METHANEX CORP
Form 6-K
January 28, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF JANUARY 2011
METHANEX CORPORATION
(Registrant s name)
SUITE 1800, 200 BURRARD STREET, VANCOUVER, BC V6C 3M1 CANADA
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F o Form 40-F þ

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82_____ .

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf by the undersigned, thereunto duly authorized.

METHANEX CORPORATION

Date: January 26, 2011

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

NEWS RELEASE

Methanex Corporation
1800 200 Burrard St.
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For immediate release

METHANEX REPORTS STRONGER RESULTS IN THE FOURTH QUARTER EGYPT PLANT PRODUCES FIRST METHANOL

JANUARY 26, 2011

For the fourth quarter of 2010, Methanex reported Adjusted EBITDA[1] of $71.3 million and net income of $27.9 million ($0.30 per share on a diluted basis). This compares with Adjusted EBITDA[1] of $57.3 million and net income before unusual item of $10.6 million ($0.11 per share on a diluted basis) for the third quarter of 2010. For the year ended December 31, 2010, Methanex reported Adjusted EBITDA[1] of $266.7 million and net income of $101.7 million ($1.09 per share on a diluted basis) and net income before unusual item of $79.5 million ($0.85 per share on a diluted basis). Net income for the third quarter of 2010 and year ended December 31, 2010 includes an after-tax gain of $22.2 million related to the sale of the Company s terminal facilities in Kitimat, Canada.

Bruce Aitken, President and CEO of Methanex commented, Methanol prices increased during the fourth quarter and this led to improved cash flow and earnings. We have been disappointed with the lower than expected production in 2010 and our earnings potential is substantially improved when we are able to operate our plants at higher rates. In this regard, I am delighted to report that the Egypt Project produced first methanol last week and that the restart of our plant in Medicine Hat, Alberta is on track for early in the second quarter of 2011. With the addition of these two production sites, we are well positioned to increase our production and earnings capability this year.

Mr. Aitken concluded, While methanol prices have moderated slightly early in the first quarter of 2011, they are still at strong levels. With US$194 million of cash on hand, no near term refinancing requirements, and an undrawn credit facility, we are well positioned to continue to invest to grow the Company.

A conference call is scheduled for January 27, 2011 at 12:00 noon ET (9:00 am PT) to review these fourth quarter results. To access the call, dial the Conferencing operator ten minutes prior to the start of the call at (416) 695-6616, or toll free at (800) 565-0813. A playback version of the conference call will be available for fourteen days at (416) 695-5800, or toll free at (800) 408-3053. The passcode for the playback version is 4012032. There will be a simultaneous audio-only webcast of the conference call, which can be accessed from our website at www.methanex.com. The webcast will be available on our website for three weeks following the call.

Methanex is a Vancouver-based, publicly traded company and is the world s largest supplier of methanol to major international markets. Methanex shares are listed for trading on the Toronto Stock Exchange in Canada under the trading symbol MX , on the NASDAQ Global Market in the United States under the trading symbol MEOH , and on the foreign securities market of the Santiago Stock Exchange in Chile under the trading symbol Methanex . Methanex can be visited online at www.methanex.com.

- more -

FORWARD-LOOKING INFORMATION WARNING

This Fourth Quarter 2010 press release contains forward-looking statements with respect to us and the chemical industry. Refer to *Forward-Looking Information Warning* in the attached Fourth Quarter 2010 Management s Discussion and Analysis for more information.

[1] *Adjusted EBITDA is a non-GAAP measure that does not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and therefore is unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information Supplemental Non-GAAP Measures in the attached Fourth Quarter 2010 Management s Discussion and Analysis for a description of each supplemental non-GAAP measure and a reconciliation to the most comparable GAAP measure.*

-end-

For further information, contact:
Jason Chesko
Director, Investor Relations
Tel: 604.661.2600

Interim Report For the Three Months Ended December 31, 2010

At January 26, 2011 the Company had 92,669,257 common shares issued and outstanding and stock options exercisable for 3,229,753 additional common shares.

Share Information

Methanex Corporation s common shares are listed for trading on the Toronto Stock Exchange under the symbol MX, on the Nasdaq Global Market under the symbol MEOH and on the foreign securities market of the Santiago Stock Exchange in Chile under the trading symbol Methanex.

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Investor Information

All financial reports, news releases and corporate information can be accessed on our website at www.methanex.com.

Contact Information

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FOURTH QUARTER MANAGEMENT S DISCUSSION AND ANALYSIS

Except where otherwise noted, all currency amounts are stated in United States dollars.

This Fourth Quarter 2010 Management s Discussion and Analysis dated January 26, 2011 should be read in conjunction with the 2009 Annual Consolidated Financial Statements and the Management s Discussion and Analysis included in the Methanex 2009 Annual Report. The Methanex 2009 Annual Report and additional information relating to Methanex is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

	Three Months Ended			**Years Ended**	
($ millions, except where noted)	**Dec 31 2010**	Sep 30 2010	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
Production (thousands of tonnes)	**913**	895	955	**3,540**	3,543
Sales volumes (thousands of tonnes):					
Produced methanol	**831**	885	880	**3,540**	3,764
Purchased methanol	**806**	792	467	**2,880**	1,546
Commission sales [1]	**151**	101	152	**509**	638

Total sales volumes	**1,788**	1,778	1,499	**6,929**	5,948
Methanex average non-discounted posted price ($ per tonne) [2]	**407**	334	327	**356**	252
Average realized price ($ per tonne) [3]	**348**	286	282	**306**	225
Adjusted EBITDA [4]	**71.3**	57.3	72.9	**266.7**	141.8
Cash flows from operating activities	**10.4**	48.0	35.7	**152.9**	110.3
Cash flows from operating activities before changes in non-cash working capital [4]	**77.0**	53.1	74.2	**251.6**	128.5
Operating income [4]	**41.2**	45.9	40.9	**157.6**	24.2
Net income	**27.9**	32.8	25.7	**101.7**	0.7
Net income before unusual item [4]	**27.9**	10.6	25.7	**79.5**	0.7
Basic net income per common share	**0.30**	0.36	0.28	**1.10**	0.01
Basic net income per common share before unusual item [4]	**0.30**	0.11	0.28	**0.86**	0.01
Diluted net income per common share	**0.30**	0.35	0.28	**1.09**	0.01
Diluted net income per common share before unusual item [4]	**0.30**	0.11	0.28	**0.85**	0.01
Common share information (millions of shares):					
Weighted average number of common shares	**92.3**	92.2	92.1	**92.2**	92.1
Diluted weighted average number of common shares	**94.0**	93.3	93.1	**93.5**	92.7
Number of common shares outstanding, end of period	**92.6**	92.2	92.1	**92.6**	92.1

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 at www.methanex.com.

3 Average realized price is calculated as revenue, net of commissions earned, divided by the 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 *Additional Information Supplemental Non-GAAP Measures* for a description of each non-GAAP measure and a reconciliation to the most comparable GAAP measure.

PRODUCTION SUMMARY

(thousands of tonnes)	**Annual Capacity[1]**	**2010 Production**	**2009 Production**	**Q4 2010 Production**	**Q3 2010 Production**	**Q4 2009 Production**
Chile I, II, III and IV	**3,800**	**935**	942	**208**	194	265
Atlas (Trinidad) (63.1% interest)	**1,150**	**884**	1,015	**266**	284	279
Titan (Trinidad)	**900**	**891**	764	**233**	217	188
New Zealand [2]	**900**	**830**	822	**206**	200	223
	6,750	**3,540**	3,543	**913**	895	955

[1] *The production capacity of our production facilities may be higher than original nameplate capacity as, over time, these figures have been adjusted to reflect ongoing operating efficiencies at these facilities.*

[2] *The production capacity of New Zealand represents only our 0.9 million tonne per year Motunui facility which we restarted in late 2008. Practical operating capacity will depend partially on the composition of natural gas feedstock and may be lower than the stated capacity above. We also have additional potential production capacity that is currently idled in New Zealand (refer to the New Zealand section on page 3 for more information).*

Chile

We continue to operate our methanol facilities in Chile significantly below site capacity. This is primarily due to curtailments of natural gas supply from Argentina refer to the Management s Discussion and Analysis included in our 2009 Annual Report for more information.

During the fourth quarter of 2010, production from our methanol facilities in Chile was 208,000 tonnes compared with 194,000 tonnes during the third quarter of 2010. Higher production during the fourth quarter of 2010 was primarily a result of higher natural gas deliveries from the state-owned energy company Empresa Nacional del Petroleo (ENAP) as demand for natural gas for residential purposes was lower in the warmer season in the southern hemisphere. We are currently operating one plant in Chile. The operating rate of our Chile site is primarily dependent on demand for natural gas for residential purposes which is higher in the southern hemisphere winter, production rates from existing natural gas fields, and the level of natural gas deliveries from further exploration and development activities in southern Chile.

