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

FORM 40-F

¨ **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, 2012 **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)

CT 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.

6.00% Senior Notes due August 15, 2015
3.25% Senior Notes due December 15, 2019
5.25% Senior Notes due March 1, 2022
(Title of Class)

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

x **Annual Information Form** x **Audited Annual Financial Statements**

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

94,309,970 Common Shares were outstanding as of December 31, 2012

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

Yes ¨ 82 -_____ **No** x

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

Yes x **No** ¨

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

Yes ¨ **No** ¨

ANNUAL INFORMATION FORM, AUDITED FINANCIAL STATEMENTS, AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Methanex Corporation (the "Registrant" or the "Company"), a Canadian public company whose 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 Registrant is a "foreign private issuer" as defined in Rule 3b-4 under Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is eligible to file this annual report on Form 40-F pursuant to the multi-jurisdictional disclosure system.

The following documents of the Company are filed as exhibits to, and incorporated by reference into, this Annual Report:

Document	Exhibit No.
Annual Information Form of the Company for the year ended December 31, 2012	99.1
Audited financial statements of the Company for the years ended December 31, 2012 and 2011, including the report of auditor with respect thereto	99.2
Management's Discussion and Analysis of the Company for the year ended December 31, 2012	99.3

Pursuant to Rule 3a12-3 under the Exchange Act, the Company's equity securities are exempt from sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act.

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," "potential," "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.

CURRENCY

Unless otherwise indicated, all dollar amounts in this Annual Report are in United States dollars. The exchange rate of United States dollars into Canadian dollars on December 31, 2012, based upon the noon rate published by the Bank of Canada, was U.S.$1.00=CDN$0.9949. The exchange rate of United States dollars into Canadian dollars, on March 12, 2013, based upon the noon rate as published by the Bank of Canada, was U.S.$1.00=CDN$1.0254.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act to mean 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.

At the end of the period covered by this annual report on Form 40-F, being the fiscal year ended December 31, 2012, an evaluation was carried out under the supervision and with the participation of the Registrant's management, including the principal executive and principal financial officers (its Chief Executive Officer and Chief Financial Officer). 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, 2012.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal Control Over Financial Reporting

Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act as 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, 2012 to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

The Company's internal control system is designed to provide reasonable assurance to management and the board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Assessment and Auditor's Attestation Report

Management's Report on Internal Control over Financial Reporting is provided on page 41 of the Registrants' Management's Discussion and Analysis, filed as Exhibit 99.2 to this report, under the heading "Responsibility for Financial Reporting". 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, 2012. 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 (the "Audit Committee") in accordance with Section 3(a)(58)(A) of the Exchange Act and NASDAQ Listing Rule 5605(c). As at the date of this annual report, the Registrant's Audit Committee is comprised of the following directors, each of whom is independent as determined under each of Rule 10A-3 under the Exchange Act and NASDAQ Listing Rule 5605(a):

A. Terence Poole, Chair
Howard Balloch*
John Reid
Janice Rennie

* Mr. Balloch was appointed to the Audit Committee after the period covered by this annual report, on January 1, 2013.

All members of the Audit Committee are financially literate, meaning they are able to read and understand the Company's financial statements and to understand the breadth and level of complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. The Audit Committee meets the composition requirements set forth by NASDAQ Listing Rule 5605(c)(2).

A description of the mandate of the Audit Committee (the "Audit Committee Charter"), 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, 2012, filed as Exhibit 99.1 to this annual report. The full text of the Audit Committee Charter is attached as Appendix "A" to the Annual Information Form.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's Board of Directors has determined that Mr. A. Terence Poole is an audit committee financial expert (as that term is defined in paragraph (8)(b) of General Instruction B to Form 40-F under the Exchange Act). 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 the 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 Business Conduct (the "Code of Ethics") that applies to directors, officers and employees, including the Registrant's principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics materially complies with NASDAQ Listing Rule 5610, and meets the requirements for a "code of ethics" within the meaning of that term in Form 40-F. A copy of the Code of Ethics, 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 2012.

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, 2012 and December 31, 2011 are as follows:

US$000s	2012	2011
Audit Fees	1,913	1,827
Audit-Related Fees	31	116
Tax Fees	103	99
Total	**2,047**	**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.

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, 2012, 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 21 of the Registrant's Management's Discussion and Analysis for the year ended December 31, 2012, filed as Exhibit 99.2 to this report.

NASDAQ CORPORATE GOVERNANCE

The Company is subject to corporate governance requirements prescribed under applicable Canadian securities laws, rule and policies. The Company is also subject to corporate governance requirements prescribed by the listing standards of the NASDAQ Stock Market, and the rules and regulations promulgated by the SEC under the Exchange Act (including those applicable rules and regulations mandated by the Sarbanes-Oxley Act of 2002).

NASDAQ Listing 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 Listing Rules. A foreign private issuer that follows a home country practice in lieu of one or more provisions of the NASDAQ Listing Rules is required to disclose in its annual report filed with the Commission, or on its website, each corporate governance requirement of the NASDAQ Listing 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 22 of the Registrant's Annual Information Form for the year ended December 31, 2012, filed as Exhibit 99.1 to this report.

The Company believes that there are otherwise no significant differences between its corporate governance policies and those required to be followed by United States domestic issuers listed on the NASDAQ Stock Market. In particular, in addition to having a separate Audit Committee, the Registrant's Board of Directors has established a separately-designated Human Resources Committee that materially meets the requirements for a compensation committee under NASDAQ Listing Rule 5605(d), as currently in force.

The Company is required by National Instrument 58-101 of the Canadian Securities Administrators, *Disclosure of Corporate Governance Practices*, to describe its practices and policies with regard to corporate governance in management information circulars that are furnished to the Company's shareholders in connection with annual meetings of shareholders.

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 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; (c) 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; and (d) with respect to the 3.25% Senior Notes due December 15, 2019 was filed with the Commission together with the Form F-10 of the Registrant on December 7, 2012.

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 14, 2013

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, Finance and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Senior Vice President, Finance and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Annual Information Form of the Registrant dated March 13, 2013
99.2	Management's Discussion and Analysis for the Year Ended December 31, 2012
99.3	Audited Consolidated Financial Statements of the Registrant for the year ended December 31, 2012 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 use of our reports, both dated March 13, 2013, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting included in this annual report on Form 40-F.

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, No. 333-177632 on Form F-9 and No. 333-185335 on Form F-10 of the Company.

KPMG LLP

Chartered Accountants
Vancouver Canada
March 13, 2013

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, John Floren, 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 14, 2013

/s/ JOHN FLOREN
John Floren
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 14, 2013

/s/ IAN CAMERON
Ian Cameron
Senior Vice President, Finance and Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of Methanex Corporation (the "Company") on Form 40-F for the year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Floren, 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/ JOHN FLOREN
John Floren
President and Chief Executive Officer
March 14, 2013

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, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ian Cameron, Senior Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ IAN CAMERON
Ian Cameron
Senior Vice President, Finance and Chief Financial Officer
March 14, 2013

Exhibit 99.1



METHANEX CORPORATION

ANNUAL INFORMATION FORM

www.methanex.com

March 13, 2013

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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 2012 Management's Discussion and Analysis ("2012 MD&A"), which contains information required to be included in this AIF. The 2012 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 IHS Inc., Jim Jordan & Associates, Tecnon OrbiChem Ltd., Argus DeWitt 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 or restart of idled capacity 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,
- capital committed by third parties towards future natural gas exploration and development in the vicinity of our plants,
- our 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,
- expected operating costs, including natural gas feedstock costs and logistics costs,
- 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,
- our shareholder distribution strategy and anticipated distributions to shareholders,
- commercial viability and timing of, or our 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 Geismar, Louisiana (“Geismar”) and certain initiatives in New Zealand and Canada,
- our 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 actions of governments, government agencies, gas suppliers, courts, tribunals or other third parties, and
- expected impact on our operations in Egypt or our financial condition as a consequence of civil unrest or actions taken or inaction 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, coal, oil and oil derivatives,
- the success of our natural gas exploration and development in Chile and New Zealand and our ability to procure economically priced natural gas in Chile, New Zealand, Trinidad, Canada and the United States,
- production rates of our facilities,
- receipt of remaining required permits in connection with the Geismar project,
- 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 or rights to purchase natural gas,
- receipt of governmental approvals related to natural gas exploration rights,
- 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,
- the availability of committed credit facilities and other financing,
- timing of completion and cost of the Geismar project and our initiatives to increase production in New Zealand and Canada,
- 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,
- absence of a material negative impact from political instability in the countries in which we operate,
- enforcement of contractual arrangements and ability to perform contractual obligations by customers, natural gas and other suppliers and other third parties, and
- satisfaction of conditions precedent contained in the Geismar project natural gas supply agreement.

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

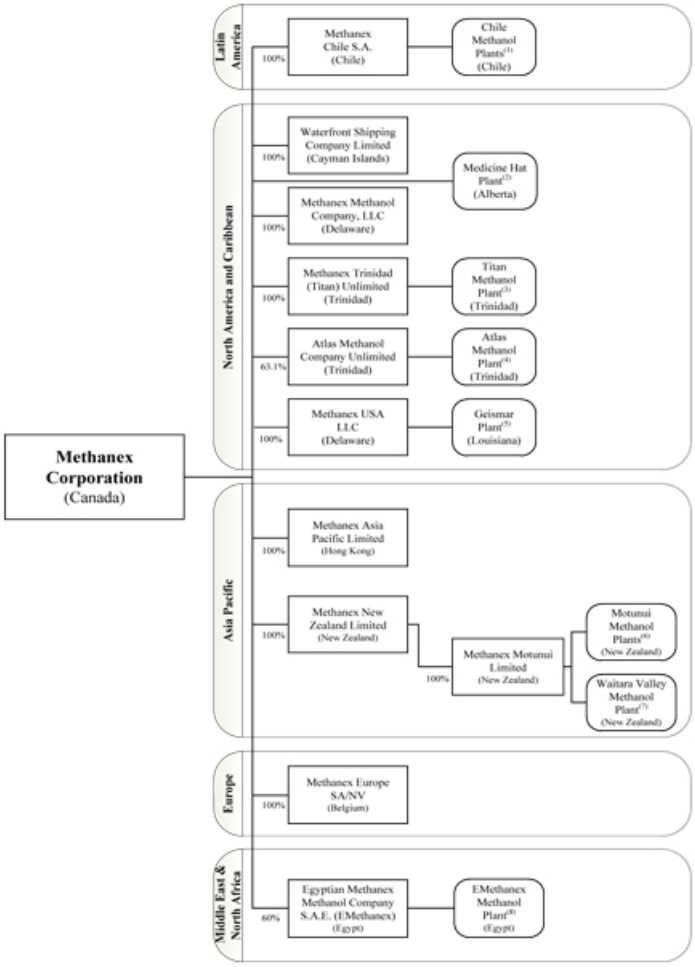
- conditions in the methanol and other industries including fluctuations in the supply, demand for and price of methanol and its derivatives, including demand for methanol for energy uses,
- the price of natural gas, coal, oil and oil derivatives,
- the success of natural gas exploration and development activities in southern Chile and New Zealand and our ability to obtain any additional gas in Chile and New Zealand on commercially acceptable terms,
- the ability to successfully carry out corporate initiatives and strategies,
- actions of competitors, suppliers and financial institutions,
- conditions within the natural gas delivery systems that may prevent delivery of our natural gas supply requirements,
- competing demand for natural gas, especially with respect to domestic needs for gas and electricity in Chile and Egypt,
- actions of governments and governmental authorities, including, without limitation, the implementation of policies or other measures that could impact the supply of 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,
- satisfaction of conditions precedent contained in the Geismar project natural gas supply agreement, and
- other risks described in the 2012 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, 2012 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 three plants in Chile represent 2.8 million tonnes of annual production capacity. Since 2007 we have operated the site significantly below capacity due to gas supply issues.

(2) Our 470,000 tonne per year plant in Medicine Hat was restarted in April 2011. We are currently debottlenecking the Medicine Hat facility which is expected to add a further 90,000 tonnes of annual production capacity by the end of the third quarter of 2013.

(3) The Titan plant represents 875,000 tonnes of annual production capacity.

(4) Our equity interest in the Atlas plant represents 1.1 million tonnes of annual production capacity.

(5) In July 2012 we reached a final investment decision to relocate the Chile II plant to Geismar, Louisiana. The relocated plant is expected to commence operations by the end of 2014 and will represent approximately 1.0 million tonnes of annual production capacity.

(6) We restarted one Motunui plant in 2008 and the second Motunui plant was restarted in July 2012. Due to current distillation capacity constraints at the Motunui site, the current operating capacity of both plants is approximately 1.5 million tonnes per year.

(7) In March 2013, we committed to the restart of our 530,000 tonne per year Waitara Valley plant by the end of 2013.

(8) 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 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 olefins. This latter use is emerging as a significant methanol demand driver.

We are the world's largest supplier of methanol to the 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 9.5 million tonnes and is located in New Zealand, Trinidad, Egypt, Canada and Chile. We are currently relocating one of our Chile facilities to Geismar, Louisiana and we expect the relocated facility will be operational by the end of 2014. 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.

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 2012 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. We are focused 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 in Asia Pacific, North America, Europe and Latin America. Our 2012 sales volumes of 7.5 million tonnes represented approximately 15% of global methanol 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 to strengthen our asset position and we have increased our operating capacity over the last two years. In 2011, we restarted our 0.5 million tonne per year Medicine Hat, Alberta facility and the 1.3 million tonne per year methanol plant in Egypt commenced operations. In 2012, we restarted a second facility in New Zealand and this increased our operating capacity in that country by 0.7 million tonnes. We have several other initiatives in progress in New Zealand that are expected to increase our operating capacity further and allow us to reach the site's full production capacity of 2.4 million tonnes. Our New Zealand facilities are ideally situated to supply the growing Asia Pacific market.

During 2012, we operated our Chile methanol facilities significantly below site capacity. We expect to idle our Chile operations in March 2013 due to insufficient natural gas feedstock to operate the plant through the southern hemisphere winter. We are in the process of relocating one of our four Chile facilities to Geismar, Louisiana. The Geismar facility will have an annual production capacity of approximately 1.0 million tonnes and is expected to be operational by the end of 2014. We are also considering other projects to increase the utilization of our Chile assets, including the potential to relocate an additional facility to the Geismar site.

Another key component of our global leadership strategy is our ability to supplement methanol production with methanol purchased from third parties 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.

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, Korea and Japan 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 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 ownership interest in production facilities in Trinidad and Egypt represents 2.8 million tonnes per year of competitive-cost production capacity. These facilities are well located to supply global methanol markets and are underpinned by 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.

In January 2013, we entered into a 10-year agreement to purchase all of the natural gas required for the methanol plant we are relocating to Geismar, Louisiana. The agreement is structured so that the natural gas price is linked to the methanol price, which will enable the project to be profitable across a broad range of methanol prices. We also have a 0.5 million tonne facility located in Medicine Hat, Alberta, 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, sustainability, 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 events 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. 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 associations, 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. During 2012, we issued a total of $600 million of unsecured notes and a portion of the proceeds was used to repay $200 million of unsecured notes. Also during 2012, we extended the maturity on our undrawn revolving credit facility to 2016 and increased the amount to $400 million. At December 31, 2012, we had a strong balance sheet with a cash balance of $746 million, including $36 million relating to the non-controlling interest in Egypt. We believe we are well positioned to meet our financial commitments and continue investing to grow the Company.

METHANOL INDUSTRY INFORMATION

General

In 2012, approximately 65% of all methanol was used to produce formaldehyde, acetic acid and a variety of other traditional chemical derivatives, for which demand is influenced by levels of global economic activity. These derivatives are used to manufacture a wide range of end products, including plywood, particleboard, foams, resins and plastics. The remainder of methanol demand comes from 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 as methanol can be cost competitive relative to the traditional production of olefins from naphtha. The demand for methanol into energy applications is primarily influenced by global energy prices.

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.

We estimate that 2012 demand for methanol was 51 million tonnes. See Demand Factors below for more information.

Refer to the Risk Factors and Risk Management section of our 2012 MD&A for more information regarding risks related to methanol demand.

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, including energy prices due to the growing use of methanol in energy applications.

We estimate that global demand for methanol in 2012, excluding methanol produced in integrated MTO facilities, increased by about 5% to approximately 51 million tonnes. This increase was driven primarily by growth in Asia, particularly in China, in both traditional chemical derivatives and energy applications.

Overall, energy demand accounted for nearly 60% of the annual 2012 growth and grew by 9% year-over-year, while traditional chemical derivatives accounted for the remainder of the annual 2012 growth and grew by 4% year-over-year.

Traditional Chemical Derivative Demand

Historically, demand growth for methanol in chemical derivatives has been closely correlated to economic and industrial production growth rates. 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 2012, chemical derivative demand represented approximately 65% of total global demand.

Formaldehyde Demand

In 2012, methanol demand for the production of formaldehyde represented approximately 32% 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 2012, 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 significant 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 competitive alternative to naphtha for producing olefins. Methanol has also been used to make MTBE, a gasoline additive, for many years. While methanol demand in energy-related applications is strongest in China, an increasing number of countries around the world have projects in place or are considering adopting these applications on a wider scale. We believe demand potential into energy-related applications, including olefins production, will continue to grow.

In 2012, methanol demand for energy-related uses continued to grow in a favourable energy demand environment and represented approximately 35% of total global methanol demand. This demand was comprised of methanol for the production of MTBE, which represented about 12% of total 2012 demand, while other energy applications, including direct blending of methanol into gasoline, DME, biodiesel, and merchant MTO (i.e. non-integrated projects) accounted for approximately 23% of total 2012 demand. Merchant MTO and fuel blending were the fastest-growing end-use segments for methanol in 2012.

Methanol Demand for Fuel

Methanol may be blended into gasoline for use as a transportation fuel to reduce reliance on imported oil products and due to its clean air benefits and competitive pricing relative to gasoline. Methanol-gasoline blending in China has grown rapidly over the last several years. In addition, smaller quantities of methanol are also used directly as a cooking fuel. In 2012, we estimate that methanol demand for these fuel applications in China was approximately 6.0 million tonnes. Chinese demand for methanol blending into gasoline has remained strong due to the favourable economics of methanol compared to other gasoline components. In addition, automobile sales in China and thus gasoline demand have remained healthy. China's federal and provincial governments have implemented a range of fuel-blending standards for methanol that promote the use of methanol as a fuel. Direct methanol blending into gasoline is being used in small quantities in the United Kingdom, Netherlands and Iceland, and other countries, including Australia and Israel, are conducting fuel-blending trials.

