure to variable interest rate volatility that have been designated as cash flow hedges approximated their carrying value of negative $42 million. Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in variable interest rates.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Transition from Canadian Generally Accepted Accounting Principles (Canadian GAAP) to IFRS

The year ending December 31, 2011 with comparative results for 2010 is our first period reported under International Financial Reporting Standards (IFRS). All comparative figures have been restated to be in accordance with IFRS, unless specifically noted otherwise. For a description of the significant accounting policies the Company has adopted under IFRS, including the estimates and judgments we consider most significant in applying those accounting policies, please refer to note 2 of the consolidated financial statements.

Our financial statements were prepared in accordance with Canadian GAAP until December 31, 2010. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosures. The transition to IFRS had a cumulative impact on the Company's shareholders' equity of $25 million as of January 1, 2010, excluding the presentation reclassification of the non-controlling interests.

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. To help users of the financial statements better understand the impact of the adoption of IFRS on the Company, we have provided

reconciliations from Canadian GAAP to IFRS for total assets, liabilities and equity, as well as net income and comprehensive income, for the comparative reporting periods. Please refer to note 24 of the consolidated financial statements for a detailed description of the IFRS 1 exemptions we elected to apply and reconciliations between IFRS and Canadian GAAP.

ANTICIPATED CHANGES TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Consolidation and Joint Arrangement Accounting

In May 2011, the IASB issued new accounting standards related to consolidation and joint arrangement accounting. The IASB has revised the definition of "control," which is a criterion for consolidation accounting. In addition, changes to IFRS in the accounting for joint arrangements were issued that, under certain circumstances, removed the option for proportionate consolidation accounting so that the equity method of accounting for such interests would need to be applied. The impact of applying consolidation accounting or equity accounting does not result in any change to net earnings or shareholders' equity, but would result in a significant presentation impact. We are currently assessing the impact on our financial statements. We currently account for our 63.1% interest in Atlas Methanol Company using proportionate consolidation accounting and this represents the most significant potential change under these new standards. The effective date for these standards is for periods commencing on or after January 1, 2013, with earlier adoption permitted.

Leases

As part of their global conversion project, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board ("FASB") issued a joint Exposure Draft in 2010 proposing that lessees would be required to recognize all leases on the statement of financial position. We have a fleet of ocean-going vessels under time charter agreements with terms of up to 15 years, which are currently accounted for as operating leases. The proposed rules would require these time charter agreements to be recorded on the Consolidated Statements of Financial Position, resulting in a material increase to total assets and liabilities. The IASB and FASB currently expect to issue a re-exposed draft in 2012.

SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with International Financial Reporting Standards (IFRS), we present certain supplemental measures that are not defined terms under IFRS (non-GAAP measures). These are Adjusted EBITDA, Adjusted cash flows from operating activities, operating income, net income before unusual items and diluted net income before unusual items per share. These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. We believe these measures are useful in assessing the operating performance and liquidity of the Company's ongoing business. We also believe Adjusted EBITDA is frequently used by securities analysts and investors when comparing our results with those of other companies.

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 IFRS.

Adjusted EBITDA (Attributable to Methanex Shareholders)

Adjusted EBITDA differs from the most comparable GAAP measure, cash flows from operating activities, because it does not include changes in non-cash working capital, other cash payments related to operating activities, share-based compensation excluding mark-to-market impact, other non-cash items, taxes paid, finance income and other expenses, and amounts associated with the 40% non-controlling interest in the methanol facility in Egypt.

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

($ MILLIONS)	2011	2010
Cash flows from operating activities	**$480**	$183
Add (deduct):		
Changes in non-cash working capital	**(36)**	120
Other cash payments, including share-based compensation	**10**	6
Share-based compensation expense, excluding mark-to-market impact	**(16)**	(17)
Other non-cash items	**(3)**	(8)
Income taxes paid	**46**	9
Finance income and other expenses	**(2)**	(2)
Net (income) loss attributable to non-controlling interests	**(27)**	2
Non-controlling interests adjustments [1]	**(25)**	(2)
Adjusted EBITDA (attributable to Methanex shareholders)	**$427**	$291

[1] This adjustment represents finance costs, income tax expense, and depreciation and amortization associated with the 40% non-controlling interest in the methanol facility in Egypt.

Adjusted Cash Flows from Operating Activities (Attributable to Methanex Shareholders)

Adjusted cash flows from operating activities differs from the most comparable GAAP measure, cash flows from operating activities, because it does not include changes in non-cash working capital and cash flows associated with the 40% non-controlling interest in the methanol facility in Egypt.

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

($ MILLIONS)	2011	2010
Cash flows from operating activities	**$480**	$183
Add (deduct) non-controlling interests adjustment:		
Net (income) loss	**(27)**	2
Non-cash items	**(25)**	(2)
Changes in non-cash working capital	**(36)**	120
Adjusted cash flow from operating activities (attributable to Methanex shareholders)	**$392**	$303

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 attributable to Methanex shareholders 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)	2011	2010
Net income[1]	**$ 201**	$ 96
Gain on sale of Kitimat assets	**–**	(22)
Net income before unusual item [1]	**$ 201**	$ 74
Diluted weighted average number of common shares (millions)	**94**	94
Diluted net income per share before unusual item [1]	**$2.06**	$0.79

[1] Attributable to Methanex Corporation shareholders.

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 GAAP measures in our Consolidated Statements of Income and Consolidated Statements of Cash Flows, respectively.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	THREE MONTHS ENDED			
($ MILLIONS, EXCEPT WHERE NOTED)	DEC 31	SEP 30	JUN 30	MAR 31
2011				
Revenue	**$ 696**	**$ 670**	**$ 623**	**$ 619**
Net income[1]	**64**	**62**	**41**	**35**
Net income before unusual item[1]	**64**	**62**	**41**	**35**
Basic net income per share[1]	**0.69**	**0.67**	**0.44**	**0.37**
Diluted net income per share[1]	**0.68**	**0.59**	**0.43**	**0.37**
Diluted net income per share before unusual item[1]	**0.68**	**0.59**	**0.43**	**0.37**
2010				
Revenue	$ 570	$ 481	$ 449	$ 467
Net income[1]	26	29	15	27
Net income before unusual item[1]	26	6	15	27
Basic net income per share[1]	0.28	0.31	0.16	0.29
Diluted net income per share[1]	0.28	0.31	0.15	0.29
Diluted net income per share before unusual item[1]	0.27	0.07	0.15	0.29

[1] Attributable to Methanex Corporation shareholders.

A discussion and analysis of our results for the fourth quarter of 2011 is set out in our fourth quarter of 2011 Management's Discussion and Analysis filed with the Canadian Securities Administrators and the U.S. Securities and Exchange Commission and incorporated herein by reference.

SELECTED ANNUAL INFORMATION

($ MILLIONS, EXCEPT WHERE NOTED)	2011	2010	2009[2]
Revenue	**$2,608**	$1,967	$1,198
Net income[1]	**201**	96	1
Net income before unusual item[1]	**201**	74	1
Basic net income per share[1]	**2.16**	1.04	0.01
Diluted net income per share[1]	**2.06**	1.03	0.01
Diluted net income per share before unusual item[1]	**2.06**	0.79	0.01
Cash dividends declared per share	**0.665**	0.620	0.620
Total assets	**3,394**	3,141	2,923
Total long-term financial liabilities	**886**	1,105	982

[1] Attributable to Methanex Corporation shareholders.
[2] The 2009 figures are reported in accordance with Canadian GAAP. The Company transitioned to IFRS on January 1, 2010 and the 2009 figures have not been restated to be in accordance with IFRS.

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, 2011, 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 that 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, 2011, based on the framework set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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, 2011. The attestation report is included on the third page of our consolidated financial statements.

Changes in Internal Control over Financial Reporting

There have been no changes during the year ended December 31, 2011 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 2011 Management's Discussion and Analysis ("MD&A") contains forward-looking statements with respect to us and our industry. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Statements that include the words "believes," "expects," "may," "will," "should," "potential," "estimates," "anticipates," "aim", "goal" 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 shutdowns (either temporary or permanent) or restarts of existing methanol supply (including our own facilities), including, without limitation, the timing and length of planned maintenance outages,
- expected methanol and energy prices,
- expected levels of methanol purchases from traders or other third parties,
- expected levels, timing and availability of economically-priced natural gas supply to each of our plants, including, without limitation, levels of natural gas supply from investments in natural gas exploration and development in Chile and New Zealand,
- commitments, capital or otherwise of third parties to future natural gas exploration and development in the vicinity of our plants,
- expected capital expenditures, including, without limitation, those to support natural gas exploration and development for our plants and the restart of our idled methanol facilities,
- anticipated production rates of our plants, including, without limitation, our Chilean facilities and the planned restart of the Motunui 1 facility in New Zealand,
- expected operating costs, including natural gas feedstock costs and logistics costs,

- ability to reduce CO2 emissions and other greenhouse gases from our operations,
- expected tax rates or resolutions to tax disputes,
- expected cash flows, earnings capability and share price,
- ability to meet covenants or obtain waivers associated with our long-term debt obligations, including, without limitation, the Egypt limited recourse debt facilities that have conditions associated with finalization of certain land title registration and related mortgages that require actions by Egyptian 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, plant restarts, capacity expansions, plant relocations or other business initiatives or opportunities, including the planned relocation of one of our idle Chile methanol plants to the United States Gulf Coast,
- financial strength and ability to meet future financial commitments,
- expected global or regional economic activity (including industrial production levels),
- expected outcomes of litigation or other disputes, claims and assessments,
- expected impact of regulatory actions, including assessments of carcinogenicity of methanol, formaldehyde and MTBE, the imposition of formaldehyde emission limits and legislation related to CO2 emissions,
- expected actions of governments, government agencies, 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,
- 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,
- availability of committed credit facilities and other financing,
- timing of completion and cost of our Motunui 1 restart project in New Zealand,
- global and regional economic activity (including industrial production levels),
- absence of a material negative impact from major natural disasters,

- absence of a material negative impact from changes in laws or regulations,
- accuracy and sustainability of opinions provided by our legal, accounting and other professional advisors,
- absence of material negative impact from political instability in the countries in which we operate, 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 ability to successfully carry out corporate initiatives and strategies,
- actions of competitors, suppliers and financial institutions,
- actions of governments and governmental authorities, including, without limitation, the 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,
- worldwide economic conditions, and
- other risks described in the 2011 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.