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

Other investment activities are also supporting the acceleration of natural gas exploration and development in areas of southern Chile. In late 2007, the government of Chile completed an international bidding round to assign oil and natural gas exploration areas that lie close to our production facilities and announced the participation of several international oil and gas companies. The terms of the agreements from the bidding round require minimum investment

commitments. To date, two companies that participated in the bidding round have advised of gas discoveries and we expect first deliveries of gas from these new finds in 2011. We are participating in a consortium for two exploration blocks under this bidding round the Tranquilo and Otway blocks. The consortium includes Wintershall, GeoPark, and Pluspetrol each having 25% participation and International Finance Corporation, member of the World Bank Group, and Methanex each having 12.5% participation. GeoPark is the operator of both blocks. At December 31, 2010, we had contributed approximately $2 million for our share of the exploration costs associated with these blocks.

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.

Trinidad

Our equity ownership of methanol facilities in Trinidad represents over 2.0 million tonnes of competitive-cost annual capacity. During the fourth quarter of 2010, these facilities produced 499,000 tonnes compared with 501,000 tonnes during the third quarter of 2010.

New Zealand

Our New Zealand facilities produced 206,000 tonnes during the fourth quarter of 2010 compared with 200,000 tonnes during the third quarter of 2010. We currently have natural gas contracts with a number of gas suppliers which will allow us to continue to operate our 900,000 tonne per year Motunui plant through 2011 and 2012.

We currently have 1.4 million tonnes per year of idled capacity in New Zealand, including a second 0.9 million tonne per year Motunui plant and the 0.5 million tonne per year Waitara Valley plant. These facilities provide the potential to increase production in New Zealand depending on methanol supply and demand dynamics and the availability of economically priced natural gas feedstock.

Egypt

Construction of the 1.3 million tonne per year methanol facility in Egypt is now complete and commissioning is nearing completion. In January 2011 the plant produced first methanol and we expect production to ramp-up over the first quarter of 2011. We own 60% of the facility and we will market 100% of the methanol production.

Medicine Hat

We are currently working on the restart of our 470,000 tonne per year methanol plant in Medicine Hat, Alberta, Canada which is scheduled to commence operations early in the second quarter of 2011. In support of the restart, we have commenced a program to purchase natural gas on the Alberta gas market. To date we have purchased sufficient natural gas to meet 80% of our requirements when operating at capacity for the period from startup to October 2012. The plant has been idle since 2001 and the estimated capital cost to restart the plant is approximately $40 million, of which $10 million was incurred in 2010 and $30 million will be incurred in the first quarter of 2011.

EARNINGS ANALYSIS

Our operations consist of a single operating segment the production and sale of methanol. In addition to the methanol that we produce at our facilities, we also purchase and re-sell methanol produced by others and we sell methanol on a commission basis. We analyze the results of all methanol sales together, excluding commission sales volumes. The key drivers of change in our Adjusted EBITDA for methanol sales are average realized price, sales volume and cash costs.

For a further discussion of the definitions and calculations used in our Adjusted EBITDA analysis, refer to *How We Analyze Our Business*.

For the fourth quarter of 2010, we recorded Adjusted EBITDA of $71.3 million and net income of $27.9 million ($0.30 per share on a diluted basis). This compares with Adjusted EBITDA of $57.3 million and net income of $32.8 million ($0.35 per share on a diluted basis) and net income of $10.6 million ($0.11 per share on a diluted basis) before unusual item for the third quarter of 2010 and Adjusted EBITDA of $72.9 million and net income of $25.7 million ($0.28 per share on a diluted basis) for the fourth quarter of 2009.

For the year ended December 31, 2010, we recorded Adjusted EBITDA of $266.7 million and net income of $101.7 million ($1.09 per share on a diluted basis) and net income of $79.5 million ($0.85 per share on a diluted basis) before unusual item. During the year ended 2010, we recorded an after-tax gain of $22.2 million related to the sale of land and terminal facilities in Kitimat, Canada. This compares with Adjusted EBITDA of $141.8 million and net income of $0.7 million ($0.01 per share on a diluted basis) for the year ended December 31, 2009.

A reconciliation from net income to net income before unusual item is as follows:

($ millions)	**Q4 2010**	**2010**
Net income	$ 27.9	$ 101.7
Gain on sale of Kitimat assets		(22.2)
Net income before unusual item	$ 27.9	$ 79.5

Adjusted EBITDA

The changes in Adjusted EBITDA resulted from changes in the following:

($ millions)	**Q4 2010 compared with Q3 2010**	**Q4 2010 compared with Q4 2009**	**2010 compared with 2009**
Average realized price	$ 101	$ 106	$ 520
Sales volumes	(2)	24	62
Total cash costs	(85)	(132)	(457)
	$ 14	$ (2)	$ 125

Average realized price

	Three Months Ended			**Years Ended**	
($ per tonne, except where noted)	**Dec 31 2010**	Sep 30 2010	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
Methanex average non-discounted posted price [1]	**407**	334	327	**356**	252
Methanex average realized price	**348**	286	282	**306**	225
Average discount	**14%**	14%	14%	**14%**	11%

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

During 2010, methanol demand growth was strong with increases in demand primarily driven by both traditional and energy derivatives in Asia (particularly in China). As we entered the fourth quarter of 2010, market conditions were tight as demand was strong and there were a number of planned and unplanned outages across the methanol industry. As a result, there was an increase in spot and contract methanol prices in the fourth quarter (refer to Supply/Demand Fundamentals section on page 8 for more information). Our average non-discounted posted price for the fourth quarter of 2010 was $407 per tonne compared with $334 per tonne for the third quarter of 2010. Our average realized price for the fourth quarter of 2010 was $348 per tonne compared with $286 per tonne for the third quarter of 2010 and this increased revenue by $101 million.

As a result of the factors described above, we have experienced significantly higher methanol pricing and revenue in 2010 compared with 2009. Our average realized price for the fourth quarter of 2010 was $348 per tonne compared with $282 per tonne for the fourth quarter of 2009 and this increased revenue by $106 million. Our average realized price for the year ended December 31, 2010 was $306 per tonne compared with $225 per tonne for the same period in

2009 and this increased revenue by $520 million.

Sales volumes

Total methanol sales volumes excluding commission sales volumes for the fourth quarter of 2010 were lower compared with the third quarter of 2010 by 40,000 tonnes and this resulted in $2 million lower Adjusted EBITDA. Total methanol sales volumes excluding commission sales volumes for the three months and year ended December 31, 2010 were higher than comparable periods in 2009 by 290,000 tonnes and 1,110,000 tonnes, respectively. This resulted in higher Adjusted EBITDA for the fourth quarter of 2010 and year ended December 31, 2010 compared with the same periods in 2009 by $24 million and $62 million, respectively. We have increased sales volumes in 2010 compared with 2009 primarily in anticipation of increased methanol supply from Egypt and our other production facilities.

Total cash costs

The primary driver of changes in our total cash costs are changes in the cost of methanol we produce at our facilities and changes in the cost of methanol we purchase from others. Our production facilities are underpinned by natural gas purchase agreements with pricing terms that include base and variable price components. The variable component is adjusted in relation to changes in methanol prices above pre-determined prices at the time of production. We supplement our production with methanol produced by others through methanol offtake contracts and purchases on the spot market to meet customer needs and support our marketing efforts within the major global markets. We have adopted the first-in, first-out method of accounting for inventories and it generally takes between 30 and 60 days to sell the methanol we produce or purchase. Accordingly, the changes in Adjusted EBITDA as a result of changes in natural gas costs and purchased methanol costs will depend on changes in methanol pricing and the timing of inventory flows.

The impact on adjusted EBITDA from changes in our cash costs are explained below:

($ millions)		**Q4 2010 compared with Q3 2010**		**Q4 2010 compared with Q4 2009**		**2010 compared with 2009**
Natural gas costs on sales of produced methanol	$	(13)	$	(22)	$	(98)
Proportion of purchased methanol sales		(4)		(30)		(89)
Purchased methanol costs		(47)		(56)		(223)
Stock-based compensation		(10)		(12)		(20)
Other, net		(11)		(12)		(27)
Decrease in EBITDA	$	(85)	$	(132)	$	(457)

Natural gas costs on sales of produced methanol

Natural gas costs on sales of produced methanol for the fourth quarter of 2010 and the year ended December 31, 2010, were higher than comparable periods in 2009, primarily as a result of higher methanol pricing.

Proportion of purchased methanol sales

The cost of purchased methanol is directly linked to the selling price for methanol at the time of purchase and the cost of purchased methanol is generally higher than the cost of produced methanol. Accordingly, an increase in the proportion of purchased methanol sales results in an increase in our overall cost structure for a given period. The proportion of purchased methanol sales for the fourth quarter of 2010 and the year ended December 31, 2010 was higher for all comparable periods noted above.

Purchased methanol costs

Purchased methanol costs were higher for the fourth quarter of 2010 and the year ended December 31, 2010 compared with all periods noted above, primarily as a result of higher methanol pricing.

Stock-based compensation

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

For stock options, the cost is measured based on an estimate of the fair value at the date of grant and this grant-date fair value is recognized as compensation expense over the related service period. Accordingly, stock-based compensation expense associated with stock options will not vary significantly from period to period.