Methanol-to-Olefins (MTO) Demand

Light olefins (ethylene and propylene) are the basic building blocks used to make many plastics that have wide application in packaging, textiles, plastic parts and containers and automotive components. Olefins can be produced from various feedstocks, including naphtha, LPG, ethane and methanol. In China, olefins have historically been produced using naphtha, an oil product. Over the past two years, methanol demand into olefins has emerged as a significant new energy derivative for methanol. 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 five plants operating in China, with the capacity to consume over seven million tonnes of methanol annually. Three of these plants were not expected to impact the merchant methanol market as they are integrated coal-to-methanol-to-olefins projects. However, over the past two years, these integrated plants have purchased merchant methanol to supplement their own methanol production. The two non-integrated plants (representing over two million tonnes of total methanol demand annually) are dependent on merchant methanol supply. Several other integrated and non-integrated projects are currently under construction in China and the demand for MTO is anticipated to continue to grow.

DME Demand

DME is a clean-burning fuel that can be stored and transported like liquefied petroleum gas (LPG) and is often described as "synthetic LPG". DME, which is typically produced from methanol, can be blended up to approximately 20% with LPG and used for household cooking and heating. We believe that DME demand for blending into LPG will remain steady in the 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 to support the country's DME industry. In 2012, global methanol demand for use in DME was estimated at approximately 3.7 million tonnes. In addition to DME production in China, DME is being produced and DME projects are under development in other countries including Japan, Taiwan, Turkey, Trinidad, the United States, India and Indonesia.

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. In addition, methanol is used to manufacture the catalyst employed to produce biodiesel. In 2012, global demand for methanol use in biodiesel was estimated at 2.1 million tonnes. We expect future growth in biodiesel will be driven primarily by government programs to promote energy self-sufficiency and renewable alternatives to petroleum fuels.

MTBE Demand

MTBE is used primarily as an oxygenate blended in gasoline to contribute octane and reduce the amount of harmful exhaust emissions from motor vehicles. MTBE is an efficient and cost-competitive gasoline component and, as such, is increasingly used in developing countries targeting gasoline pool extension and clean air benefits at a cost lower than that of alternatives. Asia represents the majority of global MTBE demand with China being a significant and growing market. China is now the world's largest automotive market and the combination of its growing gasoline demand as well as China's desire to reduce exhaust emissions is driving new MTBE capacity additions. In Europe, MTBE demand remains impacted by the promotion of alternative oxygenates such as ETBE. In the US, MTBE production continues to increase for export markets as idled assets are restarted to take advantage of competitive feedstock prices. We believe that global demand for MTBE will experience positive growth over the coming years.

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 2012 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 demand 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.

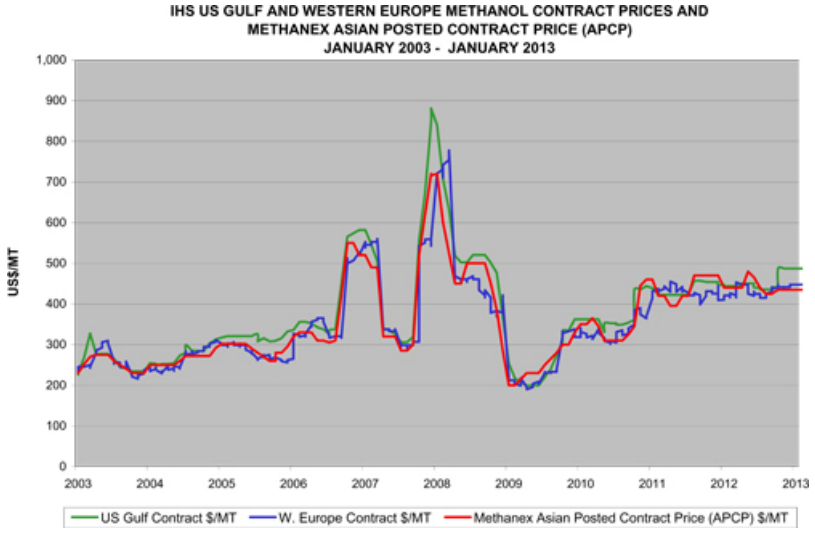
Typical of most commodity chemicals, periods of high methanol prices encourage high-cost producers to operate at maximum rates and also encourage the construction of new plants and expansion projects, leading to the possibility of oversupply in the market. However, historically, many of the announced 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 2012, there were two significant methanol production capacity additions outside of China that totalled approximately 1.4 million tonnes per year; our own Motunui plant restart in New Zealand (0.7 million tonnes) and the restart of a plant in Beaumont, Texas (0.7 million tonnes). Over the next two-year period to the end of 2014, it is projected that new methanol capacity, restarts and expansions outside of China will add approximately 3.0 million tonnes of annual capacity to the global industry.

With respect to China, we estimate that approximately 6.0 million tonnes of net new capacity was added in 2012. Over the next two-year period to the end of 2014, we anticipate that approximately 5.0 million tonnes of net new capacity (not including integrated MTO production) will be added 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. Historically, there has 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, although coal prices in 2012 declined due to adequate supply and soft demand as a result of the general economic downturn. 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. We believe that this demand growth will more than offset increases of domestic production in China and thus anticipate that imports of methanol into China will continue to grow over the coming period.

Methanol Prices

The methanol business is a highly competitive commodity industry and prices are affected by supply and demand fundamentals. Methanol prices have historically been, and are expected to continue to be, characterized by 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.

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 three to six years depending on technology, 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 an 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)	2012 Production (000 tonnes)	2011 Production (000 tonnes)
Chile				
Chile I	1988	882	—	—
Chile III	1999	1,088	313	554
Chile IV	2005	840	—	—
Trinidad				
Titan	2000	875	786	711
Atlas	2004	1,125	826	891
New Zealand[2]				
Motunui 1	1985	950	377	—
Motunui 2	1985	950	731	830
Waitara Valley	1983	530	—	—
Egypt	2011	760	557	532
North America				
Medicine Hat, Canada[3]	1981	470	481	329
Geismar, United States[4]	—	990	—	—
Total		**9,460**	**4,071**	**3,847**

(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. Actual production for a facility in any given year may be higher or lower than annual production capacity due to a number of factors, including natural gas composition or the age of the facility's catalyst.

(2) Due to the current distillation capacity constraints at the Motunui site, the current operating capacity of both plants is approximately 1.5 million tonnes, which is lower than the combined production capacity shown above of 1.9 million tonnes, depending on natural gas composition. We recently announced our commitment to debottleneck the Motunui facility and restart the Waitara Valley facility by the end of 2013.

(3) The Medicine Hat facility was restarted in April 2011.

(4) In July 2012, we reached a final investment decision to relocate the Chile II facility to Geismar, Louisiana in the United States. The Geismar facility is expected to commence operations by the end of 2014.

Refer to the *Production Summary* section of our 2012 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), and the Middle East (Dubai). Most of our customers are large global or regional petrochemical manufacturers or distributors. Refer to the Risk Factors and Risk Management section of our 2012 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 serve major chemical and petrochemical producers as customers for whom reliability of supply and quality of service are important.

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. This provides us with flexibility in our supply chain and allows us to continue to meet customer commitments.

DISTRIBUTION AND LOGISTICS

All of our methanol production facilities except Medicine Hat 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 18 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 primarily services our European markets, but can also supply Asia and North America. Our Medicine Hat plant serves our customer base in North America.

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 2012 MD&A.

Most of the natural gas supply contracts for our production facilities are “take-or-pay” contracts denominated in United States dollars. “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 for a quantity of gas that is subject to take-or-pay terms that is lower than the maximum quantity that we are entitled to purchase and for gas which is paid for but not taken to be taken at a subsequent point in time. For all of our production facilities except Medicine Hat, the natural gas supply contracts have pricing terms with base and variable price components that 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 and provides gas suppliers with attractive returns.

New Zealand

We have three plants in New Zealand with a total production capacity of up to 2.4 million tonnes per year. Two plants are located at Motunui and the third is located at nearby Waitara Valley. In 2012, we restarted a second Motunui facility and we recently committed to debottleneck the Motunui site and restart the Waitara Valley facility. Upon completion of the current projects in New Zealand, we expect to be able to operate the sites at a total capacity of 2.4 million tonnes, depending on natural gas composition. We have entered into several agreements with various suppliers to underpin our New Zealand operations with terms that range in length up to ten years. All agreements in New Zealand are take-or-pay agreements and include base and variable price components where the variable price component is adjusted by a formula related to methanol prices above a certain level. Some of these contracts require the supplier to deliver a minimum amount of natural gas with additional volumes dependent on the success of exploring and developing the related natural gas field.

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 (“Kea”), an oil and gas exploration and development company, to explore areas of the Taranaki basin, which is 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 in which drilling commenced in early 2013.

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, and the success of ongoing exploration and development activities.

Trinidad

Our equity interest in two methanol facilities in Trinidad (Titan and Atlas) represents approximately 2.0 million tonnes of annual production capacity. Natural gas for these facilities is supplied under long-term take-or-pay contracts with The National Gas Company of Trinidad and Tobago Limited (NGC), which purchases the natural gas from upstream gas producers. The contracts for Titan and Atlas expire in 2014 and 2024, respectively, and have base and variable price components where the variable component is determined with reference to methanol prices.

Since 2011, large industrial consumers in Trinidad, including our Titan and Atlas facilities, have experienced periodic curtailments of natural gas supply due to a mismatch between upstream commitments to supply NGC and downstream demand from NGC's customers which becomes apparent when an upstream supplier has a technical issue or planned maintenance that reduces gas delivery. 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.

Egypt

We have a 25-year, take-or-pay natural gas supply agreement for the 1.26 million tonne per year methanol plant in Egypt in which we have a 60% equity interest. 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. In addition, the natural gas supply agreement has a mechanism whereby we are partially compensated when gas delivery shortfalls occur.

The Egypt facility experienced periodic natural gas supply constraints commencing in mid-2012 (refer to the Egypt section on page 18 for more information).

Canada

We have a 0.5 million tonne per year plant in Medicine Hat, Alberta that returned to production in April 2011. We currently have a program in place to purchase natural gas for this facility 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.

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. 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 continue to operate our Chile facilities significantly below site capacity. Our methanol facilities in Chile produced 0.3 million tonnes of methanol in 2012 compared to 0.55 million tonnes in 2011. During 2012, natural gas deliveries were lower than in 2011 primarily as a result of declines in deliverability from existing wells. While both Methanex and its natural gas suppliers have made significant investments in natural gas exploration and development in southern Chile and there have been new gas discoveries in the region, the potential for a significant increase in gas deliveries to our plants is more challenging than we originally anticipated. As we entered 2013, we were operating one plant at approximately 20% capacity and we expect to idle our Chile operations in March 2013 due to insufficient natural gas feedstock to keep the plant operating through the southern hemisphere winter, when residential energy demand is at its peak.

We are continuing to work with gas suppliers to secure sufficient natural gas to sustain our operations and while the restart of a Chile plant is possible later in 2013, the restart is dependent on securing a sustainable supply of natural gas to operate over the medium term.

We are also developing other projects to increase the utilization of our Chilean assets. In July 2012, we reached a final investment decision to proceed with the relocation of one of our four plants in Chile to Geismar, Louisiana. We are also evaluating the relocation of a second plant from Chile to Geismar and expect to make a final investment decision on this project by the middle of 2013.

Refer to the *Risk Factors and Risk Management – Chile* section of our 2012 MD&A for more information.

United States

We are in the process of relocating one of our idled Chile methanol plants to Geismar, Louisiana. It is anticipated that this plant will have a production capacity of 1.0 million tonnes and commence operations by the end of 2014. We have recently entered into a ten-year natural gas agreement for the supply of all of the plant's natural gas requirements. Contractual deliveries and obligations commence on the first date of commercial operations. Once the contract is in effect, the supplier is obligated to supply, and we are obliged to take and pay for, a specified annual quantity of natural gas. The price to be paid for the gas is based on a US dollar base price plus a variable price component that is determined with reference to methanol prices.

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. 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, capital expenditures and purchases of methanol, 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, 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 the 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.

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 three 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 DL 600 Contracts, substantially identical in all matters material for Methanex Chile, 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, 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

Egypt's government is currently in a transition that has resulted in ongoing civil unrest, political uncertainty and an adverse impact on the country's economy. We believe that the political uncertainty is causing delays in decision-making within the Egyptian government including with respect to upstream natural gas development and this, as well as the economic situation in the country, is contributing to constraints in the development of new supplies of natural gas coming to market. In addition, domestically-produced natural gas is increasingly being used instead of more expensive imported energy for the purpose of generating domestic electricity. These factors have led to periodic natural gas supply restrictions to the EMethanex facility. This situation may persist in the future and become more acute during the summer months when electricity demand is at its peak.

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 our business in relation to health, safety, the environment, community involvement, social responsibility, sustainability, 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 and use of methanol and ultimate disposal of hazardous waste and residual 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.

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, which has appointed 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 related matters 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 management team 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 global audits conducted by Methanex subject matter experts. 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, 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 Social Responsibility 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 with 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 compliance orders, fines, injunctions, civil liability and criminal sanctions.

Laws and regulations protecting the environment have become more stringent in recent years and may, in certain circumstances, impose absolute liability rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. 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 Emissions

We believe that minimizing emissions and waste from our business activities is good business practice. Carbon dioxide ("CO_2") is a 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 30% between 1994 and 2012 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 2012, we reduced our CO_2 intensity (tonnes of CO_2 from fuel burned per tonne of product moved) from marine operations by nearly 27%. 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 Trinidad, Egypt and Chile 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. Recently, the New Zealand government concluded that the legislation will continue providing further moderation and free allocation of any residual cost exposure until at least 2015. Consequently, our ETS-related costs are not expected to be significant to the end of 2015. However, after this date, the moderating features are expected to be removed and our eligibility for free allocation of emissions units may also be progressively reduced. As a consequence, we will likely incur increasing costs after 2015. It is impossible to accurately quantify the impact on our business of ETS-related costs after 2015 and therefore we cannot provide assurance that the ETS will not have a significant impact on our business beyond 2015.

Our Medicine Hat facility 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 the cost will be material.

The federal government of Canada is in the process of developing a sector-by-sector approach to reduce GHG emissions in the chemical sector in support of its commitment to reduce GHGs from 2005 levels by 17% by 2020. Final proposed regulations are expected by the end of 2013. As the sole methanol producer in Canada, Methanex is engaged in a consultative process to ensure achievable performance standards are set and that these incorporate equivalency agreements to prevent the potential of paying for GHG emissions under both provincial and federal regimes.

We are currently in the process of relocating one of our idle methanol plants in Chile to Geismar, Louisiana. The reassembled plant in Geismar is expected to be operational by the end of 2014. Today, there is no GHG legislation that impacts us in the US. We continue to monitor the development of potential GHG legislation in the US and Louisiana to ensure compliance with any potential future requirements once the plant becomes operational. At this time, it is unknown what impact potential new GHG legislation or regulations could have on our operations in Geismar.

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 wind power site 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 2012 MD&A for more information regarding risks related to environmental regulations.

We have accrued $23 million for site restoration costs related to the decommissioning and reclamation of our methanol production sites and oil and gas properties. During 2012, cash expenditures applied against the site restoration liability were $2.4 million for completing remediation of the Kitimat site.

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, some have greater financial resources and some are state-owned enterprises. These competitors may be better able than we are to withstand price competition and volatile market conditions. However, given 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, 2012, we had 1,051 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 2012 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%
June 30, 2012	$ 0.185	9%

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, 2010	$ 0.620
December 31, 2011	$ 0.665
December 31, 2012	$ 0.725

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 LLC ("S&P"), Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings, Inc. ("Fitch").

Security	S&P[1]	Moody's[2]	Fitch[3]
Unsecured Notes	**BBB- (stable outlook)**	**Ba1 (positive outlook)**	**BBB- (stable outlook)**

(1) S&P credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. According to the S&P rating system, debt securities rated BBB exhibit adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments on the securities. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

(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. According to the Moody's rating system, debt securities rated Baa are subject to moderate risk. They are considered as medium-grade obligations and, as such, may possess certain speculative characteristics. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa through Caa in its corporate bond rating system. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

(3) Fitch credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. According to the Fitch rating system, debt securities rated BBB indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity. The ratings from AA to B may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

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, 2012 through December 31, 2012).

2012 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	28.55	23.66	5,983,245	January	28.48	23.17	2,429,940
February	31.25	27.21	7,634,522	February	31.61	27.28	2,012,711
March	33.92	29.44	9,298,763	March	34.37	29.36	2,659,427
April	34.97	30.06	5,443,497	April	35.47	29.96	2,993,238
May	35.00	28.16	6,125,729	May	35.41	27.56	3,446.883
June	31.30	26.19	6,349,713	June	30.62	25.58	3,793,255
July	30.25	26.55	5,125,976	July	30.01	26.30	2,104,285
August	29.57	26.04	4,240,797	August	29.83	25.87	2,188,513
September	29.53	26.15	4,934,035	September	30.12	26.59	2,099,892
October	30.60	27.79	4,571,418	October	30.56	28.20	1,925,138
November	30.87	28.54	4,387,963	November	31.02	28.49	1,160,497
December	31.91	30.11	4,833,981	December	32.38	30.34	1,153,736

DIRECTORS AND EXECUTIVE OFFICERS

As at December 31, 2012, the directors and executive officers of the Company owned, controlled or directed, directly or indirectly, 506,618 Common Shares representing approximately 0.54% of the outstanding Common Shares as at December 31, 2012.

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[11]
AITKEN, BRUCE[4][5] Vancouver, British Columbia Canada	Director	Corporate Director. President and Chief Executive Officer of the Company from May 2004 to December 31, 2012.	July 2004
BALLOCH, HOWARD[1][4] Beijing China	Director	Corporate Director. Chairman of Canaccord Genuity Asia Limited[6] from January 2011 to March 2013; prior thereto President of The Balloch Group since July 2001.	December 2004
COOK, PHILLIP[4][5] Austin, Texas USA	Director	Corporate Director.	May 2006
FLOREN, JOHN Eastham, Massachusetts USA	Director, President and Chief Executive Officer	President and Chief Executive Officer of the Company since January 1, 2013; prior thereto Senior Vice President, Global Marketing & Logistics of the Company since June 2005.	January 2013
HAMILTON, THOMAS Houston, Texas USA	Director and Chairman of the Board	Corporate Director. Co-owner of Medora Investments, LLC[7] 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[8]. 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[9] from February 2008 until March 2010.	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.[10] 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) Medora Investments, LLC is a private investment firm.
(8) GlenRock Recovery Partners, LLC is a company that facilitates the sale of non-fungible hydrocarbons in the United States.
(9) 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.
(10) Intervera Ltd. provided data quality products and services to the energy industry.
(11) 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
BACH, WENDY L. West Vancouver, British Columbia Canada	Vice President, Human Resources	Vice President, Human Resources of the Company since July 2012; prior thereto Director, Human Resources of the Company since June 2010; prior thereto Senior Counsel of the Company since October 2007.
CAMERON, IAN P. Vancouver, British Columbia Canada	Senior Vice President, Finance and Chief Financial Officer	Senior Vice President, Finance and Chief Financial Officer of the Company since January 2013; prior thereto 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.
HERZ, MICHAEL J. Hong Kong (SAR) People's Republic of China	Senior Vice President, Corporate Development	Senior Vice President, Corporate Development of the Company since January 2013; prior thereto Vice President, Marketing and Logistics, Asia Pacific of the Company since August 2008; prior thereto Director, Marketing and Logistics, Asia Pacific of the Company since August 2004.
JAMES, VANESSA L. New Plymouth New Zealand	Senior Vice President, Global Marketing and Logistics	Senior Vice President, Global Marketing and Logistics of the Company since January 2013; prior thereto Vice President, Marketing and Logistics, North America of the Company since August 2008; prior thereto Director, Global Supply Chain and Market Planning of the Company since January 2008.
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 and the applicable rules and regulations thereunder adopted by the Securities and Exchange Commission and the Public Company Accounting Oversight Board (United States).