RESPONSIBILITY FOR FINANCIAL REPORTING

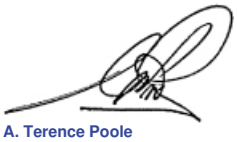
The consolidated financial statements and all financial information contained in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, have incorporated estimates 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, 2011.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and is responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through the Audit, Finance and Risk Committee (the Committee).

The Committee consists of four non-management directors, all of whom are independent as defined by the applicable rules in Canada and the United States. The Committee 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 15, 2012



Bruce Aitken
President and
Chief Executive Officer



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

Independent Auditors' Report of Registered Public Accounting Firm

To the Shareholders and Board of Directors of Methanex Corporation

We have audited the accompanying consolidated statements of financial position of Methanex Corporation as at December 31, 2011, December 31, 2010 and January 1, 2010 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010. These consolidated financial statements are the responsibility of Methanex Corporation'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 consolidated financial position of Methanex Corporation as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Methanex Corporation's internal control over financial reporting as of December 31, 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 15, 2012 expressed an unqualified opinion on the effectiveness of Methanex Corporation's internal control over financial reporting.

KPMG LLP

Chartered Accountants
Vancouver, Canada
March 15, 2012

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, 2011 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, 2011, 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 the Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of the Company as of December 31, 2011, December 31, 2010 and January 1, 2010, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and our report dated March 15, 2012 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Chartered Accountants
Vancouver, Canada
March 15, 2012

Consolidated Statements of Financial Position

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

AS AT	Dec 31 2011	Dec 31 2010	Jan 1 2010
ASSETS			
Current assets:			
Cash and cash equivalents	$ 350,711	$ 193,794	$ 169,788
Trade and other receivables (note 3)	378,430	320,027	257,418
Inventories (note 4)	281,015	229,657	170,904
Prepaid expenses	24,465	26,877	23,893
	1,034,621	770,355	622,003
Non-current assets:			
Property, plant and equipment (note 5)	2,233,023	2,258,576	2,226,673
Other assets (note 7)	125,931	111,762	134,905
	2,358,954	2,370,338	2,361,578
	$3,393,575	$3,140,693	$2,983,581
LIABILITIES AND EQUITY			
Current liabilities:			
Trade, other payables and accrued liabilities	$ 327,130	$ 259,039	$ 238,699
Current maturities on long-term debt (note 8)	251,107	49,965	29,330
Current maturities on finance leases (note 9)	6,713	11,570	10,655
Current maturities on other long-term liabilities (note 10)	18,031	9,677	4,304
	602,981	330,251	282,988
Non-current liabilities:			
Long-term debt (note 8)	652,148	896,976	884,914
Finance leases (note 9)	55,979	67,842	79,506
Other long-term liabilities (note 10)	178,172	140,570	97,509
Deferred income tax liabilities (note 16)	302,332	295,431	290,390
	1,188,631	1,400,819	1,352,319
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, 2011 were 93,247,755 (2010 – 92,632,022)	455,434	440,092	427,792
Contributed surplus	22,281	25,393	26,981
Retained earnings	942,978	813,819	776,139
Accumulated other comprehensive loss	(15,968)	(26,093)	(19,910)
Shareholders' equity	1,404,725	1,253,211	1,211,002
Non-controlling interests	197,238	156,412	137,272
Total equity	1,601,963	1,409,623	1,348,274
	$3,393,575	$3,140,693	$2,983,581

Commitments and contingencies (notes 16 and 22)

See accompanying notes to consolidated financial statements.

Approved by the Board:



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	2011	2010
Revenue	**$ 2,608,037**	$ 1,966,583
Cost of sales and operating expenses (note 11)	**(2,107,320)**	(1,694,865)
Depreciation and amortization (note 11)	**(156,667)**	(137,214)
Gain on sale of Kitimat assets	**–**	22,223
Operating income	**344,050**	156,727
Finance costs (note 12)	**(61,797)**	(30,648)
Finance income and other expenses	**1,667**	2,454
Profit before income tax expense	**283,920**	128,533
Income tax expense (note 16):		
Current	**(36,241)**	(29,463)
Deferred	**(19,679)**	(5,041)
	(55,920)	(34,504)
Net income	**$ 228,000**	$ 94,029
Attributable to:		
Methanex Corporation shareholders	**$ 201,326**	$ 96,019
Non-controlling interests	**26,674**	(1,990)
	$ 228,000	$ 94,029
Income for the period attributable to Methanex Corporation shareholders		
Basic net income per common share	**$ 2.16**	$ 1.04
Diluted net income per common share (note 13)	**$ 2.06**	$ 1.03
Basic net income per common share before unusual item	**$ 2.16**	$ 0.80
Diluted net income per common share before unusual item	**$ 2.06**	$ 0.79
Weighted average number of common shares outstanding	**93,026,482**	92,218,320
Diluted weighted average number of common shares outstanding	**94,360,956**	93,509,799

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(thousands of US dollars)

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Net income	**$228,000**	$ 94,029
Other comprehensive income:		
Change in fair value of forward exchange contracts, net of tax (note 19)	**326**	–
Change in fair value of interest rate swap contracts, net of tax (notes 16 and 19)	**(3,764)**	(25,985)
Realized loss on interest rate swap reclassified to interest expense	**12,816**	–
Realized loss on interest rate swap reclassified to property, plant and equipment	**7,279**	15,682
Actuarial losses on defined benefit pension plans, net of tax (notes 16 and 21(a))	**(10,258)**	(1,139)
	6,399	(11,442)
Comprehensive income	**$234,399**	$ 82,587
Attributable to:		
Methanex Corporation shareholders	**$201,193**	$ 88,697
Non-controlling interests	**33,206**	(6,110)
	$234,399	$ 82,587

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

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

	Number of Common Shares	Capital Stock	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance, January 1, 2010	92,108,242	$ 427,792	$ 26,981	$ 776,139	$ (19,910)	$ 1,211,002	$ 137,272	$ 1,348,274
Net income (loss)	–	–	–	96,019	–	96,019	(1,990)	94,029
Other comprehensive loss	–	–	–	(1,139)	(6,183)	(7,322)	(4,120)	(11,442)
Compensation expense recorded for stock options	–	–	1,475	–	–	1,475	–	1,475
Issue of shares on exercise of stock options	523,780	9,237	–	–	–	9,237	–	9,237
Reclassification of grant-date fair value on exercise of stock options	–	3,063	(3,063)	–	–	–	–	–
Dividend payments to Methanex Corporation shareholders	–	–	–	(57,200)	–	(57,200)	–	(57,200)
Distributions to non-controlling interests	–	–	–	–	–	–	(750)	(750)
Equity contributions by non-controlling interests	–	–	–	–	–	–	26,000	26,000
Balance, December 31, 2010	92,632,022	440,092	25,393	813,819	(26,093)	1,253,211	156,412	1,409,623
Net income	**–**	**–**	**–**	**201,326**	**–**	**201,326**	**26,674**	**228,000**
Other comprehensive income (loss)	**–**	**–**	**–**	**(10,258)**	**10,125**	**(133)**	**6,532**	**6,399**
Compensation expense recorded for stock options	**–**	**–**	**837**	**–**	**–**	**837**	**–**	**837**
Issue of shares on exercise of stock options	**615,733**	**11,393**	**–**	**–**	**–**	**11,393**	**–**	**11,393**
Reclassification of grant-date fair value on exercise of stock options	**–**	**3,949**	**(3,949)**	**–**	**–**	**–**	**–**	**–**
Dividend payments to Methanex Corporation shareholders	**–**	**–**	**–**	**(61,909)**	**–**	**(61,909)**	**–**	**(61,909)**
Distributions to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(11,580)**	**(11,580)**
Equity contributions by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**19,200**	**19,200**
Balance, December 31, 2011	**93,247,755**	**$ 455,434**	**$ 22,281**	**$ 942,978**	**$ (15,968)**	**$ 1,404,725**	**$ 197,238**	**$ 1,601,963**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(thousands of US dollars)

FOR THE YEARS ENDED DECEMBER 31	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 228,000**	$ 94,029
Add (deduct) non-cash items:		
Depreciation and amortization	**156,667**	137,214
Gain on sale of Kitimat assets	**–**	(22,223)
Income tax expense	**55,920**	34,504
Share-based compensation expense (recovery)	**(4,890)**	36,084
Finance costs	**61,797**	30,648
Other	**3,459**	8,047
Income taxes paid	**(46,331)**	(9,090)
Other cash payments, including share-based compensation	**(10,303)**	(6,049)
Cash flows from operating activities before undernoted	**444,319**	303,164
Changes in non-cash working capital (note 17)	**35,388**	(120,618)
	479,707	182,546
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend payments to Methanex Corporation shareholders	**(61,909)**	(57,200)
Interest paid, including interest rate swap settlements	**(60,467)**	(63,704)
Proceeds from limited recourse debt	**2,700**	67,515
Repayment of limited recourse debt	**(49,650)**	(30,991)
Changes in project finance reserve accounts	**(27,291)**	372
Equity contributions by non-controlling interests	**19,200**	26,000
Distributions to non-controlling interests	**(8,239)**	(750)
Proceeds on issue of shares on exercise of stock options	**11,393**	9,237
Repayment of finance leases and other long-term liabilities	**(5,964)**	(11,583)
	(180,227)	(61,104)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	**–**	31,771
Property, plant and equipment	**(127,524)**	(122,082)
Oil and gas assets	**(30,098)**	(24,233)
GeoPark repayments	**7,551**	20,227
Other assets	**–**	(769)
Changes in non-cash working capital related to investing activities (note 17)	**7,508**	(2,350)
	(142,563)	(97,436)
Increase in cash and cash equivalents	**156,917**	24,006
Cash and cash equivalents, beginning of year	**193,794**	169,788
Cash and cash equivalents, end of year	**$ 350,711**	$ 193,794

See accompanying notes to consolidated financial statements.