Deferred, restricted and performance share units are grants of notional common shares that are redeemable for cash upon vesting based on the market value of the Company s common shares and are non-dilutive to shareholders. Performance share units have an additional feature where the ultimate number of units that vest will be determined by the Company s total shareholder return in relation to a predetermined target over the period to vesting. The number of

units that will ultimately vest will be in the range of 50% to 120% of the original grant. Share appreciation rights and tandem share appreciation rights are units which grant the holder the

right to receive a cash payment upon exercise for the difference between the market price of the Company s common shares and the exercise price which is determined at the date of grant. For deferred, restricted and performance share units, the fair value is initially measured at the grant date based on the market value of common shares. Stock appreciation rights and tandem stock appreciation rights are measured based on the intrinsic value, the amount by which the market value of common shares exceeds the exercise price. For all of the stock-based awards, the initial value and any subsequent change in value due to changes in the market value of common shares is recognized in earnings over the related service period for the proportion of the service that has been rendered at each reporting date. Accordingly, stock-based compensation associated with these stock-based awards may vary significantly from period to period as a result of changes in the share price.

Stock-based compensation expense for the fourth quarter of 2010 was $17 million compared with $7 million for the third quarter of 2010. The increase in stock-based compensation of $10 million during the fourth quarter of 2010 was primarily due to the impact of the increase in the share price during the fourth quarter from $24.49 per share to $30.40 per share. This resulted in a higher charge of approximately $4 million from an increase in the fair value of deferred, restricted and performance share units and a higher charge of approximately $3 million related to the value of share appreciation rights and tandem share appreciation rights which carried no accounting value prior to the fourth quarter of 2010. Additionally, the increase in share price resulted in a higher charge of approximately $3 million due to an increase in the estimated number of performance share units that will ultimately vest.

Other, net

For the fourth quarter of 2010 compared with the third quarter of 2010 and the fourth quarter of 2009, ocean freight and other logistics costs were higher by $7 million compared with both periods primarily as a result of lower backhaul cost recoveries and higher bunker fuel costs. Selling, general and administrative expenses were also higher by $4 million and $5 million, respectively, primarily as a result of higher employee and other costs.

For the year ended December 31, 2010 compared with 2009, ocean freight and other logistics costs were higher by $16 million primarily as a result of lower backhaul cost recoveries and higher bunker fuel costs. Selling, general and administrative expenses were also higher by $11 million primarily as a result of higher employee and other costs.

Depreciation and Amortization

Depreciation and amortization was $30 million for the fourth quarter of 2010 compared with $34 million for the third quarter of 2010 and $32 million for the fourth quarter of 2009. Depreciation and amortization was $131 million for the year ended December 31, 2010 compared with $118 million for the comparable period in 2009. The increase in depreciation and amortization expense for 2010 compared with 2009 was primarily due to the inclusion of depletion charges associated with our oil and gas investment in Chile. Upon receipt of final approval from the government of Chile in the third quarter of 2009, we adopted the full cost methodology for accounting for oil and gas exploration costs associated with our 50% participation in the Dorado Riquelme block in Southern Chile (refer to *Production Summary* section on page 2 for more information). Under these accounting standards, cash investments in the block are initially capitalized and are recorded to earnings through non-cash depletion charges as natural gas is produced from the block.

Interest Expense

	Three Months Ended			Years Ended	
	Dec 31	Sep 30	Dec 31	**Dec 31**	Dec 31
($ millions)	**2010**	2010	2009	**2010**	2009
Interest expense before capitalized interest	**$ 16**	$ 16	$ 15	**$ 62**	$ 59
Less capitalized interest	**(10)**	(10)	(9)	**(38)**	(32)
Interest expense	**$ 6**	$ 6	$ 6	**$ 24**	$ 27

Capitalized interest relates to interest costs capitalized during the construction and commissioning of the 1.3 million tonne per year methanol facility in Egypt.

Interest and Other Income (Expense)

	Three Months Ended			Years Ended	
	Dec 31	Sep 30	Dec 31	**Dec 31**	Dec 31
($ millions)	**2010**	2010	2009	**2010**	2009
Interest and other income (expense)	**$ 4**	$ (1)	$	**$ 3**	$

Interest and other income for the fourth quarter of 2010 was $4 million compared with an expense of $1 million for the third quarter of 2010 and nil for the fourth quarter of 2009. The increase in interest and other income during the fourth quarter of 2010 compared with the third quarter of 2010 and the fourth quarter of 2009 was primarily due to the impact of changes in foreign exchange rates.

Income Taxes

We recorded income tax expense of $11.2 million for the fourth quarter of 2010 compared with income tax expense of $5.9 million for the third quarter of 2010 and income tax expense of $9.0 million for the fourth quarter of 2009. The effective tax rate for the fourth quarter of 2010 was approximately 29% compared with approximately 36% for the third quarter of 2010.

The statutory tax rate in Chile and Trinidad, where we earn a substantial portion of our 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 tier tax is initially recorded as future income tax expense and is subsequently reclassified to current income tax expense when earnings are distributed.

SUPPLY/DEMAND FUNDAMENTALS

During 2010, methanol demand growth was strong, increasing by 14% to a total of approximately 45 million tonnes. Increases in demand have been primarily driven by both traditional and energy derivatives in Asia (particularly in China). More recently, we have also seen increases in traditional derivative demand in other regions including Europe and North America.

Traditional derivatives account for about two thirds of global methanol demand and are correlated to industrial production.

Energy derivatives account for about one third of global methanol demand and over the last few years, high energy prices have driven strong demand growth for methanol into energy applications such as gasoline blending and DME, primarily in China. Methanol blending into gasoline in China has been particularly strong and we believe that future growth in this application is supported by recent regulatory changes in that country. For example, an M85 (or 85% methanol) national standard took effect December 1, 2009, and we expect an M15 (or 15% methanol) national standard to be released in 2011. We believe demand potential into energy derivatives will be stronger in a high energy price environment.

Methanex Non-Discounted Regional Posted Prices [1]

(US$ per tonne)	**Jan 2011**	**Dec 2010**	**Nov 2010**	**Oct 2010**
United States	449	459	442	359
Europe [2]	428	367	379	385
Asia	460	460	445	345

[1] Discounts from our posted prices are offered to customers based on various factors.

[2] 325 for Q1 2011 (Q4 2010 277) converted to United States dollars.

As we entered the fourth quarter of 2010, market conditions were tight, as demand was strong and there were a number of planned and unplanned production outages across the methanol industry. As a result, there was a sharp increase in spot and contract methanol prices in the fourth quarter. Early in the first quarter of 2011, spot methanol prices moderated slightly. Our average non-discounted price for January 2011 is approximately $450 per tonne and we have recently announced a decrease to the Methanex non-discounted list price of $23 per tonne in North America for February. We also expect to see contract prices in Asia decrease for February.

The next increment of world scale capacity outside of China is our 1.3 million tonne per year plant in Egypt which is in the late stages of commissioning and produced first methanol this month. Beyond this, there is little new capacity additions outside China expected over the next few years. Our 470,000 tonne plant in Medicine Hat is expected to restart in April 2011. There is also a 0.85 million tonne plant expected to restart in Beamount, Texas and a 0.7 million tonne plant expected to start up in Azerbaijan and we expect product from both of these plants will enter the market in 2012.

In late December 2010, the Chinese Ministry of Commerce (MOFCOM) issued its Final Determination in its investigation into domestic methanol producer allegations of dumping and recommended duties of around 9% be imposed on imports from existing producers in New Zealand, Malaysia and Indonesia. However, citing special circumstances, the Customs Tariff Commission of the State Council decided to suspend enforcement of the anti-dumping measures which will allow methanol from all three countries to enter into China without the imposition of additional duties. In the event that the suspension is lifted, we do not expect there to be any significant impact on industry supply/demand fundamentals and we would realign our supply chain.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities before changes in working capital in the fourth quarter of 2010 were $77 million compared with $53 million for the third quarter of 2010 and $74 million for the fourth quarter of 2009.

During the fourth quarter of 2010, we paid a quarterly dividend of US$0.155 per share, or $14 million.

During the fourth quarter of 2010, total plant and equipment related to costs for the new methanol plant in Egypt were $21 million. EMethanex has limited recourse debt facilities of $530 million which were fully drawn as at December 31, 2010. The first debt principal payment of $16 million was made on September 30, 2010.

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

We have an agreement with ENAP to participate in natural gas exploration and development in the Dorado Riquelme hydrocarbon exploration block in southern Chile. Under the arrangement, we fund a 50% participation in the block and have contributed $86 million to date. We expect to make further contributions over the next few years to fully realize the potential of the block. These contributions will be based on annual budgets established by ENAP and Methanex in accordance with the Joint Operating Agreement that governs this development.

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

We operate in a highly competitive commodity industry and believe it is appropriate to maintain a conservative balance sheet and to maintain financial flexibility. Our cash balance at December 31, 2010 was $194 million. We have a strong balance sheet, no near term re-financing requirements, and an undrawn $200 million credit facility provided by highly rated financial institutions that expires in mid-2012. We invest our cash only in highly rated instruments that have maturities of three months or less to ensure preservation of capital and appropriate liquidity. Our planned capital maintenance expenditure program directed towards major maintenance, turnarounds and catalyst changes for existing operations, is currently estimated to total approximately $80 million for the period to the end of 2012. We also recently announced our intention to restart our 470,000 tonne per year methanol plant in Medicine Hat early in the second quarter with an estimated capital cost to restart the plant of approximately $40 million, of which $10 million was incurred in 2010 and $30 million will be incurred in the first quarter of 2011.

