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

FORM 40-F

[Check One]

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

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

For the fiscal year ended December 31, 2008 **Commission File Number 0-20115**

METHANEX CORPORATION

(Exact name of Registrant as specified in its charter)

CANADA
(Province or other jurisdiction of incorporation or organization)

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

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

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

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

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 each class)

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

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

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

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

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

92,031,392 Common Shares were outstanding as of December 31, 2008

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

Yes o 82 - _____ **No** þ

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

Yes þ **No** o

CONTROLS AND PROCEDURES

Disclosure controls and procedures are defined by the Securities and Exchange Commission as those controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. The Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the Registrant's disclosure controls and procedures as of December 31, 2008 and have determined that such disclosure controls and procedures are effective.

Internal control over financial reporting is a process designed by, or under the supervision of, senior management, and effected by the Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP), including a reconciliation to United States GAAP. These controls include 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 Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and
- 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 annual financial statements or interim financial statements.

There have been no changes during the year ended December 31, 2008 to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management's Report on Internal Control over Financial Reporting is provided on page 42 of the Registrants' Management's Discussion and Analysis in Exhibit 99.2.

AUDIT COMMITTEE FINANCIAL EXPERT

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

CODE OF ETHICS

The Registrant has adopted a code of ethics that applies to directors, officers and employees including the Registrant's principal executive officer, principal financial officer and principal accounting officer. A copy of the Registrant's code, entitled "Code of Business Conduct", can be found on the Registrant's website at www.methanex.com. No waivers from or material amendments to the provisions of the Code were made in 2008.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

Pre-Approval Policies and Procedures

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

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

Fees billed by KPMG LLP during the years ended December 31, 2008 and December 31, 2007 were as follows:

US$000s	**2008**	**2007**
Audit Fees	1,409	1,810
Audit-Related Fees	26	42
Tax Fees	217	393
All Other Fees	—	—
Total	**1,652**	**2,245**

Each fee category is described below.

Audit Fees

Audit fees were billed 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 billed in 2008 were in respect of an “integrated audit” performed by KPMG LLP. 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 were billed 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 as to the accounting or disclosure treatment of other transactions.

Tax Fees

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

OFF-BALANCE SHEET ARRANGEMENTS

Disclosure of off-balance sheet arrangements is made on page 26 of the Registrant’s “Management’s Discussion and Analysis” for the year ended December 31, 2008, filed as Exhibit 99.2 to this report.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Tabular disclosure of contractual obligations is made on page 22 of the Registrant’s “Management’s Discussion and Analysis” for the year ended December 31, 2008, filed as Exhibit 99.2 to this report.

IDENTIFICATION OF THE AUDIT COMMITTEE

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

A. Terence Poole, Chair
Phillip Cook
John Reid
Janice Rennie
Graham Sweeney

UNDERTAKING

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

CONSENT TO SERVICE OF PROCESS

A Form F-X signed by the Registrant and the Registrants’ agents for service of process with respect to the Common Shares was filed with the Commission together with the Form 40-F of the Registrant on June 16, 1995; with respect to the 8.75% Senior Notes due August 15, 2012 was filed with the Commission together with the Form F-9 of the Registrant on May 31, 2002, and; with respect to the 6.0% Senior Notes due August 15, 2015 was filed with the Commission together with the Form F-9 of the Registrant on July 21, 2005.

SIGNATURES

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

METHANEX CORPORATION

Date: March 27, 2009

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

EXHIBITS

Exhibit No	Description
23.1	Consent of KPMG LLP dated March 27, 2009 and Report of Independent Accountants
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Senior Vice President, Finance and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Senior Vice President, Finance and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Annual Information Form of the Registrant dated March 17, 2009
99.2	Management's Discussion and Analysis for the Year Ended December 31, 2008
99.3	Audited Consolidated Financial Statements of the Registrant for the year ended December 31, 2008 and the Independent Auditor's Report thereon

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

To the Board of Directors of Methanex Corporation

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

- our auditors' report dated March 6, 2009 on the consolidated balance sheets of Methanex Corporation ("the Company") as at December 31, 2008 and December 31, 2007, and the consolidated statements of income, shareholders' equity, comprehensive income and cash flows for the years then ended; and

- our Report of Independent Public Accounting Firm dated March 6, 2009 on the effectiveness of internal control over financial reporting as of December 31, 2008

each of which is contained in this annual report on Form 40-F of the Company for the fiscal year ended December 31, 2008.

We also consent to the incorporation by reference of such reports in the Registration Statements (No. 33-112624 and No. 33-141833) on Form S-8 of the Company.

/s/ KPMG LLP
Chartered Accountants
Vancouver, Canada
March 27, 2009

Exhibit 31.1

CERTIFICATION

I, Bruce Aitken, certify that:

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

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

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

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

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

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

Date: March 27, 2009

/s/ BRUCE AITKEN
Bruce Aitken
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Ian Cameron, certify that:

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

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

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

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

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

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

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

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

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

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

Date: March 27, 2009

/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, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bruce Aitken, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

/s/ BRUCE AITKEN

Bruce Aitken
President and Chief Executive Officer
March 27, 2009

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, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ian Cameron, Senior Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

/s/ IAN CAMERON

Ian Cameron
Senior Vice President,
Finance and Chief Financial Officer
March 27, 2009

Exhibit 99.1



METHANEX CORPORATION

ANNUAL INFORMATION FORM

www.methanex.com

March 17, 2009

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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 and 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 2008 Management's Discussion and Analysis ("2008 MD&A"), which contains information required to be included in this AIF. The 2008 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.

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

1 tonne of methanol = 332.6 US gallons

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 recognized industry reports regularly published by independent consulting and data compilation organizations in the methanol industry, including Chemical Market Associates Inc., Jim Jordan & Associates, Tecnon OrbiChem Ltd. and Reed Business Information Ltd. (ICIS). Industry publications generally state that the information they contain 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 Canadian Chemical Producers' Association and is used under license by us.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements with respect to us and the chemical industry. Statements that include the words "believes", "expects", "may", "will", "should", "seeks", "intends", "plans", "estimates", "anticipates", or the negative version of those words or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements.

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.

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 include those attendant with producing and marketing methanol and successfully carrying out major capital expenditure projects in various jurisdictions, including the on-time and on-budget completion of a new methanol plant that we are developing with partners in Egypt, the ability to successfully carry out corporate initiatives and strategies, conditions in the methanol and other industries, fluctuations in the supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses, the price of oil, the success of natural gas exploration and development activities in southern Chile and New Zealand and our ability to obtain any additional gas in those regions on commercially acceptable terms, actions of competitors and suppliers, actions of governments and governmental authorities, changes in laws or regulations in foreign jurisdictions, world-wide economic conditions and other risks described in our 2008 MD&A. In addition to the foregoing risk factors, the current global financial crisis and weak economic environment has added additional risks and uncertainties including changes in capital markets and corresponding effects on the Company's investments, our ability to access existing or future credit and defaults by customers, suppliers or insurers.

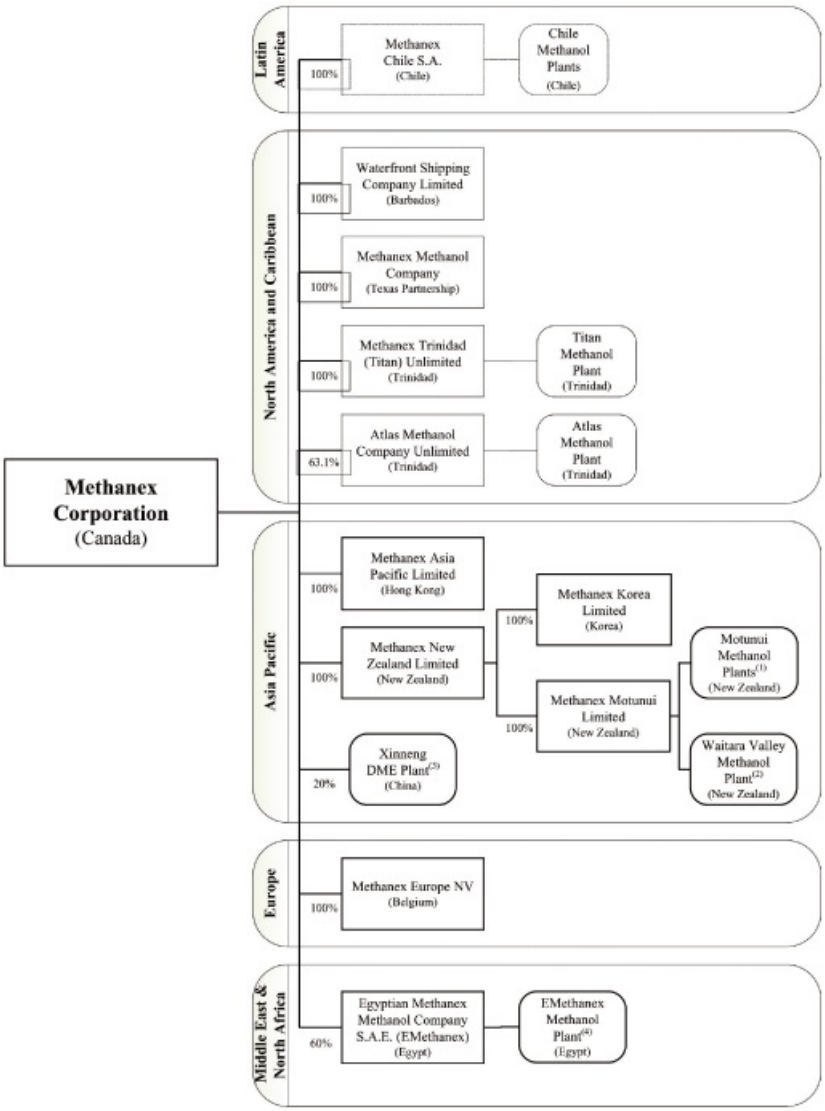
Refer to the *Risk Factors and Risk Management* section of our 2008 MD&A for a detailed list of the material risks to our business.

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.

THE COMPANY

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

The following chart includes the Company's principal operating subsidiaries and partnerships as of December 31, 2008 and, for each subsidiary or partnership, its place of organization and the Company's percentage of voting interests beneficially owned or over which control or direction is exercised. The chart also shows our principal production facilities and their locations.



(1) The Motunui facilities in New Zealand can produce up to 1.9 million tonnes per year of methanol and were idled in November 2004 as a result of natural gas supply constraints. We restarted one idled 900,000 tonne per year Motunui plant in October 2008.

(2) Our 530,000 tonne per year Waitara Valley Plant in New Zealand was idled in October 2008 after the restart of our 900,000 tonne per year Motunui Plant.

(3) We own a 20% interest in a joint venture company in China, Xinneng (Zhangjiagang) Energy Ltd., that owns the 200,000 tonne per year Xinneng DME plant. Xinneng Investment Group Limited and Hebei Veyong Bio-chemical Co. Ltd. (both subsidiaries of the ENN Group) own the remaining 80% interest in the joint venture company.

(4) The 1.3 million tonne per year EMethanex methanol facility in Egypt is currently under construction and is expected to commence commercial operations in early 2010.

BUSINESS OF THE COMPANY

We produce and market methanol, a chemical that is used to make a wide range of industrial and consumer products. We are the world's largest supplier of methanol and the largest supplier of methanol to each of the major international markets of North America, Asia Pacific and Europe as well as Latin America.

What is Methanol?

Methanol is a liquid chemical that is predominantly produced from natural gas and is also produced from coal, particularly in China. Methanol is typically used as a chemical feedstock to manufacture other products.

Methanol is primarily used to produce 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 global economic activity levels. These derivatives are used to manufacture a wide range of products, including building materials, foams, resins and plastics.

Methanol also has a number of energy related uses. Methanol has been used for many years to produce methyl tertiary butyl ether (MTBE), a gasoline component. In addition, in recent years there has been significant growth in methanol demand for energy applications such as dimethyl ether (DME), direct blending into gasoline and biodiesel.

Due to the diversity of the end products in which methanol is used, methanol demand is influenced by a broad range of economic, industrial and environmental factors. Global methanol demand in 2008 is estimated at approximately 40 million tonnes.

Our Operations

We own and operate methanol production facilities in Chile, Trinidad and New Zealand and we are constructing a new facility in Egypt with partners. Our production hubs in Chile, Trinidad and New Zealand have a total annual production capacity of 7.2 million tonnes. Our New Zealand production facilities represent 1.4 million tonnes of this annual production capacity, and provide us with flexible production that is primarily dependent on the availability of economically priced natural gas feedstock. In addition to the methanol we produce, we purchase methanol produced by others under methanol purchase contracts and on the spot market. This provides us with flexibility and certainty in managing our supply chain while continuing to meet customer needs and support our marketing efforts. We sell methanol through an extensive global marketing and distribution system.

Our multiple production sites and integrated global supply chain have enabled us to become the world's largest supplier of methanol. Our total sales volume in 2008 was 6.1 million tonnes representing approximately 15% of estimated global demand for methanol.

As a result of our excellent record of reliability and our global positioning, including an extensive network of storage terminals, a fleet of dedicated ocean vessels and our expertise in the global distribution of methanol, we believe we have a competitive advantage as a supplier of methanol to major chemical and petrochemical producers for whom quality of service and reliability of supply are important. We believe this competitive advantage provides us with marketing and transportation synergies and an improved customer mix.

The methanol industry, similar to most other industries, has been significantly impacted by the global financial crisis and related economic slowdown. We believe we are well positioned to endure this period of economic uncertainty as we have a strong balance sheet and no near-term refinancing requirements (refer to the *Liquidity and Capitalization* section of our 2008 MD&A for more information). However, in this uncertain global environment, we are carefully managing our operating and capital costs. We have recently embarked on a broad corporate cost-savings plan that includes reducing our operating costs and cancelling or postponing almost all discretionary capital spending. Our priorities for allocating our capital are to complete the new methanol project in Egypt and continue to support the acceleration of natural gas development in Chile (refer to *Natural Gas Supply — Chile* beginning on page 15 for more information). Our goal is to emerge from this period of economic uncertainty a stronger company with more methanol production and cash generation capability.

Our operations consist of the production and sale of methanol, which constitutes a single operating segment. Revenue, sales volumes and production volumes for each of the last two years can be found under the heading *Financial Highlights* in our 2008 MD&A.

DEVELOPMENT OF THE BUSINESS AND CORPORATE STRATEGY

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

Global Leadership

We are the leading supplier of methanol to the major international markets of North America, Asia Pacific, Europe, and Latin America. Our leadership position has enabled us to play an important role in the industry including the publication of Methanex reference prices in each major market. Most of our customer contracts use our reference prices as the basis for pricing.

The strategic location of our Chile, Trinidad and New Zealand production sites allows us to deliver methanol cost-effectively to our customers in all major global markets while our investments in global distribution and supply infrastructure enable us to enhance value to customers by providing reliable and secure supply. Although we have experienced significantly reduced production from our assets in Chile since mid-2007 (refer to the Natural Gas Supply — Chile section on page 15 for more information), we have continued to meet our commitments to customers. We have achieved this by increasing the level of purchased methanol through a combination of methanol purchase contracts and spot purchases. We manage the cost of purchased methanol by taking advantage of our global supply infrastructure, which allows us to purchase methanol in the most cost-effective region while still maintaining overall security of supply. We also increased production capacity from our flexible assets in New Zealand by approximately 400,000 tonnes in 2008.

Over the past few years we have continued to invest and develop our presence in the Asia Pacific region. In 2007, we added additional storage capacity in Zhangjiagang, China and expanded our offices in Shanghai and Hong Kong in order to enhance our customer service and industry positioning in this region. This enables us to participate in and improve our knowledge of the rapidly evolving and high growth methanol market in China and other Asian countries. Our strengthening presence in Asia has also helped to identify several opportunities to develop applications for methanol in the energy sector. We also opened an office in Dubai, UAE in 2007 to enhance our corporate presence and capitalize on future opportunities in the Middle East.

We continue to make progress in sponsoring methanol demand growth into emerging energy applications. In late 2006, we entered into a long-term methanol supply agreement with ENN Group to supply all of its methanol requirements for a new 200,000 tonne per year DME facility near Shanghai which began operations in 2007. In September 2007, we purchased a 20% interest in this DME facility for $5 million. We have also entered into a joint venture agreement to develop a similar DME facility in Egypt. The joint venture will include Methanex and the ENN Group as minority interests, with the government-owned Egyptian Petrochemicals Holding Company (EChem) holding the majority interest. EChem is also a partner in our new methanol project in Egypt.

Value Creation

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

Natural gas is the primary feedstock at our methanol production facilities. An important element of our strategy is to ensure long-term security of natural gas supply. Our production facilities in Chile represent 3.8 million tonnes of annual production capacity, and we have historically sourced our natural gas feedstock from suppliers in Argentina and Chile.

Since June 2007, our natural gas suppliers in Argentina have curtailed all natural gas supply to our plants in Chile in response to various actions by the Argentinean government, including imposing a large increase to the duty on natural gas exports from Argentina. Since that time we have been operating these facilities at significantly reduced rates. Under the current circumstances, we do not expect to receive any further natural gas supply from Argentina. We believe the solution to this issue is to source all our natural gas requirements from suppliers in Chile. We have actively pursued investment opportunities to accelerate natural gas exploration and development in areas of southern Chile that are relatively close to our production facilities. We have made investments with our two existing natural gas suppliers in Chile, Empresa Nacional del Petroleo (ENAP) and GeoPark Chile Limited (GeoPark), and are pursuing other investment opportunities resulting from an international bidding round by the government of Chile in which it assigned natural gas exploration areas in southern Chile (Refer to the Natural Gas Contracts with Suppliers in Chile section on page 15 for more information).

Our production facilities in Trinidad represent 1.9 million tonnes per year of competitive cost production capacity. These facilities are underpinned by long-term take-or-pay natural gas purchase agreements where the gas price varies with methanol prices. During 2008, we had excellent operating performance at these facilities and produced above original nameplate capacity.

We have positioned our facilities in New Zealand as flexible production assets. During 2008, we added approximately 400,000 tonnes of incremental annual capacity by restarting one of our 900,000 tonne per year facilities at our Motunui site and idling our smaller scale 530,000 tonne per year Waitara Valley facility in New Zealand. We have the flexibility to operate the Motunui plant or the Waitara Valley plant, or both, depending on methanol supply and demand and the availability of natural gas on commercially acceptable terms.

We are currently constructing a 1.3 million tonne per year methanol facility in Egypt located in Damietta on the Mediterranean Sea. In 2007, we completed the financing for the project and began construction. By the end of 2008, the project was approximately 70% complete and is on budget and on schedule to start up in early 2010. We are developing the project with partners in which we have a 60% interest and marketing rights for 100% of the production. We believe this methanol facility will further enhance our competitive positioning with its low cost structure and excellent location to supply the European market.

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. Our balance sheet is strong with a cash balance of $328 million at year-end, no re-financing requirements until 2012, an undrawn $250 million credit facility provided by highly rated financial institutions that expires in mid-2010, and financing in place to complete the construction of the methanol facility in Egypt. We believe we are well positioned to meet our financial commitments in this time of economic uncertainty and continue to invest to grow our business.

Operational Excellence

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

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

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

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

METHANOL INDUSTRY INFORMATION

General

Methanol is a clear colourless liquid that is typically used as a chemical feedstock to manufacture other products.

In 2008, approximately 70% of all methanol was used to produce formaldehyde, acetic acid and a variety of other chemicals that form the foundation of a large number of chemical derivatives for which demand is influenced by levels of global economic activity. These derivatives are used to manufacture a wide range of products including plywood, particleboard, foams, resins and plastics. The remainder of methanol demand is largely in the energy sector, principally as a feedstock in the production of MTBE and DME and for direct blending into gasoline. Methanol is also used as a feedstock in other energy applications such as biodiesel.

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

The methanol market is global and, over the last several years, has become more complex and subject to increasingly diverse influences due to the expanding number of uses for methanol and its derivatives around the world combined with volatile global energy prices and significant increases to capital costs. While the global methanol industry has enjoyed healthy demand growth for the past several years, the global economic slowdown that began in the latter half of 2008 has had a significant negative impact on demand, supply and pricing in our industry.

Refer to the *Risk Factors and Risk Management* section of our 2008 MD&A for more information regarding risks related to methanol price cyclicality and methanol demand as well as the current global financial crisis and its impact on the methanol industry and our Company.

Demand Factors

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

We estimate that global demand for methanol in 2008 was approximately 40 million tonnes, which is very similar to demand in 2007. Although demand was healthy during the first three quarters of 2008, the global financial crisis and resultant slowing of global economic activity caused a sudden and significant drop in demand in the fourth quarter of 2008 that offset the growth earlier in the year. We estimate that demand contracted by approximately 15% in the fourth quarter compared to the third quarter of 2008 and we estimate total global demand is currently approximately 35 million tonnes measured on an annualized basis. To put this into perspective, the average annual growth rate for global methanol demand from 2000 to 2007 was close to 4% per year. This drastic reduction in demand was more prominent in traditional derivatives, whose demand is closely linked to economic activity. Demand for methanol for energy applications was relatively stable as declining methanol prices continued to position methanol-based energy products as relatively cost competitive.

Chemical Derivative Demand

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

Formaldehyde Demand

In 2008, methanol for the production of formaldehyde represented approximately 36% of global methanol demand. This compares to approximately 40% in 2007. 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. There are studies and proposals currently underway in a number of countries with respect to the reclassication of formaldehyde based on its carcinogenicity and/or the reduction of permitted formaldehyde exposure levels. Such studies and proposals could lead to regulatory or other action that could materially reduce demand for formaldehyde, which would materially reduce demand for methanol for making formaldehyde. Refer to the *Risk Factors and Risk Management* section of our 2008 MD&A for more information regarding risks related to formaldehyde demand.

Acetic Acid Demand

In 2008, approximately 11% of all methanol produced annually was used to produce acetic acid. This compares to approximately 11% in 2007. Acetic acid is a chemical intermediate used principally in the production of vinyl acetate monomer ("VAM"), acetic anhydride, purified terephthalic acid and acetate solvents, which are used in a wide variety of products including adhesives, paper, paints, plastics, resins, solvents, pharmaceuticals and textiles. In recent years the acetic acid industry has seen increased demand for water-based solvents produced with VAM for use in paints and adhesives due to environmental concerns associated with emissions of volatile organic compounds from other types of solvents.

Other Chemical Derivative Demand

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

Energy Demand

Methanol has been used to make MTBE, a gasoline additive, for many years and, for a variety of reasons, its use has been declining in many parts of the world. However, there are several other energy-related uses for methanol that have developed more recently that have witnessed substantial growth and we believe that they have the potential to grow further, particularly in an environment of higher energy prices. These include DME, direct blending of methanol into gasoline and diesel (primarily in China), and biodiesel.

In 2008, methanol for the production of MTBE represented approximately 14% of global methanol demand, which is unchanged from 2007. Other energy applications, including DME, direct blending into gasoline and biodiesel, accounted for approximately 16% of global methanol demand (compared to 10% in 2007) and were the fastest growing end-use segments for methanol in 2008. Demand for methanol for energy-related uses has been relatively stable despite the current global economic slowdown.

MTBE Demand

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

Several years ago, environmental concerns and legislative action related to MTBE and other gasoline components leaking into water supplies from underground gasoline storage tanks in the United States have led to 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 in the last two years to make MTBE for use in domestic fuel blending. However, approximately 750,000 tonnes of methanol was used in 2008 (compared to approximately 900,000 tonnes in 2007) to produce MTBE in the United States for non-fuel use and for export markets. Demand for methanol for MTBE production in the United States may decline further. The pace of decline of such demand is uncertain and will be determined by various factors, including the export economics of MTBE producers in the United States.

The Environmental Protection Agency (EPA) in the United States is currently reviewing the human health effects of MTBE, including its potential carcinogenicity. In addition, governmental efforts in some European Union and Latin American countries to promote biofuels and alternative fuels through legislation or tax policy are putting competitive pressures on the use of MTBE in gasoline in Europe and Latin America and this has resulted in some MTBE producers switching production to ethyl tert-butyl ether (ETBE) to access biofuels incentives. The results of the EPA's review of MTBE and governmental actions in Europe and Latin America could cause demand for MTBE to decline in the United States, Europe and Latin America and could also lead to other countries taking similar actions. Refer to the *Risk Factors and Risk Management* section of our 2008 MD&A for more information regarding risks related to MTBE demand.

Elsewhere in the world, we believe that there is potential for continuing growth in MTBE demand because MTBE continues to be used elsewhere as a source of octane, with stable demand for its clean air benefits. Our belief is based on actions being taken around the world to reduce lead, benzene and other aromatics in gasoline and to improve the emissions performance of vehicles generally.

All of these recent developments lead us to believe that over the next couple of years, global demand for MTBE may decline slightly due to declining MTBE production in the United States and increasing incentives for biofuels in Europe and Latin America. However, we expect that demand for MTBE in Asia and the Middle East will remain healthy.