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

Year ended December 31, 2011

1. Nature of operations:

Methanex Corporation ("the Company") is an incorporated entity with corporate offices in Vancouver, Canada. The Company's operations consist of the production and sale of methanol, a commodity chemical. The Company is the world's largest supplier of methanol to the major international markets of Asia Pacific, North America, Europe and Latin America.

2. Significant accounting policies:

a) Statement of compliance:

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) , as issued by the International Accounting Standards Board (IASB). These are the Company's first IFRS consolidated financial statements and IFRS 1, *First-time Adoption of IFRS,* has been applied. The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 15, 2012.

The Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) until December 31, 2010. Canadian GAAP differs from IFRS in some areas and, accordingly, the significant accounting policies applied in the preparation of these consolidated financial statements are set out below and have been consistently applied to all periods presented except in instances where IFRS 1 either requires or permits an exemption. An explanation of how the transition from Canadian GAAP to IFRS has affected the reported Consolidated Statements of Income, Comprehensive Income, Financial Position, Cash Flows and Changes in Equity of the Company is provided in note 24. This note includes information on the provisions of IFRS 1 and the exemptions that the Company elected to apply, reconciliations of assets, liabilities, equity, net income and comprehensive income for the comparative period and at the date of transition, January 1, 2010.

b) Basis of presentation and consolidation:

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, less than wholly owned entities for which it has a controlling interest and its proportionate share of the accounts of joint ventures. Wholly owned subsidiaries are entities in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. For less than wholly owned entities for which the Company has a controlling interest, a non-controlling interest is included in the Company's consolidated financial statements and represents the non-controlling shareholders' interest in the net assets of the entity. The Company also consolidates any special purpose entity where the substance of the relationship indicates the Company has control. All significant intercompany transactions and balances have been eliminated. Preparation of these consolidated financial statements requires estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and related notes. The areas of estimation and judgment that management considers most significant are inventories (note 2(f)), property, plant and equipment (note 2(g)), oil and gas properties (notes 2(g) and 2(h)), financial instruments (note 2(o)), and income taxes (note 2(p)). Actual results could differ from those estimates.

c) Reporting currency and foreign currency translation:

Functional currency is the currency of the primary economic environment in which an entity operates. The majority of the Company's business in all jurisdictions is transacted in United States 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, foreign currency denominated non-monetary items at historic rates, and revenues and expenditures at the rates of exchange at the dates of the transactions. Foreign exchange gains and losses are included in earnings.

d) Cash equivalents:

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

e) 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.

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

g) Property, plant and equipment:

Initial recognition
Property, plant and equipment are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on self-constructed assets that meet certain criteria. Borrowing costs, including the impact of related cash flow hedges, incurred during construction and commissioning are capitalized until the plant is operating in the manner intended by management.

Subsequent costs
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 catalysts. Costs associated with these shutdowns are capitalized and amortized over the period until the next planned turnaround.

Depreciation
Depreciation and amortization is generally provided on a straight-line 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 estimated useful life of the Company's buildings, plant installations and machinery is 5 to 25 years.

The Company reviews the depreciation and amortization rates of property, plant and equipment on an annual basis and, if necessary, changes are accounted for prospectively.

Assets under finance lease are depreciated to their estimated residual value based on the shorter of their useful lives and the lease term.

Oil and gas properties
Costs incurred for oil and natural gas properties with proven reserves are capitalized to property, plant and equipment, including the reclassification of associated exploration costs and abandoned properties. These costs are depreciated using a unit-of-production method, taking into consideration estimated proven reserves and estimated future development costs. Proven and probable reserves for oil and gas properties are estimated based on independent reserve reports and represent the estimated quantities of natural gas that are considered commercially feasible. These reserve estimates are used to determine depreciation and to assess the carrying value of oil and gas properties. The accounting for costs incurred for oil and gas exploration properties with unproven reserves are described in note 2(h).

Impairment
The Company reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable. Examples of such events or changes in circumstances 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. Recoverability of long-lived assets is measured by comparing the carrying value of an asset or cash-generating unit to estimated pre-tax fair value, which is determined by measuring the pre-tax cash flows expected to be generated from the asset or cash-generating unit over their estimated useful life discounted by a pre-tax discount rate. An impairment writedown is recorded for the difference that the carrying value exceeds the pre-tax fair value. An impairment writedown recognized in prior periods for an asset or cash-generating unit is reversed if there has been a subsequent recovery in the value of the asset or cash-generating unit due to changes in events and circumstances. For purposes of recognition and measurement of an impairment writedown, we group our long-lived assets with other assets and liabilities to form a "cash-generating unit" 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.

h) Other assets:
Intangible assets 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 finance costs 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 against long-term debt and amortized to finance costs over the repayment term on an effective interest basis.

Costs incurred for oil and natural gas exploration properties with unproven reserves are capitalized to other assets. Upon recognition of proven reserves and internal approval for development, these costs are transferred to property, plant and equipment and are depreciated using a unit-of-production method based on estimated proven reserves. Costs associated with properties with no proven reserves are transferred to property, plant and equipment and becomes subject to depreciation when they have been deemed abandoned by management. Upon transfer to property, plant and equipment an impairment assessment is performed. The Company assesses the recoverability of oil and gas exploration properties as part of a cash-generating unit as described in note 2(g).

i) Leases:
Leasing contracts are classified as either financing or operating leases. Where the contracts are classified as operating leases, payments are charged to income in the year they are incurred. A lease is classified as a finance lease if it transfers substantially all of the risks and rewards of ownership of the leased asset. The asset and liability associated with a finance lease are recorded at the lower of fair value and the present value of the minimum lease payments, net of executory costs. Lease payments are apportioned between interest expense and repayments of the liability.

j) Site restoration costs:
The Company recognizes a liability to dismantle and remove assets or to restore a site upon which the assets are located. The Company estimates the fair value of the liability by determining the current market cost required to settle the site restoration costs 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 finance costs. The Company reviews asset retirement obligations and adjusts the liability and corresponding asset as necessary to reflect changes in the estimated future cash flows, timing, inflation and discount rates underlying the fair value measurement.

k) Employee future benefits:
The Company has non-contributory defined benefit pension plans covering certain employees and defined contribution pension plans. The Company does not provide any significant post-retirement benefits other than pension plan benefits. For defined benefit pension plans, the net of the present value of the defined benefit obligation and the fair value of plan assets is recorded to the statement of financial position. The determination of the defined benefit obligation and associated pension cost is based on certain actuarial assumptions including inflation rates, salary growth, longevity and expected return on plan assets. The present value of the defined benefit obligation is determined by discounting estimated future cash flows using current market bond yields that have terms to maturity approximating the terms of the obligation. Actuarial gains and losses arising from differences between these assumptions and actual results are recognized in other comprehensive income and recorded in retained earnings. The cost for defined contribution benefit plans is recognized in net income as earned by the employees.

l) Share-based compensation:
The Company grants share-based awards as an element of compensation. Share-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 vesting 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 tranche at the date of grant.

Share appreciation rights (SARs) 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 that is determined at the date of grant. Tandem share

appreciation rights (TSARs) gives the holder the choice between exercising a regular stock option or a SAR. For SARs and TSARs, the cost of the service received as consideration is initially 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 vesting period with a corresponding increase in liabilities. For SARs and TSARs, the liability is re-measured at each reporting date based on an estimate of the fair value with changes in fair value recognized as compensation expense for the proportion of the service that has been rendered at that date. The Company uses the Black-Scholes option pricing model to estimate the fair value for SARs and TSARs.

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. For deferred, restricted and performance share units, the cost of the service received as consideration is initially measured based on the market value of the Company's common shares at the date of grant. The grant-date fair value is recognized as compensation expense over the vesting period with a corresponding increase in liabilities. Deferred, restricted and performance share units are re-measured at each reporting date based on the market value of the Company's common shares with changes in fair value recognized as compensation expense for the proportion of the service that has been rendered at that 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 is described in note 14.

m) Net income per common share:
The Company calculates basic net income per common share by dividing net income attributable to Methanex shareholders 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 is applied to repurchase common shares at the average market price for the period. Stock options are dilutive only when the average market price of common shares during the period exceeds the exercise price of the stock option.

Diluted net income per common share is calculated by also giving effect to the potential dilution that would occur if outstanding TSARs were converted to common shares. Outstanding TSARs may be settled in cash or common shares at the holder's option and for the purposes of calculating diluted net income per common share, the more dilutive of the cash-settled or equity-settled method is used, regardless of how the plan is accounted for. Accordingly, TSARs that are accounted for using the cash-settled method will require an adjustment to the numerator and denominator if the equity-settled method is determined to have a dilutive effect on diluted net income per common share. Additional information related to the calculation of net income per share is described in note 13.

n) 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.

o) Financial instruments:
The Company enters into derivative financial instruments to manage certain exposures to commodity price volatility, foreign exchange volatility and variable interest rate volatility. Financial instruments are 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. Financial assets and liabilities held-for-trading 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 net income and changes in the fair value of available-for-sale financial assets are recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. The Company classifies cash and cash equivalents and trade and other receivables as loans and receivables. Trade, other payables 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 Consolidated Statements of Financial Position at fair value. 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 the Company's financial statements. The Company records all changes in fair value of derivative financial instruments in net income unless the instruments are designated as cash flow hedges. The Company enters into and designates as cash flow hedges certain forward exchange purchase and sales contracts to hedge foreign exchange exposure on anticipated sales. The Company also 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 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. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in net income. Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in foreign exchange or variable interest rates.

p) Income taxes:
Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the period calculated using tax rates that have been enacted or substantively enacted by the reporting date. Income taxes relating to uncertain tax positions are provided for based on the Company's best estimate, including related interest charges.