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

The credit ratings for our unsecured notes at December 31, 2010 were as follows:

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

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

SHORT-TERM OUTLOOK

Methanol demand in 2010 for both traditional and energy uses in Asia (particularly China) has been strong and more recently there has also been demand increases for traditional derivatives in other regions including North America and Europe. This strong demand combined with a significant amount of planned and unplanned production outages across the methanol industry resulted in a sharp increase in spot and contract methanol prices in the fourth quarter. Entering the first quarter, while methanol demand continues to be strong, we have seen methanol prices moderate but remain at strong levels.

We anticipate a significant increase in our production capability in 2011. The 1.3 million tonne per year Egypt Project is in the late stages of commissioning and produced first methanol last week. We are also working on the restart of our 470,000 tonne per year plant in Medicine Hat, Alberta which we also expect to commence production early in the second quarter of 2011. With the addition of these two production sites, we are well positioned to increase our production and earnings capability this year.

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

CONTROLS AND PROCEDURES

For the three months ended December 31, 2010, no changes were made in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ANTICIPATED CHANGES TO CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

International Financial Reporting Standards

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

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

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

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

Accounting policies and implementation decisions

Key activities:

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

Status:

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

We have developed a process for compiling parallel 2010 IFRS results for comparative reporting purposes in 2011

See the corresponding sections below for discussion of optional exemptions under IFRS 1 that the Company expects to elect on transition to IFRS, accounting policy changes that management considers most significant to the Company, and an overview of the expected adjustments to the financial statements on transition to IFRS

Infrastructure: Financial reporting expertise and communications

Key activities:

Development of IFRS expertise

Status:

We have provided training for key employees and senior management

In 2009, we held an IFRS information session with the Audit, Risk and Finance Committee that included an in-depth review of differences between Canadian GAAP and IFRS, a review of the implementation timeline, an overview of the project activities to date and a preliminary discussion of the significant impact areas of IFRS

In 2010, we held IFRS information sessions with the IFRS steering committee, the Audit, Finance and Risk Committee, and the Board that included an in-depth review of accounting policy changes on transition to IFRS, a discussion of optional exemptions under IFRS 1, *First-time Adoption of International Financial Reporting Standards* that the Company expects to elect on transition to IFRS, and an overview of the expected adjustments to the financial statements on transition to IFRS

In 2010, we held an external Investor Day Conference, which included a presentation to shareholders, research analysts, and other members of the investment community on the expected significant impacts of the IFRS transition

We will continue to provide additional training and updates for key employees, senior management, the Audit, Finance and Risk Committee, the Board and other stakeholders throughout the conversion period

Infrastructure: Information technology and data systems

Key activities:

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

Status:

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

Business activities: Financial covenants

Key activities:

Identification of impact on financial covenants and financing relationships

Completion of any required renegotiations/changes

Status:

The financial covenant requirements in our financing relationships are measured on the basis of Canadian GAAP in effect at the commencement of the various agreements, and the transition to IFRS will therefore have no impact on our current financial covenant requirements

We will maintain a process to compile our financial results on a historical Canadian GAAP basis and to monitor financial covenant requirements through to the conclusion of our current financing relationships

Business activities: Compensation arrangements

Key activities:

Identification of impact on compensation arrangements

Assessment and implementation of required changes

Status:

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

As part of the transition project, we will ensure that compensation arrangements incorporate IFRS results in accordance with the Company s overall compensation principles

We plan on having an information session to educate the Human Resources Committee of the Board about the expected impacts of the IFRS transition on compensation arrangements.

Control activities: Internal control over financial reporting

Key activities:

For all accounting policy changes identified, assessing the design and effectiveness of respective changes to Internal Controls over Financial Reporting (ICFR)

Implementation of appropriate changes

Status:

We have identified the required accounting process changes that result from the application of IFRS accounting policies; these changes are not considered significant

As part of the transition project, we will complete the design, implementation and documentation of the accounting process changes that result from the application of IFRS accounting policies

Control activities: Disclosure controls and procedures

Key activities:

For all accounting policy changes identified, assessing the design and effectiveness of respective changes to Disclosure Controls and Procedures (DC&P)

Implementation of appropriate changes

Status:

We continue to provide IFRS project updates in quarterly and annual disclosure documents

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

Business Combinations

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

Employee Benefits

We have defined benefit pension plans in Canada and Chile. IFRS 1 provides an option to recognize all cumulative actuarial gains and losses on defined benefit pension plans existing at the date of transition immediately in retained earnings, rather than continuing to defer and amortize into the results of operations. The Company currently intends to elect this exemption under IFRS 1. As at January 1, 2010 this results in a decrease to retained earnings of $16 million, a decrease to other assets of $10 million and an increase to other long-term liabilities of $6 million. In comparison to Canadian GAAP, there will be lower future pension expense as a result of this immediate recognition to retained earnings of these actuarial losses on transition to IFRS.

Fair Value or Revaluation as Deemed Cost

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

Share-based Payment Transactions

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

Changes in Asset Retirement Obligations

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

Oil & Gas Assets

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

Significant Impacts on Transition to IFRS

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

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

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

Interest in Joint Ventures

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

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

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

Leases

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

IFRS has similar accounting requirements as Canadian GAAP for lease-like arrangements, with IFRS requiring full retrospective application. We have long-term oxygen supply contracts for our Atlas and Titan methanol plants in Trinidad, executed prior to 2004, which are regarded as finance leases under these standards. Accordingly, the oxygen supply contracts are required to be accounted for as finance leases from original inception of the lease. We measured the value of these finance leases and applied finance lease accounting retrospectively from inception to January 1, 2010 to determine the opening day IFRS impact. As at January 1, 2010 this results in an increase to property, plant and equipment of $62 million and other long-term liabilities of $74 million with a corresponding decrease to retained earnings of $12 million. In comparison to Canadian GAAP, this accounting treatment will result in lower operating costs and higher interest and depreciation charges with no significant impact to net earnings.

As part of their global conversion project, the IASB and the U.S. Financial Accounting Standards Board (FASB) issued in August 2010 a joint Exposure Draft proposing that all leases would be required to be recognized on-balance sheet. We have a fleet of ocean going vessels under time charter agreements with terms up to 15 years. The proposed rules would require these time charter agreements to be recorded on-balance sheet resulting in a material increase to our assets and liabilities. The boards expect to issue a final standard in mid-2011 with a likely effective date for the standard no earlier than 2012. We continue to monitor changes in accounting policies issued by the IASB in this area.

Impairment of Assets

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

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

Provisions

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

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

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

Summary of Expected Adjustments to Financial Statements on Transition to IFRS
The below table provides a summary of expected adjustments to our balance sheet on transition to IFRS.

Reconciliation of Opening Balance Sheet at Transition Date *($ millions)*		**January 1, 2010**
Total Assets per Canadian GAAP	**$**	**2,923**
Leases (a)		62
Employee Benefits (b)		(10)
Asset Retirement Obligations (c)		1
Borrowing Costs (d)		8
Total Assets per IFRS	**$**	**2,985**
Total Liabilities per Canadian GAAP	**$**	**1,687**
Leases (a)		74
Employee Benefits (b)		6
Asset Retirement Obligations (c)		5
Borrowing Costs (d)		3
Uncertain Tax Positions (e)		5
Deferred Tax Impact of Transition Adjustments (f)		(8)
Reclassification of Non-Controlling Interest (g)		(136)
Total Liabilities per IFRS	**$**	**1,637**
Total Shareholders Equity per Canadian GAAP	**$**	**1,236**
Leases (a)		(12)
Employee Benefits (b)		(16)
Asset Retirement Obligations (c)		(4)
Borrowing Costs (d)		5
Uncertain Tax Positions (e)		(5)
Deferred Tax Impact of Transition Adjustments (f)		8
Reclassification of Non-Controlling Interest (g)		136
Total Shareholders Equity per IFRS	**$**	**1,348**
Total Liabilities and Shareholders Equity per IFRS	**$**	**2,985**

The items noted above in the reconciliation of the opening balance sheet from Canadian GAAP to IFRS are described below.

(a) Leases

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

(b) Employee Benefits

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

(c) Asset Retirement Obligations

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

(d) Borrowing Costs

IAS 23 prescribes the accounting treatment and eligibility of borrowing costs. We have entered into interest rate swap contracts to hedge the variability in LIBOR-based interest payments on our Egypt limited recourse debt facilities. Under Canadian GAAP, cash settlements for these swaps during construction are recorded in Accumulated Other Comprehensive Income (AOCI). Under IFRS, the cash settlements during construction are recorded to Property, Plant and Equipment (PP&E). Accordingly, there is an increase to PP&E of approximately $8 million, an increase to AOCI for approximately $5 million (our 60% portion) and an increase in non-controlling interest of approximately $3 million as of January 1, 2010.

(e) Uncertain Tax Positions

IAS 12 prescribes recognition and measurement criteria of a tax position taken or expected to be taken in a tax return. As at January 1, 2010, this resulted in an increase to income tax liabilities and a decrease to retained earnings of approximately $5 million in comparison to Canadian GAAP.