LEGAL PROCEEDINGS

The Board of Inland Revenue of Trinidad and Tobago has issued assessments against our 63.1% owned joint venture, Atlas Methanol Company Unlimited ("Atlas"), in respect of the 2005 and 2006 financial years. All subsequent tax years remain open to assessment. The assessments relate 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 amounts in dispute for the 2005 and 2006 financial years is not significant. Atlas has partial relief from corporation income tax until 2014.

The Company has lodged an objection to the assessments. 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), Howard Balloch, 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 from 1994 to 1998; and held other senior financial positions with NOVA 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. Howard Balloch

From January 2011 until March 2013, Mr. Balloch was Chairman of Canaccord Genuity Asia Limited, an investment banking firm specializing in China and international firms active in China. Prior to this Mr. Balloch was President of The Balloch Group for 10 years, a private investment advisory and merchant banking firm specializing in China and other Asian markets. Both these positions were based in Beijing, China.

Through Mr. Balloch's 12 years' experience leading private investment banking firms, he has a deep understanding of finance and capital markets.

Mr. Balloch holds a Bachelor of Arts (Honours) in Political Science and Economics and a Master's degree in International Relations, both from McGill University, Montreal.

Mr. Balloch also serves on the board of Ivanhoe Energy Inc. and on the board of a private company, BeiKai Capital.

Mr. Balloch has served on the Committee since January 2013.

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, 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 company Corix Infrastructure 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, Major Drilling Group International Inc., WestJet Airlines Ltd. and West Fraser Timber Co. Ltd and is a member of all their Audit Committees, as well as Chair of the Audit Committee of West Fraser Timber Co. Ltd. In addition, Ms. Rennie serves on the board and chairs the Audit Committee of Greystone Capital Management Inc., a private company.

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

Pre-Approval Policies and Procedures

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

All non-audit service engagements, regardless of the cost estimate, 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, 2012 and December 31, 2011 are as follows:

US$000s	2012	2011
Audit Fees	1,913	1,827
Audit-Related Fees	31	116
Tax Fees	103	99
Total	**2,047**	**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.

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 American Stock Transfer & Trust Company LLC at its offices in New Jersey.

CONTROLS AND PROCEDURES

Our disclosure controls and procedures are described under the heading *Controls and Procedures* in our 2012 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 8, 2013 relating to our Annual General Meeting that will be held on April 25, 2013.

Additional financial information about the Company is provided in the Company's financial statements for the year ended December 31, 2012 and in our 2012 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, on the United States Securities and Exchange Commission's EDGAR website at www.sec.gov and on our website at www.methanex.com.

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.

Exhibit 99.2

Management's Discussion & Analysis

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This Management's Discussion and Analysis ("MD&A") is dated March 13, 2013 and should be read in conjunction with our consolidated financial statements and the accompanying notes for the year ended December 31, 2012. Except where otherwise noted, the financial information presented in this MD&A is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. We use the United States dollar as our reporting currency and, except where otherwise noted, all currency amounts are stated in United States dollars.

At March 13, 2013 we had 94,743,044 common shares issued and outstanding and stock options and tandem share appreciation rights exercisable for 3,618,823 additional common shares.

Additional information relating to Methanex, including our Annual Information Form, is available on our website at www.methanex.com, 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 olefins. This latter use is emerging as a significant methanol demand driver.

We are the world's largest supplier of methanol to the 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 9.5 million tonnes and is located in New Zealand, Trinidad, Egypt, Canada and Chile (refer to the *Production Summary* section on page 9 for more information). We are currently relocating one of our Chile facilities to Geismar, Louisiana and we expect the relocated facility will be operational by the end of 2014. 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.

2012 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 changes in methanol supply and demand.

Demand for methanol is driven primarily by levels of industrial production, energy prices and the strength of the global economy. Demand for methanol grew by 5% in 2012, leading to global demand of approximately 51 million tonnes, excluding demand from integrated methanol-to-olefins facilities. The increase in demand was driven by both traditional derivatives and energy-related applications in Asia, particularly in China.

Industry supply additions outside of China in 2012 consisted primarily of the restart of our second Motunui facility in New Zealand, which added 0.7 million tonnes to the site's annual operating capacity, and the restart of a 0.7 million tonne facility in Beaumont, Texas. New production from supply additions inside China was consumed in that country and China continued to be a significant net importer of methanol.

Overall, industry conditions were balanced in 2012 and this led to a relatively stable methanol pricing environment. Our average realized price for 2012 was $382 per tonne compared with $374 per tonne in 2011.

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 an increased use of methanol in energy-related applications, such as direct methanol blending into gasoline and DME and biodiesel production. Growth of direct methanol blending into gasoline in China has been particularly strong and we believe that future growth in this application is supported by numerous provincial and national fuel-blending standards, such as M15 or M85 (15% methanol and 85% methanol, respectively).

China is also leading the commercialization of methanol's use as a feedstock to manufacture olefins. The use of methanol to produce olefins, at current energy prices, is proving to be cost competitive relative to the traditional production of olefins from naphtha. There are now five methanol-to-olefins (MTO) plants operating in China, with the capacity to consume approximately seven 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 two years, these plants have purchased methanol to supplement their own methanol production. The two non-integrated plants (representing over 2 million tonnes of methanol demand annually) are dependent on merchant methanol supply. Several other integrated and non-integrated projects are currently under construction in China and the demand for methanol as a feedstock for producing olefins is anticipated to continue to grow.

While methanol demand in energy-related applications is strongest in China, there are an increasing number of countries around the world that have projects in place or are considering adopting these applications on a wider scale. Direct methanol blending into gasoline is being used in small quantities in the United Kingdom, Netherlands and Iceland, and other countries, including Australia and Israel, are conducting fuel-blending trials. DME is being produced and DME projects are under development in various countries including Japan, Taiwan, Turkey, the United States, Trinidad, India and Indonesia.

We believe demand potential into energy-related applications and olefins production will continue to grow.

We increased our operating capacity in 2012 and anticipate further increases over the next few years. We recently announced our commitment to add a further 0.7 million tonnes of operating capacity to our New Zealand site through the restart of the Waitara Valley facility and a debottlenecking project at the Motunui site. We are relocating one of our idle Chile facilities to Geismar, Louisiana and the plant is expected to commence operations by the end of 2014. We are also considering the relocation of a second facility to the Geismar site and expect to make a decision on this project by mid-2013.

Beyond our own capacity additions, there is a modest level of new capacity expected to come on stream over the next few years outside of China. There is a 0.8 million tonne plant expected to restart in Channelview, Texas in 2013 and a 0.7 million tonne plant expected to start up in Azerbaijan in 2013. We expect that production from new capacity in China will be consumed in that country and that higher-cost production capacity in China will need to operate in order to satisfy demand growth.

Entering 2013, methanol demand has continued to be healthy, supported by a higher energy price environment. With few industry capacity additions expected over the next few years relative to expected demand growth, we believe we are well positioned with several of our own initiatives to increase operating capacity. As production from these initiatives comes on line, we believe our leadership position in the industry will be strengthened 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, new supply additions 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.

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. We are focused 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 in Asia Pacific, North America, Europe and Latin America. Our 2012 sales volumes of 7.5 million tonnes represented approximately 15% of global methanol 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 to strengthen our asset position and we have increased our operating capacity over the last two years. In 2011, we restarted our 0.5 million tonne per year Medicine Hat, Alberta facility and the 1.3 million tonne per year methanol plant in Egypt commenced operations. In 2012, we restarted a second facility in New Zealand and this increased our operating capacity in that country by 0.7 million tonnes. We have several other initiatives in progress in New Zealand that are expected to increase our operating capacity further and allow us to reach the site's full production capacity of 2.4 million tonnes. Our New Zealand facilities are ideally situated to supply the growing Asia Pacific market.

During 2012, we operated our Chile methanol facilities significantly below site capacity. We expect to idle our Chile operations in March 2013 due to insufficient natural gas feedstock to operate the plant through the southern hemisphere winter (refer to the *Production Summary – Chile* section on page 10 for further information). We are in the process of relocating one of our four Chile facilities to Geismar, Louisiana. The Geismar facility will have an annual production capacity of approximately 1.0 million tonnes and is expected to be operational by the end of 2014. We are also considering other projects to increase the utilization of our Chile assets, including the potential to relocate an additional facility to the Geismar site.

Another key component of our global leadership strategy is our ability to supplement methanol production with methanol purchased from third parties 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.

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, Korea and Japan 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 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 ownership interest in production facilities in Trinidad and Egypt represents 2.8 million tonnes per year of competitive-cost production capacity. These facilities are well located to supply global methanol markets and are underpinned by 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.

In January 2013, we entered into a 10-year agreement to purchase all of the natural gas required for the methanol plant we are relocating to Geismar, Louisiana. The agreement is structured so that the natural gas price is linked to the methanol price, which will enable the

project to be profitable across a broad range of methanol prices. We also have a 0.5 million tonne facility located in Medicine Hat, Alberta 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, sustainability, 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 events 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. 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 associations, 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. During 2012, we issued a total of $600 million of unsecured notes and a portion of the proceeds was used to repay $200 million of unsecured notes. Also during 2012, we extended the maturity on our undrawn revolving credit facility to 2016 and increased the amount to $400 million. At December 31, 2012, we had a strong balance sheet with a cash balance of $746 million, including $36 million relating to the non-controlling interest in Egypt. We believe we are well positioned to meet our financial commitments and continue investing to grow the Company.

FINANCIAL HIGHLIGHTS

($ MILLIONS, EXCEPT AS NOTED)	2012	2011
Production (thousands of tonnes) (attributable to Methanex shareholders)	4,071	3,847
Sales volumes (thousands of tonnes):		
Methanex-produced methanol (attributable to Methanex shareholders)	4,039	3,853
Purchased methanol	2,565	2,815
Commission sales[1]	855	846
Total sales volumes	7,459	7,514
Methanex average non-discounted posted price ($ per tonne) [2]	443	440
Average realized price ($ per tonne) [3]	382	374
Revenue	2,673	2,608
Adjusted EBITDA[4]	429	427
Adjusted cash flows from operating activities [4]	403	392
Cash flows from operating activities	458	480
Adjusted net income[4]	180	182
Net income (loss) (attributable to Methanex shareholders)	(68)	201
Adjusted net income per common share ($ per share) [4 5]	1.90	1.93
Basic net income (loss) per common share ($ per share)	(0.73)	2.16
Diluted net income (loss) per common share ($ per share)	(0.73)	2.06
Common share information (millions of shares):		
Weighted average number of common shares	94	93
Diluted weighted average number of common shares	94	94
Number of common shares outstanding, end of period	94	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 34 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

[5] For the year ended December 31, 2012, stock options have been excluded from the calculation of diluted net loss per common share (attributable to Methanex shareholders) as their effect would be anti-dilutive. However, for the calculation of adjusted net income per common share (attributable to Methanex shareholders) stock options have been included in the denominator and the diluted weighted average number of common shares for the year ended December 31, 2012 is 95 million.

PRODUCTION SUMMARY

The following table details the annual production capacity and actual production of our facilities in 2012 and 2011:

(THOUSANDS OF TONNES)	ANNUAL PRODUCTION CAPACITY[1]	2012	2011
New Zealand[2]	2,430	1,108	830
Atlas (Trinidad) (63.1% interest)	1,125	826	891
Titan (Trinidad)	875	786	711
Egypt (60% interest)[3]	760	557	532
Medicine Hat (Canada)[3]	470	481	329
Chile I, III and IV	2,800	313	554
Geismar, Louisiana (USA)[4]	1,000	–	–
	9,460	4,071	3,847

[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. Actual production for a facility in any given year may be higher or lower than annual production capacity due to a number of factors, including natural gas composition or the age of the facility's catalyst.

[2] The annual production capacity of New Zealand represents the two facilities at Motunui and the currently idle facility at Waitara Valley. The current operating capacity of the Motunui facilities is 1.5 million tonnes due to distillation capacity constraints. We recently announced our commitment to restart the Waitara Valley facility and complete a debottlenecking project at the Motunui site, which we expect will allow our New Zealand operations to operate at their full production capacity of 2.4 million tonnes, depending on natural gas composition.

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

[4] We are relocating the Chile II facility to Geismar, Louisiana. The plant is expected to be operational by the end of 2014.

New Zealand

In New Zealand, we produced 1.1 million tonnes of methanol in 2012 compared with 0.8 million tonnes in 2011. We have three plants in New Zealand with up to 2.4 million tonnes of annual production capacity. After operating one Motunui facility in 2011, we restarted the second facility in mid-2012 which increased our current operating capacity to 1.5 million tonnes. We recently committed to debottleneck the Motunui facility and restart the Waitara Valley facility and we expect this will allow us to produce at the site's full production capacity, depending on natural gas composition. Our New Zealand facilities are ideally situated to supply the growing Asia Pacific market.

We have entered into several natural gas purchase agreements with various suppliers to underpin the future operation of our Motunui and Waitara Valley facilities. Each natural gas purchase agreement has base and variable components, where the gas price varies with methanol prices. We 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 2.0 million tonnes of competitive-cost annual capacity. The Titan and Atlas facilities in Trinidad are well located to supply global methanol markets 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 1.6 million tonnes in each of 2012 and 2011.

The Atlas facility experienced an equipment failure in 2011. During 2012, the plant undertook two outages to repair the equipment failure and overcome a technical issue.

During 2011 and 2012, we experienced some natural gas curtailments to our Trinidad facilities due to a mismatch between upstream commitments to supply The National Gas Company of Trinidad and Tobago Limited (NGC) and downstream demand from NGC's customers, which becomes apparent when an upstream supplier has a technical issue or planned maintenance that reduces gas delivery. 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* section on page 24 for more information.

Egypt

We have a 60% equity interest in the 1.26 million tonne per year methanol plant in Egypt 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. Production from the Egypt facility in 2012 was lower than capacity due to planned and unplanned maintenance outages and natural gas supply restrictions. Refer to the *Risk Factors and Risk Management – Egypt* section on page 25 for more information.

Medicine Hat, Canada

We restarted the Medicine Hat, Alberta facility in 2011 and it operated well in 2012, producing 0.5 million tonnes. We are currently debottlenecking the Medicine Hat facility which we expect will add a further 0.1 million tonnes of annual production capacity by the end of the third quarter of 2013.

Chile

During 2012, we operated our Chile methanol facilities significantly below annual production capacity due to insufficient natural gas feedstock.

In 2007, our natural gas suppliers from Argentina curtailed all gas supply to our plants in Chile. 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.

Over the past few years, investments have been made by us and others to accelerate the exploration and development of natural gas in southern Chile. However, the potential for a significant increase in gas production is more challenging than we had originally

anticipated. As a result of the short-term outlook for gas supply in Chile, we expect to idle our Chile operations in March 2013 due to insufficient natural gas feedstock to keep the plant operating through the southern hemisphere winter. We are continuing to work with Empresa Nacional del Petroleo (ENAP) and others to secure sufficient natural gas to sustain our operations, and while the restart of a Chile plant is possible later in 2013, the restart is dependent on securing a sustainable natural gas position to operate over the medium term.

The future of our Chile operations is primarily dependent on the level of exploration and development in southern Chile and our ability to secure a sustainable natural gas supply to our facilities on economic terms. Refer to the *Risk Factors and Risk Management – Chile* section on page 25 for more information.

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 34 for a description of Adjusted EBITDA and a reconciliation to the most comparable GAAP measure), mark-to-market impact of share-based compensation, Louisiana project relocation expenses and charges, asset impairment charges, 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 the 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

For the year ended December 31, 2012, we reported Adjusted EBITDA of $429 million and Adjusted net income of $180 million ($1.90 per share on a diluted basis), compared with Adjusted EBITDA of $427 million and Adjusted net income of $182 million ($1.93 per share on a diluted basis) for the year ended December 31, 2011.

In addition, we recorded a non-cash before-tax asset impairment charge of $297 million ($193 million after-tax) related to the carrying value of our Chile assets and a before-tax $65 million charge to earnings related to Louisiana project relocation expenses and charges ($41 million after-tax). Including these items, we reported a net loss attributable to Methanex shareholders for the year ended December 31, 2012 of $68 million ($0.73 loss per share on a diluted basis), compared with net income attributable to Methanex shareholders for the year ended December 31, 2011 of $201 million ($2.06 income per share on a diluted basis).

We calculate Adjusted EBITDA and Adjusted net income by excluding amounts associated with the 40% non-controlling interest in Egypt that we do not own, the mark-to-market impact of share-based compensation as a result of changes in our share price and items that are considered by management to be non-operational, including asset impairment charges and Louisiana project relocation expenses and charges. Refer to the *Supplemental Non-GAAP Measures* section on page 34 for further discussion on how we calculate these measures.

A reconciliation from net income (loss) attributable to Methanex shareholders to Adjusted net income and the calculation of Adjusted diluted net income per common share is as follows:

($ MILLIONS EXCEPT NUMBER OF SHARES AND PER SHARE AMOUNTS)	2012	2011
Net income (loss) attributable to Methanex shareholders	**$ (68)**	$ 201
Mark-to-market impact of share-based compensation, net of tax	**14**	(19)
Louisiana project relocation expenses and charges, net of tax		
Cash expense	**23**	–
Non-cash charge	**18**	–
Asset impairment charge, net of tax	**193**	–
Adjusted net income[1]	**$ 180**	$ 182
Diluted weighted average shares outstanding (millions)	**94**	94
Adjusted diluted net income per common share [1 2]	**$ 1.90**	$ 1.93

[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 34 for a description of the non-GAAP measures and a reconciliation to the most comparable GAAP measures.

[2] For the year ended December 31, 2012, stock options have been excluded from the calculation of diluted net loss per common share (attributable to Methanex shareholders) as their effect would be anti-dilutive. However, for the calculation of adjusted diluted net income per common share (attributable to Methanex shareholders) stock options have been included in the denominator and the diluted weighted average number of common shares for the year ended December 31, 2012 is 95 million.

We review our financial results by analyzing changes in the components of Adjusted EBITDA, mark-to-market impact of share-based compensation, Louisiana project relocation expenses and charges, asset impairment charges, depreciation and amortization, finance costs, finance income and other expenses, and income taxes.