Deferred income taxes are accounted for using the liability method. The 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. Deferred 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 are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred tax assets, such as non-capital loss carryforwards, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

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.

q) Provisions:
Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

r) Segmented information:
The Company's operation consists of the production and sale of methanol, which constitutes a single operating segment.

s) Anticipated changes to International Financial Reporting Standards:
In May 2011, the IASB issued new accounting standards related to consolidation and joint arrangement accounting. The IASB has revised the definition of "control," which is a criterion for consolidation accounting. In addition, changes to IFRS in the accounting for joint arrangements were issued which, under certain circumstances, removed the option for proportionate consolidation accounting so that the equity method of accounting for such interests would need to be applied. The impact of applying consolidation accounting or equity accounting does not result in any change to net earnings or shareholders' equity, but would result in a significant presentation impact. We are currently assessing the impact on our financial statements. We currently account for our 63.1% interest in Atlas Methanol Company using proportionate consolidation accounting and this represents the most significant potential change under these new standards. The effective date for these standards is for periods commencing on or after January 1, 2013, with earlier adoption permitted.

In addition, as part of their global conversion project, the IASB and the US Financial Accounting Standards Board ("FASB") issued a joint Exposure Draft in 2010 proposing that lessees would be required to recognize all leases on the statement of financial position. We have a fleet of ocean-going vessels under time charter agreements with terms of up to 15 years, which are currently accounted for as operating leases. The proposed rules would require these time charter agreements to be recorded on the Consolidated Statements of Financial Position, resulting in a material increase to total assets and liabilities. The IASB and FASB currently expect to issue a re-exposed draft in 2012.

3. Trade and other receivables:

AS AT	Dec 31 2011	Dec 31 2010	Jan 1 2010
Trade	**$310,616**	$257,945	$191,002
Value-added and other tax receivables	**43,132**	43,495	56,264
Current portion of GeoPark financing (note 7)	**7,200**	8,800	8,086
Other	**17,482**	9,787	2,066
	$378,430	$320,027	$257,418

4. Inventories:

The amount of inventories included in cost of sales and operating expenses and depreciation and amortization for the year ended December 31, 2011 is $2,052 million (2010 – $1,598 million).

5. Property, plant and equipment:

	Buildings, Plant Installations & Machinery	Plant Under Construction	Oil & Gas Properties	Other	Total
Cost at January 1, 2011	**$ 2,131,608**	**$ 966,320**	**$ 54,049**	**$116,203**	$3,268,180
Additions	**108,019**	**4,976**	**13,045**	**6,806**	132,846
Disposals and other	**–**	**–**	**–**	**(34,367)**	(34,367)
Transfers	**971,296**	**(971,296)**	**–**	**–**	–
Reclassified from other assets, net	**–**	**–**	**10,392**	**–**	10,392
Cost at December 31, 2011	**$ 3,210,923**	**$ –**	**$ 77,486**	**$ 88,642**	$3,377,051
Accumulated depreciation at January 1, 2011	**$ 929,079**	**$ –**	**$ 20,092**	**$ 60,433**	$1,009,604
Disposals	**–**	**–**	**–**	**(25,431)**	(25,431)
Depreciation	**141,188**	**–**	**12,898**	**5,769**	159,855
Accumulated depreciation at December 31, 2011	**$ 1,070,267**	**$ –**	**$ 32,990**	**$ 40,771**	$1,144,028
Net book value at December 31, 2011	**$ 2,140,656**	**$ –**	**$ 44,496**	**$ 47,871**	$2,233,023

	Buildings, Plant Installations & Machinery	Plant Under Construction	Oil & Gas Properties	Other	Total
Cost at January 1, 2010	$ 2,101,991	$ 862,433	$ 39,990	$127,623	$3,132,037
Additions	48,978	103,887	14,059	10,394	177,318
Disposals and other	(19,361)	–	–	(21,814)	(41,175)
Cost at December 31, 2010	$ 2,131,608	$ 966,320	$ 54,049	$116,203	$3,268,180
Accumulated depreciation at January 1, 2010	$ 832,421	$ –	$ 4,560	$ 68,383	$ 905,364
Disposals	(6,849)	–	–	(19,351)	(26,200)
Depreciation	103,507	–	15,532	11,401	130,440
Accumulated depreciation at December 31, 2010	$ 929,079	$ –	$ 20,092	$ 60,433	$1,009,604
Net book value at December 31, 2010	$ 1,202,529	$ 966,320	$ 33,957	$ 55,770	$2,258,576

Included in buildings, plant installations and machinery at December 31, 2011 and 2010 are capitalized costs of $99.3 million relating to the oxygen production facilities in Trinidad accounted for as finance leases (note 9). The net book value of these assets as at December 31, 2011 was $49.8 million (2010 – $55.8 million).

Other property, plant and equipment includes ocean shipping vessels with a total net book value of $28.6 million at December 31, 2011 (2010 – $36.0 million).

6. Interest in Atlas joint venture:

The Company has a 63.1% joint venture interest in Atlas Methanol Company (Atlas). Atlas owns a 1.8 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 STATEMENTS OF FINANCIAL POSITION AS AT	Dec 31 2011	Dec 31 2010	Jan 1 2010
Cash and cash equivalents	**$ 9,266**	$ 10,676	$ 8,252
Other current assets	**92,259**	79,511	72,571
Property, plant and equipment	**281,263**	276,114	287,727
Other assets	**9,429**	12,548	12,920
Trade, other payables and accrued liabilities	**32,990**	23,934	22,380
Long-term debt, including current maturities (note 8)	**64,397**	79,577	93,155
Finance leases and other long-term liabilities	**49,305**	52,480	55,139
Deferred income tax liabilities	**20,814**	18,893	16,449

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31	2011	2010
Revenue	**$ 224,902**	**$ 180,314**
Expenses	**(199,303)**	**(165,947)**
Income before income taxes	**25,599**	**14,367**
Income tax expense	**(4,853)**	**(4,749)**
Net income	**$ 20,746**	**$ 9,618**

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31	2011	2010
Cash inflows from operating activities	**$ 36,062**	**$ 33,671**
Cash outflows from financing activities	**(19,641)**	**(22,622)**
Cash outflows from investing activities	**(17,831)**	**(8,625)**

7. Other assets:

AS AT	Dec 31 2011	Dec 31 2010	Jan 1 2010
Oil and gas properties (a)	**$ 50,946**	$ 48,852	$ 28,412
Restricted cash (b)	**39,839**	12,548	12,920
GeoPark financing (c)	**10,872**	17,068	37,969
Marketing and production rights, net of accumulated amortization (d)	**7,634**	11,600	19,099
Deferred financing costs, net of accumulated amortization (e)	**2,007**	1,791	9,725
Defined benefit pension plans (note 21)	**–**	3,881	5,392
Other	**14,633**	16,022	21,388
	$125,931	$111,762	$134,905

a) Oil and gas properties:
Costs incurred for oil and natural gas exploration properties with unproven reserves are capitalized to other assets. Upon recognition of proven reserves the costs are transferred to property, plant and equipment. During the year, we incurred $17.5 million (2010 – $20.4 million) in exploration and evaluation expenditures, which were offset by $13.3 million (2010 – nil) in transfers to property, plant and equipment upon recognition of proven reserves.

b) Restricted cash:
During the year, a debt reserve account of $29 million (2010 – nil) was established in relation to the Egypt limited recourse debt facilities and $2 million (2010 – $0.4 million) was drawn in relation to other debt facilities.

c) GeoPark financing:
Over the past few years, the Company has provided GeoPark Chile Limited (GeoPark) $57 million (of which $40 million has been repaid at December 31, 2011) 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, 2011, the outstanding balance is $18.1 million (2010 – $25.9 million), of which $7.2 million (2010 – $8.8 million), representing the current portion, has been recorded in trade and other receivables.

d) Marketing and production rights, net of accumulated amortization:
For the year ended December 31, 2011, amortization of marketing and production rights included in depreciation and amortization was $4.0 million (2010 – $7.5 million).

e) Deferred financing costs, net of accumulated amortization:
For the year ended December 31, 2011, amortization of deferred financing fees included in finance costs was $0.9 million (2010 – $0.8 million).

8. Long-term debt:

AS AT	Dec 31 2011	Dec 31 2010	Jan 1 2010
Unsecured notes:			
(i) 8.75% due August 15, 2012 (effective yield 8.88%)	**$ 199,643**	$199,112	$198,627
(ii) 6.00% due August 15, 2015 (effective yield 6.10%)	**149,119**	148,908	148,705
	348,762	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 was paid in 12 semi-annual payments which commenced June 2005.	**–**	–	7,071
(ii) Senior secured notes with semi-annual interest payments of 7.95% per annum. Principal is paid in 9 semi-annual payments which commenced December 2010.	**41,730**	55,476	62,064
(iii) Senior fixed rate bond with semi-annual interest payments of 8.25% per annum. Principal will be paid in 4 semi-annual payments commencing June 2015.	**14,869**	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 is paid in 20 semi-annual payments which commenced December 2010.	**7,798**	9,285	9,251
	64,397	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 is paid in 24 semi-annual payments which commenced in September 2010.	**470,208**	499,706	461,570
Other limited recourse debt	**19,888**	19,638	12,187
Total long-term debt [1]	**903,255**	946,941	914,244
Less current maturities	**(251,107)**	(49,965)	(29,330)
	$ 652,148	$896,976	$884,914

[1] Total debt is presented net of deferred financing fees of $15.3 million at December 31, 2011 (2010 – $18.5 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 (note 19).

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

For the year ended December 31, 2011, non-cash accretion, on an effective interest basis, of deferred financing costs included in finance costs was $2.1 million (2010 – $1.2 million).

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

2012	**$ 251,107**
2013	**53,268**
2014	**61,936**
2015	**200,114**
2016	**52,765**
Thereafter	**299,411**
	$ 918,601

In February 2012, the Company issued $250 million of unsecured notes bearing an interest rate of 5.25% and due March 1, 2022 (effective yield 5.30%).