(f) Deferred Tax Impact of Transition Adjustments

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

(g) Reclassification of Non-Controlling Interest from Liabilities

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

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

ADDITIONAL INFORMATION SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with Canadian generally accepted accounting principles (GAAP), we present certain supplemental non-GAAP measures. These are Adjusted EBITDA, operating income, cash flows from operating activities before changes in non-cash working capital and diluted net income per common share before unusual item. 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 the Company s ongoing business. These measures should be considered in addition to, and not as a substitute for, net income, cash flows and other measures of financial performance and liquidity reported in accordance with Canadian GAAP.

Adjusted EBITDA

This supplemental non-GAAP measure is provided to assist readers in determining 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, other cash payments related to operating activities, stock-based compensation expense, other non-cash items, interest expense, interest and other income (expense), and current income taxes.

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

	Three Months Ended			Years Ended	
	Dec 31	Sep 30	Dec 31	**Dec 31**	Dec 31
($ thousands)	**2010**	2010	2009	**2010**	2009
Cash flows from operating activities	**$ 10,403**	$ 47,986	$ 35,733	**$ 152,882**	$ 110,257
Add (deduct):					
Changes in non-cash working capital	**66,614**	5,161	38,482	**98,706**	18,253
Other cash payments	**163**	1,766	327	**6,051**	11,302
Stock-based compensation expense	**(17,468)**	(6,913)	(4,598)	**(31,496)**	(12,527)
Other non-cash items	**707**	(4,303)	(1,374)	**(7,897)**	(7,639)
Interest expense	**5,875**	6,027	6,217	**24,238**	27,370
Interest and other income (expense)	**(3,752)**	1,187	(18)	**(2,779)**	403
Current income taxes	**8,782**	6,379	(1,880)	**27,033**	(5,592)
Adjusted EBITDA	**$ 71,324**	$ 57,290	$ 72,889	**$ 266,738**	$ 141,827

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

	Three Months Ended			Years Ended	
	Dec 31	Sep 30	Dec 31	**Dec 31**	Dec 31
($ thousands)	**2010**	2010	2009	**2010**	2009
Net income	**$ 27,867**	$ 32,810	$ 25,718	**$ 101,733**	$ 738
Gain on sale of Kitimat assets		(22,223)		**(22,223)**	
Net income before unusual item	**$ 27,867**	$ 10,587	$ 25,718	**$ 79,510**	$ 738
Diluted weighted average number of common shares	**93,951,536**	93,330,104	93,069,657	**93,503,568**	92,688,510
Diluted net income per common share before unusual item	**0.30**	0.11	0.28	**0.85**	0.01

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

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

QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of selected financial information for the prior eight quarters is as follows:

	Three Months Ended			
($ thousands, except per share amounts)	**Dec 31 2010**	**Sep 30 2010**	**Jun 30 2010**	**Mar 31 2010**
Revenue	$ 570,337	$ 480,997	$ 448,543	$ 466,706
Net income	27,867	32,810	11,736	29,320
Net income before unusual item	27,867	10,587	11,736	29,320
Basic net income per common share	0.30	0.36	0.13	0.32
Basic net income per common share before unusual item	0.30	0.11	0.13	0.32
Diluted net income per common share	0.30	0.35	0.13	0.31
Diluted net income per common share before unusual item	0.30	0.11	0.13	0.31

	Three Months Ended			
($ thousands, except per share amounts)	**Dec 31 2009**	**Sep 30 2009**	**Jun 30 2009**	**Mar 31 2009**
Revenue	$ 381,729	$ 316,932	$ 245,501	$ 254,007
Net income (loss)	25,718	(831)	(5,743)	(18,406)
Net income (loss) before unusual item	25,718	(831)	(5,743)	(18,406)
Basic net income (loss) per common share	0.28	(0.01)	(0.06)	(0.20)
Basic net income (loss) per common share before unusual item	0.28	(0.01)	(0.06)	(0.20)
Diluted net income (loss) per common share	0.28	(0.01)	(0.06)	(0.20)
Diluted net income (loss) per common share before unusual item	0.28	(0.01)	(0.06)	(0.20)

FORWARD-LOOKING INFORMATION WARNING

This Fourth Quarter 2010 Management s Discussion and Analysis (MD&A) as well as comments made during the Fourth Quarter 2010 investor conference call contain forward-looking statements with respect to us and the chemical industry. Statements that include the words believes, expects, may, will, should, seeks, intends, pla anticipates, or the negative version of those words or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements.

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

- expected demand for methanol and its derivatives,
- expected new methanol supply and timing for start-up of the same,
- expected shut downs (either temporary or permanent) or re-starts of existing methanol supply (including our own facilities), including, without limitation, timing of planned maintenance outages,
- expected methanol and energy prices,
- anticipated production rates of our plants, including our Chilean facilities and the new methanol plant in Egypt expected to ramp-up production over the first quarter of 2011,
- expected levels of natural gas supply to our plants,
- capital committed by third parties towards future natural gas exploration in Chile and New Zealand, anticipated activities and results of natural gas exploration and development in Chile and New Zealand and timing of same,
- expected capital expenditures, including those to support natural gas exploration and development in Chile and New Zealand and the restart of our idled methanol facilities,
- expected operating costs, including natural gas feedstock costs and logistics costs,
- expected tax rates,
- expected cash flows and earnings capability,
- anticipated completion date of, and cost to complete, our methanol project in Egypt and the Medicine Hat restart project,
- availability of committed credit facilities and other financing,
- shareholder distribution strategy and anticipated distributions to shareholders,
- commercial viability of, or ability to execute, future projects or capacity expansions,
- financial strength and ability to meet future financial commitments,
- expected global or regional economic activity (including industrial production levels), and
- expected actions of governments, gas suppliers, courts and tribunals, or other third parties.

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

- supply of, demand for, and price of, methanol, methanol derivatives, natural gas, oil and oil derivatives,
- production rates of our facilities, including our Chilean facilities and the new methanol plant in Egypt expected to ramp-up production in the first quarter of 2011,
- success of natural gas exploration in Chile and New Zealand,
- receipt or issuance of third party consents or approvals, including without limitation, governmental approvals related to natural gas exploration rights, rights to purchase natural gas or the establishment of new fuel standards,
- operating costs including natural gas feedstock and logistics costs, capital costs, tax rates, cash flows, foreign exchange rates and interest rates,
- timing of completion and cost of our methanol project in Egypt and the Medicine Hat restart project,
- availability of committed credit facilities and other financing,
- global and regional economic activity (including industrial production levels),

absence of a material negative impact from major natural disasters or global pandemics,
absence of a material negative impact from changes in laws or regulations, and
performance of contractual obligations by customers, suppliers and other third parties.

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

- conditions in the methanol and other industries, including fluctuations in supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses,
- the price of natural gas, oil and oil derivatives,
- the success of natural gas exploration and development activities in southern Chile and New Zealand and our ability to obtain any additional gas in those regions or other regions on commercially acceptable terms,
- the timing of start-up and cost to complete our new methanol joint venture project in Egypt,
- the ability to successfully carry out corporate initiatives and strategies,
- actions of competitors and suppliers,
- actions of governments and governmental authorities including implementation of policies or other measures that could impact the supply or demand for methanol or its derivatives,
- changes in laws or regulations,
- import or export restrictions, anti-dumping measures, increases in duties, taxes and government royalties, and other actions by governments that may adversely affect our operations,
- world-wide economic conditions, and
- other risks described in our 2009 Management s Discussion and Analysis and this Fourth Quarter 2010 Management s Discussion and Analysis.

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

HOW WE ANALYZE OUR BUSINESS

Our operations consist of a single operating segment the production and sale of methanol. We review our results of operations by analyzing changes in the components of our adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) (refer to the *Supplemental Non-GAAP Measures* section on page 16 for a reconciliation to the most comparable GAAP measure), interest expense, interest and other income, and income taxes.

In addition to the methanol that we produce at our facilities (Methanex-produced methanol), we also purchase and re-sell methanol produced by others (purchased methanol) and we sell methanol on a commission basis. We analyze the results of all methanol sales together. The key drivers of change in our Adjusted EBITDA are average realized price, cash costs and sales volume.

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

PRICE The change in Adjusted EBITDA as a result of changes in average realized price is calculated as the difference from period to period in the selling price of methanol multiplied by the current period total methanol sales volume excluding commission sales volume plus the difference from period to period in commission revenue.

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

VOLUME The change in Adjusted EBITDA as a result of changes in sales volume is calculated as the difference from period to period in total methanol sales volume excluding commission sales volumes multiplied by the margin per tonne for the prior period. The margin per tonne for the prior period is the weighted average margin per tonne of Methanex-produced methanol and purchased methanol. The margin per tonne for Methanex-produced methanol is calculated as the selling price per tonne of methanol less absorbed fixed cash costs per tonne and variable cash costs per tonne. The margin per tonne for purchased methanol is calculated as the selling price per tonne of methanol less the cost of purchased methanol per tonne.