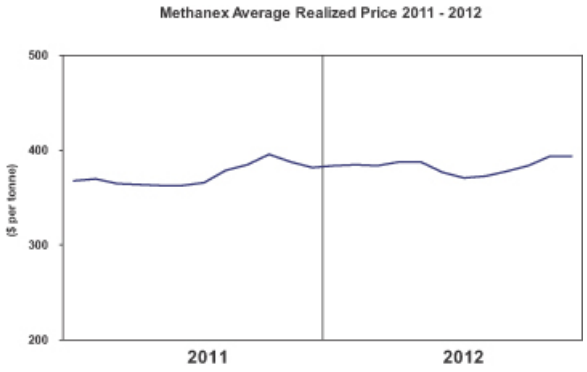
A summary of our consolidated statements of income for 2012 and 2011 is as follows:

($ MILLIONS)	2012	2011
Consolidated statements of income:		
Revenue	$ 2,673	$ 2,608
Cost of sales and operating expenses, excluding mark-to-market impact of share-based compensation	(2,171)	(2,128)
	502	480
Comprised of:		
Adjusted EBITDA (attributable to Methanex shareholders) [1]	429	427
Amounts attributable to non-controlling interests	73	53
	502	480
Mark-to-market impact of share-based compensation	(16)	21
Louisiana project relocation expenses and charges	(65)	–
Asset impairment charge	(297)	–
Depreciation and amortization	(172)	(157)
Operating income (loss) [1]	(48)	344
Finance costs	(71)	(62)
Finance income and other expenses	1	2
Income tax recovery (expense)	84	(56)
Net income (loss)	$ (34)	$ 228
Net income (loss) attributable to Methanex shareholders	$ (68)	$ 201

[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 34 for a description of the non-GAAP measures and a reconciliation to the most comparable GAAP measures.

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. Methanol prices have been relatively stable over the past two years and our revenue for 2012 was $2.7 billion compared with 2011 revenue of $2.6 billion.



Global methanol demand grew approximately 5% in 2012, to approximately 51 million tonnes, excluding methanol demand from integrated methanol-to-olefins facilities. Increases in demand were driven by both traditional derivatives and energy-related applications in Asia, particularly in China.

Industry supply additions outside of China in 2012 consisted primarily of the restart of our second Motunui facility in New Zealand, which added 0.7 million tonnes to the site's operating capacity on an annualized basis, and the restart of a 0.7 million tonne facility in Beaumont, Texas. New production from supply additions inside China was consumed in that country and China continued to be a significant net importer of methanol.

Overall, industry conditions were balanced in 2012 and this led to a relatively stable methanol pricing environment. Our average realized price for 2012 was $382 per tonne compared with $374 per tonne in 2011.

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 2012 was $443 per tonne compared with $440 per tonne in 2011.

Distribution of Revenue

The geographic distribution of revenue by customer location for 2012 was similar to 2011. Details are as follows:

($ MILLIONS, EXCEPT WHERE NOTED)	2012		2011	
Canada	$ 180	7%	$ 176	7%
United States	563	21%	632	24%
Europe	772	29%	679	26%
China	409	15%	431	17%
Korea	286	11%	267	10%
Other Asia	188	7%	155	6%
Latin America	275	10%	268	10%
	$ 2,673	100%	$ 2,608	100%

Adjusted EBITDA (Attributable to Methanex Shareholders)

2012 Adjusted EBITDA was $429 million compared with $427 million in 2011. 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 11 for more information).

($ MILLIONS)	2012 vs. 2011
Average realized price	$ 57
Sales volume	(5)
Total cash costs	(50)
Increase in Adjusted EBITDA	$ 2

Average Realized Price

Our average realized price for the year ended December 31, 2012 was $382 per tonne compared with $374 per tonne for 2011, and this increased Adjusted EBITDA by $57 million (refer to the *Revenue* section on page 13 for more information).

Sales Volumes

Methanol sales volumes, excluding commission sales volumes, for the year ended December 31, 2012 were 64,000 tonnes lower than in 2011, and this decreased Adjusted EBITDA by $5 million. Including commission sales volumes from the Atlas and Egypt facilities, our total methanol sales volumes were 7.5 million tonnes in both 2012 and 2011.

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 primarily depend on changes in methanol pricing and the timing of inventory flows.

The changes in our total cash costs for 2012 compared with 2011 were due to the following:

($ MILLIONS)	2012 vs. 2011
Methanex-produced methanol costs	$ (34)
Purchased methanol costs	(22)
Proportion of Methanex-produced methanol sales	36
Other, net	(30)
Increase in total cash costs	$ (50)

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 New Zealand, Trinidad, Egypt and Chile methanol facilities under natural gas purchase agreements where the unique terms of each contract 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 these pricing relationships enable each facility to be competitive throughout the methanol price cycle. Methanex-produced methanol costs were higher in 2012 compared with 2011 by $34 million, primarily due to the impact of higher realized methanol prices on our natural gas costs and a change in the mix of production sold from inventory. For additional information regarding our natural gas supply agreements refer to the *Summary of Contractual Obligations and Commercial Commitments* section on page 21.

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. As a result of higher methanol prices in 2012, and the timing of purchases, the cost of purchased methanol per tonne increased and this decreased Adjusted EBITDA by $22 million compared with 2011.

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 2012 was higher compared with 2011 and this increased Adjusted EBITDA by $36 million. We increased our sales volumes of methanol produced at the New Zealand, Egypt and Medicine Hat facilities and this more than offset the decrease in sales volumes from the Chile facility.

Other, Net

Our investment in global distribution and supply infrastructure includes a dedicated fleet of ocean-going vessels. We utilize these vessels to enhance value to customers by providing reliable and secure supply and to optimize supply chain costs overall. For the year ended December 31, 2012 compared with 2011, ocean freight and other logistics costs were higher by $10 million, primarily as a result of a one-time charge to earnings to terminate a time charter vessel lease contract. In addition to changes in fuel prices, logistics costs can vary from period to period depending on the levels of production from each of our production facilities and the resulting impact on our supply chain.

We experienced an equipment failure at our Atlas facility in July 2011. Our operations are covered by business interruption insurance and we finalized our claim related to this event in 2012. We recorded a $17 million recovery in 2011 related to this event with the remaining $11 million recorded in 2012.

In October 2012, we completed a restructuring of our Chile operations which reduced the size of our workforce and resulted in a $5 million charge to earnings in 2012. The remaining change in other cash costs is primarily due to 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 2012, primarily due to our Chile and Egypt facilities 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 2012.

Mark-to-Market Impact of Share-Based Compensation

We grant share-based awards as an element of compensation. 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 all the share-based awards, share-based compensation is recognized over the related vesting period for the proportion of the service that has been rendered at each reporting date. Share-based compensation includes an amount related to the grant-date value and a mark-to-market impact as a result of subsequent changes in the Company's share price. The grant-date value amount is included in Adjusted EBITDA and Adjusted net income. The mark-to-market impact of share-based compensation as a result of changes in our share price is excluded from Adjusted EBITDA and Adjusted net income and analyzed separately.

($ MILLIONS, EXCEPT AS NOTED)	2012	2011
Methanex Corporation share price[1]	$ 31.87	$ 22.82
Grant-date fair value expense included in Adjusted EBITDA	20	16
Mark-to-market impact due to change in share price	16	(21)
Total share-based compensation expense (recovery)	$ 36	$ (5)

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

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.

Share appreciation rights (SARs) and tandem share appreciation rights (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 values 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 each quarter.

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 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.

Louisiana Project Relocation Expenses and Charges

In July 2012, we reached a final investment decision to proceed with the project to relocate an idle Chile facility to Geismar, Louisiana. The project will add approximately one million tonnes of operating capacity and is expected to be operational by the end of 2014. Under IFRS, certain costs associated with relocating an asset are not eligible for capitalization and are required to be charged directly to earnings. During 2012, we charged $39 million ($23 million after-tax) of Louisiana project relocation expenses directly to earnings. In addition, a non-cash charge of $26 million ($18 million after-tax) was recorded to earnings in 2012 related to the carrying value of the Chile facility that is being relocated to Louisiana.

Asset Impairment Charge

As a result of the continuing challenges related to securing a sustainable natural gas supply in Chile, we recorded a non-cash before-tax asset impairment charge of $297 million ($193 million after-tax) to write down the carrying value of our Chile assets at December 31, 2012 to $245 million. The remaining $245 million carrying value excludes the first Chile facility that is being relocated to Geismar, Louisiana but includes the second facility that management is also considering for relocation to Geismar. Refer to the *Critical Accounting Estimates – Recoverability of Asset Carrying Values* section on page 33 for more information.

Depreciation and Amortization

Depreciation and amortization was $172 million for the year ended December 31, 2012 compared with $157 million for the same period in 2011. The increase in depreciation and amortization in 2012 compared with 2011 is primarily a result of depreciation associated with the Egypt (100% basis) and Medicine Hat methanol facilities, which commenced operations in the first and second quarters of 2011, respectively, and depreciation associated with the second Motunui facility in New Zealand, which commenced operations in the third quarter of 2012.

Finance Costs

($ MILLIONS)	2012	2011
Finance costs before capitalized interest	$ 73	$ 70
Less capitalized interest	(2)	(8)
Finance costs	$ 71	$ 62

Finance costs before capitalized interest primarily relate to interest expense on the unsecured notes and limited recourse debt facilities. Capitalized interest in 2012 relates to interest costs capitalized for the Louisiana project while capitalized interest in 2011 relates to the Egypt project.

Finance Income and Other Expenses

Finance income and other expenses were $1 million and $2 million, respectively, for the years ended December 31, 2012 and 2011.

Income Taxes

A summary of our income taxes for 2012 compared with 2011 is as follows:

	Year Ended Dec 31, 2012		
($ MILLIONS, EXCEPT WHERE NOTED)	Amounts excluding Louisiana Project Relocation Expenses and Charges and Asset Impairment Charge	Louisiana Project Relocation Expenses and Charges and Asset Impairment Charge	Total
Income (loss) before income tax expense	$ 244	$ (362)	$ (118)
Income tax recovery (expense)	(44)	128	84
Net income (loss)	$ 200	$ (234)	$ (34)
Effective tax rate	18%	35%	71%

($ MILLIONS, EXCEPT WHERE NOTED)	Year Ended Dec 31, 2011		
	Amounts excluding Louisiana Project Relocation Expenses and Charges and Asset Impairment Charge	Louisiana Project Relocation Expenses and Charges and Asset Impairment Charge	Total
Income before income tax expense	$ 284	$ –	$ 284
Income tax expense	(56)	–	(56)
Net income	$ 228	$ –	$ 228
Effective tax rate	20%	–	20%

For the year ended December 31, 2012, the effective tax rate excluding income taxes related to Louisiana project relocation expenses and charges and the asset impairment charge was 18% compared with 20% for the year ended December 31, 2011.

We earn the majority of our pre-tax earnings in New Zealand, Trinidad, Egypt, Canada and Chile. In Trinidad and Chile, the statutory tax rate is 35%, and in Egypt, the statutory tax rate is 25%. Our Atlas facility in Trinidad has partial relief from corporation income tax until 2014. We have significant loss carryforwards in Canada and New Zealand that have not been recognized for accounting purposes. During 2012, we earned a higher proportion of our consolidated income from methanol produced in jurisdictions with low effective tax rates and this contributed to a lower effective tax rate compared with 2011.

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 Chile's current income tax expense to total income tax expense is dependent on the level of cash distributed from Chile.

For additional information regarding income taxes, refer to note 17 of our 2012 consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

A summary of our consolidated statements of cash flows is as follows:

($ MILLIONS)	2012	2011
Cash flows from operating activities:		
Cash flows from operating activities before changes in non-cash working capital [1]	$ 436	$ 444
Changes in non-cash working capital	22	36
	458	480
Cash flows from financing activities:		
Dividend payments	(68)	(62)
Interest paid, including interest rate swap settlements	(65)	(60)
Net proceeds on issue of long-term debt	590	3
Repayment of long-term debt and limited recourse debt	(251)	(50)
Other	(41)	(11)
	165	(180)
Cash flows from investing activities:		
Property, plant and equipment	(134)	(126)
Louisiana project expenditures	(74)	(1)
Oil and gas properties	(33)	(30)
GeoPark repayments	10	7
Changes in non-cash working capital relating to investing activities	3	7
	(228)	(143)
Increase in cash and cash equivalents	395	157
Cash and cash equivalents, end of year	$ 746	$ 351

[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 34 for a description of the non-GAAP measures and a reconciliation to the most comparable GAAP measures.

Cash Flow Highlights

Cash Flows from Operating Activities

Cash flows from operating activities for the year ended December 31, 2012 were $458 million compared with $480 million for 2011. The decrease in cash flows from operating activities is primarily due to lower net income (loss), after excluding depreciation and amortization, Louisiana project relocation non-cash charges, asset impairment charges and finance costs, and changes in non-cash working capital. The following table provides a summary of these items for 2012 and 2011:

($ MILLIONS)	2012	2011
Net income (loss)	$ (34)	$ 228
Add (deduct) non-cash items:		
Depreciation and amortization	172	157
Louisiana project relocation non-cash charges, net of tax	18	–
Asset impairment charge, net of tax	193	–
Finance costs	71	62
Other	16	(3)
Cash flows from operating activities before changes in non-cash working capital [1]	436	444
Changes in non-cash working capital:		
Trade and other receivables	(45)	(59)
Inventories	27	(44)
Prepaid expenses	(4)	2
Accounts payable and accrued liabilities, including long-term payables	44	137
	22	36
Cash flows from operating activities	$ 458	$ 480
Adjusted cash flows from operating activities (attributable to Methanex shareholders) [1]	$ 403	$ 392

[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 34 for a description of the non-GAAP measures and a reconciliation to the most comparable GAAP measures.

For a discussion of the changes in net income (loss), depreciation and amortization, Louisiana project relocation expenses and charges, asset impairment charges and finance costs, refer to the analysis of our financial results on page 12.

Changes in non-cash working capital increased cash flows from operating activities by $22 million for the year ended December 31, 2012 compared with $36 million for the year ended December 31, 2011. Trade and other receivables increased in 2012 and this decreased cash flows from operating activities by $45 million, primarily due to the impact on customer receivables of a higher average realized methanol price. Inventories decreased primarily due to a lower volume of purchased methanol in ending inventory and this increased cash flows from operating activities by $27 million. Accounts payable and accrued liabilities, including long-term payables increased cash flows from operating activities by $44 million, primarily due to the impact of higher methanol prices on natural gas supply payables.

Adjusted cash flows from operating activities were $403 million for 2012 compared with $392 million for 2011 (refer to the *Supplemental Non-GAAP Measures* section on page 34 for a reconciliation of cash flows from operating activities to adjusted cash flows from operating activities).

Cash Flows from Financing Activities

During 2012, we increased our regular quarterly dividend by 9% to $0.185 per share, beginning with the dividend payable on June 30, 2012. Total dividend payments in 2012 were $68 million compared with $62 million in 2011.

Also during 2012, we issued two separate tranches of unsecured notes bearing interest rates of 5.25% (effective yield of 5.3%) and 3.25% (effective yield of 3.4%), respectively. The $250 million and $350 million of unsecured notes are due on March 1, 2022 and December 15, 2019, respectively.

During 2012, we repaid $200 million of unsecured notes bearing an interest rate of 8.75% and $51 million of other limited recourse debt. The other limited recourse debt consisted of $34 million of Egypt limited recourse debt facilities, $15 million of Atlas limited recourse debt facilities and $2 million of other limited recourse debt compared with total repayments in 2011 of $50 million. We have entered into interest rate swap contracts to swap the LIBOR-based interest payments on the Egypt limited recourse debt facilities 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 23 for more information). The cash settlements associated with these interest rate swap contracts during 2012 and 2011 were included in interest paid of $65 million.

Cash Flows from Investing Activities

During 2012, we reached a final investment decision to proceed with the project to relocate an idle Chile facility to Geismar, Louisiana with an estimated project cost of approximately $550 million. During 2012, we incurred $113 million of expenditures in relation to the project, of which $74 million was capitalized to property, plant and equipment with the remaining amount charged to earnings.

Also during 2012, we incurred a total of $68 million to increase our production capability in New Zealand. We restarted a second Motunui facility in mid-2012 and recently announced our commitment to further increase capacity with the debottleneck of the Motunui site and the restart of the Waitara Valley facility. We also incurred $66 million of costs associated with turnarounds, catalyst and maintenance activities at our other facilities.

We incurred a total of $33 million in 2012 related to our share of oil and gas expenditures in southern Chile. In addition to other exploration blocks in which we are participating, 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 Chile Limited (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 2012, GeoPark repaid approximately $10 million, bringing cumulative repayments for this financing to $50 million as at December 31, 2012. We have no further obligations to provide funding to GeoPark.

Liquidity and Capitalization

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, 2012 and December 31, 2011:

($ MILLIONS, EXCEPT WHERE NOTED)	2012	2011
Liquidity:		
Cash and cash equivalents	$ 746	$ 351
Undrawn credit facilities	400	200
Total liquidity	1,146	551
Capitalization:		
Unsecured notes	739	349
Limited recourse debt facilities, including current portion	506	554
Total debt	1,245	903
Non-controlling interest	188	197
Shareholders' equity	1,290	1,405
Total capitalization	$ 2,723	$ 2,505
Total debt to capitalization[1]	46%	36%
Net debt to capitalization[2]	25%	26%

[1] Defined as total debt (including 100% of Egypt limited recourse debt facilities) divided by total capitalization.

[2] Defined as total debt (including 100% of Egypt limited recourse debt facilities) less cash and cash equivalents divided by total capitalization less cash and cash equivalents.

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

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

We operate in a highly competitive commodity industry and believe that it is appropriate to maintain a conservative balance sheet and retain financial flexibility. At December 31, 2012, we had a strong balance sheet with a cash balance of $746 million, including $36 million relating to the non-controlling interest in Egypt, and a $400 million undrawn credit facility. We invest our 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, 2012, our long-term debt obligations included $750 million in unsecured notes ($150 million that matures in 2015, $350 million that matures in 2019 and $250 million that matures in 2022), $450 million related to the Egypt limited recourse debt facilities (100% basis), $50 million related to the Atlas limited recourse debt facilities and $17 million of other limited recourse debt.

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 and which we do not expect to complete by March 31, 2013. The Company is seeking a waiver from the lenders. We do not believe the finalization of these items is material to the security provided to the lenders.

At December 31, 2012, 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 expenditure program directed towards maintenance, turnarounds and catalyst changes for existing operations is currently estimated to total approximately $160 million to the end of 2013, including major refurbishments at some of our plants. In July 2012, we reached a final investment decision to proceed with the project to relocate an idle Chile facility to Geismar, Louisiana with estimated project costs of approximately $550 million. The plant is expected to be operational by the end of 2014 and during 2012 we spent $113 million on the project. We are in the process of debottlenecking the Medicine Hat, Canada and Motunui, New Zealand facilities and restarting the Waitara Valley facility. These projects will result in additional capital expenditures of approximately $100 million by the end of 2013. We believe that we have the financial capacity to fund these growth initiatives with cash on hand, cash generated from operations and the undrawn bank facility.