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 and this was extended in July 2011 to May 2015. This facility 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 is accelerated by the creditor on any indebtedness of $10 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries, and

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

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, a requirement to fulfill certain conditions before the payment of cash or other distributions and a restriction on these distributions if there is a default subsisting.

The Egypt limited recourse debt facilities required that certain conditions associated with plant construction and commissioning be met by September 30, 2011 ("project completion"). Project completion was achieved during the third quarter of 2011. The Egypt limited recourse debt facilities contain a covenant to complete by March 31, 2013 certain land title registrations and related mortgages that require action by Egyptian government entities. We do not believe that the finalization of these items is material.

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, 2011, management believes the Company was in compliance with all of the covenants and default provisions related to long-term debt obligations.

9. Finance leases:

AS AT	Dec 31 2011	Dec 31 2010	Jan 1 2010
Finance lease obligations	**$62,692**	$ 79,412	$ 90,161
Less current maturities	**(6,713)**	(11,570)	(10,655)
	$55,979	$ 67,842	$ 79,506

At December 31, 2011, the Company has finance lease obligations related to oxygen production facilities in Trinidad that are set to expire in 2015 and 2024. The liabilities mature as follows until the expiry of the leases:

	Lease payments	Interest component	Finance lease obligations
2012	$ 11,593	$ 4,880	$ 6,713
2013	11,690	4,332	7,358
2014	11,790	3,733	8,057
2015	10,335	3,091	7,244
2016	7,209	2,640	4,569
Thereafter	37,007	8,256	28,751
	$ 89,624	$ 26,932	$ 62,692

10. Other long-term liabilities:

AS AT	Dec 31 2011	Dec 31 2010	Jan 1 2010
Site restoration costs (a)	**$ 25,889**	$ 23,951	$ 21,033
Deferred gas payments (b)	**51,079**	–	–
Share-based compensation liability (note 14)	**42,157**	52,987	21,672
Fair value of derivative financial instruments (note 19)	**41,536**	43,488	33,284
Defined benefit pension plans (note 21)	**35,542**	29,821	25,824
	196,203	150,247	101,813
Less current maturities	**(18,031)**	(9,677)	(4,304)
	$178,172	$140,570	$ 97,509

a) Site restoration costs:
The Company has accrued liabilities related to the decommissioning and reclamation of its methanol production sites and oil and gas properties. Because of uncertainties in estimating the amount and timing of the expenditures related to the sites, actual results could differ from the amounts estimated. At December 31, 2011, the total undiscounted amount of estimated cash flows required to settle the liabilities was $33.4 million (2010 – $32.4 million). The movement in the provision during the year is explained as follows:

	2011	2010
Balance at January 1	**$23,951**	$21,033
New or revised provisions	**1,454**	2,595
Amounts charged against provisions	**(66)**	(346)
Accretion expense	**550**	669
Balance at December 31	**$25,889**	$23,951

b) Deferred gas payments:
The Company has a long-term liability related to deferred natural gas payments that is payable in equal installments in 2013, 2014 and 2015.

11. Expense by function:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Cost of sales	**$1,910,889**	$1,507,161
Selling and distribution	**319,026**	270,176
Administrative expenses	**34,072**	54,742
Total expenses by function	**$2,263,987**	$1,832,079
Cost of sales and operating expenses	**$2,107,320**	$1,694,865
Depreciation and amortization	**156,667**	137,214
Total expenses per Consolidated Statements of Income	**$2,263,987**	$1,832,079

Included in total expenses for the year ended December 31, 2011 are employee expenses, including share-based compensation, of $130.5 million (2010 – $141.7 million).

12. Finance costs:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Finance costs	**$69,027**	$ 68,723
Less capitalized interest related to Egypt plant under construction	**(7,230)**	(38,075)
	$61,797	$ 30,648

Finance costs are primarily comprised of interest on borrowings and finance lease obligations, the effective portion of interest rate swaps designated as cash flow hedges, amortization of deferred financing fees, and accretion expense associated with site restoration costs. Interest during construction of the Egypt methanol facility was capitalized until the plant was substantially completed and ready for productive use in mid-March of 2011. The Company has interest rate swap contracts on its Egypt limited recourse debt facilities 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.

13. Net income per common share:
The Company calculates basic net income per common share by dividing net income attributable to Methanex shareholders 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 is applied to repurchase

common shares at the average market price for the period. Stock options are dilutive only when the average market price of common shares during the period exceeds the exercise price of the stock option.

Diluted net income per common share is calculated by also giving effect to the potential dilution that would occur if outstanding TSARs were converted to common shares. Outstanding TSARs may be settled in cash or common shares at the holder's option and for purposes of calculating diluted net income per common share, the more dilutive of the cash-settled or equity-settled method is used, regardless of how the plan is accounted for. Accordingly, TSARs that are accounted for using the cash-settled method will require an adjustment to the numerator and denominator if the equity-settled method is determined to have a dilutive effect on diluted net income per common share.

As a result of changes in the Company's share price, the equity-settled method has been determined to be the more dilutive for 2011 while the cash-settled method was more dilutive for 2010. A reconciliation of the net income attributable to Methanex shareholders and used for the purpose of calculating diluted net income per common share is as follows:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Numerator for basic net income per common share	**$201,326**	$96,019
Adjustment for the effect of TSARs:		
Cash-settled recovery included in net income	**(2,416)**	–
Equity-settled expense	**(4,327)**	–
Numerator for diluted net income per common share	**$194,583**	$96,019

A reconciliation of the number of common shares used for the purposes of calculating basic and diluted net income per common share is as follows:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Denominator for basic net income per common share	**93,026,482**	92,218,320
Effect of dilutive stock options	**1,305,480**	1,291,479
Effect of dilutive TSARs	**28,994**	–
Denominator for diluted net income per common share [1]	**94,360,956**	93,509,799

[1] 3,039,284 and 2,625,030 outstanding options for the years ended December 31, 2011 and 2010, respectively, are dilutive and have been included in the diluted weighted average number of common shares. 724,905 outstanding TSARs for the year ended December 31, 2011 are dilutive and have been included in the diluted weighted average number of common shares.

For the years ended December 31, 2011 and 2010, basic and diluted net income per common share attributable to Methanex shareholders were as follows:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Basic net income per common share	**$2.16**	$1.04
Diluted net income per common share	**$2.06**	$1.03

14. Share-based compensation:

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

a) Stock options:
At December 31 2011, the Company had 1,967,798 common shares reserved for future grants of stock options 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, 2011 and 2010 are as follows:

	OPTIONS DENOMINATED IN CAD		OPTIONS DENOMINATED IN USD	
	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
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
Granted	**–**	**–**	**67,800**	**28.74**
Exercised	**(2,250)**	**9.56**	**(613,483)**	**18.53**
Cancelled	**–**	**–**	**(24,370)**	**17.16**
Outstanding at December 31, 2011	**–**	**$ –**	**4,004,204**	**$ 19.19**

Information regarding the stock options outstanding at December 31, 2011 is as follows:

	OPTIONS OUTSTANDING AT DECEMBER 31, 2011			OPTIONS EXERCISABLE AT DECEMBER 31, 2011	
Range of Exercise Prices	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	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	3.9	1,208,140	$ 6.56	778,535	$ 6.67
$17.85 to $22.52	1.1	950,950	20.48	950,950	20.48
$23.92 to $28.74	2.9	1,845,114	26.79	1,721,914	26.77
	2.8	4,004,204	$ 19.19	3,451,399	$ 20.55

(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:

	2011	2010
Risk-free interest rate	**1.5%**	1.7%
Expected dividend yield	**2%**	2%
Expected life of options	**4 years**	4 years
Expected volatility	**51%**	47%
Expected forfeitures	**6%**	5%
Weighted average fair value (USD per share)	**$ 9.69**	$ 7.59

For the year ended December 31, 2011, compensation expense related to stock options was $0.8 million (2010 – $1.5 million).

b) Share appreciation rights and tandem share appreciation rights:
All SARs and TSARs granted have a maximum term of seven years with one-third vesting each year after the date of grant. SARs and TSARs units outstanding at December 31, 2011 are as follows:

	SARs		TSARs	
	NUMBER OF UNITS	EXERCISE PRICE USD	NUMBER OF UNITS	EXERCISE PRICE USD
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
Granted	**274,210**	**28.69**	**498,190**	**28.78**
Exercised	**(14,030)**	**25.22**	**(7,800)**	**25.22**
Cancelled	**(25,598)**	**25.87**	**(6,160)**	**27.14**
Outstanding at December 31, 2011 [1]	**623,547**	**$ 26.72**	**1,219,735**	**$ 26.65**

[1] As at December 31, 2011 346,693 SARs or TSARs were exercisable. The Company has common shares reserved for outstanding TSARs.

The fair value of each SARs and TSARs grant was estimated on December 31, 2011 using the Black-Scholes option pricing model with the following assumptions:

	2011	2010
Risk-free interest rate	**0.3%**	1.0%
Expected dividend yield	**3%**	2%
Expected life of SARs and TSARs	**2 years**	3 years
Expected volatility	**40%**	52%
Expected forfeitures	**4%**	4%
Weighted average fair value (USD per share)	**$ 3.38**	$ 11.14

Compensation expense for SARs and TSARs is initially measured based on their fair value and is recognized over the vesting period. Changes in fair value each period are recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value at December 31, 2011 was $6.3 million compared with the recorded liability of $5.0 million. The difference between the fair value and the recorded liability of $1.3 million will be recognized over the weighted average remaining vesting period of approximately 1.7 years. The weighted average fair value of the vested SARs and TSARs was estimated at December 31, 2011 using the Black-Scholes option pricing model.

