

# NEWS RELEASE



A Responsible Care® Company

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For immediate release

## METHANEX REPORTS THIRD QUARTER RESULTS

**OCTOBER 24, 2012**

For the third quarter of 2012, Methanex reported Adjusted EBITDA<sup>1</sup> of \$104 million and Adjusted net income<sup>1</sup> of \$36 million (\$0.38 per share on a diluted basis<sup>1</sup>). This compares with Adjusted EBITDA<sup>1</sup> of \$113 million and Adjusted net income<sup>1</sup> of \$44 million (\$0.47 per share on a diluted basis<sup>1</sup>) for the second quarter of 2012.

Bruce Aitken, President and CEO of Methanex commented, "We reported a decline in EBITDA compared to last quarter as we realized a lower methanol price. Entering the fourth quarter, steady methanol demand and supply outages across the industry have resulted in upward pressure on spot methanol prices, and today, we announced an increase of \$43 per tonne to our North-American non-discounted price. Longer term, the outlook for the industry and pricing environment looks very attractive, as demand growth is expected to significantly outpace new capacity additions over the next few years."

Mr. Aitken added, "We continue to make good progress on the initiatives to increase production in New Zealand and Medicine Hat, which could add up to one million tonnes of annual capacity by the end of 2013. The Louisiana project is also progressing well and is on track to add an additional one million tonnes of annual capacity by the end of 2014. In total, these projects have the potential to increase our operating capacity by approximately 2 million tonnes over the next couple of years and improve cash generation significantly".

Mr. Aitken concluded, "With over US\$400 million of cash on hand, an undrawn credit facility, a robust balance sheet, and strong cash flow generation, we are well positioned to invest in the Louisiana project and other strategic growth opportunities and continue to deliver on our commitment to return excess cash to shareholders."

A conference call is scheduled for October 25, 2012 at 12:00 noon ET (9:00 am PT) to review these third quarter results. To access the call, dial the Conferencing operator ten minutes prior to the start of the call at (416) 340-8527, or toll free at (877) 240-9772. A playback version of the conference call will be available for three weeks at (905) 694-9451, or toll free at (800) 408-3053. The passcode for the playback version is 6328000. There will be a simultaneous audio-only webcast of the conference call, which can be accessed from our website at [www.methanex.com](http://www.methanex.com). The webcast will be available on the 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](http://www.methanex.com).

## FORWARD-LOOKING INFORMATION WARNING

This Third Quarter 2012 press release contains forward-looking statements with respect to us and the chemical industry. Refer to *Forward-Looking Information Warning* in the attached Third Quarter 2012 Management's Discussion and Analysis for more information.

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<sup>1</sup> *Adjusted EBITDA, Adjusted net income and Adjusted diluted net income per common share are non-GAAP measures which do not have any standardized meaning prescribed by GAAP. These measures represent the amounts that are attributable to Methanex Corporation shareholders and are calculated by excluding amounts associated with the 40% non-controlling interest in the methanol facility in Egypt, the mark-to-market impact of items which impact the comparability of our earnings from one period to another, which currently include only the mark-to-market impact of share-based compensation as a result of changes in our share price, and Louisiana project relocation expenses and charges. Refer to Additional Information - Supplemental Non-GAAP Measures on page 14 of the attached Interim Report for the three months ended September 30, 2012 for reconciliations to the most comparable GAAP measures.*

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For further information, contact:

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**Interim Report  
for the  
Three Months Ended  
September 30, 2012**

At October 24, 2012 the Company had 93,975,455 common shares issued and outstanding and stock options exercisable for 3,317,462 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.

**Transfer Agents & Registrars**

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**Investor Information**

All financial reports, news releases and corporate information can be accessed on our website at [www.methanex.com](http://www.methanex.com).

**Contact Information**

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**THIRD QUARTER MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**FINANCIAL AND OPERATIONAL HIGHLIGHTS**

- A summary of net income (loss) attributable to Methanex shareholders, Adjusted net income<sup>1</sup> and Adjusted diluted net income per common share<sup>1</sup> is as follows:

|                                                               | Three Months Ended |                |                | Nine Months Ended |                |
|---------------------------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                                               | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| (\$ millions except number of shares and per share amounts)   |                    |                |                |                   |                |
| Net income (loss) attributable to Methanex shareholders       | \$ (3)             | \$ 52          | \$ 62          | \$ 72             | \$ 137         |
| Mark-to-market impact of share-based compensation, net of tax | -                  | (10)           | (22)           | 6                 | (20)           |
| Louisiana project relocation expenses and charges, net of tax |                    |                |                |                   |                |
| Cash expense                                                  | 21                 | 2              | -              | 23                | -              |
| Non-cash charge                                               | 18                 | -              | -              | 18                | -              |
| Adjusted net income <sup>1</sup>                              | \$ 36              | \$ 44          | \$ 40          | \$ 119            | \$ 117         |
| Diluted weighted average shares outstanding (millions)        | 93.9               | 95.1           | 94.4           | 94.9              | 94.4           |
| Adjusted diluted net income per common share <sup>1</sup>     | \$ 0.38            | \$ 0.47        | \$ 0.43        | \$ 1.26           | \$ 1.24        |

- We recorded Adjusted EBITDA<sup>1</sup> of \$104 million for the third quarter of 2012 compared with \$113 million for the second quarter of 2012. The decrease in Adjusted EBITDA<sup>1</sup> was primarily due to a decrease in average realized price from \$384 per tonne for the second quarter of 2012 to \$373 per tonne for the third quarter of 2012.
- Production for the third quarter of 2012 was 1,025,000 tonnes compared with 1,034,000 tonnes for the second quarter of 2012. During the third quarter of 2012, we commenced production at the second Motunui facility and we produced 346,000 tonnes in New Zealand compared with 210,000 tonnes in the second quarter of 2012. In Egypt, we produced 62,000 tonnes in the third quarter of 2012 compared with 164,000 tonnes in the second quarter due to a planned maintenance shutdown and the impact of natural gas curtailments.
- During the third quarter of 2012, sales of Methanex-produced methanol were 1,053,000 tonnes compared with 1,001,000 in the second quarter of 2012.
- In July 2012, we reached a final investment decision to proceed with the project to relocate an idle Chile facility to Geismar, Louisiana. The project will add one million tonnes of annual production capacity and is expected to be operational by the end of 2014. We have commenced dismantling of the plant and expect to receive all key construction-related permits by the end of 2012. During the third quarter of 2012, we recorded a \$35 million cash expense (\$21 million after-tax) to earnings related to Louisiana project relocation expenses that are not eligible for capitalization. In addition, we recorded a \$26 million non-cash charge (\$18 million after-tax) to earnings related to the Chile facility that is being relocated to Louisiana.
- During the third quarter of 2012, we paid a \$0.185 per share dividend to shareholders for a total of \$17 million.

<sup>1</sup> These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 14 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

This Third Quarter 2012 Management's Discussion and Analysis ("MD&A") dated October 24, 2012 for Methanex Corporation ("the Company") should be read in conjunction with the Company's condensed consolidated interim financial statements for the period ended September 30, 2012 as well as the 2011 Annual Consolidated Financial Statements and MD&A included in the Methanex 2011 Annual Report. Unless otherwise indicated, the financial information presented in this interim report is prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Methanex 2011 Annual Report and additional information relating to Methanex is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

## FINANCIAL AND OPERATIONAL DATA

|                                                                                                     | Three Months Ended |                |                | Nine Months Ended |                |
|-----------------------------------------------------------------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                                                                                     | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| <i>(\$ millions, except per share amounts and where noted)</i>                                      |                    |                |                |                   |                |
| Production (thousands of tonnes) (attributable to Methanex shareholders)                            | <b>1,025</b>       | 1,034          | 1,035          | <b>3,004</b>      | 2,886          |
| Sales volumes (thousands of tonnes):                                                                |                    |                |                |                   |                |
| Methanex-produced methanol (attributable to Methanex shareholders)                                  | <b>1,053</b>       | 1,001          | 983            | <b>2,980</b>      | 2,801          |
| Purchased methanol                                                                                  | <b>641</b>         | 569            | 672            | <b>1,901</b>      | 2,171          |
| Commission sales <sup>1</sup>                                                                       | <b>205</b>         | 276            | 235            | <b>679</b>        | 638            |
| Total sales volumes                                                                                 | <b>1,899</b>       | 1,846          | 1,890          | <b>5,560</b>      | 5,610          |
| Methanex average non-discounted posted price (\$ per tonne) <sup>2</sup>                            | <b>433</b>         | 452            | 445            | <b>440</b>        | 434            |
| Average realized price (\$ per tonne) <sup>3</sup>                                                  | <b>373</b>         | 384            | 377            | <b>380</b>        | 369            |
| Adjusted EBITDA (attributable to Methanex shareholders) <sup>4</sup>                                | <b>104</b>         | 113            | 111            | <b>310</b>        | 294            |
| Cash flows from operating activities                                                                | <b>131</b>         | 135            | 119            | <b>360</b>        | 321            |
| Adjusted cash flows from operating activities (attributable to Methanex shareholders) <sup>4</sup>  | <b>103</b>         | 110            | 104            | <b>302</b>        | 270            |
| Net income (loss) attributable to Methanex shareholders                                             | <b>(3)</b>         | 52             | 62             | <b>72</b>         | 137            |
| Adjusted net income (attributable to Methanex shareholders) <sup>4</sup>                            | <b>36</b>          | 44             | 40             | <b>119</b>        | 117            |
| Basic net income (loss) per common share (attributable to Methanex shareholders)                    | <b>(0.03)</b>      | 0.56           | 0.67           | <b>0.77</b>       | 1.48           |
| Diluted net income (loss) per common share (attributable to Methanex shareholders)                  | <b>(0.03)</b>      | 0.50           | 0.59           | <b>0.76</b>       | 1.38           |
| Adjusted diluted net income per common share (attributable to Methanex shareholders) <sup>4 5</sup> | <b>0.38</b>        | 0.47           | 0.43           | <b>1.26</b>       | 1.24           |
| Common share information (millions of shares):                                                      |                    |                |                |                   |                |
| Weighted average number of common shares                                                            | <b>94</b>          | 94             | 93             | <b>94</b>         | 93             |
| Diluted weighted average number of common shares                                                    | <b>94</b>          | 95             | 94             | <b>95</b>         | 94             |
| Number of common shares outstanding, end of period                                                  | <b>94</b>          | 94             | 93             | <b>94</b>         | 93             |

<sup>1</sup> Commission sales represent volumes marketed on a commission basis related to the 36.9% of the Atlas methanol facility and 40% of the Egypt methanol facility that we do not own.

<sup>2</sup> 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](http://www.methanex.com).

<sup>3</sup> Average realized price is calculated as revenue, excluding commissions earned and the Egypt non-controlling interest share of revenue, divided by the total sales volumes of Methanex-produced (attributable to Methanex shareholders) and purchased methanol.

<sup>4</sup> These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 14 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

<sup>5</sup> For the three month period ended September 30, 2012, stock options and tandem share appreciation rights have been excluded from the calculation of diluted net income per common share (attributable to Methanex shareholders) as their effect would be anti-dilutive. However, for the calculation of adjusted diluted net income per common share (attributable to Methanex shareholders) these items have been included in the denominator and the diluted weighted average number of common shares is 95.0 million.