We believe we are well positioned to meet our financial commitments, invest to grow the Company and continue to deliver on our commitment to return excess cash to shareholders.

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, 2012 is as follows:

($ MILLIONS)	2013	2014-2015	2016-2017	AFTER 2017	TOTAL
Long-term debt repayments	$ 53	$ 262	$ 101	$ 852	$ 1,268
Long-term debt interest obligations	60	99	66	102	327
Repayments of other long-term liabilities	30	110	19	88	247
Natural gas and other	263	366	266	1,020	1,915
Operating lease commitments	124	170	134	281	709
	$ 530	$ 1,007	$ 586	$ 2,343	$ 4,466

Long-Term Debt Repayments and Interest Obligations

We have $150 million of unsecured notes that mature in 2015, $350 million of unsecured notes that mature in 2019 and $250 million of unsecured notes that mature in 2022. The remaining debt repayments represent the total expected principal repayments relating to the Egypt project debt, our proportionate share of 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, 2012. For additional information, refer to note 9 of our 2012 consolidated financial statements.

Repayments of Other Long-Term Liabilities

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

Natural Gas and Other

We have commitments under take-or-pay contracts to purchase 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 in Trinidad. 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.

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

We have a program in place to purchase natural gas on the Alberta gas market to support the Medicine Hat facility 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.

We also have arrangements with ENAP and GeoPark to accelerate natural gas exploration and development in southern Chile. Under the arrangements, we contribute capital to fund the exploration and development and have contracts to purchase any natural gas discovered. As we cannot determine the amount of natural gas that will be purchased under these agreements in the future, no amounts have been included in the above table.

The above table does not include costs for planned capital maintenance or expansion expenditures 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. Under the current circumstances, we do not expect to receive any further natural gas supply from Argentina.

We also have contracts with ENAP to supply natural gas to produce approximately 0.8 million tonnes of methanol at our facilities in Chile. Over the last few years, deliveries from ENAP have been declining and ENAP has delivered significantly less than the full amount of natural gas that it was obligated to deliver under these contracts. We have excluded the potential purchase obligations from the table above.

We have marketing rights for 100% of the production from our jointly owned Atlas and Egypt plants 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, 2012, we also have methanol purchase commitments with other suppliers under contracts for approximately 0.5 million tonnes for 2013 and 2.6 million tonnes thereafter. The pricing under these purchase commitments is referenced to pricing at the time of purchase or sale, and accordingly, no amounts have been included in the above table.

We are in the process of relocating one of the idled Chile methanol plants to Geismar, Louisiana. It is anticipated that this plant will have a production capacity of 1.0 million tonnes and commence operations by the end of 2014. Subsequent to December 31, 2012, we entered into a ten-year natural gas agreement for the supply of all of the plant's natural gas requirements. Contractual deliveries and obligations under the contract commence on the first date of commercial operations. Also subsequent to December 31, 2012, we entered into a natural gas purchase agreement to support the restart of the 0.5 million tonne per year Waitara Valley facility in New Zealand. No amounts have been included in the above table related to these contracts.

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, 2012, 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 commodity price, foreign exchange and 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 commodity prices, foreign exchange rates and variable interest rates. Derivative financial instruments are classified as held-for-trading and are recorded on the Consolidated Statements of Financial Position at fair value unless exempted. Changes in fair value of held-for-trading 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, 2012 and December 31, 2011:

($ MILLIONS)	2012	2011
Financial assets:		
Loans and receivables:		
Cash and cash equivalents	$ 746	$ 351
Trade and other receivables, excluding tax receivable and current portion of GeoPark financing	371	333
Project financing reserve accounts included in other assets	45	40
GeoPark financing, including current portion	8	18
Total financial assets[1]	$ 1,170	$ 742
Financial liabilities:		
Other financial liabilities:		
Trade, other payables and accrued liabilities, excluding tax payable	$ 339	$ 306
Deferred gas payments included in other long-term liabilities	83	51
Long-term debt, including current portion	1,245	903
Financial liabilities held-for-trading:		
Derivative instruments designated as cash flow hedges [2]	33	42
Total financial liabilities	$ 1,700	$ 1,302

[1] The carrying amount of the financial assets represents the maximum exposure to credit risk at the respective reporting periods.

[2] 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.

At December 31, 2012, all of the financial instruments were recorded on the Consolidated Statements of Financial Position at amortized cost with the exception of held-for-trading 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 $342 million as at December 31, 2012. The notional amount decreases over the expected repayment of the Egypt limited recourse debt facilities. At December 31, 2012, these interest rate swap contracts had a negative fair value of $33 million (December 31, 2011 – negative $42 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 euros at a fixed US dollar exchange rate. At December 31, 2012, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell a notional amount of 5.8 million euros in exchange for US dollars and these euro contracts had a negative fair value of $0.2 million (2011 – positive fair value of $0.3 million) recorded in trade, other payables and accrued liabilities.

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 32, 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.

New Zealand

We have three plants in New Zealand with a total production capacity of up to 2.4 million tonnes per year. Two plants are located at Motunui and the third is located at nearby Waitara Valley. In 2012, we restarted a second Motunui facility and we recently committed to debottleneck the Motunui site and restart the Waitara Valley facility. Upon completion of the current projects in New Zealand, we expect to be able to operate the site at its annual production capacity of 2.4 million tonnes, depending on natural gas composition. We have entered into several agreements with various suppliers to underpin our New Zealand operations with terms that range in length up to ten years. All agreements in New Zealand are take-or-pay agreements and include base and variable price components where the variable price component 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. Certain of these contracts require the supplier to deliver a minimum amount of natural gas with additional volumes dependent on the success of exploring and developing the related natural gas field.

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, and the success of ongoing exploration and development activities. We cannot provide assurance that our contracted suppliers will be able to meet their commitments or that the ongoing exploration and development activities in New Zealand will be successful to enable our operations to operate at capacity.

Trinidad

Natural gas for our two methanol production facilities in Trinidad, with our share of total production capacity being 2.0 million tonnes per year, is supplied under long-term contracts with NGC. The contracts for Titan and Atlas expire in 2014 and 2024, respectively, and have base and variable price components where the variable portion changes with methanol prices. 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.

Since 2011, large industrial consumers in Trinidad, including our Titan and Atlas facilities, have experienced periodic curtailments of natural gas supply due to a mismatch between upstream commitments to supply NGC and downstream demand from NGC's customers, which becomes apparent when an upstream supplier has a technical issue or planned maintenance that reduces gas delivery. 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.

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 25-year contract with the government-owned Egyptian Natural Gas Holding Company (EGAS). The contractual gas price includes base and variable price components where the variable portion changes with methanol prices. 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.

The Egypt facility experienced periodic natural gas supply constraints commencing in mid-2012 and since that time has operated below full capacity. Egypt's government is currently in a transition, which has resulted in ongoing civil unrest, political uncertainty and an adverse impact on the country's economy. We believe that the political uncertainty is causing delays in decision-making within the Egyptian government including with respect to upstream natural gas development and this, as well as the economic situation in the country, is contributing to constraints in the development of new supplies of natural gas coming to market. In addition, domestically produced natural gas is increasingly being used instead of more expensive imported energy for the purpose of generating domestic electricity. These factors have led to periodic natural gas supply restrictions to the EMethanex facility. This situation may persist in the future and become more acute during the summer months when electricity demand is at its peak.

Canada

We restarted our 0.5 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 facility on commercially acceptable terms and that this will not have an adverse impact on our results of operations and financial condition.

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. 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.

Over the past few years, investments have been made by us and others to accelerate the exploration and development of natural gas in southern Chile. However, the potential for a significant increase in gas production is more challenging than we had originally anticipated. As a result of the short-term outlook for gas supply in Chile, we expect to idle our Chile operations in March 2013 due to insufficient natural gas feedstock to keep our plant operating through the southern hemisphere winter. We are continuing to work with ENAP and others to secure sufficient natural gas to sustain our operations, and while the restart of a Chile plant is possible later in 2013, the restart is dependent on securing a sustainable natural gas position to operate over the medium term.

The future of our Chile operations is primarily dependent on the level of exploration and development in southern Chile and our ability to secure a sustainable natural gas supply to our facilities on economic terms. We cannot provide assurance that we will be able to restart our Chile operations later in 2013 and that this will not have an adverse impact on our results of operations or financial condition.

United States

We are in the process of relocating one of our idled Chile methanol plants to Geismar, Louisiana. It is anticipated that this plant will have a production capacity of 1.0 million tonnes and commence operations by the end of 2014. We have recently entered into a ten-year natural gas agreement for the supply of all of the plant's natural gas requirements. Contractual deliveries and obligations commence on the first

date of commercial operations. Once the contract is in effect, the supplier is obligated to supply, and we are obliged to take and pay for, a specified annual quantity of natural gas. The price to be paid for the gas is based on a US dollar base price plus a variable price component that is determined with reference to methanol prices. We cannot provide assurance that the facility will commence commercial operations on the planned date or that our natural gas supplier will supply the contracted gas and that this will not have an adverse impact on our results of operations or 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. Methanol prices have historically been, and are expected to continue to be, characterized by 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 the level of 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 2012 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 human health effects of 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 2010 classifying methanol as "Likely to Be Carcinogenic to Humans." As of 2010, the EPA's draft methanol assessment was placed "on hold." In 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 2013. 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 2012, methanol demand for the production of formaldehyde represented approximately 32% of global demand. The largest use for formaldehyde is as a component of urea-formaldehyde and phenol-formaldehyde resins, which are used in 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. In 2010, the EPA released its draft formaldehyde assessment, proposing formaldehyde as "Known to be Carcinogenic to Humans." The release of the final assessment of formaldehyde is expected in 2013.

In 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. In 2011, the US Department of Health and Human Services' National Toxicology Program 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."

We are unable to determine at this time if the EPA 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 2012, methanol demand for the production of MTBE represented approximately 12% of global methanol demand. Demand growth has been strong, particularly 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 0.7 million tonnes of methanol was used in the United States in 2012 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 2013 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. The timeline for the final report is currently unknown.

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 put competitive pressures on the use of MTBE in gasoline in these countries. However, due to strong MTBE demand in other countries, particularly in Asia, we have observed methanol demand growth for MTBE production.

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 could 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 New Zealand, Trinidad, Egypt, Chile, 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.

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, purchases of methanol 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 the 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 to minimize the payment of duties. 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

During 2012, we entered into a $400 million revolving credit facility with a syndicate of banks, which remains undrawn at December 31, 2012. The facility expires in December 2016 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, 2012, our long-term debt obligations include $750 million in unsecured notes ($150 million that matures in 2015, $350 million that matures in 2019 and $250 million that matures in 2022), $450 million related to the Egypt limited recourse debt facilities (100% basis), $50 million related to the Atlas limited recourse debt facilities (63.1% basis) and $17 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, sale and lease-back transactions, a 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 and which we do not expect to complete by March 31, 2013. We do not believe that the finalization of these items is material to the security provided to the lenders. The Company is seeking a waiver from the lenders. 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 9 of our 2012 consolidated financial statements.

We cannot provide assurance that we will be able to access new financing in the future or that the financial institutions providing the credit facility will have the ability to honour future draws. Additionally, failure to comply with any of the covenants or default provisions 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

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 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 have an adverse effect on our results of operations and financial condition as our vessel fleet is subject to fixed time charter costs. In the event we have excess shipping capacity, we may be able to mitigate some of the excess costs by entering into sub-charters or third-party backhaul arrangements, although the success of this mitigation is dependent on conditions within the broader global shipping industry. If we suffer any disruptions in our distribution system and are unable to mitigate these costs 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.

Construction Projects and Louisiana Relocation Project
We believe that our estimates of project costs and anticipated completion dates for our expansion projects in New Zealand, Medicine Hat and Louisiana are reasonable. However, we cannot provide any assurance that the cost estimates will not be exceeded or that the facilities will begin commercial production within the anticipated schedules, if at all, or that the facilities will operate at their designed capacity or on a sustained basis. Any changes to the expected timing of completion or cost to complete these projects 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, constructing and completing the projects within the contemplated budgets and 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 compliance orders, fines, injunctions, civil liability and criminal sanctions.

Laws and regulations protecting the environment have become more stringent in recent years and may, in certain circumstances, impose absolute liability rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. 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 Emissions

We believe that minimizing emissions and waste from our business activities is good business practice. Carbon dioxide ("CO2") is a by-product of the methanol production process. The amount of CO2 generated by the methanol production process depends on the production technology (and hence often the plant age), the feedstock and any export of by-product hydrogen. We continually strive to increase the energy efficiency of our plants, which not only reduces the use of energy but also reduces CO2 emissions. We have reduced CO2 emission intensity in our manufacturing operations by 30% between 1994 and 2012 through asset turnover, improved plant reliability and energy efficiency and emissions management. Plant efficiency, and thus CO2 emissions, is highly dependent on the design of the methanol plant. Therefore, the CO2 emission figure may vary from year to year depending on the asset mix that is operating. We also recognize that CO2 is generated from our marine operations, and in that regard we measure the consumption of fuel by our ocean vessels based on the volume of product transported. Between 2002 and 2012, we reduced our CO2 intensity (tonnes of CO2 from fuel burned per tonne of product moved) from marine operations by nearly 27%. We also actively support global industry efforts to voluntarily reduce both energy consumption and CO2 emissions.

We manufacture methanol in New Zealand, Trinidad, Egypt, Canada and Chile. 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 greenhouse gases (GHG) in Trinidad, Egypt and Chile, 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. Recently, the New Zealand government concluded that the legislation will continue providing further moderation and free allocation of any residual cost exposure until at least 2015. Consequently, our ETS-related costs are not expected to be significant to the end of 2015. However, after this date, the moderating features are expected to be removed and our eligibility for free allocation of emissions units may also be progressively reduced. As a consequence, we may incur increasing costs after 2015. It is impossible to accurately quantify the impact on our business of ETS-related costs after 2015 and therefore we cannot provide assurance that the ETS will not have a significant impact on our results of operations and financial condition beyond 2015.

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 GHGs 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 CO2 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.

The federal government of Canada is in the process of developing a sector-by-sector approach to reduce GHG emissions in support of its commitment to reduce GHGs from 2005 levels by 17% by 2020. Final proposed regulations are expected by the end of 2013. As the sole methanol producer in Canada, Methanex is engaged in a consultative process to ensure achievable performance standards are set and that these incorporate equivalency agreements with existing regulations in Alberta to prevent the potential of paying double for GHG emissions under both provincial and federal regimes.

We are currently in the process of relocating one of our idle methanol plants in Chile to Geismar, Louisiana. The reassembled plant in Geismar is expected to be operational by the end of 2014. Today, there is no GHG legislation that impacts our business in the United States. We continue to monitor the development of potential GHG legislation in the US and Louisiana to ensure compliance with any potential future requirements once the plant becomes operational. At this time, it unknown what impact, if any, potential new GHG legislation or regulation could have on our operations in Geismar.

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 has issued assessments against our 63.1% owned joint venture, Atlas Methanol Company Unlimited ("Atlas"), in respect of the 2005 and 2006 financial years. All subsequent tax years remain open to assessment. The

assessments relate 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 amounts in dispute for the 2005 and 2006 financial years is not significant. Atlas has partial relief from corporation income tax until 2014.

The Company has lodged objections to the assessments. Based on the merits of the cases 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 2012 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, 2012, the net book value of our property, plant and equipment was $2,015 million.

Capitalization

Property, plant and equipment are initially recorded at cost. The cost of purchased equipment includes expenditures that are directly attributable to the purchase price, delivery and installation. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to the location and 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, 2012, we have accrued $22.6 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 current 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

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 lives of the Company's buildings, plant installations and machinery, excluding costs related to turnarounds, range from 10 to 25 years depending on the specific asset component and the production facility to which it is related. The Company determines the estimated useful lives of individual asset components based on the shorter of its physical life or economic life. The physical life of these assets is generally longer than the economic life. The economic life is primarily determined by the nature of the natural gas feedstock available to our various production facilities. Factors that influence the nature of natural gas feedstock availability include the terms of individual natural gas supply contracts, access to natural gas supply through open markets, regional factors influencing the exploration and development of natural gas, and the expected price of securing natural gas supply. We review the factors related to each production facility on an annual basis to determine if changes are required to the estimated useful lives.

Oil and Gas Properties

Exploration and evaluation costs incurred for oil and natural gas exploration properties that do not have proven reserves are capitalized to other assets. Upon determination of proven reserves and internal approval for development, these costs are transferred to property, plant and equipment. Costs are also transferred to property, plant and equipment and become subject to depreciation when the associated properties 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.

We recently announced that we expect to idle our Chile operations in March 2013 due to an expected shortfall of natural gas feedstock to keep the plant operating through the southern hemisphere winter. We are continuing to work with our natural gas suppliers to secure sufficient natural gas to sustain our operations, and while the restart of a Chile plant is possible later in 2013, the restart is dependent on securing a sustainable natural gas position to operate over the medium term.

As a consequence of the uncertain outlook for the future supply of natural gas feedstock, the carrying value of our Chile assets was tested for recoverability at December 31, 2012.

Recoverability of long-lived assets is measured by comparing the carrying value of an asset or cash-generating unit to the estimated recoverable amount, which is the higher of its estimated fair value less costs to sell or its value in use. Value in use was determined by measuring the pre-tax cash flows expected to be generated from the cash-generating unit over its estimated useful life discounted by a pre-tax discount rate. The pre-tax discount rate used of 13% was derived from the Company's estimated cost of capital. An impairment writedown was recorded for the difference that the carrying value exceeded the recoverable amount. 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 the 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 further asset impairment charges or by changes in depreciation and amortization rates related to property, plant and equipment.

Based on the test performed at December 31, 2012 related to our Chile assets, we recorded a non-cash before-tax asset impairment charge of $297 million ($193 million after-tax) to write down the carrying value of the Chile assets at December 31, 2012 to $245 million. The remaining carrying value of $245 million excludes the first Chile facility that is being relocated to Geismar, Louisiana but includes the second facility that management is also considering for relocation to Geismar. Refer to note 6 of the consolidated financial statements for the year ended December 31, 2012.

We believe the estimated recoverable amount of all long-lived assets except our Chile cash-generating unit substantially exceeded their carrying value as at December 31, 2012.

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, 2012, we had recognized future tax assets of $147 million and unrecognized future income tax assets of approximately $144 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 unless exempted. Changes in the fair value of held-for-trading 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, 2012, 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 $33 million. Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in variable interest rates.

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. We currently account for our 63.1% interest in Atlas Methanol Company using proportionate consolidation accounting and upon adoption of these new standards effective January 1, 2013 we will account for this entity using equity accounting. The impact of applying equity accounting does not result in any change to net earnings or shareholders' equity but will result in changes to the presentation of our Consolidated Statements of Income and Consolidated Statements of Financial Position.