Methanol Demand for Fuel Blending

In the past, a number of countries have blended methanol into gasoline for use as a transportation fuel to reduce reliance on imported oil products and because of its clean air benefits and price relative to gasoline. For similar reasons, methanol-gasoline blending in China has grown rapidly and significantly over the last several years. More recently, methanol is also being blended into diesel in China. In 2008, methanol demand for direct blending into gasoline and diesel in China was estimated at 3.3 million tonnes (compared to 2.0 million tonnes in 2007). Despite the global economic slowdown, Chinese demand for methanol blending into gasoline and diesel has remained steady because we believe that as methanol prices have declined, Chinese diesel and gasoline prices have remained high in relation to methanol prices and profits for fuel blenders in China have continued to be healthy. We understand that the Chinese government is currently planning to publish national fuel blending standards for methanol in gasoline, which we expect will provide further momentum for growth of methanol fuel blending in China. We also understand that certain Chinese provincial and national government organizations are conducting further research and trials using methanol as a transportation fuel.

To our knowledge no countries outside China are actively blending methanol into gasoline. However, we understand that some major auto companies in Europe and Asia and some government bodies, such as the EPA in the United States, have begun research and trials related to the use of methanol as a transportation fuel.

DME Demand

DME is a clean-burning fuel that can be stored and transported like liquefied petroleum gas (LPG). DME, which is typically produced from methanol, can be blended up to approximately 20% with LPG and used for household cooking and heating. DME has seen rapid growth for blending into LPG and we believe it will continue to show strong growth in coming years, particularly in China and particularly in an environment of higher energy prices. DME can also be used as a clean-burning substitute for diesel in transportation. However, while the technology for using DME as a diesel substitute is well advanced, it has not yet entered widespread commercialization. In 2008, global methanol demand for use in DME was estimated at 2.0 million tonnes (compared to 900,000 tonnes in 2007). DME projects are also under construction in other regions, including the Middle East, Europe and Latin America.

Biodiesel Demand

Biodiesel is a renewable fuel made from plant oils or animal fats and requires an alcohol, such as methanol, as part of the production process. In 2008, global methanol demand for use in biodiesel was estimated at 1.0 million tonnes (compared to 900,000 tonnes in 2007). We expect future growth in biodiesel to be driven primarily by higher energy prices and government programs to promote a renewable alternative to petroleum fuels.

Supply Factors

While a significant amount of new methanol capacity has come on stream over the past few years, a large number of methanol producers with higher cost structures (mainly due to high natural gas feedstock prices) have shut down plants in North America and Europe. 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.

Newer world-scale methanol plants are generally constructed in remote coastal locations with access to lower cost feedstock, although this advantage is sometimes offset by higher distribution costs due to their distance to major markets. There is typically a span of three 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, by carrying out major expansions of existing plants and by 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, not all announced capacity additions have resulted in the completion of new plants. 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 deliver methanol to customers. Obtaining access to natural gas feedstock at appropriate prices has become more challenging over the last several years as demand for natural gas is increasing for other uses, such as liquified natural gas (LNG), domestic energy use or as a feedstock for other chemical products.

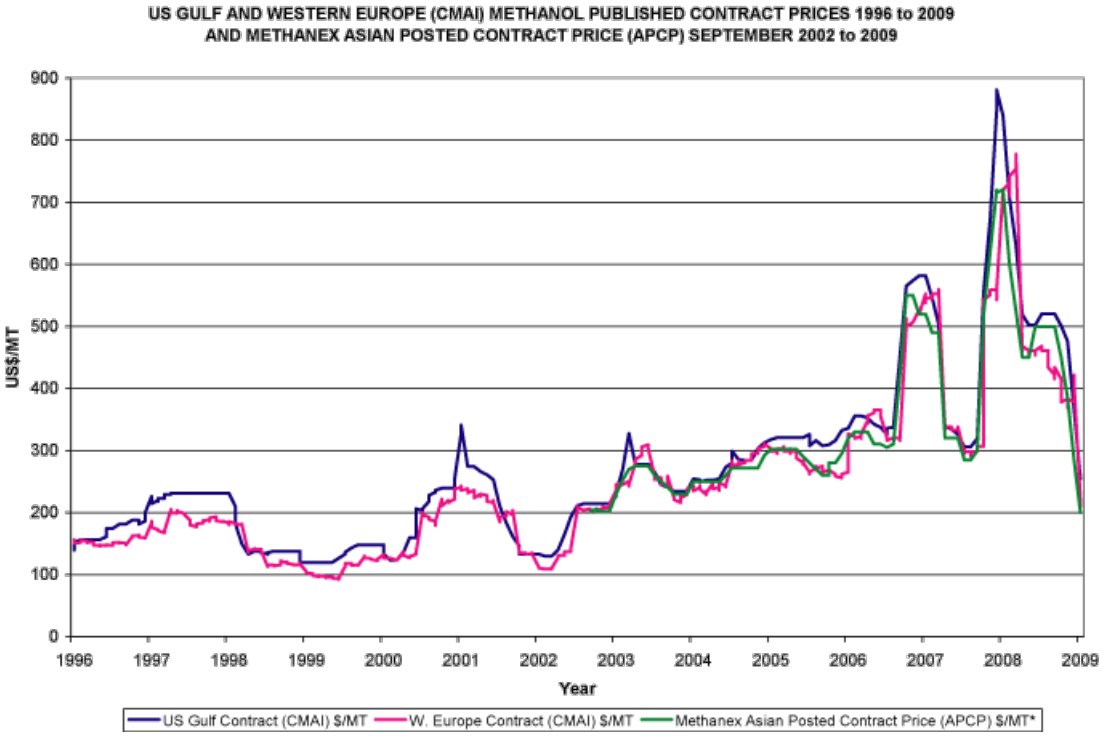
Since the beginning of 2008, there have been two significant methanol production capacity additions outside of China — a 1.7 million tonne per year facility in Saudi Arabia that started up in the second quarter of 2008 and a 1.7 million tonne per year facility in Malaysia that is currently in the process of starting up. Over the two-year period to the end of 2010, it is expected that new methanol capacity and expansions outside of China will add an additional 5.3 million tonnes of capacity to the global industry, including the 1.3 million tonne plant that we are constructing in Egypt with partners. We believe that this new capacity could be offset by demand growth outside of China, import growth into China and closures of high cost capacity in the industry. In reaction to the sharp decrease in demand caused by the global financial crisis and weak economic environment, we estimate that as much as 7 million tonnes of annual high cost capacity either shut down or reduced operating rates in the fourth quarter of 2008, primarily in China as well as other regions such as Russia and Eastern Europe.

With respect to China, numerous smaller-scale plants were added in China in 2008, representing approximately 5.8 million tonnes of annual capacity, and there are significant capacity additions planned in China over the next few years. However, the Chinese methanol industry has historically operated at low rates and there has been increasing pressure on its cost structure as a result of feedstock costs for both coal and natural gas based producers, and the cost for Chinese producers to export has escalated as a result of reduced fiscal incentives and an appreciating local currency. While the recent decline in global energy prices has put some downward pressure on feedstock costs in China, many Chinese producers continue to have high cost structures. For example, in reaction to the recent global economic slowdown, we estimate that approximately 6 million tonnes of annualized production shut down in China during the fourth quarter of 2008 and net imports into China increased by approximately 3 million tonnes on an annualized basis. In addition, the majority of the methanol produced in China is coal-based, which is typically lower quality and often not suitable for many international customers. In a higher global energy price environment, we believe that methanol demand in China will grow at high rates. We also believe that this high growth rate will more than offset expected increases in domestic production in China and, as a result, imports of methanol into China will increase over time.

Methanol Prices

Methanol is an internationally traded commodity. Methanol prices have historically been cyclical and sensitive to overall production capacity relative to demand, the price of feedstock (primarily natural gas or coal), energy prices and general economic conditions.

The following chart shows published methanol contract prices (in United States dollars per tonne) in the United States Gulf, Western Europe and Asia:



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

Methanol prices in the United States, Europe and Asia Pacific have largely tracked each other, though often with leads or lags.

The majority of methanol sold globally is priced with reference to various published regional contract prices to which discounts may be applied. Spot market transactions also occur, although they represent a relatively small portion of the total volume that is traded.

Currently, the majority of our sales are covered by long-term or rolling one-year sales contracts. We publish a regional non-discounted price for each major methanol market and these posted prices are reviewed and revised from time to time based on industry fundamentals and market conditions. Most of our customer contracts now use published Methanex reference prices as a basis for pricing, and customer discounts to these prices may apply based on various factors. In addition, we have entered into long-term contracts for a portion of our production volume with certain global customers where prices are either fixed or linked to our costs plus a margin. As a result of these contracts, the difference between our non-discounted published reference prices and our realized prices is expected to narrow during periods of lower pricing. In 2008, sales under these contracts represented approximately 23% of our total sales volumes.

Our average realized methanol price in 2008 was $424 per tonne, compared to $375 per tonne in 2007. Methanol demand was healthy and prices were strong for the first three quarters of 2008. However, demand began to soften near the end of the third quarter and in the fourth quarter of 2008, because methanol, like most global commodities, was materially impacted by the sudden and significant decrease in demand caused by the global financial crisis and related economic slowdown and this resulted in a substantial reduction of prices. In January 2009, our average non-discounted methanol price across all major regions was approximately $220 per tonne.

There is currently significant uncertainty caused by the global financial crisis and weak economic environment and its impact on our business. The significant slowdown in the global economy that was seen in the fourth quarter of 2008 has persisted into 2009 and it is uncertain how long the current weak economic environment will last or how severe it may become. These global economic conditions materially affect both the supply and demand for methanol and the methanol price. The degree to which our business is impacted is dependent upon the duration and severity of these economic conditions. Going forward, methanol prices will ultimately depend on the strength of global demand, industry operating rates, global energy prices, and the rate of industry restructuring.

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 every three or more years are necessary to change catalysts or perform maintenance activities that cannot otherwise be completed with the plant operating (a process commonly known as a turnaround) and these shutdowns typically take between three and four weeks. Catalysts generally need to be changed every six years, although there is flexibility to extend catalyst life if conditions warrant. Careful planning and scheduling is required to ensure that maintenance and repairs can be carried out during turnarounds. In addition, both scheduled and unscheduled shutdowns may also occur between turnarounds. We prepare a comprehensive eight-year turnaround plan that is updated annually for all of our production facilities.

The following table sets forth the annual production capacity and actual production for our facilities that operated for the last two years:

	Year Built	Annual Production Capacity(1) (tonnes/year)	2008 Production (tonnes)	2007 Production (tonnes)
Punta Arenas, Chile				
Chile I	1988	925,000	—	613,000
Chile II	1996	1,010,000	162,000	286,000
Chile III	1999	1,065,000	926,000	619,000
Chile IV	2005	840,000	—	323,000
Trinidad				
Titan	2000	850,000	871,000	861,000
Atlas(2)	2004	1,073,000	1,134,000	982,000
New Zealand				
Waitara Valley(3)	1983	530,000	390,000	435,000
Motunui(3)	(4)	900,000	180,000	—
Total		**7,193,000**	**3,663,000**	**4,119,000**

(1) The annual production capacities of our Trinidad plants are stated at original nameplate capacity. The actual production at these facilities was above original nameplate capacity in 2008 as a result of efficiencies gained through improvements and experience in operating these plants. The annual production capacity of our facilities in Chile and New Zealand may be higher than original nameplate capacity as, over time, these figures have been adjusted to reflect ongoing operating efficiencies at these facilities.

(2) We own 63.1% of the Atlas methanol facility and our partner, BP, owns 36.9%. This table shows our proportionate share of the operating capacity and production.

(3) In early October 2008, we restarted one of our two idled 900,000 tonne per year facilities at our Motunui site in New Zealand and we idled our 530,000 tonne per year Waitara Valley facility. We have the flexibility to operate the Motunui plant or the Waitara Valley plant, or both, depending on methanol supply and demand dynamics and the availability of natural gas on commercially acceptable terms, and accordingly, we have included both of these facilities in the production capacity for New Zealand. We have excluded the second Motunui facility from production capacity in New Zealand as we currently have no intention to restart this facility.

(4) The facilities at our Motunui site were constructed between 1985 and 1995.

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, Dallas), Europe (Brussels and Billingham, England), Asia Pacific (Hong Kong, Shanghai, Tokyo and Seoul), Latin America (Santiago, Chile), and the Middle East (Dubai, U.A.E.). Most of our customers are large global or regional petrochemical manufacturers or distributors. Refer to the *Risk Factors and Risk Management* section of our 2008 MD&A for more information regarding customer credit risk.

The following chart shows the distribution of our sales of methanol by region for the year ended December 31, 2008:

Marketing Region	**Methanex 2008 Sales** (000s tonnes)
North America	2,789
Latin America	490
Europe	1,197
Asia Pacific	1,578
Total Global Sales	**6,054**

We believe our ability to sell methanol from a number of geographically dispersed production sites enhances our ability to secure major chemical and petrochemical producers as customers for whom reliability of supply and quality of service are important. Our global network of marketing offices, together with storage and terminal facilities and worldwide shipping operations, also allow us to provide larger customers with multinational sourcing of product and other customized arrangements.

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

DISTRIBUTION AND LOGISTICS

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

To retain optimal flexibility in managing our shipping fleet, we have entered into short-term and long-term time charter agreements covering vessels with a range of capacities. We also ship methanol under contracts of affreightment and through spot arrangements. We use larger vessels as key elements in our supply chain to move product from our production facilities to storage facilities located in major ports. We use smaller vessels capable of entering into restricted ports to deliver directly to 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 plants in New Zealand supply customers in the Asia Pacific region. Our production site in Chile can supply all global regions due to its geographic location.

Due to the natural gas curtailments at our Chilean facilities that caused the loss of 70% of our Chilean production since mid-2007, we have had excess shipping capacity that is subject to fixed time charter costs. We have been successful in mitigating these costs by entering into sub-charters and third-party backhaul arrangements. However, we cannot provide assurance that we will continue to be able to mitigate these costs in the future.

NATURAL GAS SUPPLY

General

Natural gas is the principal feedstock for methanol at our production facilities and accounts for a significant portion of our total production costs. Accordingly, our profitability depends in large part on both the security of supply and the price of natural gas. An important part of our strategy is to ensure long-term security of supply of natural gas feedstock. If, for any reason, we are unable to obtain sufficient natural gas for any of our plants on commercially acceptable terms or there are interruptions in the supply of contracted natural gas to our facilities, we could be forced to curtail production or close such plants. Refer also to the *Risk Factors and Risk Management — Security of Natural Gas Supply and Price* section of our 2008 MD&A.

Most of the natural gas supply contracts for our production facilities are "take-or-pay" contracts denominated in United States dollars that include base and variable price components to reduce our commodity price risk exposure. "Take-or-pay" means that we are obliged to pay for the gas supply regardless of whether we take delivery. Such commitments are typical in the methanol industry. These contracts generally provide a quantity that is subject to take-or-pay terms that is lower than the maximum quantity that we are entitled to purchase. The variable price component of each gas contract is adjusted by a formula related to methanol prices above a certain level. We believe this pricing relationship enables these facilities to be competitive throughout the methanol price cycle and provides gas suppliers with attractive returns.

Chile

Due primarily to curtailments of natural gas from Argentina (discussed in more detail below), we operated our facilities in Chile at approximately 30% of capacity in 2008 and we have continued to operate at a similar level in early 2009. All of the natural gas for our Chilean facilities is currently supplied from gas suppliers in Chile, mainly from Empresa Nacional del Petróleo (ENAP), a Chilean state-owned energy company, and also from GeoPark Chile Limited (GeoPark), an independent natural gas producer with operations in Chile.

Natural Gas Contracts with Suppliers in Argentina

We have long-term supply contracts in place that entitle us to receive approximately 60% (increasing to approximately 80% in mid-2009) of our total natural gas requirements in Chile from suppliers in Argentina. Over the past several years, Argentina has experienced energy shortages. In response to these shortages, the government of Argentina has taken a number of actions, including imposing a large increase to the duty on natural gas exports from Argentina. In response to these various actions by the government of Argentina, our Argentinean gas suppliers have curtailed all gas supply to our plants in Chile since mid-June 2007. While our gas contracts provide that the gas suppliers must pay any such duties levied by the government of Argentina, we contributed toward some of the cost of these duties when we were receiving natural gas from Argentina in 2006 and the first half of 2007. We are not aware of any plans by the government of Argentina to decrease or remove this duty. Under the current circumstances, we do not expect to receive any further natural gas supply from Argentina.

Natural Gas Contracts with Suppliers in Chile

As a result of the Argentinean natural gas supply issues discussed above, all of the methanol production at our Chilean facilities since mid-June of 2007 has been produced with natural gas from suppliers in Chile and we believe that the solution to the lack of natural gas supply from Argentina is to source more natural gas from suppliers in Chile.

We have existing long-term supply agreements in place with ENAP that represent approximately 40% (decreasing to approximately 20% in mid-2009) of the contracted natural gas supply for our Chilean facilities when operating at capacity. We have several of these supply agreements with ENAP. All but one of these contracts have a base component and variable price component determined with reference to 12-month trailing average published industry methanol prices and have expiration dates that range from 2017 to 2025. The remaining contract, which currently represents approximately 20% of the contracted natural gas supply for our Chile facilities when operating at capacity, has a base component and a variable price component determined with reference to our average realized price of methanol for the current calendar year and expires in mid-2009. However, this contract provides that it may be extended for a period of time to enable us to take quantities of "make-up gas" where ENAP fails to deliver quantities of gas that it is obligated to deliver during the initial term of the agreement. Over the past several years, ENAP has delivered less than the full amount of natural gas that it was obligated to deliver under all of the above contracts.

We are pursuing investment opportunities with ENAP, GeoPark and others to help accelerate natural gas exploration and development in southern Chile, with the goal of returning to operating all four of our facilities in Chile. These exploration and development efforts are encouraging, with ENAP and GeoPark recently announcing discoveries of commercial gas in this area.

In November, 2007, we announced that we signed an agreement with GeoPark under which we provided $40 million in financing to support and accelerate GeoPark's natural gas exploration and development activities in the Fell block in southern Chile. GeoPark has agreed to supply us with all natural gas sourced from the Fell block under a ten-year exclusive supply arrangement. The pricing under this arrangement has a base component and a variable component that is determined with reference to a three-month trailing average of industry methanol prices. GeoPark has continued to increase deliveries to our plants in Chile and by the end of 2008 approximately 25% of the total production at our Chilean facilities was being produced with natural gas from the Fell block. We expect our natural gas supply from GeoPark to increase over time.

On May 5, 2008, we announced that we signed an agreement with ENAP to accelerate natural gas exploration and development in the Dorado Riquelme exploration block in southern Chile and to supply natural gas to our production facilities in Chile. Under the arrangement, we expect to contribute approximately $100 million in capital over the next two to three years to fund a 50% participation in the block. The arrangement is subject to approval by the government of Chile, which we expect to receive in the first half of 2009. As at December 31, 2008, we had contributed $42 million of the total expected capital of $100 million for the Dorado Riquelme block, of which approximately $33 million has been placed in escrow until final approval from the government is received and approximately $9 million has been paid to fund development and exploration activities. We have been receiving some natural gas deliveries from the Dorado Riquelme block since May 2008 and we expect natural gas supply from the Dorado Riquelme block to increase over time.

We continue to pursue other investment opportunities to help accelerate natural gas exploration and development in southern Chile. In late 2007, the government of Chile completed an international bidding round to assign natural gas exploration areas that lie close to our production facilities and announced the participation of five international oil and gas companies. Under the terms of the agreements from the bidding round there are minimum investment commitments. Planning and exploration activities have begun. On July 16, 2008, we announced that under the international bidding round, the government of Chile awarded the Otway exploration block in southern Chile to a consortium that includes Wintershall, GeoPark and Methanex. Wintershall and GeoPark each own a 42% interest in the consortium and we own a 16% interest. Exploration work is expected to begin by the end of this year. The minimum exploration investment committed in the Otway block by the consortium for the first phase is $11 million over the next three years.

While our goal is to return to operating all four of our plants in Chile, we cannot provide assurance that we, ENAP, GeoPark, Wintershall or others will be successful in the exploration for, and development of, natural gas in Chile or that we would obtain any additional natural gas from suppliers in Chile on commercially acceptable terms.

Refer also to the *Risk Factors and Risk Management — Security of Natural Gas Supply and Price — Chile* section of our 2008 MD&A.

Trinidad

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

Natural gas is supplied to our facilities under contracts with NGC, which purchases the gas from gas producers under back-to-back purchase arrangements. Titan's take-or-pay gas supply contract with NGC expires in 2014, with an option to renew for a further five years subject to availability of gas and agreement on price. The price paid for gas by the Titan plant is based on a fixed escalation of a minimum US dollar base price plus a variable price component that is determined with reference to average published industry methanol prices each quarter. Under the contract, NGC is obligated to supply, and we are obligated to take-or-pay for, a specified annual quantity of natural gas. Gas paid for, but not taken, by the Titan plant in any year may be received in subsequent years subject to some limitations. The Atlas plant's gas contract with NGC expires in 2024 and the price formula and take-or-pay obligations are similar to those found in Titan's gas contract.

New Zealand

We have three plants in New Zealand with a total production capacity of up to 2.4 million tonnes. Two plants are located in Motunui and the remaining plant is located in Waitara Valley. In 2004, due to natural gas supply constraints in New Zealand, we idled our two Motunui plants (with a total capacity of approximately 1.9 million tonnes per year). Over the next few years, we operated our 530,000 tonne per year Waitara Valley facility on a flexible basis. In October 2008, we restarted one idled 900,000 tonne per year Motunui plant and idled the Waitara Valley plant. We have the flexibility to operate the Motunui plant or the Waitara Valley plant, or both, depending on methanol supply and demand dynamics and the availability of natural gas on commercially acceptable terms. Together, these two plants provide us with current production capacity of 1.4 million tonnes per year.

During the past few years there has been an increase in natural gas exploration and development activity in New Zealand and as a consequence the outlook for gas supply for our New Zealand facilities over the medium term has improved. In 2008, we entered into natural gas supply agreements with a number of suppliers which, together with some spot purchases of natural gas, enable us to continue operating our 900,000 tonne Motunui plant through until the end of the third quarter of 2010. These agreements contain take-or-pay provisions; however, these provisions do not apply where methanol prices fall below threshold levels for a certain period of time.

The future operation of each of our New Zealand facilities depends on industry supply and demand and the availability of natural gas on commercially acceptable terms. There can be no assurance that the ongoing exploration and development activity in New Zealand will be successful or that we will be able to secure additional gas for either of these facilities on commercially acceptable terms.

Egypt

We have a long-term, take-or-pay natural gas supply agreement for a 1.3 million tonne per year methanol project that we are currently constructing in Egypt with partners. We expect this facility to begin commercial operations in early 2010. The pricing for natural gas under this agreement includes base and variable price components. The variable component of the natural gas contract in Egypt begins in mid-2012 and is determined with reference to the Company's average realized price of methanol each quarter. This contract expires 25 years after the start of the commercial operation of the facility.

FOREIGN OPERATIONS AND GOVERNMENT REGULATION

General

We have substantial operations and investments outside of North America, and as such we are affected by foreign political developments and federal, provincial, state and other local laws and regulations. To date, we believe we have complied in all material respects with governmental requirements.

We are subject to risks inherent in foreign operations, including loss of revenue, property and equipment as a result of expropriation, import or export restrictions, nationalization, war, 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 taxing or other authorities will reach the same conclusion. Further, if such foreign jurisdictions were to change or modify such laws, we could suffer adverse tax and financial consequences.

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

Trade in methanol is subject to duty in a number of jurisdictions. For instance, methanol sold in China from any of our producing regions is subject to duties ranging from 3.3% to 5.5% and methanol sold from Chile to Korea is subject to a duty of 2%. However, methanol from Chile that is sold in Japan, one of the other major methanol markets in Asia, is not subject to duties. Free trade agreements allow methanol from Chile to be sold duty-free into North America and the European Union. Methanol from Trinidad may also be sold duty-free into North America and the European Union. Currently, the costs we incur in respect of duties are not significant. However, there can be no assurance that the duties that we are currently subject to will not increase, that duties will not be levied in other jurisdictions in the future or that we will be able to mitigate the impact of future duties, if levied.

Chile

Our wholly owned subsidiary, Methanex Chile S.A. ("Methanex Chile"), owns the four plants comprising the Chilean production facilities. Chilean foreign investment regulations provide certain benefits and guarantees to companies that enter into a foreign investment contract ("DL 600 Contract") with Chile. Methanex Chile has entered into four DL 600 Contracts, substantially identical in all matters material for Methanex Chile, one for each of the plants.

Under the DL 600 Contracts, Methanex Chile is authorized to remit from Chile, in US dollars or any other freely convertible currency, all or part of its profits and, after one year, its equity. As well, under the DL 600 Contracts, Methanex Chile has elected to pay income tax at the general applicable rate, currently 35%. The DL 600 Contracts provide that they cannot be amended or terminated except by written agreement.

Please also refer to the *Natural Gas Supply — Chile* section commencing on page 15 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 corporation income tax for the first two years of operation, a rate of 15% for the following five years and a rate of 20% for the following three years. Atlas also has total relief from income tax on dividends or other distributions out of profits or gains derived from the manufacture of methanol (other than interest) and has been granted import duty concessions on building materials and machinery and equipment imported into Trinidad and used in connection with the facility.

The applicable corporation 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.