## PRODUCTION SUMMARY

| <i>(thousands of tonnes)</i>      | Q3 2012<br>Capacity <sup>1</sup> | Q3 2012<br>Production | Q2 2012<br>Production | Q3 2011<br>Production | YTD Q3 2012<br>Production | YTD Q3 2011<br>Production |
|-----------------------------------|----------------------------------|-----------------------|-----------------------|-----------------------|---------------------------|---------------------------|
| Chile I, III and IV <sup>2</sup>  | 700                              | 59                    | 82                    | 116                   | 254                       | 441                       |
| New Zealand <sup>3</sup>          | 558                              | 346                   | 210                   | 209                   | 730                       | 619                       |
| Atlas (Trinidad) (63.1% interest) | 288                              | 255                   | 264                   | 170                   | 646                       | 696                       |
| Titan (Trinidad)                  | 225                              | 186                   | 196                   | 224                   | 597                       | 531                       |
| Egypt (60% interest)              | 190                              | 62                    | 164                   | 191                   | 428                       | 400                       |
| Medicine Hat                      | 118                              | 117                   | 118                   | 125                   | 349                       | 199                       |
|                                   | <b>2,079</b>                     | <b>1,025</b>          | <b>1,034</b>          | <b>1,035</b>          | <b>3,004</b>              | <b>2,886</b>              |

<sup>1</sup> The production capacity of our facilities may be higher than original nameplate capacity as, over time, these figures have been adjusted to reflect ongoing operating efficiencies.

<sup>2</sup> In July 2012, we reached a final investment decision to proceed with the project to relocate the Chile II facility to Geismar, Louisiana. The Chile capacity in the above table excludes the 1.0 million tonnes of annual production capacity which is being relocated to Louisiana.

<sup>3</sup> The production capacity of New Zealand represents the two 0.85 million tonne facilities at Motunui and the 0.53 million tonne facility at Waitara Valley. In July, we restarted the second Motunui facility, but due to current distillation capacity constraints at the Motunui site, the combined production capacity of both plants is approximately 1.5 million tonnes, compared with the combined nameplate capacity of 1.7 - 1.9 million tonnes, depending on natural gas composition (refer to the New Zealand section on page 4 for more information).

### Chile

We continue to operate our Chile facilities 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 2011 Annual Report for more information.

During the third quarter of 2012, we produced 59,000 tonnes in Chile operating one plant at approximately 20% of capacity.

While investments have been made over the last few years for natural gas exploration and development in southern Chile, the timelines for significant increases in gas production are much longer than we had originally anticipated and existing gas fields are experiencing declines. As a result, the short-term outlook for gas supply in Chile continues to be challenging. In early October 2012, we completed a restructuring of our Chile operations which reduced the size of our workforce by 48 people and will result in a \$5 million pre-tax charge in the fourth quarter of 2012.

We are continuing to pursue investment opportunities with Empresa Nacional del Petroleo (ENAP), GeoPark Chile Limited (GeoPark) and others to help accelerate natural gas exploration and development in southern Chile. We are working with ENAP to develop natural gas in the Dorado Riquelme block. Under the arrangement, we fund a 50% participation in the block and, as at September 30, 2012, we had contributed approximately \$113 million and the carrying amount of our investment was \$71 million. Over the past few years, we have also provided funding 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 under a ten-year exclusive supply arrangement that commenced in 2008. During the third quarter of 2012, approximately 90% of production at our Chilean facilities was produced with natural gas supplied from the Fell and Dorado Riquelme blocks. We are also participating in other exploration blocks with international oil and gas companies and as at September 30, 2012, we had contributed \$15 million for our share of the exploration costs.

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

## **New Zealand**

Our New Zealand methanol facilities produced 346,000 tonnes of methanol in the third quarter of 2012 compared with 210,000 tonnes in the second quarter of 2012. We restarted a second Motunui facility in July 2012 which added 650,000 tonnes of annual production capacity to our New Zealand operations and brings the current site capacity to approximately 1.5 million tonnes. We are currently assessing the feasibility of debottlenecking the Motunui site and the potential to restart our nearby 530,000 tonne Waitara Valley plant which could add up to a further 900,000 tonnes of annual production capacity in New Zealand by the end of 2013.

## **Trinidad**

In Trinidad, we own 100% of the Titan facility with an annual production capacity of 900,000 tonnes and have a 63.1% interest in the Atlas facility with an annual production capacity of 1,150,000 tonnes (63.1% interest). The Titan facility produced 186,000 tonnes in the third quarter of 2012 compared with 196,000 tonnes in the second quarter of 2012. Production in the third quarter of 2012 was impacted by unplanned maintenance outages and periodic natural gas curtailments.

The Atlas facility produced 255,000 tonnes in the third quarter of 2012 compared with 264,000 tonnes in the second quarter of 2012. The Atlas facility was shut down at the end of September 2012 for repairs and is expected to return to production at the beginning of November 2012.

We continue to experience some natural gas curtailments to our Trinidad facilities due to a mismatch between upstream commitments to supply the Natural Gas Company in Trinidad (NGC) and downstream demand from NGC's customers which becomes apparent when an upstream supply issue arises. We are engaged with key stakeholders to find a solution to this issue, but in the meantime we expect to continue to experience some gas curtailments to our Trinidad site.

## **Egypt**

The Egypt methanol facility produced 62,000 tonnes (60% interest) in the third quarter of 2012 compared with 164,000 tonnes in the second quarter of 2012. We have a 60% equity interest in the facility and marketing rights for 100% of the production. Production from the Egypt facility in the third quarter of 2012 was lower than the second quarter of 2012 due to a planned maintenance outage which was completed in mid-July and natural gas supply restrictions.

During the third quarter of 2012, the Egypt facility experienced periodic natural gas supply constraints as a result of increased seasonal electricity demand and operating issues with the upstream gas infrastructure. This situation has continued into the fourth quarter of 2012 and may persist in the future.

## **Medicine Hat**

Our 470,000 tonne per year facility in Medicine Hat, Alberta produced 117,000 tonnes in the third quarter of 2012 compared with 118,000 tonnes during the second quarter of 2012. We are currently assessing the feasibility of debottlenecking the Medicine Hat facility which could add a further 90,000 tonnes of annual production capacity to our Medicine Hat operations.

## FINANCIAL RESULTS

For the third quarter of 2012 we recorded Adjusted EBITDA of \$104 million and Adjusted net income of \$36 million (\$0.38 per share on a diluted basis). This compares with Adjusted EBITDA of \$113 million and Adjusted net income of \$44 million (\$0.47 per share on a diluted basis) for the second quarter of 2012 and Adjusted EBITDA of \$111 million and Adjusted net income of \$40 million (\$0.43 per share on a diluted basis) for the third quarter of 2011.

We calculate Adjusted EBITDA and Adjusted net income by excluding amounts associated with the 40% non-controlling interest in Egypt that we do not own, the mark-to-market impact of share-based compensation as a result of changes in our share price and items which are considered by management to be non-operational. Refer to Additional Information - Supplemental Non-GAAP Measures on page 14 for a further discussion on how we calculate these measures.

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

|                                                               | Three Months Ended |                |                | Nine Months Ended |                |
|---------------------------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                                               | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| (\$ millions except number of shares and per share amounts)   |                    |                |                |                   |                |
| Net income (loss) attributable to Methanex shareholders       | \$ (3)             | \$ 52          | \$ 62          | \$ 72             | \$ 137         |
| Mark-to-market impact of share-based compensation, net of tax | -                  | (10)           | (22)           | 6                 | (20)           |
| Louisiana project relocation expenses and charges, net of tax |                    |                |                |                   |                |
| Cash expense                                                  | 21                 | 2              | -              | 23                | -              |
| Non-cash charge                                               | 18                 | -              | -              | 18                | -              |
| Adjusted net income <sup>1</sup>                              | \$ 36              | \$ 44          | \$ 40          | \$ 119            | \$ 117         |
| Diluted weighted average shares outstanding (millions)        | 93.9               | 95.1           | 94.4           | 94.9              | 94.4           |
| Adjusted diluted net income per common share <sup>1 2</sup>   | \$ 0.38            | \$ 0.47        | \$ 0.43        | \$ 1.26           | \$ 1.24        |

We review our financial results by analyzing changes in Adjusted EBITDA, depreciation and amortization, mark-to-market impact of share-based compensation, Louisiana project relocation expenses and charges, finance costs, finance income and other expenses and income taxes. A summary of our consolidated statements of income are as follows:

|                                                                                                   | Three Months Ended |                |                | Nine Months Ended |                |
|---------------------------------------------------------------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                                                                                   | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| (\$ millions)                                                                                     |                    |                |                |                   |                |
| Consolidated statements of income:                                                                |                    |                |                |                   |                |
| Revenue                                                                                           | \$ 655             | \$ 656         | \$ 670         | \$ 1,977          | \$ 1,912       |
| Cost of sales and operating expenses, excluding mark-to-market impact of share-based compensation | (539)              | (517)          | (538)          | (1,606)           | (1,584)        |
|                                                                                                   | 116                | 139            | 132            | 371               | 328            |
| Comprised of:                                                                                     |                    |                |                |                   |                |
| Adjusted EBITDA (attributable to Methanex shareholders) <sup>1</sup>                              | 104                | 113            | 111            | 310               | 294            |
| Attributable to non-controlling interests                                                         | 12                 | 26             | 21             | 61                | 34             |
|                                                                                                   | 116                | 139            | 132            | 371               | 328            |
| Depreciation and amortization                                                                     | (47)               | (44)           | (44)           | (130)             | (113)          |
| Mark-to-market impact of share-based compensation                                                 | -                  | 10             | 24             | (8)               | 23             |
| Louisiana project relocation expenses and charges                                                 | (61)               | (4)            | -              | (65)              | -              |
| Operating income <sup>1</sup>                                                                     | 8                  | 101            | 112            | 168               | 238            |
| Finance costs                                                                                     | (18)               | (20)           | (17)           | (56)              | (44)           |
| Finance income and other expenses                                                                 | (3)                | -              | (2)            | (2)               | 5              |
| Income tax recovery (expense)                                                                     | 15                 | (15)           | (19)           | (9)               | (44)           |
| Net income                                                                                        | \$ 2               | \$ 66          | \$ 74          | \$ 101            | \$ 155         |
| Net income (loss) attributable to Methanex shareholders                                           | \$ (3)             | \$ 52          | \$ 62          | \$ 72             | \$ 137         |

<sup>1</sup> These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 14 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

<sup>2</sup> For the three month period ended September 30, 2012, stock options and tandem share appreciation rights have been excluded from the calculation of diluted net income per common share (attributable to Methanex shareholders) as their effect would be anti-dilutive. However, for the calculation of adjusted diluted net income per common share (attributable to Methanex shareholders) these items have been included in the denominator and the diluted weighted average number of common shares is 95.0 million.

## ADJUSTED EBITDA (ATTRIBUTABLE TO METHANEX SHAREHOLDERS)

Our operations consist of a single operating segment – the production and sale of methanol. We review the results of operations by analyzing changes in the components of Adjusted EBITDA. For a discussion of the definitions used in our Adjusted EBITDA analysis, refer to *How We Analyze Our Business* on page 19.

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

| (\$ millions)                          | Q3 2012<br>compared with<br>Q2 2012 | Q3 2012<br>compared with<br>Q3 2011 | YTD Q3 2012<br>compared with<br>YTD Q3 2011 |
|----------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------------|
| Average realized price                 | \$ (19)                             | \$ (6)                              | \$ 52                                       |
| Sales volume                           | 13                                  | 4                                   | (8)                                         |
| Total cash costs                       | (3)                                 | (5)                                 | (28)                                        |
| Increase (decrease) in Adjusted EBITDA | \$ (9)                              | \$ (7)                              | \$ 16                                       |

### Average realized price

| (\$ per tonne, except where noted)                        | Three Months Ended |                |                | Nine Months Ended |                |
|-----------------------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                                           | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| Methanex average non-discounted posted price <sup>1</sup> | 433                | 452            | 445            | 440               | 434            |
| Methanex average realized price                           | 373                | 384            | 377            | 380               | 369            |
| Average discount                                          | 14%                | 15%            | 15%            | 14%               | 15%            |

<sup>1</sup> 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](http://www.methanex.com).