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 net

income, adjusted diluted net income per share, adjusted cash flows from operating activities, cash flow from operating activities before changes in non-cash working capital and operating income. 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, net income (loss) attributable to Methanex shareholders, because it excludes finance costs, finance income and other expenses, income tax expense (recovery), depreciation and amortization, mark-to-market impact of share-based compensation, Louisiana project relocation expenses and charges and asset impairment charges.

Adjusted EBITDA and Adjusted net income exclude the mark-to-market impact of share-based compensation related to the impact of changes in our share price on share appreciation rights, tandem share appreciation rights, deferred share units, restricted share units and performance share units. The mark-to-market impact related to performance share units that is excluded from Adjusted EBITDA and Adjusted net income is calculated as the difference between the grant-date value determined using a Methanex total shareholder return factor of 100% and the fair value recorded at each period-end. As share-based awards will be settled in future periods, the ultimate value of the units is unknown at the date of grant and therefore the grant-date value recognized in Adjusted EBITDA and Adjusted net income may differ from the total settlement cost.

The following table shows a reconciliation from net income (loss) attributable to Methanex shareholders to Adjusted EBITDA:

($ MILLIONS)	2012	2011
Net income (loss) attributable to Methanex shareholders	$ (68)	$ 201
Finance costs	71	62
Finance income and other expenses	(1)	(2)
Income tax expense (recovery)	(84)	56
Depreciation and amortization	172	157
Mark-to-market impact of share-based compensation	16	(21)
Louisiana project relocation expenses and charges	65	–
Asset impairment charge	297	–
Non-controlling interests adjustments [1]	(39)	(26)
Adjusted EBITDA (attributable to Methanex shareholders)	$ 429	$ 427

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

Adjusted Net Income and Adjusted Net Income per Common Share (Attributable to Methanex Shareholders)

Adjusted net income and Adjusted net income per common share are non-GAAP measures because they exclude the mark-to-market impact of share-based compensation and items that are considered by management to be non-operational, including asset impairment charges and Louisiana project relocation charges and expenses. The following table shows a reconciliation from net income (loss) attributable to Methanex shareholders to Adjusted net income and the calculation of Adjusted diluted net income per common share:

($ MILLIONS, EXCEPT NUMBER OF SHARES AND PER SHARE AMOUNTS)	2012	2011
Net income (loss) attributable to Methanex shareholders	$ (68)	$ 201
Mark-to-market impact of share-based compensation	16	(21)
Louisiana project relocation expenses and charges		
Cash expense	39	–
Non-cash charge	26	–
Asset impairment charge	297	–
Income expense (recovery) related to above items	(130)	2
Adjusted net income	$ 180	$ 182
Diluted weighted average shares outstanding	94	94
Adjusted net income per common share [1]	$ 1.90	$ 1.93

[1] For the year ended December 31, 2012, stock options have been excluded from the calculation of diluted net loss per common share (attributable to Methanex shareholders) as their effect would be anti-dilutive. However, for the calculation of adjusted diluted net income per common share, stock options have been included in the denominator and the diluted weighted average number of common shares for the year ended December 31, 2012 is 95 million.

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 cash flows associated with the 40% non-controlling interest in the methanol facility in Egypt, changes in non-cash working capital and the cash portion of Louisiana project relocation expenses and charges.

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

($ MILLIONS)	2012	2011
Cash flows from operating activities	$ 458	$ 480
Deduct non-controlling interests adjustment:		
Net income	(33)	(26)
Non-cash items	(39)	(26)
Changes in non-cash working capital	(22)	(36)
Cash portion of Louisiana project relocation expenses and charges	39	–
Adjusted cash flow from operating activities (attributable to Methanex shareholders)	$ 403	$ 392

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)

($ MILLIONS, EXCEPT PER SHARE AMOUNTS)	THREE MONTHS ENDED DEC 31	SEP 30	JUN 30	MAR 31
2012				
Revenue	**$ 696**	**$ 655**	**$ 656**	**$ 666**
Adjusted EBITDA[1]	**119**	**104**	**113**	**93**
Adjusted net income[1]	**61**	**36**	**44**	**39**
Net income (loss)[2]	**(140)**	**(3)**	**52**	**22**
Adjusted net income per share [1]	**0.64**	**0.38**	**0.47**	**0.41**
Basic net income (loss) per common share [2]	**(1.49)**	**(0.03)**	**0.56**	**0.24**
Diluted net income (loss) per common share [2]	**(1.49)**	**(0.03)**	**0.50**	**0.23**
2011				
Revenue	$ 696	$ 670	$ 623	$ 619
Adjusted EBITDA[1]	133	111	102	81
Adjusted net income[1]	65	40	39	37
Net income[2]	64	62	41	35
Adjusted net income per share[2]	0.69	0.43	0.41	0.39
Basic net income per common share[2]	0.69	0.67	0.44	0.37
Diluted net income per common share[2]	0.68	0.59	0.43	0.37

[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 34 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

[2] Attributable to Methanex Corporation shareholders.

A discussion and analysis of our results for the fourth quarter of 2012 is set out in our fourth quarter of 2012 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 PER SHARE AMOUNTS)	2012	2011	2010
Revenue	**$ 2,673**	$ 2,608	$ 1,967
Adjusted EBITDA[1]	**429**	427	291
Adjusted net income[1]	**180**	182	91
Net income (loss)[2]	**(68)**	201	96
Adjusted net income per share [1]	**1.90**	1.93	0.98
Basic net income (loss) per share [2]	**(0.73)**	2.16	1.04
Diluted net income (loss) per share [2]	**(0.73)**	2.06	1.03
Cash dividends declared per share	**0.725**	0.665	0.620
Total assets	**3,545**	3,394	3,141
Total long-term financial liabilities	**1,434**	886	1,105

[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 34 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

[2] Attributable to Methanex Corporation shareholders.

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, 2012, 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, 2012, 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, 2012. The attestation report is included in our consolidated financial statements on page 43.

Changes in Internal Control over Financial Reporting

There have been no changes during the year ended December 31, 2012 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 2012 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 or restart of idled capacity 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,
- capital committed by third parties towards future natural gas exploration and development in the vicinity of our plants,
- our 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,
- expected operating costs, including natural gas feedstock costs and logistics costs,
- 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,
- our shareholder distribution strategy and anticipated distributions to shareholders,
- commercial viability and timing of, or our 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 Geismar, Louisiana ("Geismar") and certain initiatives in New Zealand and Canada,
- our 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 actions of governments, government agencies, gas suppliers, courts, tribunals or other third parties, and
- expected impact on our operations in Egypt or our financial condition as a consequence of civil unrest or actions taken or inaction 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, coal, oil and oil derivatives,
- the success of our natural gas exploration and development in Chile and New Zealand and our ability to procure economically priced natural gas in Chile, New Zealand, Trinidad, Canada and the United States,
- production rates of our facilities,
- receipt of remaining required permits in connection with the Geismar project,
- 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 or rights to purchase natural gas,
- receipt of governmental approvals related to natural gas exploration rights,
- 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,
- the availability of committed credit facilities and other financing,
- timing of completion and cost of the Geismar project and our initiatives to increase production in New Zealand and Canada,
- 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,
- absence of a material negative impact from political instability in the countries in which we operate,
- enforcement of contractual arrangements and ability to perform contractual obligations by customers, natural gas and other suppliers and other third parties, and
- satisfaction of conditions precedent contained in the Geismar project natural gas supply agreement.

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

- conditions in the methanol and other industries including fluctuations in the supply, demand for and price of methanol and its derivatives, including demand for methanol for energy uses,
- the price of natural gas, coal, 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 and New Zealand on commercially acceptable terms,
- the ability to successfully carry out corporate initiatives and strategies,
- actions of competitors, suppliers and financial institutions,
- conditions within the natural gas delivery systems that may prevent delivery of our natural gas supply requirements,
- competing demand for natural gas, especially with respect to domestic needs for gas and electricity in Chile and Egypt,
- actions of governments and governmental authorities, including, without limitation, the implementation of policies or other measures that could impact the supply of 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,
- satisfaction of conditions precedent contained in the Geismar project natural gas supply agreement, and
- other risks described in the 2012 Management's Discussion and Analysis.

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

Exhibit 99.3

Responsibility For Financial Reporting

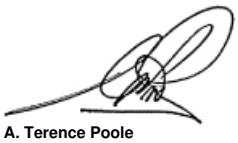
The consolidated financial statements and all financial information contained in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, have incorporated estimates 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, 2012.

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

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

The Committee meets regularly with management and the Company's auditors, KPMG LLP, Chartered Accountants, to discuss internal controls and significant accounting and financial reporting issues. KPMG has full and unrestricted access to the Committee. KPMG audited the consolidated financial statements and the effectiveness of internal controls over financial reporting. Their opinions are included in the annual report.



A. Terence Poole

Chairman of the Audit, Finance
and Risk Committee



John Floren
President and
Chief Executive
Officer



Ian Cameron
Senior Vice President, Finance and
Chief
Financial Officer

March 13, 2013

Report of Independent Registered Public Accounting Firm

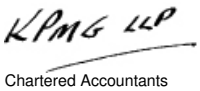
To the Shareholders and Board of Directors of Methanex Corporation:

We have audited the accompanying consolidated statements of financial position of Methanex Corporation as of December 31, 2012 and December 31, 2011 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended. 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 of December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended 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, 2012, 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 13, 2013 expressed an unqualified opinion on the effectiveness of Methanex Corporation's internal control over financial reporting.



Chartered Accountants
Vancouver, Canada
March 13, 2013

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, 2012, 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.

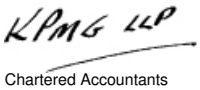
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material 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, 2012, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years ended December 31, 2012 and December 31, 2011, and our report dated March 13, 2013 expressed an unqualified opinion on those consolidated financial statements.



Chartered Accountants
Vancouver, Canada
March 13, 2013

Consolidated Statements of Financial Position

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

AS AT	DEC 31 2012	DEC 31 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 745,610	$ 350,711
Trade and other receivables (note 3)	429,203	378,430
Inventories (note 4)	253,023	281,015
Prepaid expenses	28,314	24,465
	1,456,150	1,034,621
Non-current assets:		
Property, plant and equipment (notes 5 and 6)	2,014,748	2,233,023
Other assets (notes 6 and 8)	73,724	125,931
	2,088,472	2,358,954
	$ 3,544,622	$ 3,393,575
LIABILITIES AND EQUITY		
Current liabilities:		
Trade, other payables and accrued liabilities	$ 353,744	$ 327,130
Current maturities on long-term debt (note 9)	53,334	251,107
Current maturities on finance leases (note 10)	7,367	6,713
Current maturities on other long-term liabilities (note 11)	26,536	18,031
	440,981	602,981
Non-current liabilities:		
Long-term debt (note 9)	1,191,891	652,148
Finance leases (note 10)	48,612	55,979
Other long-term liabilities (note 11)	193,823	178,172
Deferred income tax liabilities (note 17)	191,578	302,332
	1,625,904	1,188,631
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, 2012 were 94,309,970 (2011 – 93,247,755)	481,779	455,434
Contributed surplus	15,481	22,281
Retained earnings	805,661	942,978
Accumulated other comprehensive loss	(13,045)	(15,968)
Shareholders' equity	1,289,876	1,404,725
Non-controlling interests	187,861	197,238
Total equity	1,477,737	1,601,963
	$ 3,544,622	$ 3,393,575

Commitments and contingencies (notes 17 and 23)

See accompanying notes to consolidated financial statements.

Approved by the Board:



Terence Poole (Director)



John Floren (Director)

Consolidated Statements of Income

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

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Revenue	$ 2,672,954	$ 2,608,037
Cost of sales and operating expenses (note 12)	(2,187,288)	(2,107,320)
Depreciation and amortization (note 12)	(171,635)	(156,667)
Louisiana project relocation expenses and charges (note 5)	(64,543)	–
Asset impairment charge (note 6)	(296,976)	–
Operating income (loss)	(47,488)	344,050
Finance costs (note 13)	(71,314)	(61,797)
Finance income and other expenses	509	1,667
Income (loss) before income taxes	(118,293)	283,920
Income tax recovery (expense) (note 17):		
Current	(30,302)	(36,241)
Deferred	114,020	(19,679)
	83,718	(55,920)
Net income (loss)	$ (34,575)	$ 228,000
Attributable to:		
Methanex Corporation shareholders	$ (68,105)	$ 201,326
Non-controlling interests	33,530	26,674
	$ (34,575)	$ 228,000
Income (loss) for the period attributable to Methanex Corporation shareholders:		
Basic net income (loss) per common share (note 14)	$ (0.73)	$ 2.16
Diluted net income (loss) per common share (note 14)	$ (0.73)	$ 2.06
Weighted average number of common shares outstanding	93,755,509	93,026,482
Diluted weighted average number of common shares outstanding	93,755,509	94,360,956

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(thousands of US dollars)

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Net income (loss)	$ (34,575)	$ 228,000
Other comprehensive income (loss), net of taxes:		
Change in fair value of forward exchange contracts (note 20)	(320)	326
Change in fair value of interest rate swap contracts (notes 17 and 20)	(5,794)	(3,764)
Realized loss on interest rate swap reclassified to finance costs	11,198	12,816
Realized loss on interest rate swap reclassified to property, plant and equipment	–	7,279
Actuarial losses on defined benefit pension plans (notes 17 and 22(a))	(1,135)	(10,258)
	3,949	6,399
Comprehensive income (loss)	$ (30,626)	$ 234,399
Attributable to:		
Methanex Corporation shareholders	$ (66,317)	$ 201,193
Non-controlling interests	35,691	33,206
	$ (30,626)	$ 234,399

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, 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
Net income (loss)	**–**	**–**	**–**	**(68,105)**	**–**	**(68,105)**	**33,530**	**(34,575)**
Other comprehensive income (loss)	**–**	**–**	**–**	**(1,135)**	**2,923**	**1,788**	**2,161**	**3,949**
Compensation expense recorded for stock options	**–**	**–**	**726**	**–**	**–**	**726**	**–**	**726**
Issue of shares on exercise of stock options	**1,062,215**	**18,819**	**–**	**–**	**–**	**18,819**	**–**	**18,819**
Reclassification of grant-date fair value on exercise of stock options	**–**	**7,526**	**(7,526)**	**–**	**–**	**–**	**–**	**–**
Dividend payments to Methanex Corporation shareholders	**–**	**–**	**–**	**(68,077)**	**–**	**(68,077)**	**–**	**(68,077)**
Distributions to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(46,068)**	**(46,068)**
Equity contributions by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**1,000**	**1,000**
Balance, December 31, 2012	**94,309,970**	**$481,779**	**$ 15,481**	**$805,661**	**$ (13,045)**	**$ 1,289,876**	**$ 187,861**	**$1,477,737**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(thousands of US dollars)

FOR THE YEARS ENDED DECEMBER 31	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (34,575)	$ 228,000
Add (deduct) non-cash items:		
Depreciation and amortization	171,635	156,667
Louisiana project relocation non-cash charges	25,688	–
Asset impairment charge	296,976	–
Income tax expense (recovery)	(83,718)	55,920
Share-based compensation expense (recovery)	35,907	(4,890)
Finance costs	71,314	61,797
Other	16,578	3,459
Income taxes paid	(29,528)	(46,331)
Other cash payments, including share-based compensation	(33,774)	(10,303)
Cash flows from operating activities before undernoted	436,503	444,319
Changes in non-cash working capital (note 18)	21,774	35,388
	458,277	479,707
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend payments to Methanex Corporation shareholders	(68,077)	(61,909)
Interest paid, including interest rate swap settlements	(64,914)	(60,467)
Net proceeds on issue of long-term debt	590,344	2,700
Repayment of long-term debt and limited recourse debt	(251,105)	(49,650)
Changes in project finance reserve accounts	(4,916)	(27,291)
Equity contributions by non-controlling interests	1,000	19,200
Cash distributions to non-controlling interests	(49,409)	(8,239)
Proceeds on issue of shares on exercise of stock options	18,819	11,393
Repayment of finance leases and other long-term liabilities	(6,712)	(5,964)
	165,030	(180,227)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment	(134,716)	(126,198)
Louisiana project expenditures	(73,912)	(1,326)
Oil and gas assets	(32,892)	(30,098)
GeoPark repayments	10,039	7,551
Changes in non-cash working capital related to investing activities (note 18)	3,073	7,508
	(228,408)	(142,563)
Increase in cash and cash equivalents	394,899	156,917
Cash and cash equivalents, beginning of year	350,711	193,794
Cash and cash equivalents, end of year	$ 745,610	$ 350,711

See accompanying notes to consolidated financial statements.

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 consolidated financial statements were approved and authorized for issue by the Board of Directors on March 13, 2013.

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 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. The cost of purchased equipment includes expenditures that are directly attributable to the purchase price, delivery and installation. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to the location and 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 replacement of catalysts. Costs associated with these shutdowns are capitalized and amortized over the period until the next planned turnaround and the carrying amounts of replaced components are derecognized and included in earnings.

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 lives of the Company's buildings, plant installations and machinery, excluding costs related to turnarounds, ranges from 10 to 25 years depending on the specific asset component and the production facility to which it is related. The Company determines the estimated useful lives of individual asset components based on the shorter of its physical life or economic life. The physical life of these assets is generally longer than the economic life. The economic life is primarily determined by the nature of the natural gas feedstock available to the various production facilities. Factors that influence the nature of natural gas feedstock availability include the terms of individual natural gas supply contracts, access to natural gas supply through open markets, regional factors influencing the exploration and development of natural gas, and the expected price of securing natural gas supply. The Company reviews the factors related to each production facility on an annual basis to determine if changes are required to the estimated useful lives.

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 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 which do not have proven reserves is described in note 2(h). Upon transition to IFRS effective January 1, 2010, the Company elected to carry forward the previous GAAP full-cost method of accounting for oil and gas asset carrying values. At that time, the Company allocated costs associated with oil and gas assets between property, plant and equipment and other assets on the basis of proven and unproven reserves, respectively.

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 the estimated recoverable amount, which is the higher of its estimated fair value less cost to sell or its value in use. Value in use is determined by estimating the pre-tax cash flows expected to be generated from the asset or cash-generating unit over its estimated useful life discounted by a pre-tax discount rate. An impairment writedown is recorded for the difference that the carrying value exceeds the estimated recoverable amount. 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, the Company groups 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 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, the Company groups 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 gas exploration properties that do not have proven reserves are capitalized to other assets. Upon determination 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 are also transferred to property, plant and equipment and become subject to depreciation when the associated properties 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 finance 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, adjusts for inflation through to the expected date of the expenditures and then 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 Consolidated Statements of Financial Position. The determination of the defined benefit obligation and associated pension cost is based on certain actuarial assumptions including inflation rates, plan expenses, salary growth, discount rates 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 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) give the holder the choice between exercising a regular stock option or a SAR. For SARs and TSARs, the cost of the service received 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, tandem share appreciation rights, share appreciation rights and the deferred, restricted and performance share units is described in note 15.

m) Net income (loss) per common share:
The Company calculates basic net income (loss) per common share by dividing net income (loss) attributable to Methanex shareholders by the weighted average number of common shares outstanding and calculates diluted net income (loss) per common share under the treasury stock method. Under the treasury stock method, diluted net income (loss) per common share is calculated by considering the potential dilution that would occur if outstanding stock options and, under certain circumstances, TSARs were exercised or converted to common shares. Stock options and TSARs are considered dilutive when the average market price of the Company's common shares during the period disclosed exceeds the exercise price of the stock option or TSAR.