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

Methanex Corporation
Consolidated Statements of Income *(unaudited)*
(thousands of U.S. dollars, except number of common shares and per share amounts)

	Three Months Ended		Years Ended	
	Dec 31 2010	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
Revenue	**$ 570,337**	$ 381,729	**$ 1,966,583**	$ 1,198,169
Cost of sales and operating expenses	**(499,013)**	(308,840)	**(1,699,845)**	(1,056,342)
Depreciation and amortization	**(30,165)**	(31,993)	**(131,381)**	(117,590)
Gain on sale of Kitimat assets			**22,223**	
Operating income before undernoted items	**41,159**	40,896	**157,580**	24,237
Interest expense (note 6)	**(5,875)**	(6,217)	**(24,238)**	(27,370)
Interest and other income (expense)	**3,752**	18	**2,779**	(403)
Income (loss) before income taxes	**39,036**	34,697	**136,121**	(3,536)
Income tax (expense) recovery:				
Current	**(8,782)**	1,880	**(27,033)**	5,592
Future	**(2,387)**	(10,859)	**(7,355)**	(1,318)
	(11,169)	(8,979)	**(34,388)**	4,274
Net income	**$ 27,867**	$ 25,718	**$ 101,733**	$ 738
Net income per common share:				
Basic	**$ 0.30**	$ 0.28	**$ 1.10**	$ 0.01
Diluted	**$ 0.30**	$ 0.28	**$ 1.09**	$ 0.01
Weighted average number of common shares outstanding:				
Basic	**92,347,561**	92,108,242	**92,218,320**	92,063,371
Diluted	**93,951,536**	93,069,657	**93,503,568**	92,688,510
Number of common shares outstanding at period end	**92,632,022**	92,108,242	**92,632,022**	92,108,242

See accompanying notes to consolidated financial statements.

Methanex Corporation
Consolidated Balance Sheets *(unaudited)*
(thousands of U.S. dollars)

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

See accompanying notes to consolidated financial statements.

Methanex Corporation
Consolidated Statements of Shareholders Equity *(unaudited)*
(thousands of U.S. dollars, except number of common shares)

	Number of Common Shares	Capital Stock	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders Equity
Balance, December 31, 2008	92,031,392	$ 427,265	$ 22,669	$ 862,507	$ (24,025)	$ 1,288,416
Net income				738		738
Compensation expense recorded for stock options			4,440			4,440
Issue of shares on exercise of stock options	76,850	425				425
Reclassification of grant date fair value on exercise of stock options		102	(102)			
Dividend payments				(57,087)		(57,087)
Other comprehensive loss					(846)	(846)
Balance, December 31, 2009	92,108,242	427,792	27,007	806,158	(24,871)	1,236,086
Net income				73,866		73,866
Compensation expense recorded for stock options			1,804			1,804
Issue of shares on exercise of stock options	124,975	1,400				1,400
Reclassification of grant date fair value on exercise of stock options		522	(522)			
Dividend payments				(42,869)		(42,869)
Other comprehensive loss					(17,965)	(17,965)
Balance, September 30, 2010	92,233,217	429,714	28,289	837,155	(42,836)	1,252,322
Net income				**27,867**		**27,867**
Compensation expense recorded for stock options			**560**			**560**
Issue of shares on exercise of stock options	**398,805**	**7,837**				**7,837**
Reclassification of grant date fair value on exercise of stock options		**2,541**	**(2,541)**			
Dividend payments				**(14,331)**		**(14,331)**
Other comprehensive income					**2,372**	**2,372**

Balance, December 31, 2010	**92,632,022**	**$ 440,092**	**$**	**26,308**	**$ 850,691**	**$**	**(40,464)**	**$ 1,276,627**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss) *(unaudited)*
(thousands of U.S. dollars)

	Three Months Ended		Years Ended	
	Dec 31 2010	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
Net income	**$ 27,867**	$ 25,718	**101,733**	$ 738
Other comprehensive income (loss), net of tax:				
Change in fair value of forward exchange contracts		118		36
Change in fair value of interest rate swap contracts (note 11)	**2,372**	229	**(15,593)**	(882)
	2,372	347	**(15,593)**	(846)
Comprehensive income (loss)	**$ 30,239**	$ 26,065	**86,140**	$ (108)

See accompanying notes to consolidated financial statements.

Methanex Corporation
Consolidated Statements of Cash Flows *(unaudited)*
(thousands of U.S. dollars)

	Three Months Ended		Years Ended	
	Dec 31 2010	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	**$ 27,867**	$ 25,718	**$ 101,733**	$ 738
Add (deduct) non-cash items:				
Depreciation and amortization	**30,165**	31,993	**131,381**	117,590
Gain on sale of Kitimat assets			**(22,223)**	
Future income taxes	**2,387**	10,859	**7,355**	1,318
Stock-based compensation expense	**17,468**	4,598	**31,496**	12,527
Other	**(707)**	1,374	**7,897**	7,639
Other cash payments, including stock-based compensation	**(163)**	(327)	**(6,051)**	(11,302)
Cash flows from operating activities before undernoted	**77,017**	74,215	**251,588**	128,510
Changes in non-cash working capital (note 10)	**(66,614)**	(38,482)	**(98,706)**	(18,253)
	10,403	35,733	**152,882**	110,257
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend payments	**(14,331)**	(14,277)	**(57,200)**	(57,087)
Proceeds from limited recourse debt		14,000	**67,515**	151,378
Equity contribution by non-controlling interest	**7,429**	6,235	**23,376**	45,103
Repayment of limited recourse debt	**(7,628)**	(7,329)	**(30,991)**	(15,282)
Proceeds on issue of shares on exercise of stock options	**7,837**		**9,237**	425
Repayment of other long-term liabilities	**(1,421)**	(1,189)	**(21,681)**	(11,157)
Financing costs		(217)		(1,949)
	(8,114)	(2,777)	**(9,744)**	111,431
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of assets	**31,771**		**31,771**	
Property, plant and equipment	**(21,972)**	(10,713)	**(58,154)**	(60,906)
Egypt plant under construction	**(21,138)**	(38,890)	**(85,996)**	(261,646)
Oil and gas assets	**(5,403)**	(5,282)	**(24,233)**	(22,840)
GeoPark repayment (financing)	**14,531**	(13,582)	**20,227**	(9,285)
Changes in project debt reserve accounts	**372**	185	**372**	5,229

Other assets	**(307)**		**(769)**	(2,454)
Changes in non-cash working capital related to investing activities (note 10)	**1,812**	7,678	**(2,350)**	(28,428)
	(334)	(60,604)	**(119,132)**	(380,330)
Increase (decrease) in cash and cash equivalents	**1,955**	(27,648)	**24,006**	(158,642)
Cash and cash equivalents, beginning of period	**191,839**	197,436	**169,788**	328,430
Cash and cash equivalents, end of period	**$ 193,794**	$ 169,788	**$ 193,794**	$ 169,788
SUPPLEMENTARY CASH FLOW INFORMATION				
Interest paid	**$ 5,326**	$ 4,669	**$ 57,880**	$ 52,767
Income taxes paid, net of amounts refunded	**$ 159**	$ (2,723)	**$ 9,090**	$ 6,363

See accompanying notes to consolidated financial statements.

Methanex Corporation
Notes to Consolidated Financial Statements *(unaudited)*
Except where otherwise noted, tabular dollar amounts are stated in thousands of U.S. dollars.

1. Basis of presentation:

These interim consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada on a basis consistent with those followed in the most recent annual consolidated financial statements. 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 13. These interim consolidated financial statements do not include all note disclosures required by Canadian generally accepted accounting principles for annual financial statements, and therefore should be read in conjunction with the annual consolidated financial statements included in the Methanex Corporation 2009 Annual Report.

2. Inventories:

Inventories are valued at the lower of cost, determined on a first-in first-out basis, and estimated net realizable value. The amount of inventories included in cost of sales and operating expense and depreciation and amortization during the three months and year ended December 31, 2010 was $452 million (2009 $295 million) and $1,604 million (2009 $997 million), respectively.

3. Property, plant and equipment:

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

4. 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	**Dec 31 2010**	Dec 31 2009
Cash and cash equivalents	**$ 10,675**	$ 8,252
Other current assets	**80,493**	72,667
Property, plant and equipment	**231,978**	240,290
Other assets	**12,548**	12,920
Accounts payable and accrued liabilities	**24,049**	22,380
Long-term debt, including current maturities (note 5)	**79,577**	93,155
Future income tax liabilities	**20,571**	18,660

	Three Months Ended		**Years Ended**	
Consolidated Statements of Income	**Dec 31 2010**	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
Revenue	**$ 56,008**	$ 55,305	**$ 180,314**	$ 194,314
Expenses	**(48,662)**	(44,337)	**(165,282)**	(158,611)
Income before income taxes	**7,346**	10,968	**15,032**	35,703
Income tax expense	**(1,679)**	(3,204)	**(3,469)**	(6,127)
Net income	**$ 5,667**	$ 7,764	**$ 11,563**	$ 29,576

	Three Months Ended		**Years Ended**	
Consolidated Statements of Cash Flows	**Dec 31 2010**	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
Cash inflows from operating activities	**$ 16,397**	$ (1,950)	**$ 25,080**	$ 36,166
Cash outflows from financing activities	**(7,016)**	(7,016)	**(14,032)**	(14,032)
Cash inflows (outflows) from investing activities	**(1,881)**	185	**(8,625)**	(3,568)

5. Long-term debt:

	Dec 31 2010	Dec 31 2009
Unsecured notes		
8.75% due August 15, 2012	**$ 199,112**	$ 198,627
6.00% due August 15, 2015	**148,908**	148,705
	348,020	347,332
Atlas limited recourse debt facilities	**79,577**	93,155

Egypt limited recourse debt facilities		**499,706**		461,570
Other limited recourse debt facilities		**19,638**		12,187
		946,941		914,244
Less current maturities		**(49,965)**		(29,330)
	$	**896,976**	$	884,914

The Company has limited recourse debt of $530 million for its joint venture project to construct a 1.3 million tonne per year methanol facility in Egypt. At December 31, 2010, the Company has fully drawn on the Egypt limited recourse debt facilities and on September 30, 2010, commenced repayment of the facilities by making the first of 24 semi-annual principal repayments.