Overall methanol market conditions have remained balanced and pricing has been relatively stable during the periods presented (refer to Supply/Demand Fundamentals section on page 11 for more information). Our average non-discounted posted price for the third quarter of 2012 was \$433 per tonne compared with \$452 per tonne for the second quarter of 2012 and \$445 per tonne for the third quarter of 2011. Our average realized price for the third quarter of 2012 was \$373 per tonne compared with \$384 per tonne for the second quarter of 2012 and \$377 per tonne for the third quarter of 2011. The change in average realized price for the third quarter of 2012 decreased Adjusted EBITDA by \$19 million compared with the second quarter of 2012 and decreased Adjusted EBITDA by \$6 million compared with the third quarter of 2011. Our average realized price for the nine months ended September 30, 2012 was \$380 per tonne compared with \$369 per tonne for the same period in 2011 and this increased Adjusted EBITDA by \$52 million.

### Sales volume

Methanol sales volumes excluding commission sales volumes were higher in the third quarter of 2012 compared with the second quarter of 2012 by 124,000 tonnes and third quarter of 2011 by 39,000 tonnes and this resulted in higher Adjusted EBITDA by \$13 million and \$4 million, respectively. Methanol sales volumes excluding commission sales volumes were lower for the nine month periods ended September 30, 2012 compared with the comparable period in 2011 by 91,000 tonnes and this resulted in lower Adjusted EBITDA by \$8 million.

### Total cash costs

The primary drivers of changes in our total cash costs are changes in the cost of methanol we produce at our facilities (Methanex-produced methanol) and changes in the cost of methanol we purchase from others (purchased methanol). All of our production facilities except Medicine Hat are underpinned by natural gas purchase agreements with pricing terms that include base and variable price components. We supplement our production with methanol produced by others through



methanol offtake contracts and purchases on the spot market to meet customer needs and support our marketing efforts within the major global markets.

We have adopted the first-in, first-out method of accounting for inventories and it generally takes between 30 and 60 days to sell the methanol we produce or purchase. Accordingly, the changes in Adjusted EBITDA as a result of changes in Methanex-produced and purchased methanol costs primarily depend on changes in methanol pricing and the timing of inventory flows.

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

| (\$ millions)                                  | Q3 2012<br>compared with<br>Q2 2012 | Q3 2012<br>compared with<br>Q3 2011 | YTD Q3 2012<br>compared with<br>YTD Q3 2011 |
|------------------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------------|
| Methanex-produced methanol costs               | \$ (5)                              | \$ (9)                              | \$ (31)                                     |
| Proportion of Methanex-produced methanol sales | (5)                                 | 8                                   | 39                                          |
| Purchased methanol costs                       | 10                                  | -                                   | (24)                                        |
| Logistics costs                                | (1)                                 | -                                   | (8)                                         |
| Other, net                                     | (2)                                 | (4)                                 | (4)                                         |
|                                                | \$ (3)                              | \$ (5)                              | \$ (28)                                     |

#### *Methanex-produced methanol costs*

We purchase natural gas for the Chile, Trinidad, Egypt and New Zealand methanol facilities under natural gas purchase agreements where the terms include a base price and a variable price component linked to the price of methanol. Methanex-produced methanol costs were higher in the third quarter of 2012 compared the second quarter of 2012 and the third quarter of 2011 by \$5 million and \$9 million, respectively, primarily due to a change in the mix of production sold from inventory. For the nine month period ended September 30, 2012 compared with the same period in 2011, Methanex-produced methanol costs were higher by \$31 million, primarily due to the impact of higher methanol pricing on natural gas costs and due to a change in the mix of production sold from inventory.

#### *Proportion of Methanex-produced methanol sales*

The cost of purchased methanol is directly linked to the selling price for methanol at the time of purchase and the cost of purchased methanol is generally higher than the cost of Methanex-produced methanol. Accordingly, an increase in the proportion of Methanex-produced methanol sales results in a decrease in our overall cost structure for a given period. For the third quarter of 2012 compared with the second quarter of 2012, a lower proportion of Methanex-produced methanol sales decreased Adjusted EBITDA by \$5 million. For the third quarter of 2012 compared with the same period in 2011, Methanex-produced methanol sales were higher primarily due to the impact of higher sales of New Zealand production and this increased Adjusted EBITDA by \$8 million.

For the nine month period ended September 30, 2012 compared with the same period in 2011, a higher proportion of Methanex-produced methanol sales increased Adjusted EBITDA by \$39 million. The impact of higher sales volumes from the Egypt and Medicine Hat methanol facilities, which commenced operations in the first half of 2011, were partially offset by lower sales volumes from the Chile and Atlas methanol facilities in 2012.

#### *Purchased methanol costs*

Changes in purchased methanol costs for all periods presented are primarily as a result of changes in methanol pricing.

#### *Logistics costs*

For the nine month period ended September 30, 2012 compared with the same period in 2011, the logistics cost variance was impacted by a one-time \$7 million charge in the first quarter of 2012 to terminate a time charter vessel lease contract.

#### *Other, net*

Other costs were higher for all periods presented due to a portion of fixed manufacturing costs being charged directly to earnings rather than to inventory due to lower production at our Chile and Egypt facilities.

## Mark-to-Market Impact of Share-based Compensation

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

|                                                                                   | Three Months Ended |                |                | Nine Months Ended |                |
|-----------------------------------------------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                                                                   | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| Methanex Corporation share price <sup>1</sup>                                     | \$ 28.54           | \$ 27.84       | \$ 20.84       | \$ 28.54          | \$ 20.84       |
| Grant-date fair value expense included in Adjusted EBITDA and Adjusted net income | \$ 3               | \$ 7           | \$ 3           | \$ 17             | \$ 14          |
| Mark-to-market impact due to change in share price                                | -                  | (10)           | (24)           | 8                 | (23)           |
| Total share-based compensation expense (recovery)                                 | \$ 3               | \$ (3)         | \$ (21)        | \$ 25             | \$ (9)         |

<sup>1</sup> US dollar share price of Methanex Corporation as quoted on NASDAQ Global Market on the last trading day of the respective period.

Share appreciation rights (SARs) and tandem share appreciation rights (TSARs) are units that grant the holder the right to receive a cash payment upon exercise for the difference between the market price of the Company's common shares and the exercise price, which is determined at the date of grant. The fair value of SARs and TSARs are re-measured each quarter using the Black-Scholes option pricing model, which considers the market value of the Company's common shares on the last trading day of the quarter.

Deferred, restricted and performance share units are grants of notional common shares that are redeemable for cash upon vesting based on the market value of the Company's common shares and are non-dilutive to shareholders. For deferred, restricted and performance share units, the value is initially measured at the grant date and subsequently re-measured based on the market value of the Company's common shares on the last trading day of each quarter.

## Louisiana Project Relocation Expenses and Charges

In July 2012, we reached a final investment decision to proceed with the project to relocate an idle Chile facility to Geismar, Louisiana with an estimated project cost of approximately \$550 million. The project will add one million tonnes of annual production capacity and is expected to be operational by the end of 2014. We have commenced dismantling of the plant and expect to receive all key permits by the end of 2012. Under IFRS, certain costs associated with relocating an asset are not eligible for capitalization and are required to be charged directly to earnings. During the second and third quarters of 2012, we recorded cash expenses to earnings of \$4 million (\$2 million after tax) and \$35 million (\$21 million after-tax), respectively, of Louisiana project relocation expenses. In addition, in association with this decision, a non-cash \$26 million (\$18 million after-tax) charge was recorded to earnings in the third quarter of 2012 related to the carrying value of the Chile II facility that is being relocated to Louisiana.

## Depreciation and Amortization

Depreciation and amortization was \$47 million for the third quarter of 2012 compared with \$44 million for the second quarter of 2012 and \$44 million for the third quarter of 2011. Depreciation and amortization was higher in the third quarter of 2012 compared with the second quarter of 2012 and third quarter of 2011 primarily due to higher sales of Methanex-produced methanol and as a result of a higher proportion of depreciation being charged directly to earnings rather than to inventory due to lower production from our Egypt and Chile facilities. Depreciation and amortization was \$130 million for the nine month period ended September 30, 2012 compared with \$113 million for the same period in 2011. The increase in depreciation and amortization in 2012 compared with 2011 is primarily a result of depreciation associated with the Egypt (100% basis) and Medicine Hat methanol facilities which commenced operations in the first and second quarters of 2011, respectively.

## Finance Costs

|                                           | Three Months Ended |                |                | Nine Months Ended |                |
|-------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                           | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| (\$ millions)                             |                    |                |                |                   |                |
| Finance costs before capitalized interest | \$ 19              | \$ 20          | \$ 17          | \$ 57             | \$ 51          |
| Less capitalized interest                 | (1)                | -              | -              | (1)               | (7)            |
| <b>Finance costs</b>                      | <b>\$ 18</b>       | <b>\$ 20</b>   | <b>\$ 17</b>   | <b>\$ 56</b>      | <b>\$ 44</b>   |

Finance costs before capitalized interest for the third quarter of 2012 were \$19 million compared with \$20 million for the second quarter of 2012 and \$17 million for the third quarter of 2011. Finance costs before capitalized interest for the nine month period ended September 30, 2012 were \$57 million compared with \$51 million for the same period in 2011. The change in finance costs for all periods presented is primarily due to the impact of interest expense on the \$250 million of unsecured notes issued by the Company in late February 2012. The unsecured notes bear an interest rate of 5.25% and mature in 2022. In August 2012, we repaid \$200 million of unsecured notes bearing an interest rate of 8.75%.

Capitalized interest in 2011 relates to interest costs capitalized during the construction of the 1.26 million tonne per year methanol facility in Egypt (100% basis) which commenced operations in March 2011. Capitalized interest in the third quarter of 2012 relates to interest costs capitalized for the Louisiana Project.

## Finance Income and Other Expenses

|                                          | Three Months Ended |                |                | Nine Months Ended |                |
|------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                          | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| (\$ millions)                            |                    |                |                |                   |                |
| <b>Finance income and other expenses</b> | <b>\$ (3)</b>      | <b>\$ -</b>    | <b>\$ (2)</b>  | <b>\$ (2)</b>     | <b>\$ 5</b>    |

The change in finance income and other expenses for all periods presented was primarily due to the impact of changes in foreign exchange rates.

## Income Taxes

A summary of our income taxes for the third quarter of 2012 is as follows:

|                                         | Three Months Ended<br>Sep 30 2012                                         |                                                         |           | Three Months Ended<br>Jun 30 2012 |        |
|-----------------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------|-----------|-----------------------------------|--------|
|                                         | Amounts excluding Louisiana<br>Project Relocation Expenses<br>and Charges | Louisiana Project<br>Relocation<br>Expenses and Charges | Total     |                                   | Total  |
| <i>(\$ millions)</i>                    |                                                                           |                                                         |           |                                   |        |
| Profit (loss) before income tax expense | \$ 47.5                                                                   | \$ (60.9)                                               | \$ (13.4) | \$                                | 80.8   |
| Income tax recovery (expense)           | (7.3)                                                                     | 22.1                                                    | 14.8      |                                   | (14.6) |
| Net income (loss)                       | \$ 40.2                                                                   | \$ (38.8)                                               | \$ 1.4    | \$                                | 66.2   |
| Effective tax rate                      | 15%                                                                       | 36%                                                     | 110%      |                                   | 18%    |

Excluding income taxes related to Louisiana project relocation expenses and charges, the effective tax rate for the third quarter of 2012 was 15% compared with 18% for the second quarter of 2012.

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

## SUPPLY/DEMAND FUNDAMENTALS

We estimate that methanol demand, excluding methanol demand from integrated methanol to olefins facilities, is currently approximately 51 million tonnes on an annualized basis.

Traditional chemical derivatives consume about two-thirds of global methanol demand and growth is correlated to industrial production. Demand for methanol in traditional chemical derivatives has remained relatively stable.