For the year ended December 31, 2011, compensation expense related to SARs and TSARs included in cost of sales and operating expenses was a recovery of $3.5 million (2010 – expense of $8.6 million). This included a recovery of $10.4 million (2010 – expense of $3.0 million) related to the effect of the change in the Company's share price.

c) Deferred, restricted and performance share units:
Deferred, restricted and performance share units outstanding at December 31, 2011 are as follows:

	NUMBER OF DEFERRED SHARE UNITS	NUMBER OF RESTRICTED SHARE UNITS	NUMBER OF PERFORMANCE SHARE UNITS
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
Granted	**25,516**	**17,100**	**281,470**
Granted in lieu of dividends	**15,208**	**1,566**	**28,887**
Redeemed	**–**	**(16,682)**	**(343,931)**
Cancelled	**–**	**–**	**(32,994)**
Outstanding at December 31, 2011	**597,911**	**48,588**	**1,103,049**

Compensation expense for deferred, restricted and performance share units is measured at fair value based on the market value of the Company's common shares and is recognized over the vesting period. Changes in fair value are recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value of deferred, restricted and performance share units at December 31, 2011 was $38.0 million compared with the recorded liability of $35.5 million. The difference between the fair value and the recorded liability of $2.5 million will be recognized over the weighted average remaining vesting period of approximately 1.4 years.

For the year ended December 31, 2011, compensation expense related to deferred, restricted and performance share units included in cost of sales and operating expenses was a recovery of $2.2 million (2010 – expense of $26.0 million). This included a recovery of $10.9 million (2010 – expense of $16.4 million) related to the effect of the change in the Company's share price.

15. 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, 2011 and 2010, revenues attributed to geographic regions, based on the location of customers, were as follows:

REVENUE	UNITED STATES	CANADA	EUROPE	CHINA	KOREA	OTHER ASIA	LATIN AMERICA	TOTAL
2011	**$631,822**	**$ 175,928**	**$678,968**	**$431,137**	**$267,058**	**$154,899**	**$ 268,225**	**$ 2,608,037**
2010	$469,494	$ 142,347	$454,130	$350,578	$ 216,232	$127,242	$ 206,560	$ 1,966,583

As at December 31, 2011 and 2010, the net book value of property, plant and equipment and oil and gas assets by country were as follows:

	CHILE	TRINIDAD	EGYPT	NEW ZEALAND	CANADA	KOREA	OTHER	TOTAL
2011								
Property, plant & equipment	**$ 598,377**	**$ 496,055**	**$939,218**	**$ 103,889**	**$ 53,331**	**$ 13,238**	**$ 28,915**	**$2,233,023**
Oil & gas properties	**42,772**	**–**	**–**	**8,174**	**–**	**–**	**–**	**50,946**
	$ 641,149	**$ 496,055**	**$939,218**	**$ 112,063**	**$ 53,331**	**$ 13,238**	**$ 28,915**	**$2,283,969**
2010								
Property, plant & equipment	$ 621,739	$ 518,117	$966,320	$ 86,304	$ 15,596	$ 14,038	$ 36,462	$2,258,576
Oil & gas properties	38,585	–	–	10,267	–	–	–	48,852
	$ 660,324	$ 518,117	$966,320	$ 96,571	$ 15,596	$ 14,038	$ 36,462	$2,307,428

16. Income and other taxes:

a) Income tax expense:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Current tax expense:		
Current period	**$35,000**	$31,596
Adjustments to prior years	**1,241**	(2,133)
	36,241	29,463
Deferred tax expense:		
Origination and reversal of temporary differences	**17,058**	1,891
Adjustments to prior years	**(274)**	1,471
Other	**2,895**	1,679
	19,679	5,041
Total income tax expense	**$55,920**	$34,504

b) Income tax expense included in other comprehensive income:
Included in other comprehensive income for the year ended December 31, 2011 is a deferred income tax recovery of $12.8 million related to the fair value of interest rate swap contracts and defined benefit pension plans where the amounts are deductible for tax purposes upon settlement.

c) Reconciliation of the effective tax rate:
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 as follows:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Net income before tax	**$283,920**	$128,533
Canadian statutory tax rate	**26.5%**	28.5%
Income tax expense calculated at Canadian statutory tax rate	**$ 75,239**	$ 36,632
Increase (decrease) in income tax expense resulting from:		
Impact of income and losses taxed in foreign jurisdictions	**2,710**	6,904
Previously unrecognized loss carryforwards and temporary differences	**(29,536)**	(13,173)
Adjustments to prior years	**967**	(662)
Other	**6,540**	4,803
Total income tax expense	**$ 55,920**	$ 34,504

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

AS AT	Dec 31 2011	Dec 31 2010	Jan 1 2010
Deferred income tax liabilities:			
Property, plant and equipment	**$270,483**	$226,646	$229,625
Repatriation taxes	**103,822**	99,201	91,441
Other	**43,465**	41,159	29,174
	417,770	367,006	350,241
Deferred income tax assets:			
Non-capital loss carryforwards	**40,284**	7,749	7,830
Property, plant and equipment	**11,295**	7,625	14,694
Fair value of interest rate swap contracts	**10,384**	–	–
Other	**53,475**	56,201	37,326
	115,438	71,575	59,850
Net deferred income tax liabilities	**$302,332**	$295,431	$290,390

The Company recognizes deferred income tax assets to the extent that it is probable that the benefit of these assets will be realized. At December 31, 2011, the Company had non-capital loss carryforwards and other deductible temporary differences in New Zealand of $82 million that have not been recognized. These non-capital loss carryforwards have no expiry date under current legislation. In Canada, the Company had non-capital loss carryforwards of $194 million, and other deductible temporary differences of $110 million that have not been recognized. The majority of the $194 million in non-capital loss carryforwards expire in the period 2014 to 2015.

(ii) Analysis of the change in deferred income tax liabilities:

	2011	2010
Balance, January 1	**$295,431**	$290,390
Deferred income tax expense included in net income	**19,679**	5,041
Deferred income tax recovery included in other comprehensive income	**(12,778)**	–
Balance, December 31	**$302,332**	$295,431

(e) Contingent liability:
The Board of Inland Revenue of Trinidad and Tobago issued an assessment in 2011 against our 63.1% owned joint venture, Atlas Methanol Company Unlimited ("Atlas"), in respect of the 2005 financial year. All subsequent tax years remain open to assessment. The assessment relates to the pricing arrangements of certain long-term fixed price sales contracts that extend to 2014 and 2019 related to methanol produced by Atlas. The impact of the amount in dispute for the 2005 financial year is nominal as Atlas was not subject to corporation income tax in that year. Atlas has partial relief from corporation income tax until 2014.

The Company has lodged an objection to the assessment. Based on the merits of the case and legal interpretation, management believes its position should be sustained.

17. Changes in non-cash working capital:

Changes in non-cash working capital for the years ended December 31, 2011 and 2010 are as follows:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Decrease (increase) in non-cash working capital:		
Trade and other receivables	**$ (58,403)**	$ (62,609)
Inventories	**(51,358)**	(58,753)
Prepaid expenses	**2,412**	(2,984)
Trade, other payables and accrued liabilities, including long-term payables	**119,170**	20,340
	11,821	(104,006)
Adjustments for items not having a cash effect and working capital changes relating to taxes and interest paid	**31,075**	(18,962)
Changes in non-cash working capital	**$ 42,896**	$(122,968)
These changes relate to the following activities:		
Operating	**$ 35,388**	$(120,618)
Investing	**7,508**	(2,350)
Changes in non-cash working capital	**$ 42,896**	$(122,968)

18. 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	Dec 31 2011	Dec 31 2010	Jan 1 2010
Liquidity:			
Cash and cash equivalents	**$ 350,711**	$ 193,794	$ 169,788
Undrawn Egypt limited recourse debt facilities	**–**	–	58,048
Undrawn credit facility	**200,000**	200,000	200,000
Total liquidity	**$ 550,711**	$ 393,794	$ 427,836
Capitalization:			
Unsecured notes	**$ 348,762**	$ 348,020	$ 347,332
Limited recourse debt facilities, including current portion	**554,493**	598,921	566,912
Total debt	**903,255**	946,941	914,244
Non-controlling interests	**197,238**	156,412	137,272
Shareholders' equity	**1,404,725**	1,253,211	1,211,002
Total capitalization	**$2,505,218**	$2,356,564	$2,262,518
Total debt to capitalization [1]	**36%**	40%	40%
Net debt to capitalization [2]	**26%**	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 mid-2015 and is subject to certain financial covenants. Note 8 provides further details regarding the financial and other covenants.

19. 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 Consolidated Statement of Financial Position at fair value. Derivative financial instruments are classified as held-for-trading and are recorded on the Consolidated Statement of Financial Position at fair value unless exempted. Changes in fair value of derivative financial instruments are recorded in net income 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	Dec 31 2011	Dec 31 2010	Jan 1 2010
Financial assets:			
Financial assets held-for-trading:			
Derivative financial instruments designated as cash flow hedges [1]	**$ 300**	$ –	$ –
Loans and receivables:			
Cash and cash equivalents	**350,711**	193,794	169,788
Trade and other receivables, excluding current portion of GeoPark financing	**332,642**	272,575	193,068
Project financing reserve accounts included in other assets	**39,839**	12,548	12,920
GeoPark financing, including current portion (note 7)	**18,072**	25,868	46,055
Total financial assets[2]	**$ 741,564**	$ 504,785	$ 421,831
Financial liabilities:			
Other financial liabilities:			
Trade, other payable and accrued liabilities	**$ 306,455**	$ 231,994	$ 205,341
Deferred gas payments included in other long-term liabilities	**51,079**	–	–
Long-term debt, including current portion	**903,255**	946,941	914,244
Financial liabilities held-for-trading:			
Derivative financial instruments designated as cash flow hedges [1]	**41,536**	43,488	33,185
Derivative financial instruments	**–**	–	99
Total financial liabilities	**$1,302,325**	$1,222,423	$1,152,869

[1] The euro hedges and the Egypt interest rate swaps designated as cash flow hedges are measured at fair value based on industry accepted valuation models and inputs obtained from active markets.
[2] The carrying amount of the financial assets represents the maximum exposure to credit risk at the respective reporting periods.

At December 31, 2011, all of the Company's financial instruments are recorded on the Consolidated Statement of Financial Position at amortized cost, with the exception of derivative financial instruments, which are recorded at fair value unless exempted.