Outstanding TSARs may be settled in cash or common shares at the holder's option. 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 adjustments to the numerator and denominator if the equity-settled method is determined to have a dilutive effect on diluted net income per common share.

The calculation of basic net income (loss) per common share and a reconciliation to diluted net income (loss) per common share is presented in note 14.

n) Revenue recognition:
Revenue is recognized based on individual contract terms when the 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 risk of loss during shipment. For methanol sold 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 in the Consolidated Statements of Financial Position at fair value unless they are in accordance with the Company's normal purchase, sale or usage requirements. 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 held-for-trading 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 and penalty 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 operations consist of the production and sale of methanol, which constitutes a single operating segment.

s) Anticipated changes to International Financial Reporting Standards:
The IASB has issued new accounting standards related to accounting and disclosures for consolidation and joint arrangements; IFRS 10, Consolidated Financial Statements; IFRS 11, Joint Arrangements; and IFRS 12, Disclosure of Interests in Other Entities. The IASB has revised the definition of "control," under IFRS 10, which is a criterion for consolidation accounting. In addition, changes to IFRS in the accounting for joint arrangements were issued under IFRS 11, 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 Company currently accounts for the 63.1% interest in Atlas Methanol Company using proportionate consolidation accounting and will account for this entity using the equity method of accounting effective January 1, 2013. The change to equity accounting does not result in any change to net earnings or shareholders' equity, but will result in changes to the presentation of the Consolidated Statements of Income and the Consolidated Statements of Financial Position.

3. Trade and other receivables:

AS AT	DEC 31 2012	DEC 31 2011
Trade	$ 349,632	$ 310,616
Value-added and other tax receivables	49,807	43,132
Current portion of GeoPark financing (note 8)	8,028	7,200
Other	21,736	17,482
	$ 429,203	$ 378,430

4. Inventories:
Inventories are valued at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value. The amount of inventories included in cost of sales and operating expenses and depreciation and amortization for the year ended December 31, 2012 is $2,082 million (2011 – $2,052 million).

5. Property, plant and equipment:

	Buildings, Plant Installations and Machinery	Plant under Construction	Oil and Gas Properties	Other	Total
Cost at January 1, 2012	**$ 3,209,597**	**$ 1,326**	**$ 77,486**	**$ 88,642**	**$ 3,377,051**
Additions	**132,727**	**73,912**	**2,882**	**4,457**	**213,978**
Disposals and other	**(62,604)**	**–**	**–**	**(24,193)**	**(86,797)**
Cost at December 31, 2012	**$ 3,279,720**	**$ 75,238**	**$ 80,368**	**$ 68,906**	**$ 3,504,232**
Accumulated depreciation at January 1, 2012	**$ 1,070,267**	**$ –**	**$ 32,990**	**$ 40,771**	**$ 1,144,028**
Disposals and other	**(30,935)**	**–**	**–**	**(18,673)**	**(49,608)**
Depreciation	**146,949**	**–**	**18,437**	**6,201**	**171,587**
Asset impairment charge	**200,753**	**–**	**22,724**	**–**	**223,477**
Accumulated depreciation at December 31, 2012	**$ 1,387,034**	**$ –**	**$ 74,151**	**$ 28,299**	**$ 1,489,484**
Net book value at December 31, 2012	**$ 1,892,686**	**$ 75,238**	**$ 6,217**	**$ 40,607**	**$ 2,014,748**

	Buildings, Plant Installations and Machinery	Plant under Construction	Oil and Gas Properties	Other	Total
Cost at January 1, 2011	$ 2,131,608	$ 966,320	$ 54,049	$ 116,203	$ 3,268,180
Additions	106,693	6,302	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	$ 3,209,597	$ 1,326	$ 77,486	$ 88,642	$ 3,377,051
Accumulated depreciation at January 1, 2011	$ 929,079	$ –	$ 20,092	$ 60,433	$ 1,009,604
Disposals and other	–	–	–	(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	$ 2,139,330	$ 1,326	$ 44,496	$ 47,871	$ 2,233,023

Included in buildings, plant installations and machinery at December 31, 2012 and 2011 are capitalized costs of $99.3 million relating to the oxygen production facilities in Trinidad accounted for as finance leases (note 10). The net book value of these assets as at December 31, 2012 was $43.9 million (2011 – $49.8 million).

Other property, plant and equipment includes ocean-shipping vessels with a total net book value of $26.8 million at December 31, 2012 (2011 – $28.6 million).

During 2012, the Company made a final investment decision to proceed with the project to relocate an idle Chile facility to Geismar, Louisiana. Under IFRS, certain costs incurred in relation to relocating an asset are not eligible for capitalization to property, plant and equipment and are required to be charged directly to income. For the year ended December 31, 2012, the Company incurred $112.8 million in expenditures related to this project, of which $73.9 million was recorded to property, plant and equipment and the remaining $38.9 million ($23.3 million after-tax) was recognized as Louisiana project relocation expenses and charges in the Consolidated Statements of Income. In addition, for the year ended December 31, 2012, the Company charged to income $25.7 million ($17.6 million after-tax) related to the carrying value of the Chile facility being relocated and this is also included in Louisiana project relocation expenses and charges.

For the year ended December 31, 2012, the Company recorded an asset impairment charge relating to the carrying value of its Chile operations. See note 6 of these consolidated financial statements for more information.

6. Asset impairment charge:

The Company reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company expects to idle its Chile operations in March 2013 due to an expected shortfall of natural gas

feedstock to keep the plant operating through the southern hemisphere winter. The Company is continuing to work with its natural gas suppliers to secure sufficient natural gas to sustain its operations, and while the restart of a Chile plant is possible later in 2013, the restart is dependent on securing a sustainable natural gas position to operate over the medium term.

As a consequence of the uncertain outlook for the supply of natural gas feedstock to its Chile operations, the carrying value of the Company's Chile assets was tested for recoverability at December 31, 2012.

Recoverability was measured by comparing the carrying value of the Chile assets to the estimated recoverable amount which is the higher of its estimated fair value less costs to sell or its value in use. Value in use was determined by measuring the pre-tax cash flows expected to be generated from the Chile assets over their estimated useful life discounted by a pre-tax discount rate. The pre-tax discount rate of 13% was derived from the Company's estimated cost of capital.

There are two key variables that impact the Company's estimates 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 the Company's 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. The Company's estimate of the price and availability of natural gas takes into consideration the current contracted terms, as well as factors that it believes are relevant to supply under these contracts and supplemental natural gas sources. Other assumptions included in the Company's 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.

Based on the test performed, the Company recorded a non-cash before-tax asset impairment charge of $297 million ($193 million after-tax) to write down the carrying value of the Chile assets at December 31, 2012 to $245 million, which excludes the Chile facility that is being relocated to Geismar, Louisiana. The pre-tax asset impairment charge was allocated as follows:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Asset impairment charge allocated to:		
Property, plant and equipment		
Buildings, plant installations and machinery	$ 200,753	$ –
Oil and gas properties	22,724	–
Other assets		
Oil and gas properties	73,499	–
Asset impairment charge	$ 296,976	$ –

7. 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 2012	DEC 31 2011
Cash and cash equivalents	$ 18,225	$ 9,266
Other current assets	70,017	92,259
Property, plant and equipment	275,855	281,263
Other assets	11,671	9,429
Trade, other payables and accrued liabilities	35,834	32,990
Long-term debt, including current maturities (note 9)	49,659	64,397
Finance leases and other long-term liabilities	45,805	49,305
Deferred income tax liabilities	19,790	20,814

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31	2012	2011
Revenue	$ 166,440	$ 224,902
Expenses	(166,386)	(199,303)
Income before income taxes	54	25,599
Income tax expense	(85)	(4,853)
Net income (loss)	$ (31)	$ 20,746

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31	2012	2011
Cash inflows from operating activities	$ 60,795	$ 36,062
Cash outflows from financing activities	(24,905)	(19,641)
Cash outflows from investing activities	(26,931)	(17,831)

8. Other assets:

AS AT	DEC 31 2012	DEC 31 2011
Oil and gas properties[a]	$11,209	$ 50,946
Restricted cash[b]	44,753	39,839
GeoPark financing[c]	–	10,872
Marketing and production rights, net of accumulated amortization[d]	3,667	7,634
Defined benefit pension plans (note 22)	1,516	–
Other	12,579	16,640
	$73,724	$125,931

a) Oil and gas properties:
Costs incurred for oil and natural gas exploration properties that do not have reserves are capitalized to other assets. Upon determination of proven reserves and internal approval for development, the costs are transferred to property, plant and equipment. During the year, the Company incurred $30.0 million (2011 – $17.5 million) in exploration and evaluation expenditures and $3.8 million in non-cash additions, offset by amortization charges. At December 31, 2012, the Company recorded an asset impairment charge relating to the carrying value of its Chile operations, which includes oil and gas properties (note 6).

b) Restricted cash:
During the year ended December 31, 2012, the Company contributed $4.9 million (2011 – $1.7 million drawn) in relation to its limited recourse debt facilities.

c) GeoPark financing:
Over the past few years, the Company has provided GeoPark Chile Limited (GeoPark) $57.0 million (of which $49.8 million has been repaid at December 31, 2012) 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, 2012, the outstanding balance is $8.0 million (2011 – $18.1 million), of which the full amount (2011 – $7.2 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, 2012, amortization of marketing and production rights included in depreciation and amortization was $4.0 million (2011 – $4.0 million).

9. Long-term debt:

AS AT	DEC 31 2012	DEC 31 2011
Unsecured notes:		
(i) 3.25% due December 15, 2019 (effective yield 3.40%)	**$ 343,828**	$ –
(ii) 5.25% due March 1, 2022 (effective yield 5.30%)	**246,326**	–
(iii) 6.00% due August 15, 2015 (effective yield 6.10%)	**149,344**	149,119
(iv) 8.75% due August 15, 2012 (effective yield 8.88%)	**–**	199,643
	739,498	348,762
Atlas limited recourse debt facilities (63.1% proportionate share):		
(i) Senior secured notes with semi-annual interest payments of 7.95% per annum. Principal is paid in nine semi-annual payments, which commenced December 2010.	**27,915**	41,730
(ii) Senior fixed rate bond with semi-annual interest payments of 8.25% per annum. Principal will be paid in four semi-annual payments commencing June 2015.	**14,927**	14,869
(iii) 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.	**6,817**	7,798
	49,659	64,397
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.	**438,631**	470,208
Other limited recourse debt	**17,437**	19,888
Total long-term debt[1]	**1,245,225**	903,255
Less current maturities	**(53,334)**	(251,107)
	$ 1,191,891	$ 652,148

[1] Total debt is presented net of deferred financing fees of $22.2 million at December 31, 2012 (2011 – $15.3 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 20).

The other limited recourse debt includes one limited recourse facility with a remaining term of approximately seven years with interest payable at LIBOR plus 0.75% and another limited recourse debt facility with a remaining term of approximately four-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, 2012, non-cash accretion, on an effective interest basis, of deferred financing costs included in finance costs was $3.2 million (2011 – $3.0 million).

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

2013	**$ 53,246**
2014	**61,914**
2015	**200,092**
2016	**52,743**
2017	**47,822**
Thereafter	**851,610**
	$ 1,267,427

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, sale and lease-back transactions, a 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.

During 2012, the Company entered into a $400 million unsecured revolving credit facility with a syndicate of highly rated financial institutions that expires in December 2016. 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 also contain a covenant to complete by March 31, 2013 certain land title registrations and related mortgages that require action by Egyptian government entities and which the Company does not expect to complete by March 31, 2013. The Company is seeking a waiver from the lenders. The Company does not believe the finalization of these items is material to the security provided to the lenders. The Company cannot assure you that it will be able to obtain a waiver from the lenders.

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, 2012, management believes the Company was in compliance with all of the covenants and default provisions related to long-term debt obligations.

10. Finance leases:

AS AT	Dec 31 2012	Dec 31 2011
Finance lease obligations	**$ 55,979**	$ 62,692
Less current maturities	**(7,367)**	(6,713)
	$ 48,612	$ 55,979

At December 31, 2012, 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
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**
2017	**7,196**	**2,239**	**4,957**
Thereafter	**29,811**	**6,017**	**23,794**
	$ 78,031	**$ 22,052**	**$ 55,979**

11. Other long-term liabilities:

AS AT	Dec 31 2012	Dec 31 2011
Site restoration costs[a]	$ 22,596	$ 25,889
Deferred gas payments[b]	70,844	51,079
Share-based compensation liability (note 15)	62,570	42,157
Fair value of Egypt interest rate swap (note 20)	32,707	41,536
Defined benefit pension plans (note 22)	31,642	35,542
	220,359	196,203
Less current maturities	(26,536)	(18,031)
	$ 193,823	$ 178,172

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, 2012, the total undiscounted amount of estimated cash flows required to settle the liabilities was $27.6 million (2011 – $33.4 million). The movement in the provision during the year is explained as follows:

	2012	2011
Balance at January 1	$ 25,889	$ 23,951
New or revised provisions	(1,884)	1,454
Amounts charged against provisions	(1,917)	(66)
Accretion expense	508	550
Balance at December 31	$ 22,596	$ 25,889

b) Deferred gas payments:
The Company has a long-term liability of $82.8 million (2011 – $51.1 million) related to deferred natural gas payments that is payable in installments in 2013, 2014 and 2015, of which $11.9 million (2011 – nil), representing the current portion, has been recorded in trade, other payables and accrued liabilities. At December 31, 2012, the total undiscounted amount of estimated cash flows required to settle the liability was $86.5 million (2011 – $52.9 million).

12. Expenses:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Cost of sales	$1,954,067	$1,910,889
Selling and distribution	342,122	319,026
Administrative expenses	62,734	34,072
Total expenses by function	$2,358,923	$2,263,987
Cost of raw materials and purchased methanol	$1,601,871	$1,622,764
Ocean freight and other logistics	300,936	280,313
Employee expenses, including share-based compensation	184,835	130,513
Other expenses	99,646	73,730
Cost of sales and operating expenses	$2,187,288	$2,107,320
Depreciation and amortization	171,635	156,667
Total expenses by nature	$2,358,923	$2,263,987

13. Finance costs:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Finance costs	$72,897	$69,897
Less capitalized interest	(1,583)	(8,100)
	$71,314	$61,797

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. 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. Capitalized interest relates to interest capitalized during construction until a plant is substantially completed and ready for productive use.

14. Net income (loss) per common share:

Diluted net income (loss) per common share is calculated by considering the potential dilution that would occur if outstanding stock options and, under certain circumstances, tandem share appreciation rights (TSARs) were exercised or converted to common shares. During the year ended December 31, 2012, the Company incurred a net loss attributable to Methanex shareholders and therefore the impact of the potential dilution of stock options and TSARs is anti-dilutive.

Outstanding TSARs may be settled in cash or common shares at the holder's option. For the purposes of calculating diluted net income per common share, the more dilutive of cash-settled and 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 adjustments to the numerator and denominator if the equity-settled method is determined to have a dilutive effect on diluted net income per common share. During the year ended December 31, 2011, the Company recorded a share-based compensation recovery related to TSARs. Therefore, for this period, the equity-settled method has been determined to be the more dilutive for purposes of calculating diluted net income per common share.

A reconciliation of the net income (loss) attributable to Methanex shareholders used for the purpose of calculating diluted net income (loss) per common share is as follows:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Numerator for basic net income (loss) per common share	$ (68,105)	$ 201,326
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 (loss) per common share	$ (68,105)	$ 194,583

Stock options and TSARs, if calculated using the equity-settled method, are considered dilutive when the average market price of the Company's common shares during the period disclosed exceeds the exercise price of the stock option or TSAR. A reconciliation of the number of common shares used for the purposes of calculating basic and diluted net income (loss) per common share is as follows:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Denominator for basic net income (loss) per common share	**93,755,509**	93,026,482
Effect of dilutive stock options	**–**	1,305,480
Effect of dilutive TSARs	**–**	28,994
Denominator for diluted net income (loss) per common share [1]	**93,755,509**	94,360,956

[1] Due to the net loss attributable to Methanex shareholders, nil outstanding stock options for the year ended December 31, 2012 are dilutive and have been included in the diluted weighted average number of common shares (December 31, 2011 – 3,039,284). Nil outstanding TSARs for the year ended December 31, 2012 are dilutive and have been included in the diluted weighted average number of common shares (December 31, 2011 – 724,905).

For the years ended December 31, 2012 and 2011, basic and diluted net income (loss) per common share attributable to Methanex shareholders were as follows:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Basic net income (loss) per common share	**$(0.73)**	$2.16
Diluted net income (loss) per common share	**$(0.73)**	$2.06

15. Share-based compensation:

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

At December 31, 2012, the Company had 1,330,958 common shares reserved for future grants of stock options and tandem share appreciation rights under the Company's stock option plan.

a) 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, 2012 are as follows:

	SARS		TSARS	
	NUMBER OF UNITS	EXERCISE PRICE USD	NUMBER OF UNITS	EXERCISE PRICE USD
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	623,547	$ 26.72	1,219,735	$ 26.65
Granted	**353,890**	**31.64**	**652,000**	**31.69**
Exercised	**(55,331)**	**26.07**	**(15,800)**	**25.93**
Cancelled	**(24,581)**	**29.10**	**(40,400)**	**27.61**
Outstanding at December 31, 2012	**897,525**	**$ 28.63**	**1,815,535**	**$ 28.45**

Information regarding the SARs and TSARs outstanding at December 31, 2012 is as follows:

	UNITS OUTSTANDING AT DECEMBER 31, 2012			UNITS EXERCISABLE AT DECEMBER 31, 2012	
Range of Exercise Prices	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	NUMBER OF UNITS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF UNITS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
SARs					
$25.22 to $31.74	**5.2**	**897,525**	**$ 28.63**	**263,759**	**$ 26.20**
TSARs					
$23.36 to $31.88	**5.2**	**1,815,535**	**$ 28.45**	**616,880**	**$ 26.12**

The fair value of each SARs and TSARs grant was estimated on December 31, 2012 using the Black-Scholes option pricing model with the following weighted average assumptions:

	2012	2011
Risk-free interest rate	**0.2%**	0.3%
Expected dividend yield	**2%**	3%
Expected life of SARs and TSARs	**2 YEARS**	2 YEARS
Expected volatility	**34%**	40%
Expected forfeitures	**4%**	4%
Weighted average fair value (USD per share)	**$ 6.89**	$ 3.38

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 in 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, 2012 was $18.0 million compared with the recorded liability of $15.7 million. The difference between the fair value and the recorded liability of $2.3 million will be recognized over the weighted average remaining vesting period of approximately 1.7 years.