Energy-related applications consume about one third of global methanol demand and over the last few years high oil prices have driven strong demand growth for methanol into energy applications such as gasoline blending and DME, primarily in China. Growth of methanol blending into gasoline in China has been particularly strong and we believe that future growth in this application is supported by regulatory changes in that country. Many provinces in China have implemented fuel blending standards, and China also has national standards in place for methanol fuel blending (M85 & M100, or 85% methanol and 100% methanol, respectively). Methanol demand into olefins ("MTO") is emerging as a significant methanol derivative. In China, there are three integrated and one merchant MTO plants in production and there is a second merchant plant expected to commence operation by the end of this year which could consume up to 1.8 million tonnes of methanol. We believe demand potential into energy-related applications and olefins production will continue to grow.

| <b>Methanex Non-Discounted Regional Posted Prices <sup>1</sup></b><br><i>(US\$ per tonne)</i> | <b>Oct</b>  | <b>Sep</b>  | <b>Aug</b>  | <b>July</b> |
|-----------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                                               | <b>2012</b> | <b>2012</b> | <b>2012</b> | <b>2012</b> |
| United States                                                                                 | 439         | 439         | 439         | 439         |
| Europe <sup>2</sup>                                                                           | 437         | 423         | 423         | 423         |
| Asia                                                                                          | 435         | 425         | 425         | 440         |

<sup>1</sup> Discounts from our posted prices are offered to customers based on various factors.

<sup>2</sup> €340 for Q3 2012 (Q2 2012 – €340) converted to United States dollars.

During the third quarter of 2012, market conditions and the pricing environment were relatively stable and our average non-discounted price was \$433 per tonne. Entering the fourth quarter, as a result of steady demand and planned and unplanned industry outages, there has been upward pressure on spot pricing and we recently announced our North American non-discounted price for November at \$482 per tonne, which is up \$43 per tonne from October.

In Q3 2012, we restarted an idle plant in New Zealand that added 0.65 million tonnes of annual production capacity and production commenced at a 0.85 million tonne plant in Beaumont, Texas. We have secured an offtake for a substantial quantity of production from the Beaumont facility.

Over the next few years, there is a modest level of new capacity expected to come on-stream relative to demand growth expectations. There is a 0.8 million tonne plant expected to restart in Channelview, Texas in late 2013 and a 0.7 million tonne plant expected to start up in Azerbaijan in 2013. We are assessing the feasibility of initiatives which could increase annual production capacity by up to 900,000 tonnes in New Zealand and by up to 90,000 tonnes in Medicine Hat, Alberta by the end of 2013. We are also relocating an idle Chile facility to Geismar, Louisiana, which is on track to add one million tonnes of annual production capacity by the end of 2014. We expect that production from new capacity in China will be consumed in that country and that higher cost production capacity in China will need to operate in order to satisfy demand growth.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flows from operating activities

Cash flows from operating activities in the third quarter of 2012 were \$131 million compared with \$135 million for the second quarter of 2012 and \$119 million for the third quarter of 2011. Cash flows from operating activities for the nine month period ended September 30, 2012 were \$360 million compared with \$321 million for the same period in 2011.

The changes in cash flows from operating activities resulted from changes in the following:

| (\$ millions)                                                                  | Q3 2012<br>compared with<br>Q2 2012 | Q3 2012<br>compared with<br>Q3 2011 | YTD Q3 2012<br>compared with<br>YTD Q3 2011 |
|--------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------------|
| Adjusted EBITDA (attributable to Methanex shareholders)                        | \$ (9)                              | \$ (7)                              | \$ 16                                       |
| Cash flows from operating activities attributable to non-controlling interests | (14)                                | (9)                                 | 26                                          |
| Changes in non-cash working capital                                            | 49                                  | 57                                  | 20                                          |
| Income taxes paid                                                              | -                                   | 1                                   | 17                                          |
| Cash portion of Louisiana project relocation expenses and charges              | (31)                                | (35)                                | (39)                                        |
| Other                                                                          | 1                                   | 5                                   | (1)                                         |
| Increase (decrease) in cash flows from operating activities                    | \$ (4)                              | \$ 12                               | \$ 39                                       |

### Adjusted cash flows from operating activities

Adjusted cash flows from operating activities, which excludes the amounts associated with the 40% non-controlling interests in the methanol facility in Egypt, changes in non-cash working capital, and the cash portion of Louisiana project relocation expenses and charges were \$103 million in the third quarter of 2012 compared with \$110 million for the second quarter of 2012 and \$104 million for the third quarter of 2011. Adjusted cash flows from operating activities for the nine month period ended September 30, 2012 were \$301 million compared with \$270 million for the same period in 2011.

The changes in adjusted cash flows from operating activities resulted from changes in the following:

| (\$ millions)                                                        | Q3 2012<br>compared with<br>Q2 2012 | Q3 2012<br>compared with<br>Q3 2011 | YTD Q3 2012<br>compared with<br>YTD Q3 2011 |
|----------------------------------------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------------|
| Adjusted EBITDA (attributable to Methanex shareholders)              | \$ (9)                              | \$ (7)                              | \$ 16                                       |
| Income taxes paid                                                    | -                                   | 1                                   | 17                                          |
| Other                                                                | 2                                   | 5                                   | (2)                                         |
| Increase (decrease) in adjusted cash flows from operating activities | \$ (7)                              | \$ (1)                              | \$ 31                                       |

Refer to the *Additional Information - Supplemental Non-GAAP Measures* section on page 14 for a reconciliation of Adjusted cash flows from operating activities to the most comparable GAAP measure.

During the third quarter of 2012, we paid a quarterly dividend of \$0.185 per share, or \$17 million.

We operate in a highly competitive commodity industry and believe it is appropriate to maintain a conservative balance sheet and to maintain financial flexibility. During the third quarter of 2012, we repaid \$200 million of unsecured notes and our cash balance at September 30, 2012 was \$403 million, including \$30 million related to the non-controlling interest in Egypt. 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. We have a strong balance sheet and an undrawn \$200 million credit facility provided by highly rated financial institutions that expires in mid-2015.

Our planned capital maintenance expenditure program directed towards maintenance, turnarounds and catalyst changes for existing operations is currently estimated to total approximately \$140 million to the end of 2013, including major refurbishments at some of our plants. In July 2012, we reached a final investment decision to proceed with the project to

relocate an idle Chile facility to Geismar, Louisiana with estimated project costs of approximately \$550 million. The plant is expected to be operational by the end of 2014. We are also considering other projects in New Zealand and Medicine Hat which, if approved, would result in an additional \$160 million of capital expenditures by the end of 2013. We believe that we have the capacity to fund these growth initiatives with cash on hand, cash generated from operations, the undrawn bank facility and access to debt capital markets.

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

#### **SHORT-TERM OUTLOOK**

Entering the fourth quarter 2012, there is upward pressure on methanol prices as a result of steady demand and planned and unplanned industry outages. We recently announced our North American non-discounted price for November at \$482 per tonne, which is up \$43 per tonne from October.

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

## **CONTROLS AND PROCEDURES**

For the three months ended September 30, 2012, 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

### *Consolidation and Joint Arrangement Accounting*

In May 2011, the IASB issued new accounting standards related to consolidation and joint arrangement accounting. The IASB has revised the definition of “control,” which is a criterion for consolidation accounting. In addition, changes to IFRS in the accounting for joint arrangements were issued which, under certain circumstances, removed the option for proportionate consolidation accounting so that the equity method of accounting for such interests would need to be applied. The impact of applying consolidation accounting or equity accounting does not result in any change to net earnings or shareholders’ equity, but will result in a significant presentation impact. We currently account for our 63.1% interest in Atlas Methanol Company using proportionate consolidation accounting and upon adoption of these new standards effective January 1, 2013 we will account for this entity using equity accounting.

## **ADDITIONAL INFORMATION – SUPPLEMENTAL NON-GAAP MEASURES**

In addition to providing measures prepared in accordance with International Financial Reporting Standards (IFRS), we present certain supplemental non-GAAP measures. These are Adjusted EBITDA, Adjusted net income, Adjusted diluted net income per common share, operating income and Adjusted cash flows from operating activities. These measures do not have any standardized meaning prescribed by generally accepted accounting principles (GAAP) and therefore are unlikely to be comparable to similar measures presented by other companies. These supplemental non-GAAP measures are provided to assist readers in determining our ability to generate cash from operations and improve the comparability of our results from one period to another. We believe these measures are useful in assessing operating performance and liquidity of the Company’s ongoing business 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 (attributable to Methanex shareholders)**

Adjusted EBITDA differs from the most comparable GAAP measure, net income attributable to Methanex shareholders, because it excludes finance costs, finance income and other expenses, income tax expense (recovery), depreciation and amortization, mark-to-market impact of share-based compensation and Louisiana project relocation expenses and charges.

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



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

|                                                         | Three Months Ended |                |                | Nine Months Ended |                |
|---------------------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                                         | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| (\$ thousands)                                          |                    |                |                |                   |                |
| Net income (loss) attributable to Methanex shareholders | \$ (2,571)         | \$ 52,238      | \$ 62,316      | \$ 71,748         | \$ 137,455     |
| Finance costs                                           | 17,764             | 20,137         | 17,386         | 56,434            | 43,929         |
| Finance income and other expenses                       | 3,398              | 293            | 1,585          | 2,012             | (4,558)        |
| Income tax expense (recovery)                           | (14,817)           | 14,637         | 18,838         | 9,498             | 43,731         |
| Depreciation and amortization                           | 47,689             | 44,436         | 43,696         | 130,092           | 113,109        |
| Mark-to-market impact of share-based compensation       | -                  | (10,639)       | (23,743)       | 7,528             | (22,445)       |
| Louisiana project relocation expenses and charges       | 60,857             | 3,686          | -              | 64,543            | -              |
| Non-controlling interests adjustment <sup>1</sup>       | (8,447)            | (12,015)       | (8,992)        | (31,992)          | (16,886)       |
| Adjusted EBITDA (attributable to Methanex shareholders) | \$ 103,873         | \$ 112,773     | \$ 111,086     | \$ 309,863        | \$ 294,335     |

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

### Adjusted Net Income and Adjusted Diluted Net Income per Common Share

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

|                                                              | Three Months Ended |                |                | Nine Months Ended |                |
|--------------------------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                                              | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| (\$ thousands except number of shares and per share amounts) |                    |                |                |                   |                |
| Net income (loss) attributable to Methanex shareholders      | \$ (2,571)         | \$ 52,238      | \$ 62,316      | \$ 71,748         | \$ 137,455     |
| Mark-to-market impact of share-based compensation            | -                  | (10,639)       | (23,743)       | 7,528             | (22,445)       |
| Louisiana project relocation expenses and charges            |                    |                |                |                   |                |
| Cash expense                                                 | 35,169             | 3,686          | -              | 38,855            | -              |
| Non-cash charge                                              | 25,688             | -              | -              | 25,688            | -              |
| Income tax expense (recovery) related to above items         | (22,146)           | (932)          | 1,924          | (24,546)          | 1,830          |
| Adjusted net income                                          | \$ 36,140          | \$ 44,353      | \$ 40,497      | \$ 119,273        | \$ 116,840     |
| Diluted weighted average shares outstanding                  | 93.9               | 95.1           | 94.4           | 94.9              | 94.4           |
| Adjusted diluted net income per common share <sup>1</sup>    | \$ 0.38            | \$ 0.47        | \$ 0.43        | \$ 1.26           | \$ 1.24        |

<sup>1</sup> For the three month period ended September 30, 2012, stock options and tandem share appreciation rights have been excluded from the calculation of diluted net income per common share (attributable to Methanex shareholders) as their effect would be anti-dilutive. However, for the calculation of adjusted diluted net income per common share (attributable to Methanex shareholders) these items have been included in the denominator and the diluted weighted average number of common shares is 95.0 million.