ENVIRONMENTAL AND SOCIAL MATTERS

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

As a result of periodic external and internal audits, we currently believe that we materially comply with all existing environmental, health and safety laws and regulations to which our operations are subject. Laws and regulations protecting the environment have become more stringent in recent years and may, in certain circumstances, impose absolute liability rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. Such laws and regulations may also expose us to liability for the conduct of, or conditions caused by, others, or for our own acts even if we complied with applicable laws at the time such acts were performed. To date, environmental laws and regulations have not had a material 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 material costs or liabilities in the future.

We believe that minimizing emissions and waste from our business activities is good business practice. Carbon dioxide (CO_2) is a significant by-product of the methanol production process. The amount of CO_2 generated by the methanol production process depends upon 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 44% between 1994 and 2008 through asset turnover, improved plant reliability and energy efficiency and emissions management. We also actively support global industry efforts to voluntarily reduce both energy consumption and CO_2 emissions.

We manufacture methanol in Chile, Trinidad and New Zealand and we are constructing a new facility in Egypt with partners. All of these countries have signed and ratified the Kyoto Protocol. Under the Kyoto Protocol, we are not currently required to reduce greenhouse gases (GHGs) in the developing nations of Chile, Trinidad and Egypt. However, as a developed nation, New Zealand does have obligations related to GHG emissions reduction under the Kyoto Protocol. In this regard, New Zealand passed legislation related to an Emission Trading Scheme (ETS) in the third quarter of 2008 as part of its commitment under the Kyoto Protocol. However, as a result of a recent change of government, New Zealand is currently in the process of reviewing this legislation and its implementation. As currently proposed, the ETS would apply to us, but would not have an impact until 2010. Based upon our knowledge of the currently proposed New Zealand ETS, we believe that it will not have a material impact on our business.

Refer also to the *Risk Factors and Risk Management* section of our 2008 MD&A for more information regarding risks related to environmental regulations.

We have accrued $12 million for asset retirement obligations for those sites where a reasonably definitive estimate of the fair value of the obligation can be made. During 2008, cash expenditures applied against the asset retirement obligations accrual were $0.2 million (2007 - $0.7 million).

Responsible Care and Social Responsibility

As a member of the Canadian Chemical Producers' Association (CCPA), the American Chemistry Council (ACC), Asociacion Gremial de Industriales Quimicos de Chile (ASIQUIM), the New Zealand Chemical Industry Council (NZCIC) and as a signatory to the Association of International Chemical Manufacturers (AICM) Responsible Care Manifesto (China), we are committed to the ethics and principles of Responsible Care. Responsible Care is the umbrella under which we manage issues related to health, safety, the environment, community involvement, security and emergency preparedness at each of our facilities and locations. Accordingly, we have established policies, systems and procedures to promote and encourage the responsible development, introduction, manufacture, transportation, storage, handling, distribution, use and ultimate disposal of chemicals and chemical products so as to do no harm to human health and well-being, the environment and the communities in which we operate while striving to improve the environment and people's lives. Responsible Care also guides decision-making related to our corporate development objectives.

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

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

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

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

INSURANCE

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

COMPETITION

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

EMPLOYEES

As of December 31, 2008, we had 878 employees, including all employees of the new methanol project that we are developing with partners in Egypt.

RISK FACTORS

The risks relating to our business are described under the heading *Risk Factors and Risk Management* in our 2008 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 or results of operations.

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. 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	$ 0.05	n/a
September 30, 2003	$ 0.06	20%
September 30, 2004	$ 0.08	33%
June 30, 2005	$ 0.11	37.5%
June 30, 2006	$ 0.125	14%
June 30, 2007	$ 0.14	12%
June 30, 2008	$ 0.155	11%

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, 2006	$ 0.485
December 31, 2007	$ 0.515
December 31, 2008	$ 0.605

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

Security	S&P(1)	Moody's(2)	Fitch(3)
Unsecured Notes	BBB- (stable)	Ba1 (stable)	BBB (negative)

(1) S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to SD, which represents the range from highest to lowest quality of such securities rated. A rating of BBB by S&P is the fourth highest of 13 categories. According to the S&P rating system, debt securities rated BBB have adequate capacity to pay interest and repay principal. While an obligor rated BBB normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to weaken capacity to meet its financial commitments. The addition of a plus (+) or minus (-) designation after a rating indicates the relative standing within a particular rating category.

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

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

Credit ratings are intended to provide investors with an independent measure of the quality of an issue of securities. The foregoing ratings should not be construed as a recommendation to buy, sell or hold the securities, 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, 2008 through December 31, 2008).

2008 Trading Volumes

The Toronto Stock Exchange
Ticker: MX

	High (CDN$)	Low (CDN$)	Volume
January	27.85	21.02	10,494,368
February	28.75	23.59	10,630,763
March	29.60	25.48	12,358,165
April	28.23	23.50	8,022,120
May	28.98	23.64	11,153,146
June	33.85	27.40	10,724,933
July	28.97	24.52	8,842,458
August	28.91	26.25	5,090,627
September	27.00	19.59	11,093,850
October	21.76	13.05	10,013,977
November	15.99	10.78	8,323,511
December	13.83	11.54	6,834,862

Nasdaq Global Market
Ticker: MEOH

	High (US$)	Low (US$)	Volume
January	28.17	21.00	14,660,288
February	29.31	23.41	11,690,606
March	30.04	25.41	16,020,267
April	27.99	23.39	12,912,810
May	29.45	23.30	13,930,204
June	33.20	27.16	16,432,421
July	28.71	24.27	14,945,191
August	27.72	24.76	7,616,056
September	25.40	18.85	14,600,360
October	20.31	10.08	18,018,323
November	13.12	8.55	13,195,472
December	11.34	9.03	11,902,800

NORMAL COURSE ISSUER BID

On May 6, 2008, we received approval to conduct a normal course issuer bid (the “Bid”) under which we have the ability but not the obligation to purchase up to 7,909,393 Common Shares, representing ten percent (10%) of our total public float of issued and outstanding Common Shares as at May 2, 2008. The Bid began on May 20, 2008 and terminates on the earlier of the date that 7,909,393 Common Shares have been purchased or May 19, 2009. As at March 6, 2009, 2,165,000 Common Shares were purchased under the Bid.

DIRECTORS AND EXECUTIVE OFFICERS

As at December 31, 2008, the directors and executive officers of the Company owned, controlled or directed, directly or indirectly, 392,420 Common Shares representing approximately 0.43% of the outstanding Common Shares as at December 31, 2008.

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

Name and Municipality of Residence	Office	Principal Occupations and Positions During the Last Five Years	Director Since(17)
AITKEN, BRUCE Vancouver, British Columbia Canada	Director and President & Chief Executive Officer	President and Chief Executive Officer of the Company since May 2004; prior thereto President and Chief Operating Officer of the Company since September 2003; prior thereto Senior Vice President, Asia Pacific of the Company since September 1999.	July 2004
BALLOCH, HOWARD(2)(3)(4) Beijing China	Director	President of The Balloch Group(6) since July 2001.	December 2004
CHOQUETTE, PIERRE Vancouver, British Columbia Canada	Director and Chairman of the Board	Corporate Director. Chairman of the Board and Chief Executive Officer of the Company from September 2003 to May 2004; prior thereto President and Chief Executive Officer of the Company since October 1994.	October 1994
COOK, PHILLIP(1)(4)(5) Austin, Texas USA	Director	Corporate Director. Senior Advisor to the Dow Chemical Company(7) ("Dow Chemical") from June 2006 to January 2007; prior thereto Corporate Vice President, Strategic Development and New Ventures of Dow Chemical from 2005 to 2006; prior thereto Senior Vice President, Performance Chemicals and Thermosets of Dow Chemical since 2003.	May 2006
HAMILTON, THOMAS(2)(4)(5) Houston, Texas USA	Director	Co-Owner of Medora Investments LLC(8) since April 2003; prior thereto Chairman, President and Chief Executive Officer of EEX Corporation from January 1997 to November 2002.	May 2007
KOSTELNIK, ROBERT(4)(5) Katy, Texas USA	Director	Corporate Director. Vice President of Refining for CITGO Petroleum Corporation(9) from 2006 until 2008; prior thereto Vice President of Shared Services of CITGO Petroleum Corporation from 2004 to 2006; prior thereto Vice President, Health, Safety, Security and Environment and Compliance Officer, CITGO Petroleum Corporation from 2002 to 2004.	September 2008
MAHAFFY, DOUGLAS(2)(3) Toronto, Ontario Canada	Director	Chairman of McLean Budden Limited(10) since February 29, 2008; prior thereto Chairman and Chief Executive Officer of McLean Budden Limited since September 2006; prior thereto Chairman, President and Chief Executive Officer of McLean Budden since October 1989.(11)	May 2006
POOLE, A. TERENCE(1)(2)(4) Calgary, Alberta Canada	Director	Corporate Director. Executive Vice President, Corporate Strategy and Development of NOVA Chemicals Corporation(12) from May 2000 to June 2006.	September 2003, and from February 1994 to June 2003
REID, JOHN(1)(3)(5) Vancouver, British Columbia Canada	Director	Corporate Director. President and Chief Executive Officer of Terasen Inc.(13) from November 1997 to November 2005.	September 2003
RENNIE, JANICE(1)(3) Edmonton, Alberta Canada	Director	Corporate Director. Senior Vice President, Human Resources and Organizational Effectiveness for EPCOR Utilities Inc.(14) from 2004 to 2005; prior thereto Principal of Rennie & Associates.	May 2006
SLOAN, MONICA(2)(3)(5) Calgary, Alberta Canada	Director	Corporate Director. Chief Executive Officer of Intervera Ltd.(15) from January 2004 to December 2008. Prior thereto an independent consultant for ME Sloan Associates since October 1999.	September 2003
SWEENEY, GRAHAM(1)(4)(5) Sarnia, Ontario Canada	Director	Corporate Director. Prior to October 1995 was President of Dow Chemical Canada Inc.(16)	July 1994

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

(2) Member of the Corporate Governance Committee.

(3) Member of the Human Resources Committee.

(4) Member of the Public Policy Committee.

(5) Member of the Responsible Care Committee.

(6) The Balloch Group is a leading independent advisory and merchant banking firm specializing in China and other Asian markets.

(7) The Dow Chemical Company provides chemical, plastic and agricultural products and services.

(8) Medora Investments LLC is a private investment firm.

(9) CITGO Petroleum Corporation refines and markets petrochemical products.

(10) McLean Budden Limited is an investment management firm that administers approximately $30 billion in assets for pension, foundation and private clients in Canada, the United States, Europe and Asia.

(11) Mr. Mahaffy was a director of Stelco Inc., a Canadian steel producer, from 1993 to March 2006. In January 2004, Stelco Inc. announced that it had obtained an Order of the Ontario Superior Court of Justice to initiate a court-supervised restructuring under the Companies' Creditors Arrangement Act ("CCAA"). Stelco Inc. emerged from the protection of the CCAA in April 2006 and was acquired in October 2007 by a wholly owned subsidiary of United States Steel Corporation.

(12) NOVA Chemicals Corporation is a commodity chemicals company.

(13) Terasen Inc. is an energy distribution and transportation company.

(14) EPCOR Utilities Inc. builds, owns and operates power plants, electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure in Canada and the United States.

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

(16) Dow Chemical Canada Inc. provides chemical, plastic and agricultural products and services.

(17) 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. Mr. Sweeney will not be standing for re-election at the next Annual General Meeting of the Company, which will occur on May 5, 2009.

Name and Municipality of Residence	**Office**	**Principal Occupations and Positions During the Last Five Years**
CAMERON, IAN P. Vancouver, British Columbia Canada	Senior Vice President, Finance and Chief Financial Officer	Senior Vice President, Finance and Chief Financial Officer of the Company since January 1, 2003.
FLOREN, JOHN Eastham, Massachusetts USA	Senior Vice President, Global Marketing and Logistics	Senior Vice President, Global Marketing and Logistics of the Company since June 2005; prior thereto Director, Marketing & Logistics North America of the Company since May 2002.
GORDON, JOHN K. Vancouver, British Columbia Canada	Senior Vice President, Corporate Resources	Senior Vice President, Corporate Resources of the Company since September 1999.
MACDONALD, MICHAEL G. Vancouver, British Columbia Canada	Senior Vice President, Corporate Development	Senior Vice President, Corporate Development of the Company since January 2004; prior thereto Senior Vice President, Technology and Emerging Markets of the Company since October 2002.
MILNER, RANDY M. Vancouver, British Columbia Canada	Senior Vice President, General Counsel and Corporate Secretary	Senior Vice President, General Counsel and Corporate Secretary of the Company since October 2002.
SCHIODTZ, PAUL Santiago Chile	Senior Vice President, Latin America	Senior Vice President, Latin America of the Company since January 1, 2006; prior thereto Director, Finance Latin America of Methanex Chile Ltd. since May 1999.
WEAKE, HARVEY Auckland New Zealand	Senior Vice President, Asia Pacific	Senior Vice President, Asia Pacific of the Company since December, 2005; prior thereto Vice President, Global Manufacturing/Managing Director of Methanex New Zealand since July 2005; prior thereto Vice President, Manufacturing/Managing Director of Methanex New Zealand since December, 2003; prior thereto Director, Manufacturing, Asia Pacific of the Company since April 2000.
YANEZ, JORGE Port of Spain Trinidad	Senior Vice President, Global Manufacturing	Senior Vice President, Global Manufacturing of the Company since October 2005; prior thereto Vice President, Project Management of Methanex Management Inc. since December 2004; prior thereto Director, Project Development of Methanex Management Inc. since January 2001.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since the start of our most recently completed financial year, and for the three most recently completed financial years, no director or executive officer of the Company, and no person or company that beneficially owns, controls or directs, directly or indirectly, more than 10% of the Company's voting securities or any associate or affiliate of such persons, has had any material interest in any transaction involving the Company.

EXPERTS

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

LEGAL PROCEEDINGS

We began an arbitration proceeding in 2007 against one of our natural gas suppliers in Argentina for failure to deliver natural gas that it was contractually required to deliver. (Refer to the *Natural Gas Contracts with Suppliers in Argentina* section on page 15 for more information). This matter was settled in October 2008.

During 2008, other than the proceeding discussed immediately above, we were not a party to, and our property was not the subject of, any material legal proceedings. In addition, we are not a party to, and our property is not the subject of, any material legal proceedings that are currently in place or that we know to be contemplated.

AUDIT COMMITTEE INFORMATION

The Audit Committee Charter

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

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

Composition of the Audit Committee

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

Relevant Education and Experience

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

Mr. A. Terence Poole

Mr. Poole is a corporate director. Prior to his retirement in June 2006, he was Executive Vice President, Corporate Strategy and Development of NOVA Chemicals Corporation ("NOVA"), a commodity chemical company with international operations. Prior to that position, Mr. Poole was the Executive Vice President, Finance and Strategy of NOVA from 1998 to 2000, Senior Vice President and Chief Financial Officer of NOVA Corporation from 1994 to 1998 and held other senior financial positions with NOVA Corporation from 1988. He has worked at other large public companies in various financial and business management capacities since 1971.

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

Mr. Poole serves on the board of Pengrowth Corporation and is a member of their Audit Committee.

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

Mr. Poole has chaired the Committee since May 2006.

Mr. Phillip Cook

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

Mr. Cook holds a Bachelor of Mechanical Engineering degree from the University of Texas at Austin and is a member of the College of Engineering Foundation Advisory Board of the University of Texas at Austin.

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

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 Inc. Prior to joining Terasen, Mr. Reid was the President and Chief Executive Officer of Scott Paper. He also held various other senior positions at Scott Paper, including Corporate Vice President, Finance and Controller.

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

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

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

Ms. Janice Rennie

Ms. Rennie is a corporate director. From 2004 to 2005, Ms Rennie was Senior Vice President, Human Resources and Organizational Effectiveness for EPCOR Utilities Inc. EPCOR builds, owns and operates 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 was Principal of Rennie & Associates, which provided investment and related advice to small and mid-sized companies.

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

Ms. Rennie serves on the board of Matrikon Inc. and is Chair of their Audit Committee. She also serves on the boards of Teck Cominco Limited and West Fraser Timber Co. Ltd. and is a member of their Audit Committees. Ms. Rennie also serves on the board and chairs the Audit Committees of two private companies: Greystone Capital Management Inc. and bcIMC Hospitality Group Inc.

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

Mr. Graham Sweeney

Mr. Sweeney is a corporate director. During his career at Dow Chemical, Mr. Sweeney held the position of President of Dow Chemical Canada Inc. from 1993 to 1995 and prior to that held vice president and senior executive positions with The Dow Chemical Company in Asia from 1981 to 1987 and with global responsibilities from 1988 to 1992. In so doing, he acquired significant experience and exposure to accounting and financial reporting issues.

Mr. Sweeney holds a Bachelor of Science (Chemical Engineering) degree from the University of Natal, South Africa.

Mr. Sweeney has served on the Committee since May 1996.

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 pursuant to which permissible services proposed to be performed by KPMG LLP, the Company's external auditors, are pre-approved. The Committee has delegated to the Chair of the Committee pre-approval authority for any services not previously approved by the Committee. All such services approved by the Chair of the Committee are subsequently reviewed by the Committee.

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

Audit and Non-Audit Fees Billed by the Independent Auditors

KPMG LLP, Chartered Accountants, Vancouver, are the independent auditors of the Company. The holders of the Company's Common Shares have resolved to have the directors of the Company determine the auditor's remuneration. Fees billed by KPMG LLP during the years ended December 31, 2008 and December 31, 2007 were as follows:

US$000s	2008	2007
Audit Fees	1,409	1,810
Audit-Related Fees	26	42
Tax Fees	217	393
All Other Fees	—	—
Total	**1,652**	**2,245**

The nature of each category of fees is described below.

Audit Fees

Audit fees were billed 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 billed in 2008 were in respect of an "integrated audit" performed by KPMG LLP. 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 were billed 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 as to the accounting or disclosure treatment of other transactions.

Tax Fees

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

TRANSFER AGENT AND REGISTRAR

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

CONTROLS AND PROCEDURES

Our disclosure controls and procedures are described under the heading *Controls and Procedures* in our 2008 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 6, 2009 relating to our Annual General Meeting that will be held on May 5, 2009.

Additional financial information about the Company is provided in the Company's financial statements for the year ended December 31, 2008 and in our 2008 MD&A.

Copies of the documents referred to above are available on the Canadian Securities Administrators' SEDAR website at www.sedar.com and may also be obtained upon request from:

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

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

APPENDIX "A"
METHANEX CORPORATION
AUDIT, FINANCE AND RISK COMMITTEE MANDATE

1. Creation

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

2. Purpose and Responsibility

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

The Committee's role is one of oversight. It is the responsibility of the Corporation's management to plan audits and to prepare consolidated financial statements in accordance with generally accepted accounting principles, 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 US Securities and Exchange Commission, the Toronto Stock Exchange and the Nasdaq Stock Market.
Appointment of Chair and Secretary	d) The Board or, if it does not do so, the members of the Committee, must appoint one of their members as Chair. If the Chair of the Committee is not present at any meeting of the Committee, the Chair of the meeting must be chosen by the Committee from the Committee members present. The Chair presiding at any meeting of the Committee has a deciding vote in case of deadlock. The Committee must also appoint a Secretary who need not be a director.
Use of Outside Experts	e) Where Committee members believe that, to properly discharge their fiduciary obligations to the Corporation, it is necessary to obtain the advice of independent legal, accounting, or other experts, the Chair shall, at the request of the Committee, engage the necessary experts at the Corporation's expense. The Board must be kept apprised of both the selection of the experts and the experts' findings through the Committee's regular reports to the Board.

4. Meetings

Time, Place and Procedure of Meetings	a) The time and place of Committee meetings, and the procedures for the conduct of such meetings, shall be determined from time to time by Committee members, provided that:
Quorum	i) a quorum for meetings must be three members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to communicate with each other;
Quarterly Meetings	ii) the Committee must meet at least quarterly;
Notice of Meetings	iii) notice of the time and place of every meeting must be given in writing or by electronic transmission to each member of the Committee and the external auditors of the Corporation at least 24 hours prior to the Committee meeting;
Waiver of Notice	iv) a member may waive notice of a meeting, and attendance at the meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called;
Attendance of External Auditors	v) the external auditors are entitled to attend each meeting at the Corporation's expense;
Meeting with Financial Management	vi) the Committee will, at least annually, meet with senior financial management, including the Chief Financial Officer and the Corporate Controller, without other members of management present;
Meeting without Management	vii) each regular meeting of the Committee will conclude with a session without any management personnel present;
Calling a Meeting	viii) a meeting of the Committee may be called by the Secretary of the Committee on the direction of the Chair or Chief Executive Officer of the Corporation, by any member of the Committee or the external auditors; and
Committee Determines Attendees	(ix) notwithstanding the provisions of this paragraph, the Committee has the right to request any officer or employee of the Corporation or the Corporation's outside counsel or external auditor to be present or not present at any part of the Committee meeting; and
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 Canadian and US GAAP; iii) the appropriateness, acceptability and quality of the Corporation's accounting policies; and iv) any material written communication between the external auditor and management, such as the annual management letter and the schedule of unadjusted differences.
Non-GAAP Financial Information	e) Discuss with management the use of "pro forma" or "non-GAAP information" in the Corporation's continuous disclosure documents.
Regulatory and Accounting Initiatives	f) Discuss with management and the external auditor the effect of regulatory and accounting initiatives as well as the use of off-balance sheet structures on the Corporation's financial statements.
Litigation	g) Discuss with the Corporation's General Counsel, and with external legal counsel if necessary, any litigation, claim or other contingency (including tax assessments), that could have a material effect on the financial position or operating results of the Corporation, and the manner in which these matters have been disclosed in the financial statements.
Financing Plans	h) Review the financing plans and objectives of the Corporation, as received from and discussed with management.

2) Risk Management and Internal Control

Risk Management Policies	a) Review and recommend for approval by the Board changes considered advisable, after consultation with management, to the Corporation's policies relating to: i) the risks inherent in the Corporation's businesses, facilities and strategic direction; ii) financial risks, including foreign exchange, interest rate and investment of cash; iii) overall risk management strategies and the financing of risks, including insurance coverage in the context of competitive and operational considerations; iv) the risk retention philosophy and the resulting uninsured exposure of the Corporation; and v) shipping risk.
Risk Management Processes	b) Review with management at least annually the Corporation's processes to identify, monitor, evaluate and address important enterprise-wide strategic and business risks.
Adequacy of Internal Controls	c) Review at least quarterly, the results of management's evaluation of the adequacy and effectiveness of internal controls within the Corporation in connection with the certifications signed by the CEO and CFO. Management's evaluation will include a review of: i) policies and procedures to ensure completeness and accuracy of information disclosed in the quarterly and annual reports, prevent earnings management and detect material financial statement misstatements due to fraud and error; and ii) internal control recommendations of the external auditors and arising from the results of the internal audit procedures, including any special steps taken to address material control deficiencies and any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls.
Financial Risk Management	d) Review with management activity related to managing financial risks to the Corporation, including hedging programs.

3) External Auditors

Appointment and Remuneration	a) Review and recommend to the Board: i) the selection, evaluation, reappointment or, where appropriate, replacement of external auditors; and ii) the nomination and remuneration of external auditors to be appointed at each Annual General Meeting of Shareholders.
Resolving Disagreements	b) Resolve any disagreements between management and the external auditor regarding financial reporting.
Direct Reporting to Committee	c) The external auditors shall report directly to the Committee and the Committee has the authority to communicate directly with the external auditors.

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

4) Internal Audit

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

5) Pension Plans

With respect to all investing and funding aspects of all defined benefit corporate sponsored pension plans of the Corporation and its wholly owned subsidiaries that have estimated actuarial liabilities in excess of US$10 million (collectively the "Retirement Plans"):

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

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; and
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, 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 for approval to the Board 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.

Management's Discussion and Analysis
(Tabular dollar amounts are shown in thousands of US dollars, except where noted)
Years ended December 31, 2008 and 2007

This Management's Discussion and Analysis is dated March 6, 2009 and should be read in conjunction with our consolidated financial statements and the accompanying notes for the year ended December 31, 2008. Our consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). We use the United States dollar as our reporting currency. Except where otherwise noted, all dollar amounts are stated in United States dollars.

Canadian GAAP differs in some respects from accounting principles generally accepted in the United States (US GAAP). Significant differences between Canadian GAAP and US GAAP are described in note 19 to our consolidated financial statements.

At March 6, 2009 we had 92,039,492 common shares issued and outstanding and stock options exercisable for 2,772,736 additional common shares.

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

OVERVIEW

Methanol is a liquid chemical commodity that is predominantly produced from natural gas and is also produced from coal, particularly in China. Approximately 70% of all methanol is used to produce 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 remainder of methanol demand comes from the energy sector. There are growing markets for using methanol in energy applications such as dimethyl ether (DME), direct blending into gasoline and biodiesel. Methanol is also used to produce methyl tertiary butyl ether (MTBE), a gasoline component.

We are the world's largest supplier of methanol with total annual production capacity of 7.2 million tonnes from our production hubs in Chile, Trinidad and New Zealand. We also have a 60% interest in a 1.3 million tonne methanol project in Egypt, scheduled for start up in early 2010. Our production hubs in Chile and Trinidad represent 5.8 million tonnes of this annual production capacity. Our New Zealand production facilities represent 1.4 million tonnes of this annual production capacity and provide us with flexible production that is primarily dependent on the availability of economically priced natural gas feedstock. In addition to the methanol we produce, we purchase methanol produced by others under methanol offtake contracts and on the spot market. This gives us flexibility and certainty in managing our supply chain while continuing to meet customer needs and support our marketing efforts.