For the year ended December 31, 2012, compensation expense related to SARs and TSARs included in cost of sales and operating expenses was an expense of $10.8 million (2011 – recovery of $3.5 million). This included an expense of $3.1 million (2011 – recovery of $10.4 million) related to the effect of the change in the Company's share price.

b) Deferred, restricted and performance share units:
Deferred, restricted and performance share units outstanding at December 31, 2012 are as follows:

	NUMBER OF DEFERRED SHARE UNITS	NUMBER OF RESTRICTED SHARE UNITS	NUMBER OF PERFORMANCE SHARE UNITS
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
Granted	**21,649**	**20,400**	**358,330**
Granted in lieu of dividends	**13,821**	**1,502**	**25,339**
Redeemed	**(66,531)**	**(31,607)**	**(413,138)**
Cancelled	**–**	**–**	**(19,711)**
Outstanding at December 31, 2012	**566,850**	**38,883**	**1,053,869**

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, 2012 was $52.5 million compared with the recorded liability of $46.9 million. The difference between the fair value and the recorded liability of $5.6 million will be recognized over the weighted average remaining vesting period of approximately 1.8 years.

For the year ended December 31, 2012, compensation expense related to deferred, restricted and performance share units included in cost of sales and operating expenses was an expense of $24.4 million (2011 – recovery of $2.2 million). This included an expense of $12.4 million (2011 – recovery of $10.9 million) related to the effect of the change in the Company's share price.

c) 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, 2012 and 2011 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, 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
Granted	–	–	84,000	31.73
Exercised	–	–	(1,062,215)	18.03
Cancelled	–	–	(43,042)	18.13
Outstanding at December 31, 2012	–	$ –	2,982,947	$ 19.97

Information regarding the stock options outstanding at December 31, 2012 is as follows:

	OPTIONS OUTSTANDING AT DECEMBER 31, 2012			OPTIONS EXERCISABLE AT DECEMBER 31, 2012	
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					
$6.33 to $11.56	3.0	968,180	$ 6.52	968,180	$ 6.52
$20.76 to $25.22	1.2	1,014,777	24.17	988,177	24.14
$28.43 to $31.73	2.5	999,990	28.73	873,890	28.44
	2.2	2,982,947	$ 19.97	2,830,247	$ 19.44

For the year ended December 31, 2012, compensation expense related to stock options was $0.7 million (2011 – $0.8 million).

16. 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, 2012 and 2011, 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
2012	**$ 562,510**	**$ 180,283**	**$ 772,338**	**$ 408,557**	**$ 285,963**	**$ 188,702**	**$ 274,601**	**$ 2,672,954**
2011	$ 631,822	$ 175,928	$ 678,968	$ 431,137	$ 267,058	$ 154,899	$ 268,225	$ 2,608,037

As at December 31, 2012 and 2011, the net book value of property, plant and equipment and oil and gas assets by country were as follows:

	UNITED STATES[1]	CHILE	TRINIDAD	EGYPT	NEW ZEALAND	CANADA	OTHER	TOTAL
2012								
Property, plant and equipment	**$ 144,059**	**$ 235,925**	**$ 469,611**	**$ 899,060**	**$ 172,458**	**$ 57,900**	**$ 35,735**	**$ 2,014,748**
Oil & gas properties	**–**	**3,019**	**–**	**–**	**8,190**	**–**	**–**	**11,209**
	$ 144,059	**$ 238,944**	**$ 469,611**	**$ 899,060**	**$ 180,648**	**$ 57,900**	**$ 35,735**	**$ 2,025,957**
2011								
Property, plant and equipment	$ 1,326	$ 598,377	$ 496,055	$ 939,218	$ 103,889	$ 53,331	$ 40,827	$ 2,233,023
Oil & gas properties	–	42,772	–	–	8,174	–	–	50,946
	$ 1,326	$ 641,149	$ 496,055	$ 939,218	$ 112,063	$ 53,331	$ 40,827	$ 2,283,969

[1] Included in the United States is $69 million related to the facility being relocated from Chile to Geismar, Louisiana.

17. Income and other taxes:

a) Income tax expense:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Current tax expense:		
Current period	**$ 29,339**	$ 35,000
Impact of asset impairment charge and Louisiana project relocation expenses and charges	**1,349**	–
Adjustments to prior years	**(386)**	1,241
	30,302	36,241
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	**12,060**	17,058
Impact of asset impairment charge and Louisiana project relocation expenses and charges	**(128,917)**	–
Adjustments to prior years	**1,782**	(274)
Other	**1,055**	2,895
	(114,020)	19,679
Total income tax expense (recovery)	**$ (83,718)**	$ 55,920

b) Income tax expense included in other comprehensive income:

Included in other comprehensive income for the year ended December 31, 2012 is a deferred income tax expense of $3.3 million (2011 – recovery of $12.8 million) related to the change in 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 net income (loss) before income taxes as follows:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Income (loss) before income taxes	$ (118,293)	$ 283,920
Add back: asset impairment charge and Louisiana project relocation expenses and charges	361,564	–
	243,271	283,920
Canadian statutory tax rate	25.0%	26.5%
Income tax expense calculated at Canadian statutory tax rate	$ 60,818	$ 75,239
Increase (decrease) in income tax expense resulting from:		
Impact of income and losses taxed in foreign jurisdictions	(755)	2,710
Taxes on asset impairment charge and Louisiana project relocation expenses and charges	(127,567)	–
Previously unrecognized loss carryforwards and temporary differences	(22,686)	(29,536)
Adjustments to prior years	1,396	967
Other	5,076	6,540
Total income tax expense (recovery)	$ (83,718)	$ 55,920

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 2012	DEC 31 2011
Deferred income tax liabilities:		
Property, plant and equipment	$ 213,096	$ 270,483
Repatriation taxes	101,690	103,822
Other	24,089	43,465
	338,875	417,770
Deferred income tax assets:		
Non-capital loss carryforwards	99,904	40,284
Property, plant and equipment	125	11,295
Fair value of interest rate swap contracts	7,385	10,384
Other	39,883	53,475
	147,297	115,438
Net deferred income tax liabilities	$ 191,578	$ 302,332

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, 2012, the Company had non-capital loss carryforwards and other deductible temporary differences in New Zealand of $65 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 $91 million and other deductible temporary differences of $141 million that have not been recognized. Of the $91 million in non-capital loss carryforwards, $1 million expire in 2014, $67 million expire in 2015 and the remainder expire in 2031. The Company has $189 million of deductible temporary differences in the United States that have not been recognized.

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

	2012	2011
Balance, January 1	**$ 302,332**	$ 295,431
Deferred income tax expense (recovery) included in net income (loss)	**(114,020)**	19,679
Deferred income tax expense (recovery) included in other comprehensive income	**3,266**	(12,778)
Balance, December 31	**$ 191,578**	$ 302,332

e) Contingent liability:
The Board of Inland Revenue of Trinidad and Tobago issued assessments against the Company's 63.1% owned joint venture, Atlas Methanol Company Unlimited ("Atlas"), in respect of the 2005 and 2006 financial years. All subsequent tax years remain open to assessment. The assessments relate 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 amounts in dispute for the 2005 and 2006 financial years is not significant. Atlas has partial relief from corporation income tax until 2014.

The Company has lodged objections to the assessments. Based on the merits of the cases and legal interpretation, management believes its position should be sustained.

18. Changes in non-cash working capital:

Changes in non-cash working capital for the years ended December 31, 2012 and 2011 are as follows:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Decrease (increase) in non-cash working capital:		
Trade and other receivables	**$ (50,773)**	$ (58,403)
Inventories	**27,992**	(51,358)
Prepaid expenses	**(3,849)**	2,412
Trade, other payables and accrued liabilities, including long-term payables included in other long-term liabilities	**46,379**	119,170
	19,749	11,821
Adjustments for items not having a cash effect and working capital changes relating to taxes and interest paid	**5,098**	31,075
Changes in non-cash working capital	**$ 24,847**	$ 42,896
These changes relate to the following activities:		
Operating	**$ 21,774**	$ 35,388
Investing	**3,073**	7,508
Changes in non-cash working capital	**$ 24,847**	$ 42,896

19. 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 2012	DEC 31 2011
Liquidity:		
Cash and cash equivalents	$ 745,610	$ 350,711
Undrawn credit facility	400,000	200,000
Total liquidity	$ 1,145,610	$ 550,711
Capitalization:		
Unsecured notes	$ 739,498	$ 348,762
Limited recourse debt facilities, including current portion	505,727	554,493
Total debt	1,245,225	903,255
Non-controlling interests	187,861	197,238
Shareholders' equity	1,289,876	1,404,725
Total capitalization	$ 2,722,962	$ 2,505,218
Total debt to capitalization[1]	46%	36%
Net debt to capitalization[2]	25%	26%

[1] Total debt (including 100% of Egypt limited recourse debt facilities) divided by total capitalization.

[2] Total debt (including 100% of Egypt limited recourse debt facilities) 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.

During the year ended December 31, 2012, the Company entered into a $400 million revolving credit facility with a syndicate of banks that expires in December 2016. Note 9 provides further details regarding the financial and other covenants.

20. 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 held-for-trading derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges.

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

AS AT	DEC 31 2012	DEC 31 2011
Financial assets:		
Financial assets held-for-trading:		
Derivative financial instruments designated as cash flow hedges [1]	$ –	$ 300
Loans and receivables:		
Cash and cash equivalents	745,610	350,711
Trade and other receivables, excluding tax receivable and current portion of GeoPark financing	371,368	332,642
Project financing reserve accounts included in other assets	44,754	39,839
GeoPark financing, including current portion (note 8)	8,028	18,072
Total financial assets[2]	$ 1,169,760	$ 741,564
Financial liabilities:		
Other financial liabilities:		
Trade, other payable and accrued liabilities, excluding tax payable	$ 338,921	$ 306,455
Deferred gas payments included in other long-term liabilities	82,760	51,079
Long-term debt, including current portion	1,245,225	903,255
Financial liabilities held-for-trading:		
Derivative financial instruments designated as cash flow hedges [1]	32,910	41,536
Total financial liabilities	$ 1,699,816	$ 1,302,325

[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, 2012, 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 $342 million as at December 31, 2012. The notional amounts decrease over the expected repayment period. At December 31, 2012, these interest rate swap contracts had a negative fair value of $32.7 million (2011 – $41.5 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 euros at a fixed US dollar exchange rate. At December 31, 2012, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell a notional amount of 5.8 million euros in exchange for United States dollars and these euro contracts had a negative fair value of $0.2 million (2011 – positive fair value of $0.3 million) recorded in trade, other payables and accrued liabilites. 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, 2012. 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	DEC 31 2012	DEC 31 2011
Within one year	$ 14,490	$ 14,178
1 to 2 years	13,348	13,178
2 to 3 years	6,042	12,451
3 to 4 years	–	5,036
4 to 5 years	–	–
	$ 33,880	$ 44,843

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 nil at December 31, 2012 (December 31, 2011 – $0.5 million).

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

AS AT	DEC 31 2012		DEC 31 2011	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Long-term debt	$ 1,245,225	$ 1,302,237	$ 903,255	$ 913,311

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 2012 and 2011. The fair value of the Company's unsecured notes will fluctuate until maturity.

21. 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 New Zealand, Trinidad, Egypt and Chile. 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 a portion of the feedstock requirements 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 2012	DEC 31 2011
Fixed interest rate debt:		
Unsecured notes	$ 739,498	$ 348,762
Atlas limited recourse debt facilities (63.1% proportionate share)	42,842	56,599
	$ 782,340	$ 405,361
Variable interest rate debt:		
Atlas limited recourse debt facilities (63.1% proportionate share)	$ 6,817	$ 7,798
Egypt limited recourse debt facilities	438,631	470,208
Other limited recourse debt facilities	17,437	19,888
	$ 462,885	$ 497,894

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 20) of approximately $48.9 million as of December 31, 2012 (2011 – $7.8 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 $1.2 million as of December 31, 2012 (2011 – $1.3 million).

For the Egypt variable interest rate debt that is hedged (see note 9) with a variable-for-fixed interest rate swap (note 20), 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 $7.1 million as of December 31, 2012 (2011 – $11.3 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, 2012, the Company had a net working capital asset of $94.6 million in non-US-dollar currencies (2011 – $78.4 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 $9.5 million (2011 – $7.8 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, 2012, the Company had $745.6 million of cash and cash equivalents. In addition, the Company has an undrawn, unsecured revolving bank facility of $400 million provided by highly rated financial institutions that expires in December 2016.

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, 2012	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	1 YEAR OR LESS	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Trade and other payables[1]	$ 328,627	$ 328,627	$ 328,627	$ –	$ –	$ –
Deferred gas payments included in other long-term liabilities	82,760	86,485	11,916	74,569	–	–
Long-term debt[2]	1,245,225	1,559,862	98,869	341,301	166,145	953,547
Egypt interest rate swaps	32,707	33,880	14,490	19,390	–	–
	$ 1,689,319	$ 2,008,854	$ 453,902	$ 435,260	$ 166,145	$ 953,547

[1] Excludes tax 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, 2012.

c) Credit risks:

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, 2012 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 and 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 company policies.

22. 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 2012	DEC 31 2011
Accrued benefit obligations:		
Balance, beginning of year	$ 78,558	$ 70,072
Current service cost	2,994	2,551
Interest cost on accrued benefit obligations	3,618	3,665
Benefit payments	(4,375)	(5,522)
Settlements	(7,673)	–
Actuarial loss	2,865	11,049
Foreign exchange loss (gain)	3,510	(3,257)
Balance, end of year	79,497	78,558
Fair values of plan assets:		
Balance, beginning of year	43,276	45,378
Expected return on plan assets	2,215	2,333
Contributions	13,981	4,349
Benefit payments	(4,375)	(5,522)
Settlements	(7,673)	–
Actuarial gain (loss)	963	(2,577)
Foreign exchange gain (loss)	984	(685)
Balance, end of year	49,371	43,276
Unfunded status	30,126	35,282
Minimum funding requirement	–	260
Defined benefit obligation, net	$ 30,126	$ 35,542

The Company has an unfunded retirement obligation of $30.9 million at December 31, 2012 (2011 – $33.3 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 asset of $1.5 million at December 31, 2012 (2011 – funded obligation of $1.6 million) for its employees in Canada and a funded obligation of $0.7 million at December 31, 2012 (2011 – $0.6 million) for its employees in Europe. The Company estimates that it will make additional contributions relating to its defined benefit pensions plans totalling $5.1 million in 2013.

The Company's net defined benefit pension plan expense charged to the Consolidated Statements of Income for the years ended December 31, 2012 and 2011 is as follows:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Net defined benefit pension plan expense:		
Current service cost	$ 2,994	$ 2,551
Interest cost on defined benefit obligations	3,618	3,665
Expected return on plan assets	(2,215)	(2,333)
Cost of settlement	624	–
	$ 5,021	$ 3,883

The Company's current year actuarial losses, recognized in the Consolidated Statements of Comprehensive Income for the years ended December 31, 2012 and 2011, are as follows:

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Actuarial loss	$ 1,278	$ 13,626
Minimum funding requirement	(260)	(986)
Actuarial loss, net	$ 1,018	$ 12,640

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	2012	2011
Benefit obligation at December 31:		
Weighted average discount rate	4.5%	4.6%
Rate of compensation increase	3.9%	3.9%
Net expense for years ended December 31:		
Weighted average discount rate	5.2%	5.9%
Rate of compensation increase	4.6%	4.8%
Expected rate of return on plan assets	6.5%	6.7%

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, 2012, the Company's actual return on plan assets was a gain of $3.2 million (2011 – loss of $0.3 million).

The asset allocation for the defined benefit pension plan assets as at December 31, 2012 and 2011 is as follows:

AS AT	DEC 31 2012	DEC 31 2011
Equity securities	44%	46%
Debt securities	26%	28%
Cash and other short-term securities	30%	26%
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, 2012 was $4.6 million (2011 – $4.2 million).

23. 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 feedstock supplies and to pay for transportation capacity related to these supplies up to 2035. The minimum estimated commitment under these contracts, except as noted below, is as follows:

AS AT DECEMBER 31, 2012

2013	2014	2015	2016	2017	THEREAFTER
$ 263,101	$ 204,275	$ 161,511	$ 165,592	$ 100,275	$ 1,019,796

The Company is in the process of relocating one of its idled Chile methanol plants to Geismar, Louisiana. It is anticipated that this plant will have a production capacity of approximately 1.0 million tonnes and commence operations by the end of 2014. Subsequent to December 31, 2012, the Company entered into a ten-year natural gas agreement for the supply of all of the plant's natural gas requirements. Contractual deliveries and obligations under the contract commence on the first date of commercial operations. Also subsequent to December 31, 2012, the Company entered into a natural gas supply agreement to support the restart of its 0.5 million tonne per year Waitara Valley facility in New Zealand. No amounts have been included in the above table related to these contracts.

b) Chile and 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. Under the current circumstances, the Company does not expect to receive any further natural gas supply from Argentina. These potential purchase obligations have been excluded from the table above.

The Company also has supply contracts with Empresa Nacional del Petroleo (ENAP) for a portion of the capacity for its facilities in Chile. Over the last few years, deliveries from ENAP have been declining and ENAP has delivered significantly less than the full amount of natural gas that it was obligated to deliver under these contracts. These potential purchase obligations have been excluded from the table above.

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, 2012

2013	2014	2015	2016	2017	THEREAFTER
$ 124,220	$ 96,622	$ 73,579	$ 68,798	$ 65,492	$ 281,126

For the year ended December 31, 2012, the Company recognized as an expense $141.1 million (2011 – $142.3 million) relating to operating lease payments, including time charter vessel payments.

d) Purchased methanol:
The Company has marketing rights for 100% of the production from its jointly owned plants (the Atlas plant in Trinidad in which it has a 63.1% interest and the plant in Egypt in which it has 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, 2012, the Company also had commitments to purchase methanol under other contracts for approximately 0.5 million tonnes for 2013 and 2.6 million tonnes thereafter. The pricing under these purchase commitments is referenced to pricing at the time of purchase or sale, and accordingly, no amounts have been included above.

24. Related parties:

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

NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	INTEREST % DEC 31 2012	INTEREST % DEC 31 2011
Significant subsidiaries:				
Methanex Asia Pacific Limited	**Hong Kong**	**Marketing & distribution**	100%	100%
Methanex Europe NV	**Belgium**	**Marketing & distribution**	100%	100%
Methanex Methanol Company, LLC	**United States**	**Marketing & distribution**	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%
Methanex U.S.A. LLC	**United States**	**Production**	100%	–
Waterfront Shipping Company Limited	**Cayman Islands**	**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 7.

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

FOR THE YEARS ENDED DECEMBER 31	2012	2011
Short-term employee benefits	$ 11,223	$ 10,808
Post-employment benefits	746	715
Other long-term employee benefits	82	72
Share-based compensation expense (recovery)	19,690	(3,328)
Total	$ 31,741	$ 8,267