### Adjusted Cash Flows from Operating Activities (attributable to Methanex shareholders)

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

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

| (\$ thousands)                                                                        | Three Months Ended |                |                | Nine Months Ended |                |
|---------------------------------------------------------------------------------------|--------------------|----------------|----------------|-------------------|----------------|
|                                                                                       | Sep 30<br>2012     | Jun 30<br>2012 | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| Cash flows from operating activities                                                  | \$ 131,253         | \$ 135,232     | \$ 119,119     | \$ 359,885        | \$ 321,273     |
| Add (deduct) non-controlling interest adjustment:                                     |                    |                |                |                   |                |
| Net income                                                                            | (4,016)            | (13,907)       | (12,281)       | (28,653)          | (17,425)       |
| Non-cash items                                                                        | (8,477)            | (12,015)       | (8,992)        | (31,992)          | (16,886)       |
| Changes in non-cash working capital                                                   | (51,392)           | (2,679)        | 5,722          | (36,647)          | (16,537)       |
| Cash portion of Louisiana project relocation expenses and charges                     | 35,169             | 3,686          | -              | 38,855            | -              |
| Adjusted cash flows from operating activities (attributable to Methanex shareholders) | \$ 102,537         | \$ 110,317     | \$ 103,568     | \$ 301,448        | \$ 270,425     |

### Operating Income

Operating income is reconciled directly to a GAAP measure in our consolidated statements of income.

### QUARTERLY FINANCIAL DATA (UNAUDITED)

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

| (\$ thousands, except per share amounts)                | Three Months Ended |                |                |                |
|---------------------------------------------------------|--------------------|----------------|----------------|----------------|
|                                                         | Sep 30<br>2012     | Jun 30<br>2012 | Mar 31<br>2012 | Dec 31<br>2011 |
| Revenue                                                 | \$ 655,330         | \$ 656,103     | \$ 665,867     | \$ 696,499     |
| Net income (loss) <sup>1</sup>                          | (2,571)            | 52,238         | 22,081         | 63,871         |
| Adjusted net income <sup>1 2</sup>                      | 36,140             | 44,353         | 38,780         | 64,987         |
| Basic net income (loss) per common share <sup>1</sup>   | (0.03)             | 0.56           | 0.24           | 0.69           |
| Diluted net income (loss) per common share <sup>1</sup> | (0.03)             | 0.50           | 0.23           | 0.68           |
| Adjusted diluted net income per share <sup>1 2</sup>    | 0.38               | 0.47           | 0.41           | 0.69           |

| (\$ thousands, except per share amounts)             | Three Months Ended |                |                |                |
|------------------------------------------------------|--------------------|----------------|----------------|----------------|
|                                                      | Sep 30<br>2011     | Jun 30<br>2011 | Mar 31<br>2011 | Dec 31<br>2010 |
| Revenue                                              | \$ 669,702         | \$ 622,829     | \$ 619,007     | \$ 570,337     |
| Net income <sup>1</sup>                              | 62,316             | 40,529         | 34,610         | 25,508         |
| Adjusted net income <sup>1 2</sup>                   | 40,497             | 39,223         | 37,120         | 39,448         |
| Basic net income per common share <sup>1</sup>       | 0.67               | 0.44           | 0.37           | 0.28           |
| Diluted net income per common share <sup>1</sup>     | 0.59               | 0.43           | 0.37           | 0.27           |
| Adjusted diluted net income per share <sup>1 2</sup> | 0.43               | 0.41           | 0.39           | 0.42           |

<sup>1</sup> Attributable to Methanex Corporation shareholders.

<sup>2</sup> These items are non-GAAP measures that do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 14 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures.

## FORWARD-LOOKING INFORMATION WARNING

This Third Quarter 2012 Management's Discussion and Analysis ("MD&A") as well as comments made during the Third Quarter 2012 investor conference call contain forward-looking statements with respect to us and our industry. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Statements that include the words "believes," "expects," "may," "will," "potential," "estimates," "target," "interest," "planning" or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements.

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

- expected demand for methanol and its derivatives,
- expected new methanol supply and timing for start-up of the same,
- expected shutdowns (either temporary or permanent) or restarts of existing methanol supply (including our own facilities), including, without limitation, the timing and length of planned maintenance outages,
- expected methanol and energy prices,
- expected levels of methanol purchases from traders or other third parties,
- expected levels, timing and availability of economically-priced natural gas supply to each of our plants,
- commitments, capital or otherwise of third parties to future natural gas exploration and development in the vicinity of our plants,
- expected capital expenditures, including, without limitation, those to support natural gas exploration and development for our plants and the restart of our idled methanol facilities,
- anticipated production rates of our plants,
- expected operating costs, including natural gas feedstock costs and logistics costs,
- expected tax rates or resolutions to tax disputes,
- expected cash flows, earnings capability and share price,
- ability to meet covenants or obtain waivers associated with our long-term debt obligations, including, without limitation, the Egypt limited recourse debt facilities that have conditions associated with finalization of certain land title registration and related mortgages that require action by Egyptian governmental entities,
- availability of committed credit facilities and other financing,
- shareholder distribution strategy and anticipated distributions to shareholders,
- commercial viability of, or ability to execute, future projects, plant restarts, capacity expansions, plant relocations or other business initiatives or opportunities, including the planned relocation of one of our idle Chile methanol plants to Louisiana and certain initiatives in New Zealand,
- financial strength and ability to meet future financial commitments,
- expected global or regional economic activity (including industrial production levels),
- expected outcomes of litigation or other disputes, claims and assessments,
- expected actions of governments, government agencies, gas suppliers, courts, tribunals or other third parties, and
- expected impact on our operations in Egypt or our financial condition as a consequence of actions taken by the Government of Egypt and its agencies.

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

- supply of, demand for, and price of, methanol, methanol derivatives, natural gas, oil and oil derivatives,
- success of natural gas exploration in Chile and New Zealand and our ability to procure economically priced natural gas in Chile, New Zealand, Canada and the United States,
- production rates of our facilities,
- receipt of permits in connection with the Louisiana relocation project,
- receipt or issuance of third party consents or approvals, including, without limitation, governmental registrations of land title and related mortgages in Egypt,
- governmental approvals related to natural gas exploration rights,
- the establishment of new fuel standards,

- operating costs including natural gas feedstock and logistics costs, capital costs, tax rates, cash flows, foreign exchange rates and interest rates,
- availability of committed credit facilities and other financing,
- timing of completion and cost of our Louisiana relocation project,
- global and regional economic activity (including industrial production levels),
- absence of a material negative impact from major natural disasters,
- absence of a material negative impact from changes in laws or regulations,
- absence of material negative impact from political instability in the countries in which we operate, and
- enforcement of contractual arrangements and ability to perform contractual obligations by customers, gas and other suppliers and other third parties.

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

- conditions in the methanol and other industries, including fluctuations in supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses,
- the price of natural gas, oil and oil derivatives,
- the success of natural gas exploration and development activities in southern Chile and New Zealand and our ability to obtain any additional gas in Chile, New Zealand on commercially acceptable terms,
- the ability to successfully carry out corporate initiatives and strategies,
- actions of competitors, suppliers and financial institutions,
- conditions within the natural gas delivery systems that may prevent delivery of our natural gas supply requirements,
- competing demand for natural gas, especially with respect to residential needs of citizens in Chile and Egypt,
- actions of governments and governmental authorities, including without limitation, the implementation of policies or other measures that could impact the supply or demand for methanol or its derivatives,
- changes in laws or regulations,
- import or export restrictions, anti-dumping measures, increases in duties, taxes and government royalties, and other actions by governments that may adversely affect our operations or existing contractual arrangements,
- world-wide economic conditions, and
- other risks described in our 2011 Management's Discussion and Analysis and this Third Quarter 2012 Management's Discussion and Analysis.

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

## 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 Adjusted EBITDA (refer to the *Additional Information - Supplemental Non-GAAP Measures* section on page 14 for a description of each non-GAAP measure and reconciliations to the most comparable GAAP measures).

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

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

We own 63.1% of the Atlas methanol facility and market the remaining 36.9% of its production through a commission offtake agreement. We account for this investment using proportionate consolidation, which results in 63.1% of its results being included in revenues and expenses with the remaining 36.9% portion included as commission income.

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

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

|                                                                                | Three Months Ended |            | Nine Months Ended |              |
|--------------------------------------------------------------------------------|--------------------|------------|-------------------|--------------|
|                                                                                | Sep 30             | Sep 30     | Sep 30            | Sep 30       |
|                                                                                | 2012               | 2011       | 2012              | 2011         |
| Revenue                                                                        | \$ 655,330         | \$ 669,702 | \$ 1,977,300      | \$ 1,911,538 |
| Cost of sales and operating expenses                                           | (538,994)          | (513,600)  | (1,614,320)       | (1,560,447)  |
| Depreciation and amortization                                                  | (47,689)           | (43,696)   | (130,092)         | (113,109)    |
| Louisiana project relocation expenses and charges (note 3)                     | (60,857)           | -          | (64,543)          | -            |
| Operating income                                                               | 7,790              | 112,406    | 168,345           | 237,982      |
| Finance costs (note 5)                                                         | (17,764)           | (17,386)   | (56,434)          | (43,929)     |
| Finance income and other expenses                                              | (3,398)            | (1,585)    | (2,012)           | 4,558        |
| Profit (loss) before income tax expense                                        | (13,372)           | 93,435     | 109,899           | 198,611      |
| Income tax recovery (expense):                                                 |                    |            |                   |              |
| Current                                                                        | (6,844)            | (10,802)   | (22,001)          | (27,344)     |
| Deferred                                                                       | 21,661             | (8,036)    | 12,503            | (16,387)     |
| Net income (loss)                                                              | \$ 1,445           | \$ 74,597  | \$ 100,401        | \$ 154,880   |
| Attributable to:                                                               |                    |            |                   |              |
| Methanex Corporation shareholders                                              | (2,571)            | 62,316     | 71,748            | 137,455      |
| Non-controlling interests                                                      | 4,016              | 12,281     | 28,653            | 17,425       |
|                                                                                | \$ 1,445           | \$ 74,597  | \$ 100,401        | \$ 154,880   |
| Income (loss) for the period attributable to Methanex Corporation shareholders |                    |            |                   |              |
| Basic net income (loss) per common share (note 6)                              | \$ (0.03)          | \$ 0.67    | \$ 0.77           | \$ 1.48      |
| Diluted net income (loss) per common share (note 6)                            | \$ (0.03)          | \$ 0.59    | \$ 0.76           | \$ 1.38      |
| Weighted average number of common shares outstanding                           | 93,880,221         | 93,202,401 | 93,691,597        | 92,954,844   |
| Diluted weighted average number of common shares outstanding                   | 93,880,221         | 94,441,681 | 94,887,279        | 94,404,262   |

*See accompanying notes to condensed consolidated interim financial statements.*

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

|                                                                                             | Three Months Ended |                  | Nine Months Ended |                   |
|---------------------------------------------------------------------------------------------|--------------------|------------------|-------------------|-------------------|
|                                                                                             | Sep 30<br>2012     | Sep 30<br>2011   | Sep 30<br>2012    | Sep 30<br>2011    |
| <b>Net income</b>                                                                           | <b>\$ 1,445</b>    | <b>\$ 74,597</b> | <b>\$ 100,401</b> | <b>\$ 154,880</b> |
| <b>Other comprehensive income (loss):</b>                                                   |                    |                  |                   |                   |
| Change in fair value of forward exchange contracts, net of tax                              | 528                | 634              | (343)             | (35)              |
| Change in fair value of interest rate swap contracts, net of tax                            | (1,744)            | 4,103            | (5,104)           | (3,607)           |
| Realized loss on interest rate swap contracts reclassified to interest expense, net of tax  | 2,719              | 7,951            | 8,421             | 8,821             |
| Realized loss on interest rate swap contracts reclassified to property, plant and equipment | -                  | -                | -                 | 7,279             |
|                                                                                             | <b>1,503</b>       | <b>12,688</b>    | <b>2,974</b>      | <b>12,458</b>     |
| <b>Comprehensive income (loss)</b>                                                          | <b>\$ 2,948</b>    | <b>\$ 87,285</b> | <b>\$ 103,375</b> | <b>\$ 167,338</b> |
| <b>Attributable to:</b>                                                                     |                    |                  |                   |                   |
| Methanex Corporation shareholders                                                           | (1,458)            | 70,183           | 73,395            | 144,916           |
| Non-controlling interests                                                                   | 4,406              | 17,102           | 29,980            | 22,422            |
|                                                                                             | <b>\$ 2,948</b>    | <b>\$ 87,285</b> | <b>\$ 103,375</b> | <b>\$ 167,338</b> |