Global demand for methanol in 2008 is estimated at 40 million tonnes. However, the global methanol industry, similar to other industries, was significantly impacted by the global financial crisis and weak economic environment during the fourth quarter of 2008. For the first three quarters of 2008, global demand remained healthy and was underpinned by high energy prices and strong industrial production growth, particularly in China. During the fourth quarter of 2008, the global financial crisis and weak economic environment led to a major reduction in global demand for most traditional methanol derivatives. While there has been some softness in methanol demand into DME, overall demand into energy related derivatives, including MTBE, remained relatively stable. We estimate that global methanol demand declined by about 15% in the fourth quarter compared to the third quarter and we estimate that current global demand is approximately 35 million tonnes measured on an annualized basis. There was also a significant amount of shut downs of high cost capacity, particularly in China, where we estimate about 6 million tonnes of annualized methanol production in China shut down during the fourth quarter of 2008 and into 2009 as a result of this declining methanol price environment, and net imports into China increased by approximately 3 million tonnes measured on an annualized basis.

Methanol is a global chemical commodity and our earnings and cash flows are significantly affected by fluctuations in the methanol price, which is directly impacted by the balance of methanol supply and demand. Methanol demand is heavily influenced by industrial production levels, energy prices and other factors and we believe that methanol demand should improve when the macro economic environment improves.

In this uncertain global economic environment, we are carefully managing our operating and capital costs. We have recently embarked on a broad corporate costs savings plan that includes reducing our operating costs and cancelling or postponing almost all discretionary capital spending. Our priorities for allocating our capital are to complete the new methanol project in Egypt and continue to support the acceleration of natural gas development in Chile – refer to the *Production Summary – Chile* section on page 15 for more information. Our goal is to emerge from this period of economic uncertainty a stronger company with more methanol production and cash generation capability.

We believe we are well positioned to endure this period of economic uncertainty. We have a strong balance sheet. At December 31, 2008, we had a cash balance of $328 million, no re-financing requirements until 2012, financing in place to complete the methanol project in Egypt, and an undrawn $250 million credit facility provided by highly rated financial institutions that expires in mid-2010.

We believe our competitively positioned assets and supply chain infrastructure and our strong financial position, provide a sound basis for us to meet our financial commitments in this time of economic uncertainty and continue to invest to grow our business.

OUR STRATEGY

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

Global Leadership

We are the leading supplier of methanol to the major international markets of North America, Asia Pacific, Europe, and Latin America. Our sales volumes in 2008 represented approximately 15% of total global methanol sales. Our leadership position has enabled us to play an important role in the industry including the publication of Methanex reference prices in each major market which most of our customer contracts use as the basis for pricing.

The strategic location of our Chile, Trinidad and New Zealand production sites allows us to deliver methanol cost-effectively to our customers in all major global markets while our investments in global distribution and in supply infrastructure enable us to enhance value to customers by providing reliable and secure supply. Although we have experienced significantly reduced production from our assets in Chile since mid-2007 (refer to the *Production Summary – Chile* section on page 15), we have continued to meet our commitments to customers. We have achieved this by increasing the level of purchased methanol through a combination of methanol offtake contracts and spot purchases. We manage the cost of purchased methanol by taking advantage of our global supply infrastructure which allows us to purchase methanol in the most cost effective region while still maintaining overall security of supply. We also increased production capacity from our flexible assets in New Zealand by approximately 400,000 tonnes in 2008.

Over the past few years we have continued to invest and develop our presence in the Asia Pacific region. We have added additional storage capacity in Zhangjiagang, China and expanded our offices in Shanghai and Hong Kong in order to enhance our customer service and industry positioning in this region. This enables us to participate in and improve our knowledge of the rapidly evolving and high growth methanol market in China and other Asian countries. Our strengthening presence in Asia has also helped to identify several opportunities to develop applications for methanol in the energy sector. We also opened an office in Dubai, UAE in 2007 to enhance our corporate presence and capitalize on future opportunities in the Middle East.

We continue to make progress in sponsoring methanol demand growth into emerging energy applications. In 2007, we invested in a 20% interest in a 200,000 tonne per year DME facility in China with the ENN Group, and we are the exclusive methanol supplier to this facility. We have also entered into a joint venture agreement to develop a similar DME facility in Egypt. The joint venture will include Methanex and the ENN Group as minority interests, with the government-owned Egyptian Petrochemicals Holding Company (EChem) holding the majority interest. EChem is also a partner in our new methanol project in Egypt.

Value Creation

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

Natural gas is the primary feedstock at our methanol production facilities. An important element of our strategy is to ensure long-term security of natural gas supply. Our production facilities in Chile represent 3.8 million tonnes of annual production capacity, and we have historically sourced our natural gas feedstock from suppliers in Argentina and Chile.

Since June 2007, our natural gas suppliers in Argentina have curtailed all natural gas supply to our plants in Chile in response to various actions by the Argentinean government, including imposing a large increase to the duty on natural gas exports. Since that time we have been operating these facilities at significantly reduced rates. Under the current circumstances, we do not expect to receive any further natural gas supply from Argentina. We believe the solution to this issue is to source all our natural gas requirements from suppliers in Chile. We have actively pursued investment opportunities to accelerate natural gas exploration and development in areas of southern Chile that are relatively close to our production facilities. We have made investments with our two natural gas suppliers in Chile, Empresa Nacional del Petroleo (ENAP) and GeoPark Chile Limited (GeoPark) and are pursuing other investment opportunities resulting from an international bidding round by the government of Chile in which they assigned natural gas exploration areas in southern Chile (refer to the *Production Summary – Chile* section on page 15 for more information).

Our production facilities in Trinidad represent 1.9 million tonnes per year of competitive cost production capacity. These facilities are underpinned by long-term take-or-pay natural gas purchase agreements where the gas price varies with methanol prices. During 2008, we had excellent operating performance at these facilities and produced above original nameplate capacity.

We have positioned our facilities in New Zealand as flexible production assets. During 2008, we added approximately 400,000 tonnes of incremental annual capacity by restarting one of our 900,000 tonne per year facilities at our Motunui site and idling our smaller scale 530,000 tonne per year Waitara Valley facility in New Zealand. We have the flexibility to operate the Motunui plant or the Waitara Valley plant or both depending on methanol supply and demand dynamics and the availability of natural gas on commercially acceptable terms.

We are currently constructing a 1.3 million tonne per year methanol facility in Egypt located in Damietta on the Mediterranean Sea. In 2007, we completed the financing for the project and began construction. By the end of 2008, the project was approximately 70% complete and is on budget and on schedule to start up in early 2010. We are developing the project with partners in which we have a 60% interest and marketing rights for 100% of the production. We believe this methanol facility will further enhance our competitive positioning with its low cost structure and excellent location to supply the European market.

The cost to distribute methanol from our production facilities to our customers is also a significant component of our operating costs. These include costs for ocean shipping, in-market storage facilities and in-market distribution. We are focused on identifying initiatives to reduce these costs. 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 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.

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. Our balance sheet is strong with a cash balance of $328 million at year end, no re-financing requirements until 2012, an undrawn $250 million credit facility provided by highly rated financial institutions that expires in mid-2010, and financing in place to complete the construction of the methanol facility in Egypt. We believe we are well positioned to meet our financial commitments in this time of economic uncertainty and continue to invest to grow our business.

Operational Excellence

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

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

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

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

HOW WE ANALYZE OUR BUSINESS

Our operations consist of a single operating segment – the production and sale of methanol. We review our results of operations by analyzing changes in the components of our Adjusted EBITDA (refer to the *Supplemental Non-GAAP Measures* section on page 40 for a reconciliation to the most comparable GAAP measure), depreciation and amortization, interest expense, interest and other income, unusual items 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 sell methanol on a commission basis. In analyzing the changes in Adjusted EBITDA, we separately analyze the results of Methanex-produced methanol sales from purchased methanol sales as the margin characteristics of each are very different.

Methanex-Produced Methanol

The level of Adjusted EBITDA is highly dependent on the margin earned from Methanex-produced methanol. Sales volumes of Methanex-produced methanol depend on the amount of production from these methanol facilities, which in turn is based on how well the plants operate, the timing of scheduled maintenance and other factors. Our analysis of Adjusted EBITDA separately discusses the impact of changes in average realized price, sales volumes and cash costs for our Methanex-produced methanol.

The price, cash cost and volume variances included in Adjusted EBITDA analysis for Methanex-produced methanol 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 Methanex-produced methanol multiplied by the current period sales volume of Methanex-produced methanol. Sales under long-term contracts where the prices are either fixed or linked to our costs plus a margin are included as sales of Methanex-produced methanol. Accordingly, the selling price of Methanex-produced methanol will differ from the selling price of purchased methanol.

CASH COST — 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 sales volume of Methanex-produced methanol in the current period plus the change in unabsorbed fixed cash costs. The change in consolidated selling, general and administrative expenses and fixed storage and handling costs are included in the analysis of Methanex-produced methanol.

VOLUME — The change in Adjusted EBITDA as a result of changes in sales volumes is calculated as the difference from period to period in the sales volumes of Methanex-produced methanol multiplied by the margin per tonne for the prior period. The margin per tonne is calculated as the selling price per tonne of Methanex-produced methanol less absorbed fixed cash costs per tonne and variable cash costs per tonne (excluding Argentina natural gas export duties per tonne).

Purchased Methanol

Sales of purchased methanol represent a lower proportion of Adjusted EBITDA because 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. Accordingly, the analysis of purchased methanol and its impact on Adjusted EBITDA is discussed on a net margin basis.

Commission Sales

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

FINANCIAL HIGHLIGHTS

($ millions, except where noted)	**2008**	2007
Sales volumes (thousands of tonnes):		
Methanex-produced methanol	**3,363**	4,569
Purchased methanol	**2,074**	1,453
Commission sales[1]	**617**	590
	6,054	6,612
Methanex average non-discounted posted price ($ per tonne)[2]	**526**	451
Average realized price ($ per tonne)[3]	**424**	375
Revenue	**2,314**	2,266
Adjusted EBITDA[4]	**334**	652
Net income	**172**	376
Basic net income per share	**1.82**	3.69
Diluted net income per share	**1.82**	3.68
Cash flows from operating activities	**325**	527
Cash flows from operating activities before changes in non-cash working capital[4]	**243**	494
Common share information (millions of shares):		
Weighted average number of common shares outstanding	**95**	102
Diluted weighted average number of common shares outstanding	**95**	102
Number of common shares outstanding	**92**	98

1 Commission sales represent volumes marketed on a commission basis. Commission income is included in revenue when earned.

2 Methanex average non-discounted posted price represents the average of our non-discounted posted prices in North America, Europe and Asia Pacific weighted by sales volume. Current and historical pricing information is available on our website at *www.methanex.com*.

3 Average realized price is calculated as revenue, net of commission income, divided by total sales volumes of produced and purchased methanol.

4 These items are non-GAAP measures that do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to *the Supplemental Non-GAAP Measures* section on page 40 for a description of each non-GAAP measure and a reconciliation to the most comparable GAAP measure.

PRODUCTION SUMMARY

The following table details the annual production capacity and actual production for our facilities that operated in 2008 and 2007:

(thousands of tonnes)	Annual Production Capacity[1]	**2008**	2007
Chile I, II, III and IV (Chile)	**3,840**	**1,088**	1,841
Atlas (Trinidad) (63.1% interest)	**1,073**	**1,134**	982
Titan (Trinidad)	**850**	**871**	861
New Zealand[2]	**1,430**	**570**	435
	7,193	**3,663**	4,119

1 The annual production capacities for our Trinidad plants are stated at original nameplate capacity. These facilities operated above original nameplate capacity in 2008 as a result of efficiencies gained through improvements and experience at these plants. The annual production capacity for our facilities in Chile and New Zealand may be higher than original nameplate capacity as, over time, these figures have been adjusted to reflect ongoing operating efficiencies at these facilities.

2 In early October 2008, we restarted one of our two idled 900,000 tonne per year facilities at our Motunui site in New Zealand and we idled our 530,000 tonne per year Waitara Valley facility. We have the flexibility to operate the Motunui plant or the Waitara Valley plant or both depending on methanol supply and demand dynamics and the availability of natural gas on commercially acceptable terms and accordingly, we have included both of these facilities in the production capacity for New Zealand. We have excluded the second Motunui facility from production capacity in New Zealand as we currently do not intend to restart this facility.

Chile

Our methanol facilities in Chile produced 1.1 million tonnes during 2008 compared with total production capacity of 3.8 million tonnes and we have historically sourced our natural gas supply for these plants from Argentina and Chile. Since June 2007, our natural gas suppliers from Argentina have curtailed all gas supply to our plants in Chile in response to various actions by the Argentinean government, including imposing a large increase to the duty on natural gas exports. Since then we have been operating our Chile facilities at significantly reduced rates and this is the primary reason for the decline in production in 2008 compared with 2007. Under the current circumstances, we do not expect to receive any further natural gas supply from Argentina. As a result of the Argentinean natural gas supply issues, all of the methanol production at our Chile facilities since June 2007 has been produced with natural gas from Chile.

We believe the solution to the issue of natural gas supply from Argentina is to source all our natural gas requirements from suppliers in Chile. We are pursuing investment opportunities with the state-owned energy company Empresa Nacional del Petroleo (ENAP), GeoPark Chile Limited (GeoPark) and others to help accelerate natural gas exploration and development in southern Chile and our goal is ultimately to return to operating all four of our plants in Chile.

In November 2007, we announced that we signed an agreement with GeoPark under which we provided $40 million in financing to support and accelerate GeoPark's natural gas exploration and development activities in the Fell block in southern Chile. GeoPark has agreed to supply us with all natural gas sourced from the Fell block under a ten-year exclusive supply arrangement. GeoPark has continued to increase deliveries to our plants in Chile and by the end of 2008 approximately 25% of total production at our Chilean facilities was being produced with natural gas from the Fell block. We expect our natural gas supply from GeoPark to increase further over time.

On May 5, 2008, we announced that we signed an agreement with ENAP to accelerate natural gas exploration and development in the Dorado Riquelme exploration block in southern Chile and to supply natural gas to our production facilities in Chile. Under the arrangement, we expect to contribute approximately $100 million in capital over the next two to three years to fund a 50% participation in the block. The arrangement is subject to approval by the government of Chile, which we expect to receive in the first half of 2009. As at December 31, 2008, we had contributed $42 million of the total expected capital of $100 million for the Dorado Riquelme block. Approximately $33 million has been placed in escrow until final approval from the government is received and approximately $9 million has been paid to fund development and exploration activities. We have been receiving some natural gas deliveries from the Dorado Riquelme block since May 2008 and we expect natural gas supply from this block to increase over time.

We continue to pursue other investment opportunities to help accelerate natural gas exploration and development in areas of southern Chile. In late 2007, the government of Chile completed an international bidding round to assign natural gas exploration areas that lie close to our production facilities and announced the participation of five international oil and gas companies. Under the terms of the agreements from the bidding round there are minimum investment commitments. Planning and exploration activities have commenced. On July 16, 2008, we announced that under the international bidding round, the government of Chile awarded the Otway exploration block in southern Chile to a consortium that includes Wintershall, GeoPark, and Methanex. Wintershall and GeoPark each own a 42% interest in the consortium and we own a 16% interest. Exploration work is expected to commence by the end of this year. The minimum exploration investment committed in the Otway block by the consortium for the first phase is $11 million over the next three years.

We cannot provide assurance that ENAP, GeoPark or others will be successful in the exploration and development of natural gas or that we will obtain any additional natural gas from suppliers in Chile on commercially acceptable terms.

Refer to the *Risk Factors and Risk Management – Chile* section on page 28 for more information.

Trinidad

Our methanol facilities in Trinidad represent approximately 1.9 million tonnes of competitive cost annual production capacity. During 2008, our Trinidad facilities produced above original nameplate capacity with total production of 2.0 million tonnes compared with 1.8 million tonnes during 2007.

New Zealand

We have positioned our facilities in New Zealand as flexible production assets. In October 2008, we restarted one of our idled 900,000 tonne per year Motunui methanol plants and idled our 530,000 tonne per year Waitara Valley plant. We produced 570,000 tonnes at our facilities in New Zealand in 2008 compared with 435,000 tonnes in 2007. The increase in production in 2008 is due to additional production from the Motunui facility. We have the flexibility to operate the Motunui plant or the Waitara Valley plant or both depending on methanol supply and demand dynamics and the availability of natural gas on commercially acceptable terms.

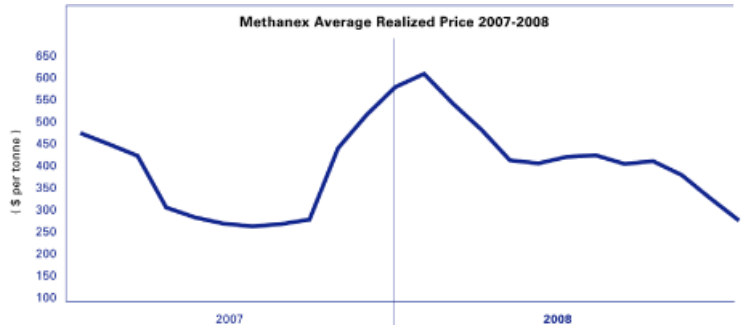
RESULTS OF OPERATIONS

($ millions)	**2008**	2007
Consolidated statements of income:		
Revenue	**$ 2,314**	$ 2,266
Cost of sales and operating expenses	**1,947**	1,614
Inventory writedown	**33**	—
Adjusted EBITDA[1]	**334**	652
Depreciation and amortization	**107**	112
Operating income[1]	**227**	540
Interest expense	**(38)**	(44)
Interest and other income	**10**	27
Income taxes	**(27)**	(147)
Net income	**$ 172**	$ 376

1 These items are non-GAAP measures that do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to the *Supplemental Non-GAAP Measures section* on page 40 for a description of each non-GAAP measure and a reconciliation to the most comparable GAAP measure.

REVENUE

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



Revenue for 2008 was $2.3 billion which was slightly higher than 2007. Total sales volumes of produced and purchased methanol during 2008 were 5.4 million tonnes compared with 6.0 million tonnes in 2007. The increase in revenue was primarily due to higher methanol pricing in 2008 compared with 2007, which was partially offset by lower sales volumes.

We entered 2008 in a tight methanol market condition due to industry supply constraints as a result of significant planned and unplanned supplier outages in the latter half of 2007. This combined with high global energy prices and healthy demand, resulted in high methanol prices during the first quarter of 2008. As inventories recovered, methanol prices moderated into the second quarter of 2008 and pricing remained relatively stable until the end of the third quarter of 2008. During the fourth quarter of 2008, as a result of the global economic slowdown, methanol prices decreased sharply.

Our average realized price for 2008 was $424 per tonne compared with $375 per tonne in 2007. Our higher average realized price during 2008 increased revenue by $266 million compared with 2007 while lower sales volumes decreased revenue by $218 million.

The methanol industry is highly competitive and prices are affected by supply and demand fundamentals. We publish non-discounted reference prices for each major methanol market and offer discounts to customers based on various factors. Our average non-discounted published reference price for 2008 was $526 per tonne compared with $451 per tonne in 2007. Our average realized price was approximately 19% and 17% lower than our average non-discounted published reference price for 2008 and 2007, respectively.

We have entered into long-term contracts for a portion of our production volume with certain global customers where prices are either fixed or linked to our costs plus a margin. In 2008, sales under these contracts represented approximately 23% of our total sales volumes. The difference between our average non-discounted published reference price and our average realized price is expected to narrow during periods of lower pricing.

Distribution of Revenue

The distribution of revenue for 2008 and 2007 is as follows:

($ millions, except where noted)	**2008**		2007	
Canada	**$ 237**	**10%**	$ 237	10%
United States	**737**	**32%**	753	33%
Europe	**494**	**21%**	500	22%
Korea	**263**	**11%**	259	11%
Japan	**131**	**6%**	148	7%
Other Asia	**213**	**9%**	142	6%
Latin America	**239**	**10%**	227	10%
	$ 2,314	**100%**	$ 2,266	100%

Our revenue distribution for 2008 is relatively comparable to 2007 except for changes in Other Asia. Revenue related to customers in Other Asia increased as a proportion to our total revenue as a result of an increase in sales volumes in China in 2008 compared with 2007.

Adjusted EBITDA

We review our results of operations by analyzing changes in the components of Adjusted EBITDA. The operating results for our production facilities represent a substantial proportion of Adjusted EBITDA and, accordingly, we separately discuss changes in average realized price, sales volumes and total cash costs related to these facilities. In addition to the methanol that we produce at our facilities, we also purchase and re-sell methanol produced by others which we refer to as purchased methanol. Sales of purchased methanol represent a lower proportion of Adjusted EBITDA and, accordingly, the analysis of purchased methanol is discussed on a net margin basis.

2008 Adjusted EBITDA was $334 million compared with $652 million in 2007. The decrease in Adjusted EBITDA of $318 million resulted from changes in the following:

($ millions)	2008 vs. 2007
Methanex-produced methanol:	
Average realized price	**$ 118**
Sales volumes	**(210)**
Total cash costs[1]	**(73)**
	(165)
Inventory writedown	**(33)**
Margin on the sale of purchased methanol	**(120)**
Decrease in Adjusted EBITDA	**$ (318)**

1 Includes cash costs related to methanol produced at our facilities as well as consolidated selling, general and administrative expenses and fixed storage and handling costs.

Average Realized Price

The higher average realized price of Methanex-produced methanol increased Adjusted EBITDA by $118 million. Refer to the *Revenue* section above on page 16 for more information.

Sales Volumes

Sales volumes of Methanex-produced methanol for the year ended December 31, 2008 were lower by 1.2 million tonnes compared with 2007 primarily as a result of lower production available from Chile (refer to the *Production Summary – Chile* section on page 15 for more information). Lower sales volumes in 2008 decreased Adjusted EBITDA by $210 million compared with 2007.

Total Cash Costs

Cash costs for Methanex-produced methanol were higher in 2008 compared with 2007 and this decreased Adjusted EBITDA by $73 million. The primary changes in cash costs were as follows:

($ millions)	2008 vs. 2007
Higher natural gas costs and other costs related to higher methanol prices	**$ 70**
Higher distribution costs	**19**
Lower selling, general & administrative and other expenses	**(16)**
Increase in total cash costs	**$ 73**

Higher Natural Gas Costs and Other Costs Related to Higher Methanol Prices

Most of our natural gas supply contracts for our assets in Chile, Trinidad and New Zealand include base and variable price components to reduce our commodity price risk exposure. The variable price component of each gas contract is adjusted by a formula related to methanol prices above a certain level. We believe this pricing relationship enables these facilities to be competitive throughout the methanol price cycle. The higher average methanol prices in 2008 increased our natural gas and other costs related to our produced product and this decreased Adjusted EBITDA by approximately $70 million compared with 2007. For additional information regarding our natural gas agreements refer to the *Summary of Contractual Obligations and Commercial Commitments* section on page 22.

Higher Distribution Costs

The cost to deliver methanol to customers is a significant component of our operating costs. Ocean shipping costs are the most significant component of distribution costs and we have a fleet of ocean-going vessels under long-term time charter that contribute to our objective of cost-effectively delivering methanol to customers. Ocean shipping costs increased by $19 million in 2008 compared with 2007 due to increased fuel costs resulting from higher global energy prices.

Lower Selling, General & Administrative and Other Expenses

Selling, general and administrative and other expenses decreased by $16 million in 2008 compared with 2007 primarily as a result of the impact of the reduction in our share price on stock-based compensation expense. Stock-based compensation expense for deferred, restricted and performance share units is impacted by changes in our share price and these changes are recognized in earnings for the proportion of the service that has been rendered at each reporting date.

Inventory Writedown

We record inventory at lower of cost and estimated net realizable value. The carrying value of inventory, for both produced methanol as well as methanol we purchase from others, will reflect methanol pricing at the time of production or purchase and this will differ from methanol pricing when sold. Methanol prices fell sharply in late 2008 and early 2009 and we recorded a pre-tax charge to earnings of $33 million to write down the carrying value of inventory to estimated net realizable value at December 31, 2008.

Margin on the Sale of Purchased Methanol

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 methanol produced by others through methanol offtake contracts and 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 purchase. Consequently, we realize holding gains or losses on the resale of this product depending on the methanol price at the time of purchase and resale. In structuring our offtake agreements we look for opportunities that provide synergies with our existing supply chain and market position. Our strong global supply chain position allows us to take advantage of unique opportunities to add value through logistics cost savings and purchase methanol in the lowest cost region. This value is not captured in the net margin on purchased methanol as the logistics cost and other benefits resulting from our purchase decisions are captured in our results from sales of Methanex-produced methanol.

In mid-2007 we lost significant production from our Chile assets due to curtailments of natural gas feedstock from Argentina. In order to meet our customer commitments we increased the level of purchased methanol. We expect that the level of purchasing activity will decrease as production increases from the additional production in New Zealand, the start up of the Egypt plant in 2010 and improved production in Chile.