The Egypt limited recourse debt facilities bear interest at LIBOR plus a spread. The Company has 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 Company has designated these interest rate swaps as cash flow hedges. These interest rate swaps had outstanding notional amounts of $367 million as at December 31, 2011. The notional amounts decrease over the expected repayment period. At December 31, 2011, these interest rate swap contracts had a negative fair value of $41.5 million (2010 – $43.5 million) recorded in other long-term liabilities. The fair value of these interest rate swap contracts will fluctuate until maturity.

The Company also designates as cash flow hedges forward exchange contracts to sell euro at a fixed USD exchange rate. At December 31, 2011, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell a notional amount of 28.2 million euro in exchange for United States dollars and these euro contracts had a positive fair value of $0.3 million recorded in trade and other receivables. Changes in the fair value of derivative financial instruments designated as cash flow hedges have been recorded in other comprehensive income.

The table below shows cash outflows for derivative hedging instruments based upon contractual payment dates using LIBOR at December 31, 2011. The amounts reflect the maturity profile of the fair value liability where the instruments will be settled net and are subject to change based on the prevailing LIBOR at each of the future settlement dates. The swaps are with high investment-grade counterparties and therefore the settlement day risk exposure is considered to be negligible.

AS AT DECEMBER 31	2011	2010
Within one year	**$14,178**	$15,398
1 to 2 years	**13,178**	13,675
2 to 3 years	**12,451**	10,116
3 to 4 years	**5,036**	5,622
4 to 5 years	**–**	1,677
	$44,843	$46,488

The fair values of the Company's derivative financial instruments as disclosed above are determined based on Bloomberg quoted market prices and confirmations received from counterparties, which are 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 $0.5 million at December 31, 2011 (December 31, 2010 – nil).

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

AS AT DECEMBER 31	2011		2010	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Long-term debt	**$ 903,255**	**$913,311**	**$ 946,941**	**$967,953**

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 2011 and 2010. The fair value of the Company's unsecured notes will fluctuate until maturity.

20. 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, New Zealand and Egypt. 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. The Company has entered into short-term natural gas forward supply contracts at fixed prices for its Medicine Hat operations.

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	**Dec 31 2011**	Dec 31 2010	Jan 1 2010
Fixed interest rate debt:			
Unsecured notes	**$348,762**	$348,020	$347,332
Atlas limited recourse debt facilities (63.1% proportionate share)	**56,599**	70,292	76,833
	$405,361	$418,312	$424,165
Variable interest rate debt:			
Atlas limited recourse debt facilities (63.1% proportionate share)	**$ 7,798**	$ 9,285	$ 16,322
Egypt limited recourse debt facilities	**470,208**	499,706	461,570
Other limited recourse debt facilities	**19,888**	19,638	12,187
	$497,894	$528,629	$490,079

For fixed interest rate debt, a 1% change in interest rates would result in a change in the fair value of the debt (disclosed in note 19) of approximately $7.8 million as of December 31, 2011 (2010 – $11.5 million). The fair value of variable interest rate debt fluctuates primarily with changes in credit spreads.

For the variable interest rate debt that is unhedged, a 1% change in LIBOR would result in a change in annual interest payments of $1.3 million as of December 31, 2011 (2010 – $1.6 million).

For the variable interest rate debt that is hedged with a variable-for-fixed interest rate swap (note 19), a 1% change in the interest rates along the yield curve would result in a change in fair value of the interest rate swaps of approximately $11.3 million as of December 31, 2011 (2010 – $15.0 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.

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 a portion of the net exposure to euro revenues, which is hedged through forward exchange contracts each quarter when the euro price for methanol is established.

As at December 31, 2011, the Company had a net working capital asset of $78.4 million in non-US-dollar currencies (2010 – $74.3 million). 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 $7.8 million (2010 – $7 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, 2011, the Company had $350.7 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 2015.

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, 2011	Carrying amount	Contractual cash flows	1 year or less	1-3 years	3-5 years	More than 5 years
Trade and other payables[1]	$294,351	$294,351	$294,351	$ –	$ –	$ –
Deferred gas payments included in other long-term liabilities	51,079	52,906	–	52,906	–	–
Long-term debt[2]	903,255	1,059,312	285,569	155,456	280,717	337,570
Egypt interest rate swaps	41,536	44,843	14,178	25,629	5,036	–
	$1,290,221	$1,451,412	$594,098	$233,991	$285,753	$ 337,570

[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, 2011.

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, 2011 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.

21. 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	Dec 31 2011	Dec 31 2010
Accrued benefit obligations:		
Balance, beginning of year	**$70,072**	$61,643
Current service cost	**2,551**	2,329
Interest cost on accrued benefit obligations	**3,665**	3,540
Benefit payments	**(5,522)**	(3,220)
Actuarial loss	**11,049**	2,204
Foreign exchange loss (gain)	**(3,257)**	3,576
Balance, end of year	**78,558**	70,072
Fair values of plan assets:		
Balance, beginning of year	**45,378**	42,103
Expected return on plan assets	**2,333**	2,164
Contributions	**4,349**	1,229
Benefit payments	**(5,522)**	(3,220)
Actuarial gain (loss)	**(2,577)**	829
Foreign exchange gain (loss)	**(685)**	2,273
Balance, end of year	**43,276**	45,378
Unfunded status	**35,282**	24,694
Minimum funding requirement	**260**	1,246
Defined benefit obligation, net	**$35,542**	$25,940

The Company has an unfunded retirement obligation of $33.3 million at December 31, 2011 (2010 – $28.7 million) for its employees in Chile that will be funded at retirement in accordance with Chilean law. The accrued benefit for the unfunded retirement arrangement in Chile is paid when an employee leaves the Company in accordance with plan terms and Chilean regulations. The Company has a funded retirement obligation of $2.3 million at December 31, 2011 (2010 – funded asset $2.8 million) for its employees in Canada and Europe under which the Company estimates that it will make additional contributions totaling $6.2 million in 2012.

The Company's net defined benefit pension plan expense charged to the Consolidated Statements of Income for the years ended December 31, 2011 and 2010 is as follows:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Net defined benefit pension plan expense:		
Current service cost	**$ 2,551**	$ 2,329
Interest cost on defined benefit obligations	**3,665**	3,540
Expected return on plan assets	**(2,333)**	(2,164)
	$ 3,883	$ 3,705

The Company's current year actuarial losses, recognized in the Consolidated Statements of Comprehensive Income for the years ended December 31, 2011 and 2010, are as follows:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Actuarial loss	**$13,626**	$1,375
Minimum funding requirement	**(986)**	326
Current year actuarial losses	**$12,640**	$1,701

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, 2010 in Canada. The next actuarial reports for funding purposes for the Company's Canadian defined benefit pension plans are scheduled to be completed as of December 31, 2013.

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

FOR THE YEARS ENDED	2011	2010
Benefit obligation at December 31:		
Weighted average discount rate	**4.56%**	5.43%
Rate of compensation increase	**3.93%**	4.15%
Net expense for years ended December 31:		
Weighted average discount rate	**5.85%**	5.91%
Rate of compensation increase	**4.78%**	4.44%
Expected rate of return on plan assets	**6.70%**	7.00%

The expected rate of return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. The difference between actual return and the expected return is an actuarial gain or loss and is recorded in the Consolidated Statements of Comprehensive Income for the year. For the year ended December 31, 2011, the Company's actual return on plan assets was a loss of $0.3 million (2010 – gain of $3.0 million).

The asset allocation for the defined benefit pension plan assets as at December 31, 2011 and 2010 is as follows:

AS AT DECEMBER 31	2011	2010
Equity securities	**46%**	47%
Debt securities	**28%**	25%
Cash and other short-term securities	**26%**	28%
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, 2011 was $4.2 million (2010 – $3.7 million).

22. 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 up to 2035. The minimum estimated commitment under these contracts, excluding Argentina natural gas supply contracts, is as follows:

AS AT DECEMBER 31, 2011

	2012	2013	2014	2015	2016	Thereafter
$	248,249	$190,781	$132,094	$101,675	$101,929	$1,232,613

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 for its facilities in Chile with expiration dates between 2017 and 2025. 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:

AS AT DECEMBER 31, 2011

2012	2013	2014	2015	2016	Thereafter
$ 136,497	$109,724	$90,654	$70,503	$66,028	$ 340,237

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 1.2 million tonnes per year of methanol offtake supply when these plants operate at capacity. At December 31, 2011, the Company also had commitments to purchase methanol under other offtake contracts for approximately 544,000 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 above.

23. Related parties

The Company has interests in significant subsidiaries and joint ventures as follows:

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	INTEREST % DEC 31 2011	INTEREST % DEC 31 2010
Significant subsidiaries:				
Methanex Asia Pacific Limited	Hong Kong	Marketing & Sales	100%	100%
Methanex Europe NV	Belgium	Marketing & Sales	100%	100%
Methanex Methanol Company, LLC	USA	Marketing & Sales	100%	100%
Egyptian Methanex Methanol Company S.A.E.	Egypt	Production	60%	60%
Methanex Chile S.A.	Chile	Production	100%	100%
Methanex New Zealand Limited	New Zealand	Production	100%	100%
Methanex Trinidad (Titan) Unlimited	Trinidad	Production	100%	100%
Waterfront Shipping Company Limited	Cayman Islands	Distribution & Shipping	100%	100%
Significant joint ventures:				
Atlas Methanol Company Unlimited[1]	Trinidad	Production	63.1%	63.1%

[1] Summarized financial information for the group's share of Atlas is disclosed in note 6.