*See accompanying notes to condensed consolidated interim financial statements.*

**Methanex Corporation**  
**Consolidated Statements of Financial Position** *(unaudited)*  
*(thousands of U.S. dollars)*

| AS AT                                             | Sep 30<br>2012      | Dec 31<br>2011      |
|---------------------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                     |                     |                     |
| Current assets:                                   |                     |                     |
| Cash and cash equivalents                         | \$ 403,065          | \$ 350,711          |
| Trade and other receivables                       | 399,099             | 378,430             |
| Inventories (note 2)                              | 223,319             | 281,015             |
| Prepaid expenses                                  | 28,571              | 24,465              |
|                                                   | <b>1,054,054</b>    | <b>1,034,621</b>    |
| Non-current assets:                               |                     |                     |
| Property, plant and equipment (note 3)            | 2,227,715           | 2,233,023           |
| Other assets                                      | 127,763             | 125,931             |
|                                                   | <b>2,355,478</b>    | <b>2,358,954</b>    |
|                                                   | <b>\$ 3,409,532</b> | <b>\$ 3,393,575</b> |
| <b>LIABILITIES AND EQUITY</b>                     |                     |                     |
| Current liabilities:                              |                     |                     |
| Trade, other payables and accrued liabilities     | \$ 307,041          | \$ 327,130          |
| Current maturities on long-term debt (note 4)     | 53,334              | 251,107             |
| Current maturities on finance leases              | 7,198               | 6,713               |
| Current maturities on other long-term liabilities | 18,668              | 18,031              |
|                                                   | <b>386,241</b>      | <b>602,981</b>      |
| Non-current liabilities:                          |                     |                     |
| Long-term debt (note 4)                           | 855,518             | 652,148             |
| Finance leases                                    | 50,508              | 55,979              |
| Other long-term liabilities                       | 197,771             | 178,172             |
| Deferred income tax liabilities                   | 292,266             | 302,332             |
|                                                   | <b>1,396,063</b>    | <b>1,188,631</b>    |
| Equity:                                           |                     |                     |
| Capital stock                                     | 473,860             | 455,434             |
| Contributed surplus                               | 17,686              | 22,281              |
| Retained earnings                                 | 964,077             | 942,978             |
| Accumulated other comprehensive loss              | (14,321)            | (15,968)            |
| Shareholders' equity                              | <b>1,441,302</b>    | <b>1,404,725</b>    |
| Non-controlling interests                         | <b>185,926</b>      | <b>197,238</b>      |
| Total equity                                      | <b>1,627,228</b>    | <b>1,601,963</b>    |
|                                                   | <b>\$ 3,409,532</b> | <b>\$ 3,393,575</b> |

See accompanying notes to condensed consolidated interim financial statements.



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

|                                                                                       | Number of<br>Common<br>Shares | Capital<br>Stock  | Contributed<br>Surplus | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Loss | Shareholders'<br>Equity | Non-<br>Controlling<br>Interests | Total<br>Equity     |
|---------------------------------------------------------------------------------------|-------------------------------|-------------------|------------------------|----------------------|-----------------------------------------------|-------------------------|----------------------------------|---------------------|
| Balance, December 31, 2010                                                            | 92,632,022                    | \$ 440,092        | \$ 25,393              | \$ 813,819           | \$ (26,093)                                   | \$ 1,253,211            | \$ 156,412                       | \$ 1,409,623        |
| Net income                                                                            | -                             | -                 | -                      | 137,455              | -                                             | 137,455                 | 17,425                           | 154,880             |
| Other comprehensive income                                                            | -                             | -                 | -                      | -                    | 7,461                                         | 7,461                   | 4,997                            | 12,458              |
| Compensation expense recorded<br>for stock options                                    | -                             | -                 | 657                    | -                    | -                                             | 657                     | -                                | 657                 |
| Issue of shares on exercise of<br>stock options                                       | 585,798                       | 11,023            | -                      | -                    | -                                             | 11,023                  | -                                | 11,023              |
| Reclassification of grant date<br>fair value on exercise of<br>stock options          | -                             | 3,819             | (3,819)                | -                    | -                                             | -                       | -                                | -                   |
| Dividend payments to Methanex<br>Corporation shareholders                             | -                             | -                 | -                      | (46,057)             | -                                             | (46,057)                | -                                | (46,057)            |
| Distributions to<br>non-controlling interests                                         | -                             | -                 | -                      | -                    | -                                             | -                       | (7,850)                          | (7,850)             |
| Equity contributions by<br>non-controlling interests                                  | -                             | -                 | -                      | -                    | -                                             | -                       | 19,200                           | 19,200              |
| Balance, September 30, 2011                                                           | 93,217,820                    | 454,934           | 22,231                 | 905,217              | (18,632)                                      | 1,363,750               | 190,184                          | 1,553,934           |
| Net income                                                                            | -                             | -                 | -                      | 63,871               | -                                             | 63,871                  | 9,249                            | 73,120              |
| Other comprehensive income (loss)                                                     | -                             | -                 | -                      | (10,258)             | 2,664                                         | (7,594)                 | 1,535                            | (6,059)             |
| Compensation expense recorded<br>for stock options                                    | -                             | -                 | 180                    | -                    | -                                             | 180                     | -                                | 180                 |
| Issue of shares on exercise of<br>stock options                                       | 29,935                        | 370               | -                      | -                    | -                                             | 370                     | -                                | 370                 |
| Reclassification of grant date<br>fair value on exercise of<br>stock options          | -                             | 130               | (130)                  | -                    | -                                             | -                       | -                                | -                   |
| Dividend payments to Methanex<br>Corporation shareholders                             | -                             | -                 | -                      | (15,852)             | -                                             | (15,852)                | -                                | (15,852)            |
| Distributions to<br>non-controlling interests                                         | -                             | -                 | -                      | -                    | -                                             | -                       | (3,730)                          | (3,730)             |
| Equity contributions by<br>non-controlling interests                                  | -                             | -                 | -                      | -                    | -                                             | -                       | -                                | -                   |
| Balance, December 31, 2011                                                            | 93,247,755                    | 455,434           | 22,281                 | 942,978              | (15,968)                                      | 1,404,725               | 197,238                          | 1,601,963           |
| <b>Net income</b>                                                                     | -                             | -                 | -                      | <b>71,748</b>        | -                                             | <b>71,748</b>           | <b>28,653</b>                    | <b>100,401</b>      |
| <b>Other comprehensive income</b>                                                     | -                             | -                 | -                      | -                    | <b>1,647</b>                                  | <b>1,647</b>            | <b>1,327</b>                     | <b>2,974</b>        |
| <b>Compensation expense recorded<br/>for stock options</b>                            | -                             | -                 | <b>564</b>             | -                    | -                                             | <b>564</b>              | -                                | <b>564</b>          |
| <b>Issue of shares on exercise of<br/>stock options</b>                               | <b>720,455</b>                | <b>13,267</b>     | -                      | -                    | -                                             | <b>13,267</b>           | -                                | <b>13,267</b>       |
| <b>Reclassification of grant date<br/>fair value on exercise of<br/>stock options</b> | -                             | <b>5,159</b>      | <b>(5,159)</b>         | -                    | -                                             | -                       | -                                | -                   |
| <b>Dividend payments to Methanex<br/>Corporation shareholders</b>                     | -                             | -                 | -                      | <b>(50,649)</b>      | -                                             | <b>(50,649)</b>         | -                                | <b>(50,649)</b>     |
| <b>Distributions to<br/>non-controlling interests</b>                                 | -                             | -                 | -                      | -                    | -                                             | -                       | <b>(42,292)</b>                  | <b>(42,292)</b>     |
| <b>Equity contributions by<br/>non-controlling interests</b>                          | -                             | -                 | -                      | -                    | -                                             | -                       | <b>1,000</b>                     | <b>1,000</b>        |
| <b>Balance, September 30, 2012</b>                                                    | <b>93,968,210</b>             | <b>\$ 473,860</b> | <b>\$ 17,686</b>       | <b>\$ 964,077</b>    | <b>\$ (14,321)</b>                            | <b>\$ 1,441,302</b>     | <b>\$ 185,926</b>                | <b>\$ 1,627,228</b> |

*See accompanying notes to condensed consolidated interim financial statements.*

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

|                                                                              | Three Months Ended |            | Nine Months Ended |            |
|------------------------------------------------------------------------------|--------------------|------------|-------------------|------------|
|                                                                              | Sep 30             | Sep 30     | Sep 30            | Sep 30     |
|                                                                              | 2012               | 2011       | 2012              | 2011       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                  |                    |            |                   |            |
| Net income                                                                   | \$ 1,445           | \$ 74,597  | \$ 100,401        | \$ 154,880 |
| Add (deduct) non-cash items:                                                 |                    |            |                   |            |
| Depreciation and amortization                                                | 47,689             | 43,696     | 130,092           | 113,109    |
| Louisiana project relocation non-cash charges                                | 25,688             | -          | 25,688            | -          |
| Income tax expense (recovery)                                                | (14,817)           | 18,838     | 9,498             | 43,731     |
| Share based compensation expense (recovery)                                  | 3,340              | (20,489)   | 24,880            | (8,749)    |
| Finance costs                                                                | 17,764             | 17,386     | 56,434            | 43,929     |
| Other                                                                        | 6,613              | (2,372)    | 10,459            | (949)      |
| Income taxes paid                                                            | (4,239)            | (4,992)    | (15,337)          | (32,396)   |
| Other cash payments, including share-based compensation                      | (3,622)            | (1,823)    | (18,877)          | (8,819)    |
| Cash flows from operating activities before undernoted                       | 79,861             | 124,841    | 323,238           | 304,736    |
| Changes in non-cash working capital (note 8)                                 | 51,392             | (5,722)    | 36,647            | 16,537     |
|                                                                              | 131,253            | 119,119    | 359,885           | 321,273    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                  |                    |            |                   |            |
| Dividend payments to Methanex Corporation shareholders                       | (17,384)           | (15,847)   | (50,649)          | (46,057)   |
| Interest paid, including interest rate swap settlements                      | (31,520)           | (25,154)   | (58,543)          | (55,405)   |
| Net proceeds on issue of long-term debt                                      | -                  | -          | 246,548           | 2,700      |
| Repayment of long-term debt and limited recourse debt                        | (217,682)          | (16,677)   | (242,970)         | (41,517)   |
| Change in project finance reserve accounts                                   | -                  | (29,000)   | -                 | (31,209)   |
| Equity contributions by non-controlling interests                            | -                  | -          | 1,000             | 19,200     |
| Cash distributions to non-controlling interests                              | (29,633)           | -          | (45,632)          | (1,250)    |
| Proceeds on issue of shares on exercise of stock options                     | 3,000              | 843        | 13,267            | 11,023     |
| Repayment of finance leases and other long term liabilities                  | (1,693)            | (1,545)    | (4,985)           | (4,390)    |
|                                                                              | (294,912)          | (87,380)   | (141,964)         | (146,905)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  |                    |            |                   |            |
| Property, plant and equipment                                                | (19,879)           | (13,571)   | (111,469)         | (92,353)   |
| Louisiana project expenditures                                               | (24,281)           | -          | (38,604)          | -          |
| Oil and gas assets                                                           | (5,719)            | (4,272)    | (17,674)          | (21,769)   |
| GeoPark repayments                                                           | -                  | -          | 10,039            | 7,551      |
| Changes in non-cash working capital related to investing activities (note 8) | (6,606)            | 1,455      | (7,859)           | (616)      |
|                                                                              | (56,485)           | (16,388)   | (165,567)         | (107,187)  |
| Increase (decrease) in cash and cash equivalents                             | (220,144)          | 15,351     | 52,354            | 67,181     |
| Cash and cash equivalents, beginning of period                               | 623,209            | 245,624    | 350,711           | 193,794    |
| Cash and cash equivalents, end of period                                     | \$ 403,065         | \$ 260,975 | \$ 403,065        | \$ 260,975 |

See accompanying notes to condensed consolidated interim financial statements.