The increase in the purchasing activities starting in mid-2007 was undertaken in an environment of significantly increasing methanol pricing. As a result, we recorded holding gains on sale of purchased methanol of $39 million during 2007. We entered 2008 in a very high methanol price environment which moderated in the first quarter and remained stable into the second and third quarters of 2008. During the fourth quarter of 2008, as a result of the global financial crisis and the weak global economic environment, methanol pricing declined sharply. As a result of the decline in methanol prices during 2008, we recorded holding losses on sale of purchased methanol of $81 million.

Depreciation and Amortization

Depreciation and amortization expense in 2008 was $107 million compared with $112 million in 2007. The decrease in depreciation and amortization of $5 million is primarily due to lower sales volumes of Methanex-produced methanol inventories in 2008 which includes depreciation charges.

Interest Expense

($ millions)	**2008**	2007
Interest expense before capitalized interest	**$ 53**	$ 48
Less capitalized interest related to Egypt plant under construction	**(15)**	(4)
	$ 38	$ 44

Interest expense before capitalized interest in 2008 was $53 million compared with $48 million in 2007. In May 2007, we reached financial close and secured limited recourse debt of $530 million for a 1.3 million tonne per year methanol facility in Egypt that we are developing with partners. Interest costs related to this project have been capitalized since that date.

Interest and Other Income

Interest and other income was $11 million in 2008 compared with $27 million in 2007. The decrease in interest and other income of $16 million was primarily due to lower returns on cash balances in 2008 compared with 2007 and the impact of changes in foreign exchange gains and losses.

Income Taxes

The effective tax rate for 2008 was 13%. The effective tax rate for 2007 was 28%. The decrease in the effective tax rate for 2008 compared with 2007 is primarily attributed to the resolution of a tax position during the fourth quarter of 2008 that resulted in a reduction of $27 million to future income tax liabilities.

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

For additional information regarding income taxes, refer to note 12 of our 2008 consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Highlights

($ millions)	2008	2007
Cash Flows from Operating Activities:		
Cash flows from operating activities[1]	**$ 243**	$ 494
Changes in non-cash working capital	**82**	33
	325	527
Cash Flows from Financing Activities:		
Payments for shares repurchased	**(150)**	(205)
Dividend payments	**(57)**	(55)
Proceeds on issue of long-term debt	**204**	132
Equity contribution by non-controlling interest	**67**	32
Repayment of long-term debt	**(15)**	(14)
Other, net	**(8)**	(4)
	41	(114)
Cash Flows from Investing Activities:		
Property, plant and equipment	**(97)**	(76)
Egypt plant under construction	**(388)**	(202)
Dorado Riquelme investment	**(42)**	—
Other assets	**(26)**	(20)
Changes in non-cash working capital related to investing activities	**27**	18
	(526)	(280)
Increase (decrease) in cash and cash equivalents	**(160)**	133
Cash and cash equivalents, end of year	**$ 328**	$ 488

1 Before changes in non-cash working capital.

Cash Flows from Operating Activities

Cash flows from operating activities before changes in non-cash working capital were $243 million in 2008 compared with $494 million in 2007. The decrease in cash flows from operating activities before changes in non-cash working capital is primarily the result of lower earnings in 2008 compared with 2007.

Cash generated from changes in non-cash working capital related to operating activities is due to a decrease in operating working capital of $82 million for the year ended December 31, 2008 and a decrease of $33 million for the year ended December 31, 2007. The changes in non-cash working capital are primarily driven by the impact of changes in methanol pricing on our non-cash working capital balances, changes in inventory levels and timing of cash payments and collections.

Cash Flows from Financing Activities

Over the past two years we have returned a total of $467 million of cash to shareholders through share repurchases of $355 million and through regular quarterly dividend payments of $112 million.

During 2008, we repurchased a total of 6.5 million common shares under normal course issuer bids at an average price of $23.04 per share, totaling $150 million. During 2007, we repurchased a total of 8.0 million common shares at an average price of $25.45 per share, totaling $205 million.

We increased our regular quarterly dividend by 11% from $0.14 per share per quarter to $0.155 per share per quarter during the second quarter of 2008. Total dividend payments in 2008 were $57 million compared with $55 million in 2007.

In May 2007, we reached financial close and secured limited recourse debt of $530 million for a project to construct a 1.3 million tonne per year methanol facility in Egypt. We own 60% of Egyptian Methanex Methanol Company S.A.E. (EMethanex), which is the company that is developing the project. We account for our investment in EMethanex using consolidation accounting. This results in 100% of the assets and liabilities of EMethanex being included in our financial statements. The other investors' interest in the project is presented as "non-controlling interest". During 2008, a total $204 million of this limited recourse debt was drawn for construction activities and to December 31, 2008, $321 million had been drawn under these facilities.

We repaid $15 million in principal on our Atlas and other limited recourse debt facilities in each of 2008 and 2007.

We received proceeds of $4 million and issued 0.2 million common shares on the exercise of stock options during 2008, compared with proceeds of $10 million on the issuance of 0.6 million common shares in 2007.

Cash Flows from Investing Activities

Additions to property, plant and equipment, which include refurbishment costs to restart the Motunui plant in New Zealand, turnarounds, catalyst and other capital expenditures, were $97 million for 2008 compared with $76 million in 2007. In 2008, approximately $70 million was incurred as part of the refurbishment and restart of the Motunui plant in New Zealand and we performed ongoing maintenance at all of our production facilities.

During 2008, total capital expenditures were $388 million for the development and construction of the Egypt project. Refer to the *Liquidity and Capitalization* section on page 26 for more information.

As previously mentioned, we have an agreement with ENAP to accelerate natural gas exploration and development in the Dorado Riquelme exploration block in southern Chile. Under the arrangement, we expect to contribute approximately $100 million in capital over the next two to three years and will have a 50% participation in the block. The arrangement is subject to approval by the government of Chile which is expected during the first half of 2009. As at December 31, 2008, we had contributed $42 million of the total expected capital of $100 million for the Dorado Riquelme block.

During 2008, investments in other assets of $26 million primarily related to our agreement to provide $40 million in financing to GeoPark to support and accelerate its natural gas exploration and development activities in the Fell block in southern Chile. During 2008, we funded $26 million under this agreement and this amount was recorded as an addition to other assets. As at December 31, 2008, GeoPark had drawn the full amount of $40 million.

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, 2008 is as follows:

($ millions)	2009	2010-2011	2012-2013	After 2013	TOTAL
Long-term debt repayments	15	60	275	443	$ 793
Long-term debt interest obligations	46	84	54	63	247
Repayment of other long-term liabilities	7	5	2	33	47
Capital lease obligations	9	18	8	—	35
Natural gas and other	180	335	295	1,646	2,456
Operating lease commitments	134	233	215	546	1,128
Egypt plant under construction	319	46	—	—	365
	710	**781**	**849**	**2,731**	**$ 5,071**

The above table does not include costs for planned capital maintenance expenditures, costs for purchased methanol under offtake contracts, or any obligations with original maturities of less than one year. We have supply contracts with Argentinean suppliers for natural gas sourced from Argentina for approximately 60% of capacity (increasing to 80% beginning mid-2009) for our facilities in Chile. These contracts have expiration dates between 2017 and 2025 and represent a total potential future commitment of approximately $1,174 million at December 31, 2008. We have excluded these potential purchase obligations from the table above. Since June 2007, our natural gas suppliers from Argentina have curtailed all gas supply to our plants in Chile in response to various actions by the Argentinean government, including imposing a large increase to the duty on natural gas exports. Under the current circumstances, we do not expect to receive any further natural gas supply from Argentina. Refer to the *Production Summary – Chile* section on page 15 for more information.

Long-Term Debt Repayments and Interest Obligations

We have $200 million of unsecured notes that mature in 2012 and $150 million of unsecured notes that mature in 2015. The remaining debt repayments represent the total expected principal repayments relating to the Egypt project debt drawn as of December 31, 2008 and other limited recourse debt facilities, as well as our proportionate share of total expected principal repayments related to the Atlas limited recourse debt facilities. Interest obligations related to variable interest rate long-term debt were estimated using current interest rates in effect at December 31, 2008. For additional information, refer to note 7 of our 2008 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.

Capital Lease Obligations

We have entered into a capital lease agreement for an ocean-going vessel. The above table includes the future minimum lease payments related to this capital lease. For additional information, refer to note 8(b) of our 2008 consolidated financial statements.

Natural Gas and Other

We have commitments under take-or-pay contracts to purchase annual quantities of natural gas supplies and to pay for transportation capacity related to these supplies. We also have take-or-pay contracts to purchase oxygen and other feedstock requirements. Take-or-pay means that we are obliged to pay for the supplies regardless of whether we take delivery. Such commitments are typical in the methanol industry. These contracts generally provide a quantity that is subject to take-or-pay terms that is lower than the maximum quantity that we are entitled to purchase. The amounts disclosed in the table represent only the take-or-pay quantity.

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

The natural gas commitments for our Chile facilities included in the above table relate to our natural gas contracts with Empresa Nacional del Petroleo (ENAP), the Chilean state-owned energy company. These contracts currently represent approximately 40% (decreasing to approximately 20% beginning mid-2009) of the natural gas requirements for our Chile facilities operating at capacity. All but one of these contracts have a base component and variable price component determined with reference to 12-month trailing average published industry methanol prices and have expiration dates that range from 2017 to 2025. The remaining contract, which currently represents approximately 20% of the contracted natural gas supply for our Chile facilities operating at capacity, has a base component and a variable price component determined with reference to our average realized price of methanol for the current calendar year and expires in mid-2009. However, this contract provides that it may be extended for a period of time to enable us to take quantities of make-up gas where ENAP has failed to deliver quantities of gas that it was obligated to deliver during the initial term of the agreement. Over the past several years, ENAP has delivered less than the full amount of natural gas that it was contractually obligated to deliver under all of the above contracts.

During 2007, we reached an arrangement with GeoPark to purchase all natural gas produced by GeoPark from the Fell block in southern Chile for a 10-year period. GeoPark has recently increased natural gas supply to our plants and by the end of 2008 they were supplying us with approximately 25% of our natural gas deliveries for our Chile operations. The pricing under this arrangement has a base component and a variable component determined with reference to a 3-month trailing average of industry methanol prices. We cannot determine the amount of natural gas that will be purchased under this arrangement, and accordingly, no amounts have been included in the above table.

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

In New Zealand, we have take-or-pay supply contracts which have a variable pricing component and these are included in the above table. These contracts are with number of suppliers which, together with some spot purchases of natural gas, enable us to continue operating our 900,000 tonne per year Motunui plant until the end of third quarter of 2010.

We have a long-term take-or-pay natural gas supply contract for the methanol project under construction in Egypt that is included in the above table. We expect this facility to begin commercial operations in early 2010. The pricing for natural gas under this contract includes base and variable price components. The variable component of the natural gas contract in Egypt commences mid-2012 and is determined with reference to our average realized price of methanol each quarter. This contract expires 25 years from the start of the commercial operation of the facility.

At December 31, 2008, we have annual methanol purchase commitments under offtake contracts for approximately 500,000 tonnes for 2009, approximately 250,000 tonnes for each of 2010 and 2011, and approximately 125,000 tonnes for 2012. The pricing under these contracts are referenced to industry pricing at the time of purchase, and accordingly, no amounts have been included in the above table.

Operating Lease Commitments

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

Egypt Plant Under Construction

Project under construction includes the estimated total remaining capital expenditures to complete the construction of the 1.3 million tonne methanol facility in Egypt, including capitalized interest related to the project financing and excluding working capital.

Off-Balance Sheet Arrangements

At December 31, 2008, we did not have any off-balance sheet arrangements, as defined by applicable securities regulators in Canada and the United States that have, or are reasonably likely to have, a current or future material effect on our results of operations or financial condition.

Financial Instruments

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

The following table provides the carrying value of each of our categories of financial assets and liabilities and the related balance sheet item as at December 31, 2008 and December 31, 2007, respectively:

($ millions)	**2008**	2007
Financial assets:		
Held for trading financial assets:		
Cash and cash equivalents	**$ 328**	$ 488
Debt service reserve accounts included in other assets	**18**	16
Loans and receivables:		
Receivables, excluding current portion of GeoPark financing	**208**	402
Dorado Riquelme investments included in other assets	**42**	—
GeoPark financing, including current portion	**37**	14
	$ 633	$ 920
Financial liabilities:		
Other financial liabilities:		
Accounts payable and accrued liabilities	**$ 235**	$ 466
Long-term debt, including current portion	**787**	597
Capital lease obligation included in other long-term liabilities, including current portion	**21**	25
Held for trading financial liabilities:		
Derivative instruments designated as cash flow hedges	**38**	9
Derivative instruments	**2**	1
	$ 1,083	$ 1,098

At December 31, 2008, all of the financial instruments were recorded on the balance sheet at amortized cost with the exception of cash and cash equivalents, derivative financial instruments and debt service reserve accounts included in other assets which were recorded at fair value.

The Egypt limited recourse debt facilities bear interest at LIBOR plus a spread. We have entered into interest rate swap contracts to swap the LIBOR-based interest payments for an average aggregated fixed rate of 4.8% plus a spread on approximately 75% of the Egypt limited recourse debt facilities for the period September 28, 2007 to March 31, 2015.

These interest rate swaps had outstanding notional amounts of $231 million as at December 31, 2008. Under the interest rate swap contracts the maximum notional amount during the term is $368 million. The notional amount increases over the period of expected draw-downs on the Egypt limited recourse debt and decreases over the expected repayment period. At December 31, 2008, these interest rate swap contracts had a negative fair value of $38.1 million (December 31, 2007 – negative $8.6 million) recorded in other long-term liabilities. The fair value of these interest rate swap contracts will fluctuate until maturity. We also designate as cash flow hedges forward exchange contracts to sell euro at a fixed US dollar exchange rate. At December 31, 2008, we had outstanding forward exchange contracts designated as cash flow hedges to sell a notional amount of 6.3 million euro in exchange for US dollars and these euro contracts had a nil fair value (December 31, 2007 – fair value of $0.1 million). Changes in fair value of derivative financial instruments designated as cash flow hedges have been recorded in other comprehensive income.

At December 31, 2008, our derivative financial instruments that had not been designated as cash flow hedges include forward exchange contracts to purchase $8.9 million New Zealand dollars at an average exchange rate of $0.7022 with a negative fair value of $1.1 million (December 31, 2007 – nil) which is recorded in payables and a floating-for-fixed interest rate swap contract with a negative fair value of $0.6 million (December 31, 2007 – $1.0 million) recorded in other long-term liabilities. For the year ended December 31, 2008, the total change in fair value of these derivative financial instruments was a decrease of $0.7 million, which has been recorded in earnings during the period.

Liquidity and Capitalization

We maintain conservative financial policies and we focus on maintaining our financial strength and flexibility through prudent financial management. Our objectives in managing our liquidity and capital are to safeguard our ability to continue as a going concern, 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, 2008 and December 31, 2007, respectively:

($ millions, except where noted)	**2008**	2007
Liquidity:		
Cash and cash equivalents	**$ 328**	$ 488
Undrawn Egypt limited recourse debt facilities	**209**	413
Undrawn credit facilities	**250**	250
Total Liquidity	**$ 788**	$ 1,151
Capitalization:		
Unsecured notes	**$ 347**	$ 346
Limited recourse debt facilities, including current portion	**441**	251
Total debt	**787**	597
Non-controlling interest	**109**	41
Shareholders' equity	**1,282**	1,335
Total capitalization	**$ 2,178**	$ 1,973
Total debt to capitalization[1]	**36%**	30%
Net debt to capitalization[2]	**25%**	7%

1 Defined as total debt divided by total capitalization.

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

We manage our liquidity and capital structure and make adjustments to it in light of changes to economic conditions, the underlying risks inherent in our operations and 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 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. This is particularly important in the current uncertain economic environment. We have excellent financial capacity and flexibility. Our cash balance at December 31, 2008 was $328 million and we have $209 million of undrawn capacity on the $530 million Egypt limited recourse debt facilities. Additionally, we have an undrawn credit facility in the amount of $250 million provided by highly rated financial institutions, which expires in mid-2010 and is subject to certain financial covenants including an EBITDA to interest coverage ratio and a debt to capitalization ratio.

We invest cash only in highly rated instruments that have maturities of three months or less to ensure preservation of capital and appropriate liquidity. Planned capital maintenance expenditures directed towards major maintenance, turnarounds and catalyst changes for current operations, are estimated to be approximately $100 million for the period to the end of 2011. Of this amount, approximately $40 million relates to the costs for major maintenance and turnarounds for our Atlas and Titan facilities scheduled for the first half 2009.

We estimate that the total remaining capital expenditures, including capitalized interest related to the project financing and excluding working capital, to complete the construction of the Egypt methanol facility will be approximately $365 million. This includes unpaid capital expenditures recorded in accounts payable at December 31, 2008 of approximately $55 million. These expenditures will be funded from cash generated from operations and cash on hand, cash contributed by the non-controlling shareholders and proceeds from the limited recourse debt facilities. At December 31, 2008, our 60% share of remaining cash equity contributions, including capitalized interest related to the project financing and excluding working capital, is estimated to be approximately $95 million.

As previously mentioned, we have an agreement with ENAP to accelerate natural gas exploration and development in the Dorado Riquelme exploration block in southern Chile. Under the arrangement, we expect to contribute approximately $100 million in capital over the next two to three years to fund a 50% participation in the block. The arrangement is subject to approval by the government of Chile, which we expect to receive in the first half of 2009. As at December 31, 2008, we had contributed $42 million of the total expected capital of $100 million for the Dorado Riquelme block. In June 2008, we announced that under the international bidding round, the government of Chile awarded the Otway exploration block in southern Chile to a consortium that includes Wintershall, GeoPark, and Methanex. Wintershall and GeoPark each own a 42% interest in the consortium and we own a 16% interest. Exploration work is expected to commence by the end of this year. The minimum exploration investment committed in the Otway block by the consortium for the first phase is $11 million over the next three years.

We believe we are well positioned to meet our financial commitments in this time of economic uncertainty and continue to invest to grow our business.

The credit ratings for our unsecured notes at December 31, 2008 were as follows:

Standard and Poor's Rating Services	BBB– (stable)
Moody's Investor Services	Ba1 (stable)
Fitch Ratings	BBB (negative)

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

RISK FACTORS AND RISK MANAGEMENT

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

Security of Natural Gas Supply and Price

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

Chile

Although we have long-term natural gas supply contracts in place that entitle us to receive the majority of our total natural gas requirements in Chile from suppliers in Argentina, these suppliers have curtailed all gas supply to our plants in Chile since mid-June 2007 in response to various actions by the Argentinean government, including imposing a large increase to the duty on natural gas exports from Argentina. Since then we have been operating our Chile facilities at approximately 30% of total production capacity. We are not aware of any plans by the government of Argentina to remove or significantly decrease this export duty. Under the current circumstances, we do not expect to receive any further natural gas supply from Argentina.

We are focused on sourcing additional gas supply for our Chile facilities from suppliers in Chile as discussed in more detail in the *Production Summary – Chile* section on page 15 of this document. We are pursuing investment opportunities with ENAP, GeoPark and Wintershall to help accelerate natural gas exploration and development in southern Chile. In addition, the government of Chile completed an international bidding round in 2007 to assign natural gas exploration areas that lie close to our production facilities and announced the participation of five international oil and gas companies.

We cannot provide assurance that we, ENAP, GeoPark, Wintershall or the other bidding round participants will complete all planned expenditures or be successful in the exploration and development of natural gas in Chile or that we would obtain any additional natural gas from suppliers in Chile on commercially acceptable terms.

As a result of the Argentinean natural gas supply issues discussed above, all of the methanol production at our Chile facilities since mid-June of 2007 has been produced with natural gas from suppliers in Chile. During 2007 and 2008, ENAP has failed to deliver the contractually agreed quantities of natural gas as a result of ongoing deliverability and production issues. These issues caused methanol production losses of approximately 590,000 tonnes in 2008 and 450,000 tonnes in 2007. We cannot provide assurance that ENAP will not continue to have deliverability and production issues or that the loss of natural gas supply to our plants in Chile as a result of such issues will not be greater than it has been in the past. Such losses could have an adverse effect on our results of operations and financial condition.

Trinidad

Natural gas for our Trinidad methanol production facilities is supplied under long-term contracts with The National Gas Company of Trinidad and Tobago Limited. The contracts for Titan and Atlas expire in 2014 and 2024, respectively. Although Titan and Atlas are located close to other natural gas reserves in Trinidad, which we believe we could access after the expiration of these natural gas supply contracts, we cannot provide assurance that we would be able to secure access to such natural gas under long-term contracts on commercially acceptable terms.

Over the past few years, large industrial natural gas consumers in Trinidad, including Methanex, experienced periodic minor curtailments of natural gas supply due to gas delivery infrastructure and other issues. Methanol production losses due to these curtailments have not been material to date. However, we cannot provide assurance that we will not experience further curtailments due to gas delivery infrastructure or other issues in Trinidad.

New Zealand

During the past few years there has been an increase in natural gas exploration and development activity in New Zealand resulting in an improvement in the outlook for gas supply for our New Zealand facilities over the medium term. In 2008, we entered into natural gas supply agreements with a number of suppliers that enabled us to add close to 400,000 tonnes of additional annual production capacity by starting up our 900,000 tonne Motunui plant and idling our 530,000 tonne Waitara Valley plant. These agreements, together with some spot purchases of natural gas, enable us to continue operating our Motunui plant through until the end of the third quarter of 2010.

The future operation of each of our New Zealand facilities depends on industry supply and demand and the availability of natural gas on commercially acceptable terms. There can be no assurance that the ongoing exploration and development activity in New Zealand will be successful or that we will be able to secure additional gas for our facilities on commercially acceptable terms.

Methanol Price Cyclicality and Methanol Supply and Demand

The methanol business is a highly competitive commodity industry and prices are affected by supply and demand fundamentals and global energy prices. Methanol prices have historically been, and are expected to continue to be, characterized by significant cyclicality. New methanol plants are expected to be built and this will increase overall production capacity. Additional methanol supply can also become available in the future by restarting idle methanol plants, carrying out major expansions of existing plants or debottlenecking existing plants to increase their production capacity. Historically, higher cost plants have been shut down or idled when methanol prices are low but there can be no assurance that this trend will occur in the future. Demand for methanol largely depends upon levels of global industrial production, changes in general economic conditions and energy price.

We are not able to predict future methanol supply and demand balances, market conditions, global economic activity, methanol prices or global energy prices, all of which are affected by numerous factors beyond our control. As mentioned previously, the current global financial crisis and related economic slowdown have added significant risks and uncertainties for our business. As a result of the economic slowdown, we estimate that demand for methanol decreased by approximately 15% from the third quarter to the fourth quarter of 2008 and methanol prices have decreased significantly. If the global situation does not improve, both demand for methanol and methanol prices could decrease further. 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. We also cannot provide assurance that high cost plants would be shut down or idled if the price of methanol were to decline.

Global Financial Crisis and Related Economic Slowdown

The current global financial crisis and related economic slowdown have added significant risks and uncertainties for our business, including risks and uncertainties related to its current and potential impact on global supply and demand for methanol and 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.

The significant slowdown in the global economy that was seen in the fourth quarter of 2008 has persisted into the first quarter of 2009 and it is uncertain how long the current weak economic environment will last or how severe it may become. These global economic conditions have already materially affected both the global supply and demand for methanol and methanol prices. The degree to which our business is impacted in the future is dependent upon the duration and severity of these economic conditions. The price of methanol could decline materially again and this would have a material adverse effect on our results of operations and financial condition.

Liquidity Risk

We have an undrawn $250 million credit facility that expires in 2010. This facility is provided by highly rated financial institutions and our ability to access this facility is subject to certain financial covenants including an EBITDA to interest coverage ratio and a debt to capitalization ratio. We cannot provide assurance that all of these financial institutions will have the financial ability to honour a draw under the credit facility or that we will be able to meet these financial covenants in the future.

In addition, we have $209 million of undrawn capacity on the $530 million limited recourse debt facilities for the new Egypt facility that we are constructing with partners. We cannot provide assurance that the lenders under this facility will have the financial ability to honour future draws.

If we are unable to draw on the existing facilities described above or if we are unable to access new financing in the future, this 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, Supplier and Insurer Credit Risk

In the current economic environment the risk of trade credit losses has increased. Most of our customers are large global or regional petrochemical manufacturers or distributors and a number are highly leveraged. Our largest customer, accounting for approximately 7% of our revenues in 2008, recently filed for protection under chapter 11 of the United States bankruptcy code. While the outstanding receivables from this customer were not material at the time of that filing, it is possible that other customers may seek protection from creditors in the future and our exposure to such customers' receivables could be greater. Although we monitor our customers' financial status closely, 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 none of our major insurers or suppliers have defaulted on any of their obligations to date, the current economic environment has increased the risk that some of our insurers will not be financially capable of honouring future claims and some of our suppliers may not be able to meet future supply commitments, and this could have an adverse effect on our results of operations and financial condition.

Methanol Demand

Demand for Methanol

Changes in environmental, health and safety laws, regulations or requirements could lead to a decrease in methanol demand. The United States Environmental Protection Agency (EPA) is preparing internal reports relating to the human health effects of methanol including its potential carcinogenicity and its final report is expected to be released in the fourth quarter of 2010. Currently, the EPA does not classify methanol with respect to carcinogenicity. We are unable to determine at this time whether the EPA or any other body will reclassify methanol. Any reclassification could reduce future methanol demand which could have an adverse effect on our results of operations and financial condition.