6. Interest expense:

	Three Months Ended		Years Ended	
	Dec 31 2010	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
Interest expense before capitalized interest	**$ 15,684**	$ 15,378	**$ 62,313**	$ 59,800
Less: capitalized interest related to Egypt project	**(9,809)**	(9,161)	**(38,075)**	(32,430)
Interest expense	**$ 5,875**	$ 6,217	**$ 24,238**	$ 27,370

Interest during construction of the Egypt methanol facility is capitalized until the plant is substantially complete and ready for productive use. The Company has 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. The Company has entered into interest rate swap contracts to swap the LIBOR-based interest payments for an average aggregated fixed rate of 4.8% plus a spread on approximately 75% of the Egypt limited recourse debt facilities for the period to March 31, 2015. For the three months and year ended December 31, 2010, interest costs related to this project of $9.8 million (2009 $9.2 million) and $38.1 million (2009 $32.4 million) related to this project were capitalized, inclusive of interest rate swaps.

7. Net income per common share:

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

	Three Months Ended		Years Ended	
	Dec 31 2010	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
Denominator for basic net income per common share	**92,347,561**	92,108,242	**92,218,320**	92,063,371
Effect of dilutive stock options	**1,603,975**	961,415	**1,285,248**	625,139
Denominator for diluted net income per common share	**93,951,536**	93,069,657	**93,503,568**	92,688,510

8. Stock-based compensation:

a) Stock options:

(i) Outstanding stock options:

Common shares reserved for outstanding stock options at December 31, 2010:

	Options Denominated in CAD		Options Denominated in USD	
	Number of Stock Options	**Weighted Average Exercise Price**	**Number of Stock Options**	**Weighted Average Exercise Price**
Outstanding at December 31, 2009	55,350	$ 7.58	4,998,242	$ 18.77
Granted			89,250	25.22
Exercised	(10,000)	3.29	(114,975)	11.89
Cancelled	(7,500)	3.29	(32,155)	15.52

Outstanding at September 30, 2010	37,850	$	9.56	4,940,362	$	19.07
Granted						
Exercised	**(35,600)**		**9.56**	**(363,205)**		**20.65**
Cancelled				**(2,900)**		**13.19**
Outstanding at December 31, 2010	**2,250**	**$**	**9.56**	**4,574,257**	**$**	**18.95**

8. Stock-based compensation (continued):

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

Range of Exercise Prices	Options Outstanding at December 31, 2010: Weighted Average Remaining Contractual Life (Years)	Number of Stock Options Outstanding	Weighted Average Exercise Price	Options Exercisable at December 31, 2010: Number of Stock Options Exercisable	Weighted Average Exercise Price
Options denominated in CAD					
$9.56	**0.2**	**2,250**	**$ 9.56**	**2,250**	**$ 9.56**
Options denominated in USD					
$6.33 to 11.56	**4.9**	**1,356,780**	**$ 6.53**	**479,570**	**$ 6.90**
$17.85 to 22.52	**2.0**	**1,256,000**	**20.27**	**1,256,000**	**20.27**
$23.92 to 28.43	**3.8**	**1,961,477**	**26.69**	**1,529,168**	**26.39**
	3.6	**4,574,257**	**$ 18.95**	**3,264,738**	**$ 21.17**

(ii) Compensation expense related to stock options:

For the three months and year ended December 31, 2010, compensation expense related to stock options included in cost of sales and operating expenses was $0.6 million (2009 $0.7 million) and $2.4 million (2009 $4.4 million), respectively.

b) Stock appreciation rights and tandem stock appreciation rights:

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

(i) Outstanding SARs and TSARs:

SARs and TSARs outstanding at December 31, 2010:

	SARs Denominated in USD: Number of Units	Exercise Price	TSARs Denominated in USD: Number of Units	Exercise Price
Outstanding at December 31, 2009		$		$
Granted	394,065	25.22	735,505	25.19
Exercised				
Cancelled	(3,000)	25.22		

Outstanding at September 30, 2010	391,065	$	25.22	735,505	$	25.19
Granted						
Exercised						
Cancelled	**(2,100)**		**25.22**			
Outstanding at December 31, 2010[1]	**388,965**	**$**	**25.22**	**735,505**	**$**	**25.19**

1 As at December 31, 2010 no SARs or TSARs outstanding are exerciseable. The Company has common shares reserved for outstanding TSARs.

8. Stock-based compensation (continued):

(ii) Compensation expense related to SARs and TSARs:

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

c) Deferred, restricted and performance share units:

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

	Number of Deferred Share Units	Number of Restricted Share Units	Number of Performance Share Units
Outstanding at December 31, 2009	505,176	22,478	1,078,812
Granted	47,902	29,500	404,630
Granted in-lieu of dividends	11,313	1,032	23,067
Redeemed	(10,722)		(326,840)
Cancelled			(10,099)
Outstanding at September 30, 2010	553,669	53,010	1,169,570
Granted	**699**		
Granted in-lieu of dividends	**2,819**	**233**	**5,848**
Redeemed		**(6,639)**	
Cancelled			**(5,801)**
Outstanding at December 31, 2010	**557,187**	**46,604**	**1,169,617**

Compensation expense for deferred, restricted and performance share units is initially measured at fair value based on the market value of the Company s common shares and is recognized over the related service period. Changes in fair value are recognized in earnings for the proportion of the service that has been rendered at each reporting date. The fair value of deferred, restricted and performance share units at December 31, 2010 was $53.8 million compared with the recorded liability of $43.8 million. The difference between the fair value and the recorded liability of $10.0 million will be recognized over the weighted average remaining service period of approximately 1.5 years.

For the three months and year ended December 31, 2010, compensation expense related to deferred, restricted and performance share units included in cost of sales and operating expenses was $13.5 million (2009 $3.9 million) and $25.7 million (2009 $8.2 million), respectively. This included an expense of $11.7 million (2009 $2.4 million) and $16.3 million (2009 $0.9 million) related to the effect of the change in the Company s share price for the three months and year ended December 31, 2010, respectively.

9. Retirement plans:

Total net pension expense for the Company s defined benefit and defined contribution pension plans during the three months and year ended December 31, 2010 was $2.4 million (2009 $2.7 million) and $9.3 million (2009 $10.7 million), respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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10. Changes in non-cash working capital:

The change in cash flows related to changes in non-cash working capital for the three months and year ended December 31, 2010 were as follows:

	Three Months Ended		Years Ended	
	Dec 31 2010	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
Decrease (increase) in non-cash working capital:				
Receivables	**$ (1,952)**	$ (14,660)	**$ (62,609)**	$ (43,999)
Inventories	**(44,608)**	(54,937)	**(58,768)**	6,083
Prepaid expenses	**(6,540)**	(1,630)	**(2,984)**	(7,053)
Accounts payable and accrued liabilities	**14,331**	38,279	**17,806**	(2,445)
	(38,769)	(32,948)	**(106,555)**	(47,414)
Adjustments for items not having a cash effect	**(26,033)**	2,144	**5,499**	733
Changes in non-cash working capital having a cash effect	**$ (64,802)**	$ (30,804)	**$ (101,056)**	$ (46,681)
These changes relate to the following activities:				
Operating	**$ (66,614)**	$ (38,482)	**$ (98,706)**	$ (18,253)
Investing	**1,812**	7,678	**(2,350)**	(28,428)
Changes in non-cash working capital	**$ (64,802)**	$ (30,804)	**$ (101,056)**	$ (46,681)

11. Financial instruments:

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

	Dec 31 2010	Dec 31 2009
Financial assets:		
Held for trading financial assets:		
Cash and cash equivalents	**$ 193,794**	$ 169,788
Project debt reserve accounts included in other assets	**12,548**	12,920
Loans and receivables:		
Receivables, excluding current portion of GeoPark financing	**316,070**	249,332
GeoPark financing, including current portion	**25,868**	46,055
	$ 548,280	$ 478,095
Financial liabilities:		
Other financial liabilities:		

Accounts payable and accrued liabilities	**$ 250,730**	$ 232,924
Long-term debt, including current portion	**946,941**	914,244
Held for trading financial liabilities:		
Derivative instruments designated as cash flow hedges	**43,488**	33,185
Derivative instruments		99
	$ 1,241,159	$ 1,180,452

At December 31, 2010, 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 project debt reserve accounts included in other assets which are 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. The Company has designated these interest rate swaps as cash flow hedges.