## Methanex Corporation

### Notes to Condensed Consolidated Interim Financial Statements (unaudited)

Except where otherwise noted, tabular dollar amounts are stated in thousands of U.S. dollars.

#### 1. Basis of presentation:

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

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB) on a basis consistent with those followed in the most recent annual consolidated financial statements. These condensed consolidated interim financial statements include the Egypt methanol facility on a consolidated basis, with the other investors' 40% share presented as non-controlling interest, and the Company's proportionate share of the Atlas methanol facility.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Audit, Finance & Risk Committee of the Board of Directors on October 24, 2012.

#### 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 expenses and depreciation and amortization for the three and nine month periods ended September 30, 2012 is \$528 million (2011 - \$516 million) and \$1,543 million (2011 - \$1,513 million), respectively.

#### 3. Property, plant and equipment:

|                                                       | Buildings, Plant<br>Installations &<br>Machinery |           |    | Oil & Gas<br>Properties | Other     | Total        |
|-------------------------------------------------------|--------------------------------------------------|-----------|----|-------------------------|-----------|--------------|
| <b>Cost at September 30, 2012</b>                     | \$                                               | 3,294,593 | \$ | 81,204                  | \$ 67,041 | \$ 3,442,838 |
| <b>Accumulated depreciation at September 30, 2012</b> |                                                  | 1,141,674 |    | 47,252                  | 26,197    | 1,215,123    |
| <b>Net book value at September 30, 2012</b>           | \$                                               | 2,152,919 | \$ | 33,952                  | \$ 40,844 | \$ 2,227,715 |
| Cost at December 31, 2011                             | \$                                               | 3,210,923 | \$ | 77,486                  | \$ 88,642 | \$ 3,377,051 |
| Accumulated depreciation at December 31, 2011         |                                                  | 1,070,267 |    | 32,990                  | 40,771    | 1,144,028    |
| Net book value at December 31, 2011                   | \$                                               | 2,140,656 | \$ | 44,496                  | \$ 47,871 | \$ 2,233,023 |

In July 2012, the Board of Directors gave final approval to proceed with the project to relocate an idle Chile facility to Geismar, Louisiana with an estimated project cost of approximately \$550 million. Under International Financial Reporting Standards, certain costs incurred in relation to relocating an asset are not eligible for capitalization to Property, Plant and Equipment and are required to be charged directly to income. For the nine month period ended September 30 2012, the Company had incurred \$77.5 million in expenditures related to this project, of which \$38.6 million was recorded to Property, Plant and Equipment and the remaining \$38.9 million (\$23.3 million after-tax) was recognized in Louisiana project relocation expenses and charges in the Consolidated Statements of Income.

In addition, for the three month period ended September 30, 2012, the Company has charged to income \$25.7 million (\$17.6 million after-tax) related to the carrying value of the Chile facility being relocated.

#### 4. Long-term debt:

|                                        | Sep 30<br>2012    | Dec 31<br>2011    |
|----------------------------------------|-------------------|-------------------|
| <b>Unsecured notes</b>                 |                   |                   |
| 5.25% due March 1, 2022                | \$ 246,266        | \$ -              |
| 6.00% due August 15, 2015              | 149,286           | 149,119           |
| 8.75% due August 15, 2012              | -                 | 199,643           |
|                                        | <b>395,552</b>    | <b>348,762</b>    |
| Atlas limited recourse debt facilities | 57,108            | 64,397            |
| Egypt limited recourse debt facilities | 438,142           | 470,208           |
| Other limited recourse debt facilities | 18,050            | 19,888            |
|                                        | <b>908,852</b>    | <b>903,255</b>    |
| <b>Less current maturities</b>         | <b>(53,334)</b>   | <b>(251,107)</b>  |
|                                        | <b>\$ 855,518</b> | <b>\$ 652,148</b> |

In February 2012, the Company issued \$250 million of unsecured notes bearing an interest rate of 5.25% and due March 1, 2022 (effective yield 5.30%). During the three months ended September 30, 2012, the Company repaid \$200 million of unsecured notes bearing an interest rate of 8.75%.

During the three and nine month periods ended September 30, 2012, the Company made repayments on its Egypt limited recourse debt facilities of \$17.1 million and \$33.6 million, respectively, and other limited recourse debt facilities of \$0.6 million and \$1.8 million, respectively. The Company also made repayments on its Atlas limited recourse debt facilities of \$7.5 million during the nine month period ended September 30, 2012.

The Company has a \$200 million unsecured revolving bank facility provided by highly rated financial institutions which expires mid-2015.

The Atlas and Egypt limited recourse debt facilities are described as limited recourse as they are secured only by the assets of the Atlas joint venture and the Egypt entity, respectively. Accordingly, the lenders to the limited recourse debt facilities have no recourse to the Company or its other subsidiaries. The Atlas and Egypt limited recourse debt facilities have customary covenants and default provisions that apply only to these entities, including restrictions on the incurrence of additional indebtedness, a requirement to fulfill certain conditions before the payment of cash or other distributions and a restriction on these distributions if there is a default subsisting. The Egypt limited recourse debt facilities also contain a covenant to complete by March 31, 2013 certain land title registrations and related mortgages that require action by Egyptian government entities. Management does not believe that the finalization of these items is material.

At September 30, 2012, management believes the Company was in compliance with all of the covenants and default provisions related to long-term debt obligations.

#### 5. Finance costs:

|                                                                                | Three Months Ended |                  | Nine Months Ended |                  |
|--------------------------------------------------------------------------------|--------------------|------------------|-------------------|------------------|
|                                                                                | Sep 30<br>2012     | Sep 30<br>2011   | Sep 30<br>2012    | Sep 30<br>2011   |
| <b>Finance costs</b>                                                           | <b>\$ 18,438</b>   | <b>\$ 17,386</b> | <b>\$ 57,108</b>  | <b>\$ 51,159</b> |
| <b>Less capitalized interest related to Egypt plant under construction</b>     | <b>-</b>           | <b>-</b>         | <b>-</b>          | <b>(7,230)</b>   |
| <b>Less capitalized interest related to Louisiana plant under construction</b> | <b>(674)</b>       | <b>-</b>         | <b>(674)</b>      | <b>-</b>         |
|                                                                                | <b>\$ 17,764</b>   | <b>\$ 17,386</b> | <b>\$ 56,434</b>  | <b>\$ 43,929</b> |

Finance costs are primarily comprised of interest on borrowings and finance lease obligations, the effective portion of interest rate swaps designated as cash flow hedges, amortization of deferred financing fees, and accretion expense associated with site restoration costs. Interest during construction is capitalized until the plant is substantially completed and ready for productive use. The Company has interest rate swap contracts on its Egypt limited recourse debt facilities to swap the LIBOR-based interest payments for an average aggregated fixed rate of 4.8% plus a spread on approximately 75% of the Egypt limited recourse debt facilities for the period to March 31, 2015.

## 6. Net income per common share:

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

During the three month period ended September 30, 2012, the Company recorded a share-based compensation expense related to TSARs. However, for this period, the equity-settled method has been determined to be the more dilutive for purposes of calculating diluted net income per common share.

A reconciliation of the net income used for the purpose of calculating diluted net income per common share is as follows:

|                                                                 | Three Months Ended |                  | Nine Months Ended |                   |
|-----------------------------------------------------------------|--------------------|------------------|-------------------|-------------------|
|                                                                 | Sep 30<br>2012     | Sep 30<br>2011   | Sep 30<br>2012    | Sep 30<br>2011    |
| <b>Numerator for basic net income (loss) per common share</b>   | <b>\$ (2,571)</b>  | <b>\$ 62,316</b> | <b>\$ 71,748</b>  | <b>\$ 137,455</b> |
| <b>Adjustment for the effect of TSARs:</b>                      |                    |                  |                   |                   |
| Cash settled expense (recovery) included in net income          | 306                | (5,905)          | -                 | (3,085)           |
| Equity settled expense                                          | (733)              | (575)            | -                 | (3,751)           |
| <b>Numerator for diluted net income (loss) per common share</b> | <b>\$ (2,998)</b>  | <b>\$ 55,836</b> | <b>\$ 71,748</b>  | <b>\$ 130,619</b> |

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

|                                                                                | Three Months Ended |                   | Nine Months Ended |                   |
|--------------------------------------------------------------------------------|--------------------|-------------------|-------------------|-------------------|
|                                                                                | Sep 30<br>2012     | Sep 30<br>2011    | Sep 30<br>2012    | Sep 30<br>2011    |
| <b>Denominator for basic net income (loss) per common share</b>                | <b>93,880,221</b>  | <b>93,202,401</b> | <b>93,691,597</b> | <b>92,954,844</b> |
| Effect of dilutive stock options                                               | -                  | 1,234,174         | 1,195,682         | 1,416,618         |
| Effect of dilutive TSARs                                                       | -                  | 5,106             | -                 | 32,800            |
| <b>Denominator for diluted net income (loss) per common share <sup>1</sup></b> | <b>93,880,221</b>  | <b>94,441,681</b> | <b>94,887,279</b> | <b>94,404,262</b> |

<sup>1</sup> Nil and 3,240,707 outstanding stock options for each of the three and nine month periods ended September 30, 2012, respectively, are dilutive and have been included in the diluted weighted average number of common shares.

For the three and nine month periods ended September 30, 2012, basic and diluted net income per common share attributable to Methanex shareholders were as follows:

|                                                   | Three Months Ended |                | Nine Months Ended |                |
|---------------------------------------------------|--------------------|----------------|-------------------|----------------|
|                                                   | Sep 30<br>2012     | Sep 30<br>2011 | Sep 30<br>2012    | Sep 30<br>2011 |
| <b>Basic net income (loss) per common share</b>   | <b>\$ (0.03)</b>   | <b>\$ 0.67</b> | <b>\$ 0.77</b>    | <b>\$ 1.48</b> |
| <b>Diluted net income (loss) per common share</b> | <b>\$ (0.03)</b>   | <b>\$ 0.59</b> | <b>\$ 0.76</b>    | <b>\$ 1.38</b> |

## 7. Share-based compensation:

### a) Stock options, share appreciation rights (SARs) and tandem share appreciation rights (TSARs):

#### (i) Outstanding units:

Information regarding units outstanding and exercisable at September 30, 2012 is as follows:

| Range of Exercise Prices | Units Outstanding at<br>September 30, 2012                      |                                |                                    | Units Exercisable at<br>September 30, 2012 |                                    |
|--------------------------|-----------------------------------------------------------------|--------------------------------|------------------------------------|--------------------------------------------|------------------------------------|
|                          | Weighted<br>Average<br>Remaining<br>Contractual Life<br>(Years) | Number of Units<br>Outstanding | Weighted Average<br>Exercise Price | Number of Units<br>Exercisable             | Weighted Average<br>Exercise Price |
| <b>Stock options:</b>    |                                                                 |                                |                                    |                                            |                                    |
| \$6.33 to 11.56          | 3.2                                                             | 1,061,605                      | \$ 6.54                            | 1,061,605                                  | \$ 6.54                            |
| \$20.76 to 25.22         | 1.2                                                             | 1,254,877                      | 23.54                              | 1,228,277                                  | 23.51                              |
| \$28.43 to 31.73         | 2.9                                                             | 1,008,225                      | 28.72                              | 882,125                                    | 28.44                              |
|                          | 2.4                                                             | 3,324,707                      | \$ 19.69                           | 3,172,007                                  | \$ 19.20                           |
| <b>SARs:</b>             |                                                                 |                                |                                    |                                            |                                    |
| \$25.22 to 31.74         | 5.5                                                             | 913,125                        | \$ 28.63                           | 272,459                                    | \$ 26.20                           |
| <b>TSARs:</b>            |                                                                 |                                |                                    |                                            |                                    |
| \$23.36 to 31.88         | 5.4                                                             | 1,826,035                      | \$ 28.45                           | 620,380                                    | \$ 26.12                           |

#### (ii) Compensation expense related to stock options:

For the three and nine month periods ended September 30, 2012, compensation expense related to stock options included in cost of sales and operating expenses was \$0.2 million (2011 – \$0.2 million) and \$0.6 million (2011 – \$0.7 million), respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option pricing model.