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

Demand for Methanol in the Production of Formaldehyde

There are a number of agencies in the United States that are currently conducting studies and tests related to the classification of formaldehyde based on its carcinogenicity, including the National Cancer Institute, the EPA and the United States Department of Health and Human Services. The reports from these agencies will be released over the next few years, with the earliest due from the National Cancer Institute in the first half 2009. In addition, new limits for formaldehyde emitted from composite wood products were implemented in California effective January 1, 2009 and there are proposals in a number of other countries to reclassify formaldehyde based on its carcinogenicity and/ or to reduce permitted formaldehyde exposure levels. We are unable to determine at this time whether the National Cancer Institute, the EPA or the United States Department of Health and Human Services or any other agency in the United States or any other country will reclassify formaldehyde, impose limits on formaldehyde exposure levels or take other similar actions. 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 2008, methanol for the production of MTBE represented approximately 14% of global methanol demand. MTBE is used primarily as a source of octane and as an oxygenate for gasoline to reduce the amount of harmful exhaust emissions from motor vehicles.

Several years ago, environmental concerns and legislative action related to MTBE and other gasoline components leaking into water supplies from underground gasoline storage tanks in the United States led to 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 in the last two years to make MTBE for use in domestic fuel blending. However, approximately 750,000 tonnes per year of methanol was used in 2008 to produce MTBE in the United States for non-fuel use and for export markets. Demand for methanol for MTBE production in the United States may decline further. The pace of decline of such demand is uncertain and will be determined by various factors, including the export economics of MTBE producers in the United States.

Additionally, the EPA in the United States is preparing an Integrated Risk Information System (IRIS) review of the human health effects of MTBE, including its potential carcinogenicity, and its final report is expected to be released in the third quarter of 2011. The results of this report could also cause demand for MTBE to decline further.

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 storage and handling of MTBE-containing fuel were recommended. However, governmental efforts in some European Union and Latin American countries to promote biofuels and alternative fuels through legislation and/or tax policy are putting competitive pressures on the use of MTBE in gasoline in Europe and Latin America. Several European MTBE production facilities are now producing ethyl tertiary butyl ether (ETBE), which does not contain methanol, to take advantage of such tax incentives.

Although MTBE demand has remained healthy outside of the United States and Europe, 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 won’t develop outside of the United States, either of which would lead to a further 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

We currently have substantial operations and investments outside of North America, including Chile, Trinidad, New Zealand, Egypt, Europe and Asia. We are subject to risks inherent in foreign operations such as: loss of revenue, property and equipment as a result of expropriation, import or export restrictions, nationalization, war, insurrection, 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. In addition, because we derive substantially all of our revenues from production and sales by subsidiaries outside of Canada, the payment of dividends or the making of other cash payments or advances by these subsidiaries may be subject to restrictions or exchange controls on the transfer of funds in or out of the respective countries or result in the imposition of taxes on such payments or advances. We have organized our foreign operations in part based on certain assumptions about various tax laws (including capital gains and withholding taxes), foreign currency exchange and capital repatriation laws and other relevant laws of a variety of foreign jurisdictions. While we believe that such assumptions are reasonable, we cannot provide assurance that foreign taxing or other authorities will reach the same conclusion. Further, if such foreign jurisdictions were to change or modify such laws, we could suffer adverse tax and financial consequences.

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

Operational Risks

Production Risks

Most of our earnings are derived from the sale of methanol produced at our plants. Our business is subject to the risks of operating methanol production facilities, such as unforeseen equipment breakdowns, interruptions in the supply of natural gas and other feedstocks, power failures, longer than anticipated planned maintenance activities, loss of port facilities, natural disasters or any other event, including unanticipated events beyond our control, which could result in a prolonged shutdown of any of our plants or impede our ability to deliver methanol to our customers. A prolonged plant shutdown at any of our major facilities could 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 offtake contracts in order to meet our customer commitments and support our marketing efforts. Consequently, we have the risk of holdings losses on the resale of this product to the extent that methanol prices decrease from the date of purchase to the date of sale. In mid-2007, we experienced significant reduction to our production levels at our plants in Chile as a result of the natural gas curtailments from Argentina. Accordingly we have increased our purchasing levels of methanol to continue to meet our customer commitments which has increased our exposure to holding losses on sale of purchased methanol. Holding losses could have an adverse effect on our results of operations and financial condition.

Distribution Risks

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

Insurance Risks

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

Egypt Plant Under Construction

We are currently constructing a 1.3 million tonne per year methanol facility with partners in Egypt. While we believe that our estimates of project costs and anticipated completion for the Egyptian project are reasonable, we cannot provide any assurance that the cost estimates will not be exceeded or that the facility will commence commercial production within the anticipated schedule, if at all.

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

Environmental Regulation

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

Carbon dioxide is a significant by-product from the methanol production process. We manufacture methanol in Chile, Trinidad and New Zealand and we are constructing a new facility in Egypt with partners. All of these countries have signed and ratified the Kyoto Protocol. Under the Kyoto Protocol, we are not currently required to reduce Greenhouse Gases (GHGs) in the developing nations of Chile, Trinidad and Egypt. However, as a developed nation, New Zealand does have obligations related to GHG emissions reduction under the Kyoto Protocol. In this regard, New Zealand passed legislation related to an Emission Trading Scheme (ETS) in the third quarter of 2008 as part of its commitment under the Kyoto Protocol. However, as a result of a recent change of government, New Zealand is currently in the process of reviewing this legislation and its implementation. As currently proposed, the ETS would apply to us, but would not have an impact until 2010. Based upon our knowledge of the currently proposed ETS, we believe that it will not have a material impact on our business. However, given the uncertainty of the results of the review of the ETS by the government of New Zealand, we cannot provide assurance that the ETS in its final form will not have an adverse effect on our results of operations and financial condition.

OUTLOOK

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

In the first three quarters of 2008, global methanol demand was healthy, underpinned by high energy prices and healthy industrial production growth, particularly in China. During this same period in 2008, there were numerous smaller scale capacity additions in China representing approximately 5.8 million tonnes per year and one major capacity addition outside of China – a 1.7 million tonne per year facility in Saudi Arabia.

Into the fourth quarter of 2008, the significant slowdown in the global economy led to a major reduction in global demand for methanol. Overall, we estimate global methanol demand declined about 15% during the fourth quarter versus the third quarter of 2008 and we currently estimate global demand to be approximately 35 million tonnes on an annualized basis. Demand for traditional methanol derivatives used in chemical applications (which make up approximately 70% of global methanol demand) was impacted more significantly, while demand for methanol into energy related derivatives remained relatively stable. For the year, global methanol demand in 2008 was approximately 40 million tonnes, which was about the same as global demand in 2007.

In reaction to the decrease in demand during the fourth quarter of 2008, we estimate that as much as 7 million tonnes of annual high cost capacity shut down or operated at lower rates, particularly in China and in other regions such as Russia and Eastern Europe. There was a significant decrease in spot and contract methanol pricing during the fourth quarter of 2008 and in the first quarter of 2009. As we entered the fourth quarter of 2008, our average non-discounted price across all of the major regions was approximately $450 per tonne and in January 2009 the comparable non-discounted price declined to $220 per tonne.

Over the two-year period to the end of 2010, excluding the 1.7 million tonne plant in Malaysia which is in the process of starting up, it is expected that new capacity and expansions will add approximately 5.3 million tonnes of capacity to the global industry outside of China including the 1.3 million tonne plant we are constructing in Egypt with partners. We believe that this new capacity could be offset by demand growth outside of China, import growth into China and closures of high cost capacity in the industry.

There are significant capacity additions planned in China over the next few years. However, the Chinese methanol industry has historically operated at low rates and there has been increasing pressure on its cost structure as a result of escalating feedstock costs for both coal and natural gas based producers, and the cost for Chinese producers to export has escalated as a result of reduced fiscal incentives and an appreciating local currency. While the recent decline in global energy prices has put some downward pressure on feedstock costs in China, many Chinese producers continue to have high cost structures. At the end of 2008, as a result of the declining methanol price environment, we estimate about 6 million tonnes of annualized methanol production in China shut down and net imports into China increased by approximately 3 million tonnes on an annualized basis. In addition, the majority of the methanol produced in China is coal-based which is typically lower quality and often not suitable for many international customers. In a higher global energy price environment, we believe that methanol demand in China will grow at high rates and that this will more than offset increases of domestic production in China and imports of methanol into China will increase over time.

There is currently significant uncertainty caused by the global economic slowdown and its impact on our business. The significant slowdown in the global economy that was seen in the fourth quarter of 2008 has persisted into 2009 and it is uncertain how long the current weak economic environment will last or how severe it may become. These global economic conditions materially affect both the supply and demand for methanol and the methanol price. The degree to which our business is impacted is dependent upon the duration and severity of these economic conditions.

The methanol price will ultimately depend on industry operating rates, global energy prices, the rate of industry restructuring and the strength of global demand. We believe that our excellent financial position and financial flexibility, outstanding global supply network and competitive cost position will provide a sound basis for Methanex continuing to be the leader in the methanol industry.

CRITICAL ACCOUNTING ESTIMATES

We believe the following selected accounting policies and issues are critical to understanding the estimates, assumptions and uncertainties that affect the amounts reported and disclosed in our consolidated financial statements and related notes. See note 1 to our 2008 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, 2008, the net book value of our property, plant and equipment was $1,924 million. We estimate the useful lives of property, plant and equipment and this is used as the basis for recording depreciation and amortization. Recoverability of property, plant and equipment is measured by comparing the net book value of an asset to the undiscounted future net cash flows expected to be generated from the asset over its estimated useful life. An impairment charge is recognized in cases where the undiscounted expected future cash flows from an asset are less than the net book value of the asset. The impairment charge is equal to the amount by which the net book value of the asset exceeds its fair value. Fair value is based on quoted market values, if available, or alternatively using discounted expected future cash flows.

There are a number of uncertainties inherent in estimating future net cash flows to be generated by our production facilities. These include, among other things, assumptions regarding future supply and demand, methanol pricing, availability and pricing of natural gas supply, and production and distribution costs. Changes in these assumptions will impact our estimates of future cash flows and could impact our estimates of the useful lives of property, plant and equipment. Consequently, it is possible that our future operating results could be adversely affected by asset impairment charges or by changes in depreciation and amortization rates related to property, plant and equipment. As at December 31, 2008, we performed asset impairment analysis for certain of our production assets and determined that an impairment charge was not required.

Asset Retirement Obligations

We record asset retirement obligations at fair value when incurred for those sites where a reasonable estimate of the fair value can be determined. At December 31, 2008, we have accrued $12 million for asset retirement obligations. Inherent uncertainties exist because the restoration activities will take place in the future and there may be changes in governmental and environmental regulations and changes in removal technology and costs. It is difficult to estimate the future costs of these activities as our estimate of fair value is based on today's regulations and technology. Because of uncertainties related to estimating the cost and timing of future site restoration activities, future costs could differ materially from the amounts estimated.

Income Taxes

Future income tax assets and liabilities are determined using enacted tax rates for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities. We record a valuation allowance on future tax assets, when appropriate, to reflect the uncertainty of realization of future tax benefits. In determining the appropriate valuation allowance, certain judgments are made relating to the level of expected future taxable income and to available tax planning strategies and their impact on the use of existing loss carryforwards and other income tax deductions. In making this analysis, we consider historical profitability and volatility to assess whether we believe it to be more likely than not that the existing loss carryforwards and other income tax deductions will be used to offset future taxable income otherwise calculated. Our management routinely reviews these judgments. At December 31, 2008, we had future income tax assets of $201 million that are substantially offset by a valuation allowance of $137 million. The determination of income taxes requires the use of judgment and estimates. If certain judgments or estimates prove to be inaccurate, or if certain tax rates or laws change, our results of operations and financial position could be materially impacted.

Inventories

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

During the fourth quarter of 2008, as a result of the slowdown in the global economy, there was a major reduction in methanol demand. This led to a sharp decline in methanol pricing in late 2008 and early 2009 and we recorded a pre-tax charge to earnings of $33 million to write down the carrying value of inventory to estimated net realizable value at December 31, 2008. Because of inherent uncertainties related to estimating future methanol prices as described above, net realizable value for our inventories could differ materially from the amount estimated.

Accounts Receivable and Allowance for Doubtful Accounts

We provide credit to our customers in the normal course of business. We perform ongoing credit evaluations of our customers and maintain reserves for potential credit losses. We record an allowance for doubtful accounts or write down the receivable to estimated net realizeable value if not collectible in full. As at December 31, 2008, we have approximately $142 million in trade accounts receivable, and we believe that we have adequately provided for any credit losses. Historically credit losses have been within the range of management's expectations. However, in the current difficult economic environment, the risk of trade credit losses has increased and because of uncertainties in estimated future credit losses, credit losses on trade receivables could be materially different from amounts estimated.

Derivative Financial Instruments

From time to time we enter into derivative financial instruments to limit our exposure to foreign exchange volatility and to variable interest rate volatility and to contribute towards achieving cost structure and revenue targets. The valuation of derivative financial instruments is a critical accounting estimate due to the complex nature of these products, the degree of judgment required to appropriately value these products and the potential impact of such valuation on our financial statements. Derivative financial instruments are classified as held for trading and are recorded on the balance sheet at fair value. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designed as cash flow hedges, in which changes in fair value are recorded in other comprehensive income. At December 31, 2008, the fair value of our derivative financial instruments used to limit our exposure to foreign exchange volatility and to variable interest rate volatility approximates their carrying value of negative $39.9 million. Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in foreign exchange rates and variable interest rates, which have been volatile in the current economic environment.

NEW CANADIAN ACCOUNTING STANDARDS ADOPTED IN 2008

Inventories

On January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, *Inventories*, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (IFRS). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. The adoption of this standard has had no impact on the Company's measurement of inventory at January 1, 2008.

Capital Disclosures

On January 1, 2008, the Company adopted the CICA Handbook Section 1535, *Capital Disclosures*. This Section established standards for disclosing information about an entity's capital and how it is managed.

Financial Instruments – Disclosure and Presentation

On January 1, 2008, the Company adopted the CICA Handbook Section 3862, *Financial Instruments – Disclosure* and Section 3863, *Financial Instruments – Presentation*. These sections revise and enhance disclosure and presentation of financial instruments and place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how those risks are managed.

Credit Risk and the Fair Value of Financial Assets and Liabilities

For the year ended December 31, 2008, the Company adopted the new recommendations of the CICA Emerging Issues Committee as described in Abstract 173, *Credit Risk and the Fair Value of Financial Assets and Liabilities* . This Abstract clarifies that the Company must consider its own credit risk and the credit risk of a counterparty in the determination of the fair value.

ANTICIPATED CHANGES TO CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*. This new accounting standard, replaces Section 3062, *Goodwill and Other Intangible Assets*. Section 3064 expands on the standards for recognition, measurement and disclosure of intangible assets. This Section became effective for the Company beginning January 1, 2009. The impact of the retroactive adoption of this standard on our consolidated financial statements at January 1, 2009 is expected to be approximately $13 million recorded as a reduction to opening retained earnings and property, plant and equipment. The amount relates to certain pre-operating expenditures that have been capitalized to property, plant and equipment at December 31, 2008 that would have been required to be expensed under this new standard.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to start using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

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

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

We have developed a plan to convert our consolidated financial statements to IFRS at the changeover date of January 1, 2011 with comparative financial results for 2010. The IFRS transition plan addresses the impact of IFRS on accounting policies and implementation decisions, infrastructure, business activities, and control activities. A summary status of the key elements of the changeover plan is as follows:

Accounting policies and implementation decisions

- Key activities:
    - Identification of differences in Canadian GAAP and IFRS accounting policies
    - Selection of ongoing IFRS policies
    - Selection of IFRS 1 First-time Adoption of International Financial Reporting Standards (“IFRS 1”) choices
    - Development of financial statement format
    - Quantification of effects of change in initial IFRS 1 disclosures and 2010 financial statements
- Status:
    - We have identified differences between accounting policies under Canadian GAAP and accounting policy choices under IFRS, both on an ongoing basis and with respect to certain choices available on conversion, in accordance with IFRS 1
    - We will progress towards the selection of IFRS accounting policies and the quantification of identified differences throughout 2009 and 2010

Infrastructure: Financial reporting expertise

- Key activities:
  - Development of IFRS expertise
- Status:
  - We have provided training for key employees. Additional training for key employees, management, the Board, and other stakeholders will be ongoing throughout the convergence period

Infrastructure: Information technology and data systems

- Key activities:
  - Identification of system requirements and development of system solutions for the convergence and post-convergence periods
- Status:
  - We are in the process of identifying system requirements for the convergence and post-convergence periods

Business activities: Financial covenants

- Key activities:
  - Identification of impact on financial covenants and financing relationships
  - Completion of any required renegotiations/changes
- Status:
  - We have compiled a register of all financing relationships and have begun analyzing the implications of IFRS on our financial covenant requirements

Business activities: Compensation arrangements

- Key activities:
  - Identification of impact on compensation arrangements
  - Assessment and implementation of required changes
- Status:
  - We are in the process of identifying compensation policies that rely on indicators derived from the financial statements

Control activities: Internal control over financial reporting

- Key activities:
  - For all accounting policy changes identified, assessment of Internal Controls over Financial Reporting (“ICFR”) design and effectiveness implications
  - Implementation of appropriate changes
- Status:
  - We are analyzing any issues with respect to ICFR in conjunction with our review of IFRS accounting policies

Control activities: Disclosure controls and procedures

- Key activities:
  - For all accounting policy changes identified, assessment of Disclosure Controls and Procedures ("DC&P") design and effectiveness implications
  - Implementation of appropriate changes
- Status:
  - We are in the process of analyzing any issues with respect to DC&P
  - We have begun providing IFRS project updates in quarterly and annual disclosure documents

We will continue to provide updates on the status of key activities for this convergence project in our quarterly and annual Management's Discussion and Analysis throughout the convergence period to January 1, 2011.

SUPPLEMENTAL NON-GAAP MEASURES

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

Adjusted EBITDA

This supplemental non-GAAP measure is provided to help readers determine our ability to generate cash from operations. We believe this measure is useful in assessing performance and highlighting trends on an overall basis. We also believe Adjusted EBITDA is frequently used by securities analysts and investors when comparing our results with those of other companies. Adjusted EBITDA differs from the most comparable GAAP measure, cash flows from operating activities, primarily because it does not include changes in non-cash working capital, stock-based compensation expense and other non-cash items net of cash payments, interest expense, interest and other income, and current income taxes.

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

($ millions)	**2008**	2007
Cash flows from operating activities	**$ 325**	$ 527
Add (deduct):		
Changes in non-cash working capital	**(82)**	(33)
Other cash payments	**3**	16
Stock-based compensation expense	**(3)**	(22)
Other non-cash items	**(3)**	(14)
Interest expense	**38**	44
Interest and other income	**(10)**	(27)
Income taxes – current	**66**	161
Adjusted EBITDA	**$ 334**	$ 652

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

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

QUARTERLY FINANCIAL DATA (UNAUDITED)

	Three Months Ended			
($ millions, except where noted)	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**
2008				
Revenue	**$ 408**	**$ 570**	**$ 600**	**$ 736**
Net income (loss)	**(3)**	**71**	**39**	**65**
Basic net income (loss) per share	**(0.03)**	**0.76**	**0.41**	**0.67**
Diluted net income (loss) per share	**(0.03)**	**0.75**	**0.41**	**0.67**
2007				
Revenue	$ 731	$ 395	$ 466	$ 674
Net income	172	23	36	145
Basic net income per share	1.74	0.24	0.35	1.38
Diluted net income per share	1.72	0.24	0.35	1.37

A discussion and analysis of our results for the fourth quarter of 2008 is set out in our fourth quarter of 2008 Management's Discussion and Analysis filed with Canadian Securities Administrators and the U.S. Securities and Exchange Commission and incorporated herein by reference.

SELECTED ANNUAL INFORMATION

($ millions, except where noted)	**2008**	2007
Revenue	**$ 2,314**	$ 2,266
Net income	**172**	376
Basic net income per share	**1.82**	3.69
Diluted net income per share	**1.82**	3.68
Cash dividends declared per share	**0.605**	0.545
Total assets	**2,818**	2,870
Total long-term financial liabilities	**869**	656

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, 2008, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures are effective.

Management's Annual Report on Internal Control over Financial Reporting

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

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

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2008, based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation under this framework, management concluded that our internal control over financial reporting was effective as of that date.

KPMG LLP ("KPMG"), an independent registered public accounting firm, who 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, 2008. The attestation report is included on page 46 of our consolidated financial statements.

Changes in Internal Control over Financial Reporting

There have been no changes during the year ended December 31, 2008 to internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

FORWARD-LOOKING STATEMENTS

This 2008 Management's Discussion and Analysis contains forward-looking statements with respect to us and the chemical industry. Statements that include the words "believes," "expects," "may," "will," "should," "seeks," "intends," "plans," "estimates," "anticipates," or the negative version of those words or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements.

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.

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 include those attendant with producing and marketing methanol and successfully carrying out major capital expenditure projects in various jurisdictions, including the on-time and on-budget completion of a new methanol plant that we are developing with partners in Egypt, the ability to successfully carry out corporate initiatives and strategies, conditions in the methanol and other industries, fluctuations in supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses, the price of oil, the success of natural gas exploration and development activities in southern Chile and New Zealand and our ability to obtain any additional gas in those regions on commercially acceptable terms, actions of competitors and suppliers, actions of governments and governmental authorities, changes in laws or regulations in foreign jurisdictions, world-wide economic conditions and other risks described in this 2008 Management's Discussion and Analysis. In addition to the foregoing risk factors, the current global financial crisis and weak economic environment has added additional risks and uncertainties including changes in capital markets and corresponding effects on the Company's investments, our ability to access existing or future credit and defaults by customers, suppliers or insurers.

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

Exhibit 99.3

Responsibility for Financial Reporting

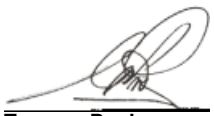
The consolidated financial statements and all financial information contained in the annual report are the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, have incorporated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

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the internal control framework set out in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2008.

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 have 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.



Terence Poole
Chairman of the Audit, Finance and Risk Committee



Bruce Aitken
President and Chief Executive Officer



Ian Cameron
Senior Vice President, Finance and Chief Financial Officer

March 6, 2009

Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Directors of Methanex Corporation

We have audited the accompanying consolidated balance sheets of Methanex Corporation ("the Company") as at December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 6, 2009, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Chartered Accountants
Vancouver, Canada
March 6, 2009

Report of Independent Registered Public Accounting Firm

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, 2008, based on 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 Controls 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, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as at December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, comprehensive income and cash flows for the years then ended, and our report dated March 6, 2009 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

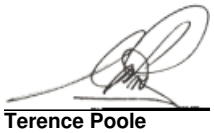
Chartered Accountants
Vancouver, Canada
March 6, 2009

Consolidated Balance Sheets
(thousands of US dollars, except number of common shares)

As at December 31	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 328,430**	$ 488,224
Receivables (note 2)	**213,419**	401,843
Inventories	**177,637**	312,143
Prepaid expenses	**16,840**	20,889
	736,326	1,223,099
Property, plant and equipment (note 4)	**1,924,258**	1,542,100
Other assets (note 6)	**157,397**	104,700
	$ 2,817,981	$ 2,869,899
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 235,369**	$ 466,020
Current maturities on long-term debt (note 7)	**15,282**	15,282
Current maturities on other long-term liabilities (note 8)	**8,048**	16,965
	258,699	498,267
Long-term debt (note 7)	**772,021**	581,987
Other long-term liabilities (note 8)	**97,441**	74,431
Future income tax liabilities (note 12)	**299,192**	338,602
Non-controlling interest	**108,728**	41,258
Shareholders' equity:		
Capital stock		
25,000,000 authorized preferred shares without nominal or par value		
Unlimited authorization of common shares without nominal or par value		
Issued and outstanding common shares at December 31, 2008 was 92,031,392 (2007 – 98,310,254)	**427,265**	451,640
Contributed surplus	**22,669**	16,021
Retained earnings	**871,984**	876,348
Accumulated other comprehensive loss	**(40,018)**	(8,655)
	1,281,900	1,335,354
	$ 2,817,981	$ 2,869,899

Commitments and contingencies (note 18)
See accompanying notes to consolidated financial statements.