11. Financial instruments (continued):

These interest rate swaps had outstanding notional amounts of $368 million as at December 31, 2010. The notional amounts decrease over the expected repayment period. At December 31, 2010, these interest rate swap contracts had a negative fair value of $43.5 million (December 31, 2009 $33.2 million) recorded in other long-term liabilities. The fair value of these interest rate swap contracts will fluctuate until maturity and changes in their fair values have been recorded in other comprehensive income.

12. Contingent liability:

The Board of Inland Revenue of Trinidad and Tobago (BIR) issued an assessment in 2009 against our wholly owned subsidiary, Methanex Trinidad (Titan) Unlimited, in respect of the 2003 financial year. The assessment relates to the deferral of tax depreciation deductions during the five year tax holiday which ended in 2005. The impact of the amount in dispute as at December 31, 2010 is approximately $26 million in current taxes and $23 million in future taxes, exclusive of any interest charges.

The Company has lodged an objection to the assessment. Based on the merits of the case and legal interpretation, management believes its position should be sustained and accordingly, no provision has been recorded in the financial statements.

13. 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 (U.S. GAAP).

The significant differences between Canadian GAAP and U.S. GAAP with respect to the Company s consolidated statements of income (loss) for the three months and year ended December 31, 2010 and 2009 are as follows:

	Three Months Ended		Years Ended	
	Dec 31 2010	Dec 31 2009	**Dec 31 2010**	Dec 31 2009
Net income in accordance with Canadian GAAP	**$ 27,867**	$ 25,718	**$ 101,733**	$ 738
Add (deduct) adjustments for:				
Depreciation and amortization [a]	**(478)**	(478)	**(1,911)**	(1,911)
Stock-based compensation [b]	**(307)**	(37)	**(4,202)**	(130)
Uncertainty in income taxes [c]	**(857)**	(341)	**(1,929)**	(2,136)
Income tax effect of above adjustments [d]	**167**	167	**669**	669
Net income (loss) in accordance with U.S. GAAP	**$ 26,392**	$ 25,029	**$ 94,360**	$ (2,770)
Per share information in accordance with U.S. GAAP:				
Basic net income (loss) per share	**$ 0.29**	$ 0.27	**$ 1.02**	$ (0.03)
Diluted net income (loss) per share	**$ 0.28**	$ 0.27	**$ 1.01**	$ (0.03)

The significant differences between Canadian GAAP and U.S. GAAP with respect to the Company s consolidated statements of comprehensive income (loss) for the three months and year ended December 31, 2010 and 2009 are as follows:

	Three Months Ended			
	December 31, 2010			Dec 31, 2009
	Canadian GAAP	**Adjustments**	**U.S. GAAP**	U.S. GAAP

Net income	**$**	**27,867**	**$**	**(1,475)**	**$**	**26,392**	$	25,029
Change in fair value of forward exchange contracts, net of tax								118
Change in fair value of interest rate swap, net of tax		**2,372**				**2,372**		229
Change related to pension, net of tax [e]				**(1,344)**		**(1,344)**		124
Comprehensive income	**$**	**30,239**	**$**	**(2,819)**	**$**	**27,420**	$	25,500

13. United States generally accepted accounting principles (continued):

	Years Ended December 31, 2010			Dec 31, 2009
	Canadian GAAP	**Adjustments**	**U.S. GAAP**	U.S. GAAP
Net income (loss)	**$ 101,733**	**$ (7,373)**	**$ 94,360**	$ (2,770)
Change in fair value of forward exchange contracts, net of tax				36
Change in fair value of interest rate swap, net of tax	**(15,593)**		**(15,593)**	(882)
Change related to pension, net of tax [e]		**(296)**	**(296)**	1,253
Comprehensive income (loss)	**$ 86,140**	**$ (7,669)**	**$ 78,471**	$ (2,363)

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 U.S. GAAP, the business combination would have been accounted for as a purchase with the Company identified as the acquirer. In accordance with U.S. GAAP, an increase to depreciation expense by $0.5 million (2009 $0.5 million) and $1.9 million (2009 $1.9 million) was recorded for the three months and year ended December 31, 2010, respectively.

b) Stock-based compensation:

During 2010, the Company granted 394,065 stock appreciation rights (SARs) and 735,505 tandem stock appreciation rights (TSARs). A SAR gives the holder a right to receive a cash payment equal to the amount the market price of the Company s common shares exceeds the exercise price of a unit. A TSAR gives the holder the choice between exercising a regular stock option or surrendering the option for a cash payment equal to the difference between the market price of a common share and the exercise price. Refer to Note 8 for further details regarding SARs and TSARs.

Under Canadian GAAP, both SARs and TSARs are accounted for using the intrinsic value method. The intrinsic value is measured by the amount the market price of the Company s common shares exceeds the exercise price of a unit. At December 31, 2010, compensation expense related to SARs and TSARs for Canadian GAAP was $3.4 million as the market price was higher than the exercise price. Under U.S. GAAP, SARs and TSARs are required to be accounted for using a fair value method. Changes in fair value are recognized in earnings for the proportion of the service that has been rendered at each reporting date. The Company used the Black-Scholes option pricing model to determine the fair value of the SARs and TSARs and this has resulted in an increase in cost of sales and operating expenses of $0.3 million and $4.2 million, for the three months and year ended December 31, 2010, respectively.

c) Accounting for uncertainty in income taxes:

U.S. GAAP for recording uncertainties in income taxes prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In accordance with U.S. GAAP, an income tax expense of $0.9 million (2009 $0.3 million) and $1.9 million (2009 $2.1 million) was recorded for the three months and year ended December 31, 2010, respectively.

d) Income tax accounting:

The income tax differences include the income tax effect of the adjustments related to accounting differences between Canadian and U.S. GAAP. In accordance with U.S. GAAP, an increase to net income of $0.2 million (2009 $0.2 million) and $0.7 million (2009 $0.7 million) was recorded for the three months and year ended December 31, 2010.

13. United States generally accepted accounting principles (continued):

e) Defined benefit pension plans:

Effective January 1, 2006, U.S. GAAP requires the Company to measure the funded status of a defined benefit pension plan at its balance sheet reporting date and recognize the unrecorded overfunded or underfunded status as an asset or liability with the change in that unrecorded funded status recorded to other comprehensive income. Under U.S. GAAP, all deferred pension amounts from Canadian GAAP are reclassified to accumulated other comprehensive income. In accordance with U.S. GAAP, a decrease to other comprehensive income of $1.3 million (2009 increase of $0.1 million) and $0.3 million (2009 increase of $1.3 million) was recorded for the three months and year ended December 31, 2010.

f) Interest in Atlas joint venture:

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

g) Non-controlling interests:

U.S. GAAP requires the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labelled, and presented in the consolidated statement of financial position within equity, but separate from the parent s equity. Under this standard, the Company would be required to reclassify non-controlling interest on the consolidated balance sheet into shareholders equity. The Company has not made an adjustment in this reconciliation for this difference in accounting principles because it results in a balance sheet reclassification and does not impact net income or comprehensive income as disclosed in the reconciliation.

Methanex Corporation
Quarterly History *(unaudited)*

	YTD 2010	**Q4**	Q3	Q2	Q1	**2009**	Q4	Q3	Q2	Q1
METHANOL SALES VOLUMES *(thousands of tonnes)*										
Company produced	**3,540**	**831**	885	900	924	**3,764**	880	943	941	1,000
Purchased methanol	**2,880**	**806**	792	678	604	**1,546**	467	480	329	270
Commission sales [1]	**509**	**151**	101	107	150	**638**	152	194	161	131
	6,929	**1,788**	1,778	1,685	1,678	**5,948**	1,499	1,617	1,431	1,401
METHANOL PRODUCTION *(thousands of tonnes)*										
Chile	**935**	**208**	194	229	304	**942**	265	197	252	228
Titan, Trinidad	**891**	**233**	217	224	217	**764**	188	188	165	223
Atlas, Trinidad (63.1%)	**884**	**266**	284	96	238	**1,015**	279	257	275	204
New Zealand	**830**	**206**	200	216	208	**822**	223	202	203	194
	3,540	**913**	895	765	967	**3,543**	955	844	895	849
AVERAGE REALIZED METHANOL PRICE [2]										
($/tonne)	**306**	**348**	286	284	305	**225**	282	222	192	199
($/gallon)	**0.92**	**1.05**	0.86	0.85	0.92	**0.68**	0.85	0.67	0.58	0.60
PER SHARE INFORMATION ($ per share)										
Basic net income (loss)	**$ 1.10**	**0.30**	0.36	0.13	0.32	**0.01**	0.28	(0.01)	(0.06)	(0.20)
Diluted net income (loss)	**$ 1.09**	**0.30**	0.35	0.13	0.31	**0.01**	0.28	(0.01)	(0.06)	(0.20)

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

[2] *Average realized price is calculated as revenue, net of commissions earned, divided by the total sales volumes of produced and purchased methanol.*

QUARTERLY HISTORY