Remuneration of non-management directors and senior management, which includes the eight members of the executive leadership team, is as follows:

FOR THE YEARS ENDED DECEMBER 31	2011	2010
Short-term employee benefits	**$10,808**	$ 7,978
Post-employment benefits	**715**	753
Other long-term employee benefits	**72**	66
Share-based compensation expense (recovery)	**(3,328)**	21,126
Total	**$ 8,267**	$29,923

24. Transition to International Financial Reporting Standards:

As stated in note 2, these are the Company's first consolidated financial statements under IFRS. The accounting policies described in note 2 have been applied in preparing the consolidated financial statements for the year ended December 31, 2011, the comparative information presented in these consolidated financial statements for the year ended December 31, 2010 and in the preparation of an opening IFRS statement of financial position at January 1, 2010, the Company's date of transition. An explanation of the IFRS 1, first-time adoption of IFRS exemptions and the required reconciliations between IFRS and Canadian GAAP are described below:

IFRS 1 First-time Adoption of International Financial Reporting Standards

In preparing these consolidated financial statements, the Company has applied 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 and mandatory exemptions, 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 has elected to apply:

Business combinations

The Company has elected to apply IFRS 3, *Business Combinations*, prospectively to 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

The Company has elected to recognize all cumulative actuarial gains and losses on defined benefit pension plans existing at the date of transition immediately into retained earnings, rather than continuing to defer and amortize into the results of operations. Refer to note 24(b) for the impact to the financial statements.

Fair value or revaluation as deemed cost

The Company has used the amount determined under a previous GAAP revaluation as the deemed cost for certain assets. The Company elected the exemption for certain assets that were written down under Canadian GAAP, as the revaluation was broadly comparable to fair value under IFRS. The carrying value of those assets on transition to IFRS is therefore consistent with the Canadian GAAP carrying value on the transition date.

Share-based compensation

The Company elected to not apply 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. As a result, the Company has applied IFRS 2 for stock options granted after November 7, 2002 that were not fully vested at January 1, 2010.

Site restoration costs

The Company has elected to apply the IFRS 1 exemption whereby it has measured the site restoration costs 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 the best estimate of the historical risk-free discount rate.

Oil and gas properties

The Company has elected to carry forward the Canadian GAAP full-cost method of accounting oil and gas asset carrying value as of January 1, 2010 as the balance on transition to IFRS.

Reconciliations between IFRS and Canadian GAAP

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flow for comparative periods. The Company's adoption of IFRS did not have a significant impact on total operating, investing or financing cash flows in the prior periods. However, it did result in some presentation changes. Under Canadian GAAP, interest paid included in profit and loss was classified as operating activities and capitalized interest was classified as investing activities. Under IFRS, interest paid, including capitalized interest, is classified as financing activities. There were no other significant adjustments to the statement of cash flows. In preparing these consolidated financial statements, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's statements of financial position, net income and comprehensive income is provided below:

Reconciliation of assets, liabilities and equity

The table below provides a summary of the adjustments to the Company's statement of financial position at December 31, 2010 and January 1, 2010:

AS AT	Dec 31 2010	Jan 1 2010
Total assets per Canadian GAAP	$3,070,159	$2,923,417
Leases (a)	55,114	61,095
Employee benefits (b)	(12,126)	(10,611)
Site restoration costs (c)	3,595	1,285
Borrowing costs (d)	23,951	8,269
Other	–	126
Total assets per IFRS	$3,140,693	$2,983,581
Total liabilities per Canadian GAAP	$1,793,532	$1,687,331
Leases (a)	68,657	74,240
Employee benefits (b)	5,658	6,038
Site restoration costs (c)	7,709	4,901
Borrowing costs (d)	9,580	3,307
Uncertain tax positions (e)	7,158	5,365
Share-based compensation (f)	5,738	261
Deferred tax impact and other adjustments (g)	(10,549)	(8,863)
Reclassification of non-controlling interests (h)	(156,413)	(137,273)
Total liabilities per IFRS	$1,731,070	$1,635,307
Total equity per Canadian GAAP	$1,276,628	$1,236,086
Leases (a)	(13,543)	(13,146)
Employee benefits (b)	(17,784)	(16,650)
Site restoration costs (c)	(4,114)	(3,612)
Borrowing costs (d)	14,370	4,961
Uncertain tax positions (e)	(7,158)	(5,365)
Share-based compensation (f)	(5,738)	(261)
Deferred tax impact and other adjustments (g)	10,549	8,863
Reclassification of non-controlling interests (h)	156,413	137,272
Other	–	126
Total equity per IFRS	$1,409,623	$1,348,274
Total liabilities and equity per IFRS	$3,140,693	$2,983,581

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

	Dec 31 2010
Net income per Canadian GAAP	**$101,733**
Leases (a)	(397)
Employee benefits (b)	(100)
Site restoration costs (c)	(500)
Uncertain tax positions (e)	(1,793)
Share-based compensation (f)	(4,588)
Deferred tax impact and other adjustments (g)	1,791
Other	(127)
Total adjustments	(5,714)
Net income per IFRS attributable to Methanex Corporation shareholders	**$ 96,019**
Net loss per IFRS attributable to non-controlling interests	**(1,990)**
Net income per IFRS	**$ 94,029**

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

	Dec 31 2010
Comprehensive income per Canadian GAAP	**$86,140**
IFRS/CDN GAAP differences to net income (see table above)	(5,714)
Employee benefits – actuarial losses	(1,139)
Borrowing costs transferred to property, plant and equipment (d)	9,410
Comprehensive income per IFRS attributable to Methanex Corporation shareholders	**$88,697**
Comprehensive loss per IFRS attributable to non-controlling interests	**(6,110)**
Comprehensive income per IFRS	**$82,587**

The items noted above in the reconciliations of the statement of financial position, net income and comprehensive income from Canadian GAAP to IFRS are described below:

a) Leases:
Under Canadian GAAP, an arrangement at inception that can only be fulfilled 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. Regardless of whether the arrangement takes the legal form of a lease, an asset and corresponding liability should be recorded if certain criteria are met. However, Canadian GAAP has grandfathering provisions that exempt 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. The Company has long-term oxygen supply contracts for its 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. The Company 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 $61.1 million and other long-term liabilities of $74.2 million, with a corresponding decrease to retained earnings of $13.1 million.

In comparison to Canadian GAAP, for the year ended December 31, 2010, this accounting treatment resulted in lower cost of sales and operating costs, higher finance costs and higher depreciation and amortization charges, with no significant impact to net earnings. As at December 31, 2010, this resulted in an increase to property, plant and equipment of $55.1 million and other long-term liabilities of $68.6 million, with a corresponding decrease to shareholders' equity of $13.5 million.

b) Employee benefits:
The Company elected the IFRS 1 exemption to recognize all cumulative actuarial gains and losses on defined benefit pension plans existing at the date of transition immediately in retained earnings. As at January 1, 2010, this results in a decrease to retained earnings of $16.6 million, a decrease to other assets of $10.6 million and an increase to other long-term liabilities of $6.0 million.

In comparison to Canadian GAAP for the year ended December 31, 2010, net earnings decreased by approximately $0.1 million. This includes an adjustment to the Company's 2010 financial statements as previously reported under IFRS to reflect the impact of foreign exchange on the cumulative actuarial losses as reported. As at December 31, 2010, the recognition of actuarial gains and losses into retained earnings and the impact of foreign exchange resulted in a decrease to shareholders' equity of $17.8 million, a decrease to other assets of $12.1 million and an increase to other long-term liabilities of $5.7 million.

c) Site restoration costs:
Under IFRS, the Company recognizes a liability to dismantle and remove assets or to restore a site upon which the assets are located. The Company is required to determine a best estimate of site restoration costs for all sites, whereas under Canadian GAAP site restoration costs 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. As at January 1, 2010, adjustments to the financial statements to recognize site restorations costs on transition to IFRS are recognized as an increase to other long-term liabilities of approximately $4.9 million and an increase to property, plant and equipment of approximately $1.3 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 site restoration costs resulted in an increase to other long-term liabilities of approximately $7.7 million and an increase to property, plant and equipment of approximately $3.6 million, with a corresponding decrease to shareholders' equity and no significant impact to net earnings.

d) Borrowing costs:
IAS 23 prescribes the accounting treatment and eligibility of borrowing costs. 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. Under Canadian GAAP, cash settlements for these swaps during construction are recorded in accumulated other comprehensive income for the Company's 60% portion and 40% is recorded in non-controlling interest. Under IFRS, the cash settlements during construction are recorded to property, plant and equipment. Accordingly, there is an increase to property, plant and equipment of approximately $8.3 million and $24.0 million as of January 1, 2010 and December 31, 2010, respectively. The increase to property, plant and equipment is offset by an increase to accumulated other comprehensive income of approximately $5.0 million and $14.4 million and an increase in non-controlling interest of approximately $3.3 million and $9.6 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 $5.4 million in comparison to Canadian GAAP. For the year ended December 31, 2010, this has resulted in a decrease in net earnings of $1.8 million with a corresponding increase to income tax liabilities.

f) Share-based compensation:
During 2010, the Company made its first grant of SARs and TSARs in connection with the employee long-term incentive compensation plan.

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 in each period are recognized in net income 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 estimated using an option pricing model. Changes in fair value estimated using an option pricing model each period are recognized in net income for the proportion of the service that has been rendered at each reporting date.

The fair value estimated using an option pricing model will be higher than the intrinsic value due to the time value included in the estimated 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 with total accounting expense ultimately being the same on the date of exercise.

The SARs and TSARs were granted for the first time in March 2010, and therefore, there is no adjustment required to the financial statements on January 1, 2010. The difference in fair value method under IFRS compared with the intrinsic value method under Canadian GAAP has resulted in the decrease to net earnings of approximately $4.6 million, increase to other long-term liabilities of approximately $5.7 million and corresponding decrease to shareholders' equity for the year ended December 31, 2010.

g) Deferred tax impact and other adjustments:
This adjustment primarily 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 deferred income tax liabilities and an increase to retained earnings of approximately $8.9 million. For the year ended December 31, 2010, this resulted in an increase to net earnings of $1.8 million.

h) Reclassification of non-controlling interests from liabilities:
The Company has a 60% interest in EMethanex, the Egyptian company through which it has developed the Egyptian methanol project. The Company accounts for this investment using consolidation accounting, which results in 100% of the assets and liabilities of EMethanex being included in the 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 shareholder equity. This reclassification results in a decrease to liabilities and an increase in equity of approximately $137.3 million and $156.4 million as of January 1, 2010 and December 31, 2010, respectively.