Approved by the Board:



Terence Poole
Director



Bruce Aitken
Director

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

For the years ended December 31	**2008**	2007
Revenue	**$ 2,314,219**	$ 2,266,521
Cost of sales and operating expenses	**1,946,871**	1,614,179
Inventory writedown (note 3)	**33,373**	–
Depreciation and amortization	**107,126**	112,428
Operating income	**226,849**	539,914
Interest expense (note 10)	**(38,439)**	(43,911)
Interest and other income	**10,626**	26,862
Income before income taxes	**199,036**	522,865
Income taxes (note 12):		
Current	**(66,148)**	(160,514)
Future	**39,410**	13,316
	(26,738)	(147,198)
Net income	**$ 172,298**	$ 375,667
Basic net income per common share	**$ 1.82**	$ 3.69
Diluted net income per common share	**$ 1.82**	$ 3.68
Weighted average number of common shares outstanding	**94,520,945**	101,717,341
Diluted weighted average number of common shares outstanding	**94,913,956**	102,129,929

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity
(thousands of US dollars, except number of common shares)

	Number of Common Shares	Capital Stock	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (note 1(m))	Total Shareholders' Equity
Balance, December 31, 2006	105,800,942	$474,739	$ 10,346	$ 724,166	$ —	$ 1,209,251
Net income	—	—	—	375,667	—	375,667
Compensation expense recorded for stock options	—	—	9,343	—	—	9,343
Issue of shares on exercise of stock options	552,175	9,520	—	—	—	9,520
Reclassification of grant date fair value on exercise of stock options	—	3,668	(3,668)	—	—	—
Payment for shares repurchased	(8,042,863)	(36,287)	—	(168,440)	—	(204,727)
Dividend payments	—	—	—	(55,045)	—	(55,045)
Other comprehensive loss	—	—	—	—	(8,655)	(8,655)
Balance, December 31, 2007	98,310,254	451,640	16,021	876,348	(8,655)	1,335,354
Net income	**—**	**—**	**—**	**172,298**	**—**	**172,298**
Compensation expense recorded for stock options	**—**	**—**	**8,225**	**—**	**—**	**8,225**
Issue of shares on exercise of stock options	**224,016**	**4,075**	**—**	**—**	**—**	**4,075**
Reclassification of grant date fair value on exercise of stock options	**—**	**1,577**	**(1,577)**	**—**	**—**	**—**
Payment for shares repurchased	**(6,502,878)**	**(30,027)**	**—**	**(119,829)**	**—**	**(149,856)**
Dividend payments	**—**	**—**	**—**	**(56,833)**	**—**	**(56,833)**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(31,363)**	**(31,363)**
Balance, December 31, 2008	**92,031,392**	**$427,265**	**$ 22,669**	**$ 871,984**	**$ (40,018)**	**$ 1,281,900**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income
(thousands of US dollars)

For the years ended December 31	**2008**	2007
Net income	**$ 172,298**	$ 375,667
Other comprehensive income (loss):		
Change in fair value of forward exchange contracts, net of tax (note 1(m), 15)	**9**	(45)
Change in fair value of interest rate swap contracts, net of tax (note 1(m), 15)	**(31,372)**	(8,610)
	(31,363)	(8,655)
Comprehensive income	**$ 140,935**	$ 367,012

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
(thousands of US dollars)

For the years ended December 31	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 172,298**	$ 375,667
Add (deduct) non-cash items:		
Depreciation and amortization	**107,126**	112,428
Future income taxes	**(39,410)**	(13,316)
Stock-based compensation	**2,811**	22,410
Other	**2,797**	13,574
Other cash payments, including stock-based compensation	**(3,101)**	(16,824)
Cash flows from operating activities before undernoted	**242,521**	493,939
Changes in non-cash working capital (note 13)	**82,532**	33,396
	325,053	527,335
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for shares repurchased	**(149,856)**	(204,727)
Dividend payments	**(56,833)**	(55,045)
Proceeds from limited recourse debt (note 7)	**204,000**	131,574
Financing costs	**—**	(8,725)
Equity contributions by non-controlling interest	**67,470**	32,109
Repayment of limited recourse debt	**(15,282)**	(14,344)
Proceeds on issue of shares on exercise of stock options	**4,075**	9,520
Changes in debt service reserve accounts	**(1,820)**	1,035
Repayment of other long-term liabilities	**(10,454)**	(5,153)
	41,300	(113,756)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment	**(96,956)**	(76,239)
Egypt plant under construction (note 18(d))	**(388,001)**	(201,922)
Dorado Riquelme investment (note 6)	**(41,781)**	—
Other assets	**(26,307)**	(19,788)
Changes in non-cash working capital related to investing activities (note 13)	**26,898**	17,540
	(526,147)	(280,409)
Increase (decrease) in cash and cash equivalents	**(159,794)**	133,170
Cash and cash equivalents, beginning of year	**488,224**	355,054
Cash and cash equivalents, end of year	**$ 328,430**	$ 488,224
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid, net of capitalized interest	**$ 45,401**	$ 38,454
Income taxes paid, net of amounts refunded	**$ 78,591**	$ 144,169

See accompanying notes to consolidated financial statements.

1. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada. These accounting principles are different in some respects from those generally accepted in the United States and the significant differences are described and reconciled in note 19.

These consolidated financial statements include the accounts of Methanex Corporation, wholly owned subsidiaries, less than wholly owned entities for which it has a controlling interest and its proportionate share of the accounts of jointly controlled entities (collectively, the Company). For less than wholly owned entities for which the Company has a controlling interest, a non-controlling interest is included in the Company's financial statements and represents the non-controlling shareholder's interest in the net assets of the entity. In accordance with the Accounting Guideline No. 15, *Consolidation of Variable Interest Entities* , the Company also consolidates any variable interest entities of which it is the primary beneficiary, as defined. When the Company does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Company applies the equity method of accounting. All significant intercompany transactions and balances have been eliminated. Preparation of these consolidated financial statements requires estimates and assumptions that affect amounts reported and disclosed in the financial statements and related notes. Policies requiring significant estimates are described below. Actual results could differ from those estimates.

(b) Reporting currency and foreign currency translation:

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

(c) Cash equivalents:

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

(d) Receivables:

The Company provides credit to its customers in the normal course of business. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. The Company records an allowance for doubtful accounts or writes down the receivable to estimated net realizable value if not collectible in full. Historically credit losses have been within the range of management's expectations.

(e) Inventories:

Inventories are valued at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value. On January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031, *Inventories*, which replaces Section 3030 and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards (IFRS). This Section provides changes to the measurement and more extensive guidance on the determination of cost, including allocation of overhead; narrows the permitted cost formulas; requires impairment testing; and expands the disclosure requirements to increase transparency. The adoption of this standard had no impact on the Company's measurement of inventory at January 1, 2008.

(f) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Interest incurred during construction is capitalized to the cost of the asset. Incentive tax credits related to property, plant and equipment are recorded as a reduction in the cost of property, plant and equipment. The benefit of incentive tax credits is recognized in earnings through lower depreciation in future periods.

1. Significant accounting policies: *(continued)*

(f) Property, plant and equipment: *(continued)*

Depreciation and amortization is generally provided on a straight-line basis, or in the case of the New Zealand operations, on a unit-of-natural gas consumption basis, at rates calculated to amortize the cost of property, plant and equipment from the commencement of commercial operations over their estimated useful lives to estimated residual value.

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

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

(g) Other assets:

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

Financing costs related to undrawn credit facilities are capitalized to other assets and amortized to interest expense over the term of the credit facility. Financing costs 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 costs are reclassified to present long-term debt net of financing costs and amortized to interest expense over the repayment term. Other long-term debt is presented net of financing costs and amortized to interest expense over the repayment term on an effective interest basis.

(h) Asset retirement obligations:

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

(i) Employee future benefits:

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

(j) Net income per common share:

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

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

For the years ended December 31	**2008**	2007
Denominator for basic net income per common share	**94,520,945**	101,717,341
Effect of dilutive stock options	**393,011**	412,588
Denominator for diluted net income per common share	**94,913,956**	102,129,929

(k) Stock-based compensation:

The Company grants stock-based awards as an element of compensation. Stock-based awards granted by the Company can include stock options, deferred share units, restricted share units or performance share units.

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

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

Additional information related to the stock option plan, the assumptions used in the Black-Scholes option pricing model, and the deferred, restricted and performance share units of the Company are described in note 9.

(l) Revenue recognition:

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

1. Significant accounting policies: *(continued)*

(m) Financial instruments:

The accounting standards provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. The accounting standards also establish standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

On January 1, 2008, the Company adopted the CICA Handbook Section 3862, *Financial Instruments – Disclosure* and Section 3863, *Financial Instruments – Presentation*. These sections revise and enhance disclosure and presentation of financial instruments and place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how those risks are managed. Refer to notes 15 and 16.

For the year ended December 31, 2008, the Company early adopted the new recommendations of the CICA Emerging Issues Committee as described in Abstract 173, *Credit Risk and the Fair Value of Financial Assets and Liabilities* . This Abstract clarifies that the Company must consider its own credit risk and the credit risk of a counterparty in the determination of the fair value of derivative instruments. Refer to note 15.

Financial instruments must be classified into one of five categories and, depending on the category, will either be measured at amortized cost or fair value. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost. Held for trading financial assets and liabilities and available-for-sale financial assets are measured on the balance sheet at fair value. Changes in fair value of held-for-trading financial assets and liabilities are recognized in earnings while changes in 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 earnings. The Company classifies its cash and cash equivalents as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, long-term debt, net of financing costs, and other long-term liabilities are classified as other financial liabilities, which are also measured at amortized cost.

Under these standards, derivative financial instruments, including embedded derivatives, are classified as held for trading and are recorded on the balance sheet at fair value unless exempted. The Company records all changes in fair value of derivative financial instruments in earnings unless the instruments are designated as cash flow hedges. The Company enters into and designates as cash flow hedges certain forward exchange 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 fair values or cash flows of the hedged transactions. The effective portion of changes in fair value of these forward exchange sales contracts and interest rate swap contracts is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in earnings.

(n) Capital disclosures

On January 1, 2008, the Company adopted the CICA Handbook Section 1535, *Capital Disclosures.* This Section established standards for disclosing information about an entity’s capital and how it is managed. Refer to note 14.

(o) Income taxes:

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

The Company accrues for taxes that will be incurred upon distributions from its subsidiaries when it is probable that the earnings will be repatriated.

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

(p) Anticipated changes to Canadian generally accepted accounting principles:

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*. This new accounting standard, replaces Section 3062, *Goodwill and Other Intangible Assets*. Section 3064 expands on the standards for recognition, measurement and disclosure of intangible assets. This Section is effective for the Company beginning January 1, 2009. The impact of the retroactive adoption of this standard on the Company's consolidated financial statements at January 1, 2009 is expected to be approximately $13 million recorded as a reduction to opening retained earnings and property, plant and equipment. The amount relates to certain pre-operating expenditures that have been capitalized to property, plant and equipment at December 31, 2008 that would have been required to be expensed under this new standard.

2. Receivables:

As at December 31	**2008**	2007
Trade	**$ 141,716**	$ 369,269
Value-added and other tax receivable	**24,949**	19,988
Receivable from natural gas supplier	**21,323**	—
Other	**25,431**	12,586
	$ 213,419	$ 401,843

3. Inventories:

Inventories are valued at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value. Substantially all inventories consist of produced and purchased methanol. The amount of inventories included in cost of sales and operating expense and depreciation and amortization during the years ended December 31, 2008 and 2007 was $1,860 million and $1,497 million, respectively. At December 31, 2008, the Company recorded a pre-tax charge to earnings of $33.4 million to write down inventories to the lower of cost and estimated net realizable value.

4. Property, plant and equipment:

As at December 31	Cost	Accumulated Depreciation	Net Book Value
2008			
Plant and equipment	**$ 2,544,163**	**$ 1,299,296**	**$ 1,244,867**
Egypt plant under construction (note 18(d))	**615,784**	**—**	**615,784**
Other	**127,731**	**64,124**	**63,607**
	$ 3,287,678	**$ 1,363,420**	**$ 1,924,258**
2007			
Plant and equipment	$ 2,450,175	$ 1,206,730	$ 1,243,445
Egypt plant under construction (note 18(d))	227,783	—	227,783
Other	124,779	53,907	70,872
	$ 2,802,737	$ 1,260,637	$ 1,542,100

5. Interest in Atlas joint venture:

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

Consolidated Balance Sheets as at December 31	**2008**	2007
Cash and cash equivalents	**$ 35,749**	$ 20,128
Other current assets	**57,374**	107,993
Property, plant and equipment	**249,609**	263,942
Other assets	**18,149**	16,329
Accounts payable and accrued liabilities	**19,927**	56,495
Long-term debt, including current maturities (note 7)	**106,592**	119,891
Future income tax liabilities (note 12)	**17,942**	16,099

Consolidated Statements of Income for the years ended December 31	**2008**	2007
Revenue	**$ 286,906**	$ 258,418
Expenses	**271,493**	214,981
Income before income taxes	**15,413**	43,437
Income tax expense	**(4,488)**	(9,458)
Net income	**$ 10,925**	$ 33,979

Consolidated Statements of Cash Flows for the years ended December 31	**2008**	2007
Cash inflows from operating activities	**$ 44,861**	$ 40,317
Cash outflows from financing activities	**(15,852)**	(12,997)
Cash outflows from investing activities	**(2,977)**	(16,380)

6. Other assets:

As at December 31	2008	2007
Marketing and production rights, net of accumulated amortization	**$ 27,080**	$ 34,728
Restricted cash for debt service reserve account	**18,149**	16,329
Deferred financing costs, net of accumulated amortization	**9,036**	10,138
Defined benefit pension plans (note 17)	**16,456**	13,487
GeoPark financing	**30,616**	13,681
Dorado Riquelme investment	**42,123**	—
Other	**13,937**	16,337
	$ 157,397	$ 104,700

For the year ended December 31, 2008, amortization of marketing and production rights included in depreciation and amortization was $7.6 million (2007 – $7.6 million) and amortization of deferred financing costs included in interest expense was $1.1 million (2007 – $0.3 million).

During 2007, the Company entered into a financing agreement with GeoPark Chile Limited (GeoPark) under which the Company provided $40 million 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. At December 31, 2008, the entire amount of $40 million has been fully drawn and approximately $3.4 million has been received in natural gas. As at December 31, 2008, the remaining amount is $36.6 million of which $30.6 million has been recorded in other assets and the current portion of $6.0 million has been recorded in accounts receivable.

On May 5, 2008, the Company signed an agreement with Empresa Nacional del Petroleo (ENAP), the Chilean state-owned oil and gas company to accelerate gas exploration and development in the Dorado Riquelme exploration block and supply new Chilean-sourced natural gas to the Company's production facilities in Chile. Under the arrangement, the Company expects to contribute approximately $100 million in capital over the next two or three years and will have a 50% participation in the block. As at December 31, 2008, the Company had contributed $42.1 million of the total expected capital of $100 million for the Dorado Riquelme block and this amount has been recorded in other assets. The arrangement is subject to approval by the government of Chile and $33.5 million of the amount contributed has been placed in escrow until final approval is received. Additionally, the Company invested $8.6 million related to developmental and exploratory wells in the Dorado Riquelme block.

7. Long-term debt:

As at December 31	2008	2007
Unsecured notes:		
(i) 8.75% due August 15, 2012 (effective yield 8.88%)	**$ 198,182**	$ 197,776
(ii) 6.00% due August 15, 2015 (effective yield 6.10%)	**148,518**	148,340
	346,700	346,116
Atlas Methanol Company — limited recourse debt facilities (63.1% proportionate share):		
(i) Senior commercial bank loan facility with interest payable semi-annually with rates based on LIBOR plus a spread ranging from 2.25% to 2.75% per annum. Principal is paid in 12 semi-annual payments which commenced June 2005.	**20,890**	34,541
(ii) Senior secured notes bearing an interest rate with semi-annual interest payments of 7.95% per annum. Principal will be paid in 9 semi-annual payments commencing December 2010.	**61,758**	61,477
(iii) Senior fixed rate bearing an interest rate of 8.25% per annum with semi-annual interest payments. Principal will be paid in 4 semi-annual payments commencing June 2015.	**14,725**	14,684
(iv) Subordinated loans with an interest rate based on LIBOR plus a spread ranging from 2.25% to 2.75% per annum. Principal will be paid in 20 semi-annual payments commencing December 2010.	**9,219**	9,189
	106,592	119,891
Egypt limited recourse debt facilities		
(i) International facility to a maximum amount of $139 million with interest payable semi-annually with rates based on LIBOR plus a spread ranging from 1.1% to 1.5% per annum. Principal will be paid in 24 semi-annual payments commencing in September 2010.	**95,074**	23,074
(ii) Euromed facility to a maximum amount of $146 million with interest payable semi-annually with rates based on LIBOR plus a spread ranging from 1.1% to 1.4%. Principal will be paid in 24 semi-annual payments commencing in September 2010.	**145,600**	93,500
(iii) Article 18 facility to a maximum amount of $77 million with interest payable semi-annually with rates based on LIBOR plus a spread ranging from 1.0% to 1.4%. Principal will be paid in 24 semi-annual payments commencing in September 2010.	**33,900**	—
(iv) Egyptian facility to a maximum amount of $168 million with interest payable semi-annually with rates based on LIBOR plus a spread ranging from 1.0% to 1.6% per annum. Principal will be paid in 24 semi-annual payments commencing in September 2010.	**46,000**	—
	320,574	116,574
Other limited recourse debt	**13,437**	14,688
	787,303	597,269
Less current maturities	**(15,282)**	(15,282)
	$ 772,021	$ 581,987

For the year ended December 31, 2008, non-cash accretion, on an effective interest basis, of deferred financing costs included in interest expense was $1.3 million (2007 — $1.4 million).

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

2009	**$ 15,282**
2010	**24,891**
2011	**35,366**
2012	**236,552**
2013	**37,899**
	$ 349,990

The Company achieved financial close to construct a methanol plant in Egypt as described in note 18 (d). 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% on approximately 75% of the Egypt limited recourse debt facilities for the period September 28, 2007 to March 31, 2015 (note 15).

The limited recourse debt facilities of Egypt and Atlas are described as limited recourse as they are secured only by the assets of the Egypt entity and the Atlas joint venture, respectively. Accordingly, the lenders to the limited recourse debt facilities have no recourse to the Company or its other subsidiaries. Under the terms of these limited recourse debt facilities, the entities can make cash or other distributions after fulfilling certain conditions.

Other limited recourse debt is payable over twelve years in equal quarterly principal payments beginning October 2007. Interest on this debt is payable quarterly at LIBOR plus 0.75%.

As at December 31, 2008, the Company has an undrawn, unsecured revolving bank facility of $250 million provided by highly rated financial institutions that expires in mid-2010 and is subject to certain financial covenants including an EBITDA to interest coverage ratio and a debt to capitalization ratio. This credit facility ranks pari passu with the Company's unsecured notes.

8. Other long-term liabilities:

As at December 31	**2008**	2007
Asset retirement obligations (a)	**$ 12,029**	$ 14,566
Capital lease obligation (b)	**20,742**	24,676
Deferred, restricted and performance share units (note 9)	**16,224**	21,355
Chile retirement arrangement (note 17)	**17,754**	21,233
Fair value of derivative financial instruments (note 15)	**38,740**	9,566
	105,489	91,396
Less current maturities	**(8,048)**	(16,965)
	$ 97,441	$ 74,431

(a) Asset retirement obligations:

The Company has accrued for asset retirement obligations related to those sites where a reasonably definitive estimate of the fair value of the obligation can be made. Because of uncertainties in estimating future costs and the timing of expenditures related to the currently identified sites, actual results could differ from the amounts estimated. During the year ended December 31, 2008, cash expenditures applied against the accrual for asset retirement obligations were $0.2 million (2007 — $0.7 million). At December 31, 2008, the total undiscounted amount of estimated cash flows required to settle the obligation was $13.6 million (2007 — $15.5 million).

8. Other long-term liabilities: *(continued)*

(b) Capital lease obligation:

As at December 31, 2008, the Company has a capital lease obligation related to an ocean shipping vessel. The future minimum lease payments in aggregate until the expiry of the lease are as follows:

2009	**$ 8,752**
2010	**8,839**
2011	**8,927**
2012	**8,325**
	34,843
Less executory and imputed interest costs	**(14,101)**
	$ 20,742

9. Stock-based compensation:

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

(a) Stock options:

There are two types of options granted under the Company's stock option plan: incentive stock options and performance stock options. At December 31, 2008, the Company had 323,092 common shares reserved for future stock option grants under the Company's stock option plan.

(i) Incentive stock options:

The exercise price of each incentive stock option is equal to the quoted market price of the Company's common shares at the date of the grant. Options granted prior to 2005 have a maximum term of ten years with one-half of the options vesting one year after the date of the grant and a further vesting of one-quarter of the options per year over the subsequent two years. Beginning in 2005, all options granted have a maximum term of seven years with one-third of the options vesting each year after the date of grant.

Common shares reserved for outstanding incentive stock options at December 31, 2008 and 2007 are as follows:

	Options Denominated in CAD$		Options Denominated in US$	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding at December 31, 2006	162,250	$ 8.40	2,404,925	$ 18.76
Granted	—	—	1,109,491	24.96
Exercised	(42,300)	8.87	(509,875)	18.14
Cancelled	(15,500)	11.28	(83,560)	20.33
Outstanding at December 31, 2007	104,450	7.79	2,920,981	21.17
Granted	**—**	**—**	**1,088,068**	**28.40**
Exercised	**(21,000)**	**9.59**	**(188,016)**	**19.71**
Cancelled	**(7,000)**	**11.60**	**(77,916)**	**24.73**
Outstanding at December 31, 2008	**76,450**	**$ 6.95**	**3,743,117**	**$ 23.27**

Information regarding incentive stock options outstanding at December 31, 2008 is as follows:

	Options Outstanding at December 31, 2008			Options Exercisable at December 31, 2008	
Range of Exercise Prices	Weighted Average Remaining Contractual Life	Number of Stock Options Outstanding	Weighted Average Exercise Price	Number of Stock Options Exercisable	Weighted Average Exercise Price
Options denominated in CAD$					
$3.29 to $9.56	**1.6**	**76,450**	**$ 6.95**	**76,450**	**$ 6.95**
Options denominated in US$					
$6.45 to $11.56	**4.0**	**187,550**	**$ 8.57**	**187,550**	**$ 8.57**
$17.85 to $22.52	**4.0**	**1,467,650**	**20.27**	**984,183**	**20.01**
$23.92 to $28.43	**5.7**	**2,087,917**	**26.71**	**323,560**	**24.95**
	4.9	**3,743,117**	**$ 23.27**	**1,495,293**	**$ 19.65**

(ii) Performance stock options:

As at December 31, 2008 and 2007, there were 35,000 and 50,000 common shares, respectively, reserved for performance stock options with an exercise price of CAD$4.47. All outstanding performance stock options have vested and are exercisable.

(iii) Fair value assumptions:

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

For the years ended December 31	**2008**	2007
Risk-free interest rate	**2.5%**	4.5%
Expected dividend yield	**2%**	2%
Expected life of option	**5 years**	5 years
Expected volatility	**32%**	31%
Expected forfeitures	**5%**	5%
Weighted average fair value of options granted (US$ per share)	**$ 7.52**	$ 7.06

For the year ended December 31, 2008, compensation expense related to stock options was $8.2 million (2007 — $9.3 million).

9. Stock-based compensation: *(continued)*

(b) Deferred, restricted and performance share units:

Directors, executive officers and management receive some elements of their compensation and long-term compensation in the form of deferred, restricted or performance share units. Holders of deferred, restricted and performance share units are entitled to receive additional deferred, restricted or performance share units in lieu of dividends paid by the Company.

Deferred, restricted and performance share units outstanding at December 31, 2008 and 2007 are as follows:

	Number of Deferred Share Units	Number of Restricted Share Units	Number of Performance Share Units
Outstanding at December 31, 2006	318,746	518,757	406,082
Granted	127,359	6,000	325,779
Granted in lieu of dividends	6,275	8,803	15,672
Redeemed	(92,696)	(501,961)	—
Cancelled	—	(17,117)	(22,271)
Outstanding at December 31, 2007	359,684	14,482	725,262
Granted	**41,572**	**6,000**	**330,993**
Granted in lieu of dividends	**13,222**	**537**	**33,292**
Redeemed	**(3,083)**	**(8,496)**	**—**
Cancelled	**—**	**—**	**(31,899)**
Outstanding at December 31, 2008	**411,395**	**12,523**	**1,057,648**

The fair value of deferred, restricted and performance share units is initially measured at the grant date based on the market value of the Company's common shares and is recognized in earnings over the related service period. Changes in fair value are recognized in earnings for the proportion of the service that has been rendered at each reporting date. The fair value of deferred, restricted and performance share units outstanding at December 31, 2008 was $17.6 million (2007 — $29.8 million) compared with the recorded liability of $16.2 million (2007 — $21.4 million). The difference between the fair value and the recorded liability at December 31, 2008 of $1.4 million will be recognized over the weighted average remaining service period of approximately 1.6 years.

For the year ended December 31, 2008, compensation expense related to deferred, restricted and performance share units was a net recovery of $5.4 million (2007 — expense of $13.1 million), recorded in cost of sales and operating expenses, after a recovery of $17.4 million (2007 — expense of $3.5 million) related to the effect of the change in the Company's share price.

10. Interest expense:

For the years ended December 31	**2008**	2007
Interest expense before capitalized interest	**$ 53,778**	$ 48,104
Less capitalized interest related to Egypt plant under construction	**(15,339)**	(4,193)
Interest expense	**$ 38,439**	$ 43,911

Interest incurred during construction of the Egypt methanol facility is capitalized until the plant is substantively complete and ready for productive use. In May 2007, the Company reached financial close and secured limited recourse debt of $530 million for its joint venture project to construct a 1.3 million tonne per year methanol facility in Egypt. For the years ended December 31, 2008 and 2007, interest costs of $15.3 million and $4.2 million, respectively, related to this project were capitalized.