#### (iii) Compensation expense related to SARs and TSARs:

Compensation expense for SARs and TSARs is measured based on their fair value and is recognized over the vesting period. Changes in fair value each period are recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value at September 30, 2012 was \$15.1 million compared with the recorded liability of \$12.0 million. The difference between the fair value and the recorded liability of \$3.1 million will be recognized over the weighted average remaining vesting period of approximately 1.8 years. The weighted average fair value of the vested SARs and TSARs was estimated at September 30, 2012 using the Black-Scholes option pricing model.

For the three and nine month periods ended September 30, 2012, compensation expense related to SARs and TSARs included an expense in cost of sales and operating expenses of \$0.1 million (2011 – recovery of \$8.4 million) and \$7.2 million (2011 – recovery of \$4.5 million), respectively. This included a recovery of \$1.1 million (2011 – recovery of \$10.0 million) and an expense of \$0.3 million (2011 – recovery of \$10.4 million), respectively, related to the effect of the change in the Company's share price for the three and nine month periods ended September 30, 2012.

## 7. Share-based compensation (continued):

### b) Deferred, restricted and performance share units:

Deferred, restricted and performance share units outstanding at September 30, 2012 are as follows:

|                                          | Number of Deferred<br>Share Units | Number of Restricted<br>Share Units | Number of Performance<br>Share Units |
|------------------------------------------|-----------------------------------|-------------------------------------|--------------------------------------|
| Outstanding at December 31, 2011         | 597,911                           | 48,588                              | 1,103,049                            |
| Granted                                  | 19,898                            | 20,400                              | 358,330                              |
| Granted in-lieu of dividends             | 6,929                             | 819                                 | 12,352                               |
| Redeemed                                 | (66,531)                          | -                                   | (413,138)                            |
| Cancelled                                | -                                 | -                                   | (8,393)                              |
| Outstanding at June 30, 2012             | 558,207                           | 69,807                              | 1,052,200                            |
| <b>Granted</b>                           | <b>1,187</b>                      | <b>-</b>                            | <b>-</b>                             |
| <b>Granted in-lieu of dividends</b>      | <b>3,622</b>                      | <b>455</b>                          | <b>6,808</b>                         |
| <b>Cancelled</b>                         | <b>-</b>                          | <b>-</b>                            | <b>(6,936)</b>                       |
| <b>Outstanding at September 30, 2012</b> | <b>563,016</b>                    | <b>70,262</b>                       | <b>1,052,072</b>                     |

Compensation expense for deferred, restricted and performance share units is measured at fair value based on the market value of the Company's common shares and is recognized over the vesting period. Changes in fair value are recognized in 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 September 30, 2012 was \$46.3 million compared with the recorded liability of \$40.6 million. The difference between the fair value and the recorded liability of \$5.7 million will be recognized over the weighted average remaining vesting period of approximately 1.7 years.

For the three and nine month periods ended September 30, 2012, compensation expense related to deferred, restricted and performance share units included in cost of sales and operating expenses was an expense of \$3.1 million (2011 – recovery of \$12.2 million) and \$17.1 million (2011 – recovery of \$4.8 million), respectively. This included an expense of \$1.1 million (2011 – recovery of \$13.8 million) and \$7.3 million (2011 – recovery of \$12.1 million), respectively, related to the effect of the change in the Company's share price for the three and nine month periods ended September 30, 2012.

## 8. Changes in non-cash working capital:

Changes in non-cash working capital for the three and nine month periods ended September 30, 2012 were as follows:

|                                                                                                                       | Three Months Ended |                   | Nine Months Ended |                  |
|-----------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|-------------------|------------------|
|                                                                                                                       | Sep 30             | Sep 30            | Sep 30            | Sep 30           |
|                                                                                                                       | 2012               | 2011              | 2012              | 2011             |
| <b>Decrease (increase) in non-cash working capital:</b>                                                               |                    |                   |                   |                  |
| Trade and other receivables                                                                                           | \$ (15,519)        | \$ 14,790         | \$ (20,669)       | \$ (16,627)      |
| Inventories                                                                                                           | 21,747             | (8,379)           | 57,696            | (15,472)         |
| Prepaid expenses                                                                                                      | 6,750              | 274               | (4,106)           | (4,129)          |
| Trade, other payables and accrued liabilities, including                                                              |                    |                   |                   |                  |
| long-term payables included in other long-term liabilities                                                            | 31,237             | (27,933)          | (4,690)           | 22,990           |
|                                                                                                                       | 44,215             | (21,248)          | 28,231            | (13,238)         |
| <b>Adjustments for items not having a cash effect and working capital changes relating to taxes and interest paid</b> | 571                | 16,981            | 557               | 29,159           |
| <b>Changes in non-cash working capital having a cash effect</b>                                                       | <b>\$ 44,786</b>   | <b>\$ (4,267)</b> | <b>\$ 28,788</b>  | <b>\$ 15,921</b> |
| <b>These changes relate to the following activities:</b>                                                              |                    |                   |                   |                  |
| Operating                                                                                                             | \$ 51,392          | \$ (5,722)        | \$ 36,647         | \$ 16,537        |
| Investing                                                                                                             | (6,606)            | 1,455             | (7,859)           | (616)            |
| <b>Changes in non-cash working capital</b>                                                                            | <b>\$ 44,786</b>   | <b>\$ (4,267)</b> | <b>\$ 28,788</b>  | <b>\$ 15,921</b> |

## 9. Financial instruments:

The Egypt limited recourse debt facilities bear interest at LIBOR plus a spread. The Company has interest rate swap contracts to swap the LIBOR-based interest payments for an average aggregated fixed rate of 4.8% plus a spread on approximately 75% of the Egypt limited recourse debt facilities for the period to March 31, 2015. The Company has designated these interest rate swaps as cash flow hedges. These interest rate swaps had an outstanding notional amount of \$329 million as at September 30, 2012. The notional amount decreases over the expected repayment period. At September 30, 2012, these interest rate swap contracts had a negative fair value of \$31.8 million (2011 - \$41.5 million) recorded in other long-term liabilities. The fair value of these interest rate swap contracts will fluctuate until maturity.

The Company also designates as cash flow hedges forward exchange contracts to sell euro at a fixed USD exchange rate. At September 30, 2012, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell a notional amount of 28.4 million euro in exchange for US dollars and these euro contracts had a negative fair value of \$0.5 million (2011 – positive fair value of \$0.4 million) recorded in trade, other payables and accrued liabilities. Changes in fair value of derivative financial instruments designated as cash flow hedges have been recorded in other comprehensive income.

## 10. Contingent liability:

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

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



**Methanex Corporation**  
**Quarterly History (unaudited)**

|                                                          | YTD<br>2012 | Q3 2012 | Q2 2012 | Q1 2012 | 2011  | Q4    | Q3    | Q2    | Q1    | 2010  | Q4    | Q3    | Q2    | Q1    |
|----------------------------------------------------------|-------------|---------|---------|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>METHANOL SALES VOLUMES</b><br>(thousands of tonnes)   |             |         |         |         |       |       |       |       |       |       |       |       |       |       |
| Methanex-produced                                        | 2,980       | 1,053   | 1,001   | 926     | 3,853 | 1,052 | 983   | 970   | 848   | 3,540 | 831   | 885   | 900   | 924   |
| Purchased methanol                                       | 1,901       | 641     | 569     | 691     | 2,815 | 644   | 672   | 664   | 835   | 2,880 | 806   | 792   | 678   | 604   |
| Commission sales <sup>1</sup>                            | 679         | 205     | 276     | 198     | 846   | 208   | 235   | 231   | 172   | 509   | 151   | 101   | 107   | 150   |
|                                                          | 5,560       | 1,899   | 1,846   | 1,815   | 7,514 | 1,904 | 1,890 | 1,865 | 1,855 | 6,929 | 1,788 | 1,778 | 1,685 | 1,678 |
| <b>METHANOL PRODUCTION</b><br>(thousands of tonnes)      |             |         |         |         |       |       |       |       |       |       |       |       |       |       |
| Chile                                                    | 254         | 59      | 82      | 113     | 554   | 113   | 116   | 142   | 183   | 935   | 208   | 194   | 229   | 304   |
| New Zealand                                              | 730         | 346     | 210     | 174     | 830   | 211   | 209   | 207   | 203   | 830   | 206   | 200   | 216   | 208   |
| Atlas, Trinidad (63.1%)                                  | 646         | 255     | 264     | 127     | 891   | 195   | 170   | 263   | 263   | 884   | 266   | 284   | 96    | 238   |
| Titan, Trinidad                                          | 597         | 186     | 196     | 215     | 711   | 180   | 224   | 186   | 121   | 891   | 233   | 217   | 224   | 217   |
| Egypt (60%)                                              | 428         | 62      | 164     | 202     | 532   | 132   | 191   | 178   | 31    | -     | -     | -     | -     | -     |
| Medicine Hat                                             | 349         | 117     | 118     | 114     | 329   | 130   | 125   | 74    | -     | -     | -     | -     | -     | -     |
|                                                          | 3,004       | 1,025   | 1,034   | 945     | 3,847 | 961   | 1,035 | 1,050 | 801   | 3,540 | 913   | 895   | 765   | 967   |
| <b>AVERAGE REALIZED METHANOL PRICE <sup>2</sup></b>      |             |         |         |         |       |       |       |       |       |       |       |       |       |       |
| (\$/tonne)                                               | 380         | 373     | 384     | 382     | 374   | 388   | 377   | 363   | 367   | 306   | 348   | 286   | 284   | 305   |
| (\$/gallon)                                              | 1.14        | 1.12    | 1.15    | 1.15    | 1.12  | 1.17  | 1.13  | 1.09  | 1.10  | 0.92  | 1.05  | 0.86  | 0.85  | 0.92  |
| <b>PER SHARE INFORMATION <sup>3</sup> (\$ per share)</b> |             |         |         |         |       |       |       |       |       |       |       |       |       |       |
| Basic net income (loss)                                  | 0.77        | (0.03)  | 0.56    | 0.24    | 2.16  | 0.69  | 0.67  | 0.44  | 0.37  | 1.04  | 0.28  | 0.31  | 0.16  | 0.29  |
| Diluted net income (loss)                                | 0.76        | (0.03)  | 0.50    | 0.23    | 2.06  | 0.68  | 0.59  | 0.43  | 0.37  | 1.03  | 0.27  | 0.31  | 0.15  | 0.29  |
| Adjusted diluted net income <sup>4</sup>                 | 1.26        | 0.38    | 0.47    | 0.41    | 1.92  | 0.69  | 0.43  | 0.41  | 0.39  | 0.93  | 0.42  | 0.13  | 0.09  | 0.29  |

<sup>1</sup> Commission sales represent volumes marketed on a commission basis related to the 36.9% of the Atlas methanol facility and 40% of the Egypt methanol facility that we do not own.

<sup>2</sup> Average realized price is calculated as revenue, excluding commissions earned and the Egypt non-controlling interest share of revenue, divided by the total sales volumes of Methanex-produced (attributable to Methanex shareholders) and purchased methanol.

<sup>3</sup> Per share information calculated using net income (loss) attributable to Methanex shareholders.

<sup>4</sup> This item is a non-GAAP measure that does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to similar measures presented by other companies. Refer to Additional Information - Supplemental Non-GAAP Measures on page 14 for a description of the non-GAAP measure and reconciliation to the most comparable GAAP measure.