11. 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, 2008 and 2007, revenues attributed to geographic regions, based on the location of customers, were as follows:

	United States	Europe	Korea	Japan	Other Asia	Latin America	Canada	Total
Revenue								
2008	**$736,730**	**$494,339**	**$263,568**	**$131,294**	**$212,895**	**$238,862**	**$236,531**	**$2,314,219**
2007	$753,400	$500,420	$259,108	$147,445	$142,217	$227,045	$236,886	$2,266,521

As at December 31, 2008 and 2007, the net book value of property, plant and equipment by country was as follows:

	Chile	Trinidad	Egypt	New Zealand	Canada	Korea	Other	Total
Property, plant and equipment								
2008	**$663,411**	**$482,329**	**$615,784**	**$191,442**	**$117,818**	**$115,645**	**$137,829**	**$1,924,258**
2007	$707,508	$500,205	$227,783	$126,417	$119,987	$116,452	$143,748	$1,542,100

12. Income and other taxes:

(a) Income tax expense:

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

For the years ended December 31	**2008**	2007
Canadian statutory tax rate	**31.0%**	34.1%
Income tax expense calculated at Canadian statutory tax rate	**$ 61,701**	$ 178,401
Increase (decrease) in income tax expense resulting from:		
Income taxed in foreign jurisdictions	**7,183**	(8,379)
Previously unrecognized loss carryforwards and temporary differences	**(25,602)**	(27,717)
Reduction of future income tax liabilities (i)	**(27,342)**	—
Other	**10,798**	4,893
Total income tax expense	**$ 26,738**	$ 147,198

(i) During the fourth quarter of 2008, as a result of a resolution of a tax position, the Company recorded a reduction to future income tax liabilities of $27 million.

12. Income and other taxes: *(continued)*

(b) Net future income tax liabilities:

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

As at December 31	**2008**	2007
Future income tax liabilities:		
Property, plant and equipment	**$ 215,226**	$ 205,726
Other	**148,296**	196,023
	363,522	401,749
Future income tax assets:		
Non-capital loss carryforwards	**113,262**	216,663
Property, plant and equipment	**24,242**	28,702
Other	**63,459**	53,671
	200,963	299,036
Future income tax asset valuation allowance	**(136,633)**	(235,889)
	64,330	63,147
Net future income tax liabilities	**$ 299,192**	$ 338,602

At December 31, 2008, the Company had non-capital loss carryforwards available for tax purposes of $303 million in Canada and $63 million in New Zealand. In Canada, these loss carryforwards expire in the period 2009 to 2015, inclusive. In New Zealand the loss carryforwards do not have an expiry date.

13. Changes in non-cash working capital:

Changes in non-cash working capital for the years ended December 31, 2008 and 2007 are as follows:

For the years ended December 31	**2008**	2007
Decrease (increase) in non-cash working capital:		
Receivables	**$ 188,424**	$ (35,456)
Inventories	**134,506**	(67,377)
Prepaid expenses	**4,049**	3,158
Accounts payable and accrued liabilities	**(230,651)**	156,041
	96,328	56,366
Adjustments for items not having a cash effect	**13,102**	(5,430)
Changes in non-cash working capital having a cash effect	**$ 109,430**	$ 50,936
These changes relate to the following activities:		
Operating	**$ 82,532**	$ 33,396
Investing	**26,898**	17,540
Changes in non-cash working capital	**$ 109,430**	$ 50,936

14. Capital disclosures:

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

As at December 31	**2008**	2007
Liquidity:		
Cash and cash equivalents	**$ 328,430**	$ 488,224
Undrawn Egypt limited recourse debt facilities	**209,426**	413,426
Undrawn credit facilities	**250,000**	250,000
Total liquidity	**$ 787,856**	$ 1,151,650
Capitalization:		
Unsecured notes	**$ 346,700**	$ 346,116
Limited recourse debt facilities, including current portion	**440,603**	251,153
Total debt	**787,303**	597,269
Non-controlling interest	**108,728**	41,258
Shareholders' equity	**1,281,900**	1,335,354
Total capitalization	**$ 2,177,931**	$ 1,973,881
Total debt to capitalization[1]	**36%**	30%
Net debt to capitalization[2]	**25%**	7%

1 Total debt divided by total capitalization.

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

The Company manages its liquidity and capital structure and makes adjustments to it in light of changes to economic conditions, the underlying risks inherent in its operations and capital requirements to maintain and grow its operations. The strategies employed by the Company include the issue or repayment of general corporate debt, the issue of project debt, the 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.

The undrawn credit facility in the amount of $250 million is provided by highly rated financial institutions, expires in mid-2010 and is subject to certain financial covenants including an EBITDA to interest coverage ratio and a debt to capitalization ratio.

The credit ratings for the Company's unsecured notes are as follows:

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

15. Financial instruments:

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

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

As at December 31	**2008**	2007
Financial assets:		
Held for trading financial assets:		
Cash and cash equivalents	**$ 328,430**	$ 488,224
Debt service reserve accounts included in other assets	**18,149**	16,329
Loans and receivables:		
Receivables (excluding current portion of GeoPark financing — note 6)	**207,419**	401,843
Dorado Riquelme investment included in other assets (note 6)	**42,123**	—
GeoPark financing, including current portion (note 6)	**36,616**	13,681
	$ 632,737	$ 920,077
Financial liabilities:		
Other financial liabilities:		
Accounts payable and accrued liabilities	**$ 235,369**	$ 466,020
Long-term debt, including current portion	**787,303**	597,269
Capital lease obligation included in other long-term liabilities, including current portion	**20,742**	24,676
Held for trading financial liabilities:		
Derivative instruments designated as cash flow hedges	**38,100**	8,749
Derivative instruments	**1,771**	955
	$ 1,083,285	$ 1,097,669

At December 31, 2008, all of the Company's financial instruments are recorded on the balance sheet at amortized cost with the exception of cash and cash equivalents, derivative financial instruments and debt service reserve accounts included in other assets which are all recorded at fair value.

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 September 28, 2007 to March 31, 2015.

These interest rate swaps had outstanding notional amounts of $231 million as at December 31, 2008. Under the interest rate swap contracts the maximum notional amount during the term is $368 million. The notional amount increases over the period of expected draw-downs on the Egypt limited recourse debt and decreases over the expected repayment period. At December 31, 2008, these interest rate swap contracts had a negative fair value of $38.1 million (December 31, 2007 – negative $8.6 million) recorded in other long-term liabilities. The fair value of these interest rate swap contracts will fluctuate until maturity. The Company also designates as cash flow hedges forward exchange contracts to sell euro at a fixed US dollar exchange rate. At December 31, 2008, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell a notional amount of 6.3 million euro in exchange for US dollars and these euro contracts had a nil fair value (December 31, 2007 – fair value of $0.1 million). Changes in fair value of derivative financial instruments designated as cash flow hedges have been recorded in other comprehensive income.

At December 31, 2008, the Company's derivative financial instruments that have not been designated as cash flow hedges include forward exchange contracts to purchase $8.9 million New Zealand dollars at an average exchange rate of $0.7022 with a negative fair value of $1.1 million (December 31, 2007 – nil) which is recorded in payables and a floating-for-fixed interest rate swap contract with a negative fair value of $0.6 million (December 31, 2007 – $1.0 million) recorded in other long-term liabilities. For the year ended December 31, 2008, the total change in fair value of these derivative financial instruments was a decrease of $0.7 million, which has been recorded in earnings during the period.

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

The Company is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments but does not expect any counterparties to fail to meet their obligations. The Company deals with only highly rated counterparties, normally major financial institutions. The Company is exposed to credit risk when there is a positive fair value of derivative financial instruments at a reporting date. The maximum amount that would be at risk if the counterparties to derivative financial instruments with positive fair values failed completely to perform under the contracts was nil at December 31, 2008 (2007 – nil).

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

	2008		2007	
As at December 31	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	**$ 787,303**	**$ 591,941**	$ 597,269	$ 582,897

The unsecured notes are traded infrequently and there is no publicly traded market for the limited recourse debt facilities. The fair value of the unsecured notes was calculated by reference to a limited number of small transactions at the end of 2008. The fair value of the Company's unsecured notes will fluctuate until maturity.

The fair value of the Company's other long-term debt is estimated by reference to current market prices for debt securities with similar terms and characteristics.

16. 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. The Company has also entered into long-term contracts with certain customers where prices are either fixed or linked to the Company's costs plus a margin.

Natural gas price risk

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

Interest rate risk

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

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

As at December 31	**2008**	2007
Fixed interest rate debt:		
Unsecured notes	**$ 346,700**	$ 346,116
Atlas limited recourse debt facilities (63.1% proportionate share)	**76,483**	76,161
	$ 423,183	$ 422,277
Variable interest rate debt:		
Atlas limited recourse debt facilities (63.1% proportionate share)	**$ 30,109**	$ 43,730
Egypt limited recourse debt facilities	**320,574**	116,574
Other limited recourse debt facilities	**13,437**	14,688
	$ 364,120	$ 174,992

The Company has entered into interest rate swap contracts to hedge the variability in LIBOR-based interest payments on its Egypt limited recourse debt facilities described in note 15. The notional amount increases over the period of expected drawdowns on the Egypt limited recourse debt and decreases over the expected repayment period. The aggregate impact of these contracts is to swap the LIBOR-based interest payments for an average fi xed rate of 4.8% plus a spread on approximately 75% of the Egypt limited recourse debt facilities for the period September 28, 2007 to March 31, 2015. The net fair value of cash fl ow interest rate swaps was negative $38.1 million as at December 31, 2008. The change in fair value of the interest rate swaps assuming a 1% change in the interest rates along the yield curve would result in a change of approximately $15.5 million as of December 31, 2008.

For fixed interest rate debt, a 1% change in interest rates would result in a change in fair value of the debt (disclosed in note 15) of approximately $13.5 million. The fair value of variable interest rate debt fluctuates primarily with changes in credit spreads. For variable interest rate debt, a 1% change in credit spreads would result in a change in fair value of the debt of approximately $13.5 million.

For the variable interest rate debt that is unhedged, a 1% change in LIBOR would result in a change in annual interest payments of $1.3 million.

Foreign currency exchange rate 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 which provides a framework for foreign currency management, 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 which is priced in United States dollars. In certain jurisdictions, however, the transaction price is set either quarterly or monthly in 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 the net exposure to euro revenues which is hedged through forward exchange contracts each quarter when the euro price for methanol is established.

As of December 31, 2008, the Company had a net working capital asset of $41.8 million in non-US dollar currencies. Each 1% strengthening (weakening) of the US dollar against these currencies would decrease (increase) the value of net working capital and pre-tax cash flow by $0.4 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, 2008 the Company holds $328 million of cash and cash equivalents. In addition, the Company has an undrawn, unsecured revolving bank facility of $250 million provided by highly rated financial institutions that expires in mid-2010 and is subject to certain financial covenants including an EBITDA to interest coverage ratio and a debt to capitalization ratio.

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.

16. Financial risk management: *(continued)*

(c) Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of off-set exists and also includes the fair values of contracts with individual counterparties which 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 security provided declines. The Company has implemented a credit policy which 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. Historically trade credit losses have been minimal. However, in the current economic environment the risk of trade credit losses has increased.

Cash and cash equivalents

In order to manage credit and liquidity risk the Company invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

Derivative financial instruments

In order to manage credit risk, the Company only enters into derivative financial instruments with highly rated investment grade counterparties.

17. Retirement plans:

(a) Defined benefit pension plans:

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

As at December 31	**2008**	2007
Accrued benefit obligations:		
Balance, beginning of year	**$ 66,751**	$ 58,297
Current service cost	**2,295**	2,272
Interest cost on accrued benefit obligations	**3,272**	3,016
Benefit payments	**(5,809)**	(3,858)
Gain on curtailment	**(844)**	—
Loss on settlement	**958**	—
Actuarial gains	**(2,495)**	(568)
Foreign exchange (gains) losses	**(14,108)**	7,592
Balance, end of year	**50,020**	66,751
Fair values of plan assets:		
Balance, beginning of year	**44,097**	38,118
Actual returns on plan assets	**(5,086)**	59
Contributions	**7,201**	3,274
Benefit payments	**(5,809)**	(3,858)
Foreign exchange (losses) gains	**(8,539)**	6,504
Balance, end of year	**31,864**	44,097
Unfunded status	**18,156**	22,654
Unamortized actuarial losses	**(16,899)**	(14,907)
Accrued benefit liabilities, net	**$ 1,257**	$ 7,747

The Company has an unfunded retirement arrangement for its employees in Chile that will be funded at retirement. At December 31, 2008, the balance of accrued benefit liabilities, net is comprised of $17.8 million recorded in other long-term liabilities for an unfunded retirement arrangement in Chile and $16.5 million recorded in other assets for defined benefit plans in Canada.

The accrued benefit for the unfunded retirement arrangement in Chile is paid when an employee retires in accordance with Chilean regulation.

The Company's net defined benefit pension plan expense for the years ended December 31, 2008 and 2007 is as follows:

For the years ended December 31	**2008**	2007
Net defined benefit plan pension expense:		
Current service cost	**$ 2,295**	$ 2,272
Interest cost on accrued benefit obligations	**3,272**	3,016
Actual return on plan assets	**5,086**	(59)
Settlement and termination benefit	**958**	—
Actuarial gains	**(2,495)**	(568)
Other	**(3,678)**	(493)
	$ 5,438	$ 4,168

The Company uses a December 31 measurement date for its defined benefit pension plans. Actuarial reports for the Company's defined benefit pension plans were prepared by independent actuaries for funding purposes as of December 31, 2007 in Canada. The next actuarial reports for funding purposes for the Company's Canadian defined benefit pension plans are scheduled to be completed as of December 31, 2010.

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

	2008	2007
Benefit obligation at December 31:		
Weighted average discount rate	**6.14%**	5.56%
Rate of compensation increase	**4.16%**	4.13%
Net expense for years ended December 31:		
Weighted average discount rate	**5.81%**	5.71%
Rate of compensation increase	**4.62%**	4.56%
Expected rate of return on plan assets	**7.00%**	7.00%

The asset allocation for the defined benefit pension plan assets as at December 31, 2008 and 2007 are as follows:

As at December 31	**2008**	2007
Equity securities	**61%**	62%
Debt securities	**35%**	35%
Cash and other short-term securities	**4%**	3%
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, 2008 was $2.5 million (2007 — $2.7 million).

18. Commitments and contingencies:

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

The Company has commitments under take-or-pay natural gas supply contracts to purchase annual quantities of feedstock supplies and to pay for transportation capacity related to these supplies to 2034. The minimum estimated commitment under these contracts, excluding Argentina natural gas supply contracts, is as follows:

2009	2010	2011	2012	2013	Thereafter
$ 179,673	$ 194,153	$ 141,063	$ 145,212	$ 150,117	$ 1,646,259

(b) Argentina natural gas supply contracts:

The Company has supply contracts with Argentinean suppliers for natural gas sourced from Argentina for approximately 60% of capacity (increasing to 80% beginning mid-2009) for its facilities in Chile. These contracts have expiration dates between 2017 and 2025 and represent a total future commitment of approximately $1,174 million at December 31, 2008. Since June 2007, the Company's natural gas suppliers from Argentina have curtailed all gas supply to its plants in Chile in response to various actions by the Argentinean government, including imposing a large increase to the duty on natural gas exports. Under the current circumstances, the Company does not expect to receive any further natural gas supply from Argentina.

(c) Operating lease commitments:

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

2009	2010	2011	2012	2013	Thereafter
$ 133,926	$ 115,070	$ 118,278	$ 109,858	$ 104,730	$ 545,617

(d) Egypt methanol project:

The Company owns 60% of Egyptian Methanex Methanol Company S.A.E. (EMethanex), which is the company that is developing the project, a 1.3 million tonne per year methanol facility at Damietta on the Mediterranean Sea in Egypt. EMethanex has secured limited recourse debt of $530 million. The Company expects commercial operations from the methanol facility to begin in early 2010 and the Company will purchase and sell 100% of the methanol from the facility. Total remaining capital expenditures, including capitalized interest related to the project financing and excluding working capital, to complete the construction of the Egypt methanol facility will be approximately $365 million. This includes unpaid capital expenditures recorded in accounts payable at December 31, 2008 of approximately $55 million. The expenditures will be funded from cash generated from operations and cash on hand, cash contributed by the non-controlling shareholders and proceeds from the limited recourse debt facilities. At December 31, 2008, the Company's 60% share of remaining cash equity contributions, including capitalized interest related to the project financing and excluding working capital, is estimated to be approximately $95 million.

The Company's investment in EMethanex is accounted for using consolidation accounting. This results in 100% of the assets and liabilities of the Egypt entity being included in the Company's balance sheet. The non-controlling shareholder's interest is presented as "non-controlling interest" on the Company's balance sheet.

(e) Purchased methanol:

At December 31, 2008, the Company has commitments to purchase methanol under offtake contracts for approximately 500,000 tonnes for 2009, approximately 250,000 tonnes for each of 2010 and 2011, and approximately 125,000 tonnes for 2012. The pricing under these contracts are referenced to industry pricing at the time of purchase.

19. United States generally accepted accounting principles:

The Company follows generally accepted accounting principles in Canada (Canadian GAAP) which are different in some respects from those applicable in the United States and from practices prescribed by the United States Securities and Exchange Commission (US GAAP). The significant differences between Canadian GAAP and US GAAP with respect to the Company's consolidated financial statements as at and for the years ended December 31, 2008 and 2007 are as follows:

Condensed Consolidated Balance Sheets as at December 31	2008 Canadian GAAP	2008 US GAAP	2007 Canadian GAAP	2007 US GAAP
ASSETS				
Current assets	**$ 736,326**	**$ 736,326**	$ 1,223,099	$ 1,223,099
Property, plant and equipment (a)	**1,924,258**	**1,956,747**	1,542,100	1,576,500
Other assets (d) (g)	**157,397**	**151,029**	104,700	102,803
	$ 2,817,981	**$ 2,844,102**	$ 2,869,899	$ 2,902,402
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	**$ 258,699**	**$ 262,267**	$ 498,267	$ 503,722
Long-term debt (g)	**772,021**	**777,582**	581,987	588,864
Other long-term liabilities (d)	**97,441**	**102,411**	74,431	80,705
Future income taxes (d) (f)	**299,192**	**309,021**	338,602	348,994
Non-controlling interest	**108,728**	**108,728**	41,258	41,258
Shareholders' equity:				
Capital stock (a) (b)	**427,265**	**832,790**	451,640	857,349
Additional paid-in capital (b)	**—**	**23,112**	—	16,627
Contributed surplus (b)	**22,669**	**—**	16,021	—
Retained earnings	**871,984**	**483,566**	876,348	486,935
Accumulated other comprehensive loss	**(40,018)**	**(55,375)**	(8,655)	(22,052)
	1,281,900	**1,284,093**	1,335,354	1,338,859
	$ 2,817,981	**$ 2,844,102**	$ 2,869,899	$ 2,902,402

Condensed Consolidated Statements of Income for the years ended December 31	2008	2007
Net income in accordance with Canadian GAAP	**$ 172,298**	$ 375,667
Add (deduct) adjustments for:		
Depreciation and amortization (a)	**(1,911)**	(1,911)
Stock-based compensation (b)	**347**	277
Uncertainty in income taxes (c)	**(2,892)**	(5,455)
Income tax effect of above adjustments (f)	**669**	669
Net income in accordance with US GAAP	**$ 168,511**	$ 369,247
Per share information in accordance with US GAAP:		
Basic net income per common share	**$ 1.78**	$ 3.63
Diluted net income per common share	**$ 1.78**	$ 3.62

Consolidated Statements of Comprehensive Income for the years ended December 31	2008 Canadian GAAP	2008 Adjustments	2008 US GAAP	2007 US GAAP
Net income	**$ 172,298**	**$ (3,787)**	**$ 168,511**	$ 369,247
Change in fair value of forward exchange contracts, net of tax	**9**	**—**	**9**	(45)
Change in fair value of interest rate swap, net of tax	**(31,372)**	**—**	**(31,372)**	(8,610)
Change related to pension, net of tax (d)	**—**	**(1,960)**	**(1,960)**	(346)
Comprehensive income	**$ 140,935**	**$ (5,747)**	**$ 135,188**	$ 360,246

19. United States generally accepted accounting principles: *(continued)*

Consolidated Statements of Accumulated Other Comprehensive Loss for the years ended December 31	2008 Canadian GAAP	2008 Adjustments	2008 US GAAP	2007 US GAAP
Balance, beginning of year	**$ (8,655)**	**$ (13,397)**	**$ (22,052)**	$ (13,051)
Change in fair value of forward exchange contracts, net of tax	**9**	**—**	**9**	(45)
Change in fair value of interest rate swap, net of tax	**(31,372)**	**—**	**(31,372)**	(8,610)
Change related to pension, net of tax (d)	**—**	**(1,960)**	**(1,960)**	(346)
Accumulated other comprehensive loss	**$ (40,018)**	**$ (15,357)**	**$ (55,375)**	$ (22,052)

(a) Business combination:

Effective January 1, 1993, the Company combined its business with a methanol business located in New Zealand and Chile. Under Canadian GAAP, the business combination was accounted for using the pooling-of-interest method. Under US GAAP, the business combination would have been accounted for as a purchase with the Company identified as the acquirer. For US GAAP purposes, property, plant and equipment at December 31, 2008 has been increased by $32.5 million (2007 – $34.4 million) to reflect the business combination as a purchase. For the year ended December 31, 2008, an adjustment to increase depreciation expense by $1.9 million (2007 – $1.9 million) has been recorded in accordance with US GAAP.

(b) Stock-based compensation:

Incentive stock options – Effective January 1, 2004, Canadian GAAP required the adoption of the fair value method of accounting for stock-based compensation awards granted on or after January 1, 2002. Effective January 1, 2005, under US GAAP, the Company adopted the Financial Accounting Standards Board (FASB) FAS No. 123R, *Share-Based Payments*, which requires the fair value method of accounting for stock-based compensation awards for all awards granted, modified, repurchased or cancelled after the adoption date and unvested portions of previously issued and outstanding awards as at the adoption date. As this statement harmonizes the impact of accounting for stock-based compensation on net income under Canadian and US GAAP for the Company, except as disclosed in (i) below, no adjustment to operating expenses was required for the years ended December 31, 2008 and 2007.

(i) Variable plan options:

In 2001, prior to the effective implementation date for fair value accounting related to stock options for Canadian GAAP purposes, the Company granted 946,000 stock options that are accounted for as variable plan options under US GAAP because the exercise price of the stock options is denominated in a currency other than the Company's functional currency or the currency in which the optionee is normally compensated. Under the intrinsic value method for US GAAP, the final measurement date for variable plan options is the earlier of the exercise date, the forfeiture date and the expiry date. Prior to the final measurement date, compensation expense is measured as the amount by which the quoted market price of the Company's common shares exceeds the exercise price of the stock options at each reporting date. Compensation expense is recognized ratably over the vesting period. During the year ended December 31, 2008, an adjustment to decrease operating expenses by $0.3 million (2007 – decrease of $0.3 million) was recorded in accordance with US GAAP.

(c) Accounting for uncertainty in income taxes:

On January 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for income taxes recognized in a Company's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes* (SFAS 109). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, and transition. During the year ended December 31, 2008, adjustments to increase income tax expense by $2.9 million (2007 – increase of $5.5 million) was recorded in accordance with US GAAP.

(d) Defined benefit pension plans:

Effective January 1, 2006, under US GAAP, the Company prospectively adopted FASB FAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – An Amendment of FASB Statements No. 87, 88, 106, and 132(R)*, which requires the Company to measure the funded status of a defined benefit pension plan at its balance sheet reporting date and recognize the unrecorded overfunded or underfunded status as an asset or liability with the change in that unrecorded funded status recorded to accumulated other comprehensive income. As at December 31, 2008, the impact of this standard on the Company is the reclassification of unrecognized actuarial losses for Canadian GAAP of $16.9 million (2007 – loss of $14.9 million), net of a future income tax recovery of $1.5 million (2007 – recovery of $1.6 million) to accumulated other comprehensive loss in accordance with US GAAP.

(e) Interest in Atlas joint venture:

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

(f) Income tax accounting:

The income tax differences include the income tax effect of the adjustments related to accounting differences between Canadian and US GAAP. During the year ended December 31, 2008, this resulted in an adjustment to increase net income by $0.7 million (2007 – $0.7 million).

(g) Deferred financing costs:

Effective January 1, 2007, under Canadian GAAP, the Company prospectively adopted CICA Handbook Section 3855, *Financial Instruments*, which requires the Company to present long-term debt net of deferred financing costs. Under US GAAP, the Company is required to present the long-term debt and related finance costs on a gross basis. As at December 31, 2008 and 2007, the Company recorded an adjustment to increase other assets and long-term debt by $5.6 million and $6.9 million, respectively, in accordance with US GAAP.

(h) Fair value measurements:

Effective January 1, 2008, FASB issued FAS No. 157, *Fair Value Measurements*. FAS No. 157 defines fair value and establishes a framework for measuring fair value and requires additional disclosures about fair value measurements. The objective of the standard is to increase consistency, reliability and comparability in fair value measurements, and to enhance disclosures to help users of financial statements assess the effects of the fair value measurements used in financial reporting. For the year ended December 31, 2008, the Company has adopted this standard under US GAAP as well as EIC 173, as described in note 1(m), under Canadian GAAP, and as a result there is no difference in measurement of fair value.