

Methanex Corporation
Consolidated Statements of Income (Loss) (unaudited)

(thousands of U.S. dollars, except number of common shares and per share amounts)

	Three Months Ended		Six Months Ended	
	Jun 30 2017	Jun 30 2016	Jun 30 2017	Jun 30 2016
Revenue	\$ 669,164	\$ 467,893	\$ 1,479,513	\$ 902,746
Cost of sales and operating expenses	(502,396)	(430,071)	(1,061,710)	(833,822)
Depreciation and amortization	(61,009)	(58,494)	(116,981)	(111,473)
Argentina gas settlement	—	32,500	—	32,500
Operating income (loss)	105,759	11,828	300,822	(10,049)
Earnings of associate (note 4)	21,766	2,314	38,755	2,087
Finance costs	(23,312)	(21,858)	(46,629)	(42,859)
Finance income and other expenses	5,625	(113)	5,628	2,988
Income (loss) before income taxes	109,838	(7,829)	298,576	(47,833)
Income tax recovery (expense):				
Current	(15,530)	(10,892)	(40,938)	(26,329)
Deferred	6,482	11,474	(5,820)	36,549
	(9,048)	582	(46,758)	10,220
Net income (loss)	\$ 100,790	\$ (7,247)	\$ 251,818	\$ (37,613)
Attributable to:				
Methanex Corporation shareholders	\$ 84,146	\$ (2,877)	\$ 215,715	\$ (26,275)
Non-controlling interests	16,644	(4,370)	36,103	(11,338)
	\$ 100,790	\$ (7,247)	\$ 251,818	\$ (37,613)
Income (loss) per common share for the period attributable to Methanex Corporation shareholders				
Basic net income (loss) per common share	\$ 0.96	\$ (0.03)	\$ 2.43	\$ (0.29)
Diluted net income (loss) per common share (note 6)	\$ 0.89	\$ (0.08)	\$ 2.39	\$ (0.34)
Weighted average number of common shares outstanding (note 6)	87,692,627	89,796,238	88,728,106	89,757,698
Diluted weighted average number of common shares outstanding (note 6)	88,057,502	89,876,849	89,164,211	89,821,964

See accompanying notes to condensed consolidated interim financial statements.

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

	Three Months Ended		Six Months Ended	
	Jun 30 2017	Jun 30 2016	Jun 30 2017	Jun 30 2016
Net income (loss)	\$ 100,790	\$ (7,247)	\$ 251,818	\$ (37,613)
Other comprehensive income (loss):				
Items that may be reclassified to income:				
Change in fair value of cash flow hedges (note 9)	(24,252)	116,548	(78,754)	66,829
Forward element excluded from hedging relationships (note 9)	24,580	(95,947)	59,113	(64,237)
Taxes on above items	9	(6,845)	6,565	(830)
	337	13,756	(13,076)	1,762
Comprehensive income (loss)	\$ 101,127	\$ 6,509	\$ 238,742	\$ (35,851)
Attributable to:				
Methanex Corporation shareholders	\$ 84,483	\$ 10,879	\$ 202,639	\$ (24,513)
Non-controlling interests	16,644	(4,370)	36,103	(11,338)
	\$ 101,127	\$ 6,509	\$ 238,742	\$ (35,851)

See accompanying notes to condensed consolidated interim financial statements.

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

AS AT	Jun 30 2017	Dec 31 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 361,333	\$ 223,890
Trade and other receivables	498,301	499,603
Inventories (note 2)	282,937	281,328
Prepaid expenses	30,479	20,846
	1,173,050	1,025,667
Non-current assets:		
Property, plant and equipment (note 3)	3,056,821	3,117,469
Investment in associate (note 4)	191,435	197,402
Deferred income tax assets	134,532	137,341
Other assets	82,383	78,784
	3,465,171	3,530,996
	\$ 4,638,221	\$ 4,556,663
LIABILITIES AND EQUITY		
Current liabilities:		
Trade, other payables and accrued liabilities	\$ 589,929	\$ 523,216
Current maturities on long-term debt (note 5)	55,534	53,997
Current maturities on other long-term liabilities	31,521	29,720
	676,984	606,933
Non-current liabilities:		
Long-term debt (note 5)	1,475,618	1,502,209
Other long-term liabilities	363,598	351,191
Deferred income tax liabilities	288,434	290,980
	2,127,650	2,144,380
Equity:		
Capital stock	494,553	511,465
Contributed surplus	2,331	2,568
Retained earnings	1,159,349	1,124,104
Accumulated other comprehensive loss	(54,378)	(41,302)
Shareholders' equity	1,601,855	1,596,835
Non-controlling interests	231,732	208,515
Total equity	1,833,587	1,805,350
	\$ 4,638,221	\$ 4,556,663

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 Common Shares	Capital Stock	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity	Non- Controlling Interests	Total Equity
Balance, December 31, 2015	89,671,198	\$509,464	\$2,426	\$1,235,615	\$(27,776)	\$1,719,729	\$248,844	\$1,968,573
Net loss	—	—	—	(26,275)	—	(26,275)	(11,338)	(37,613)
Other comprehensive income	—	—	—	—	1,762	1,762	—	1,762
Compensation expense recorded for stock options	—	—	379	—	—	379	—	379
Issue of shares on exercise of stock options	125,040	798	—	—	—	798	—	798
Reclassification of grant date fair value on exercise of stock options	—	257	(257)	—	—	—	—	—
Dividend payments to Methanex Corporation shareholders	—	—	—	(49,399)	—	(49,399)	—	(49,399)
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(11,636)	(11,636)
Equity contributions by non-controlling interests	—	—	—	—	—	—	525	525
Balance, June 30, 2016	89,796,238	\$510,519	\$2,548	\$1,159,941	\$(26,014)	\$1,646,994	\$226,395	\$1,873,389
Net income (loss)	—	—	—	13,730	—	13,730	(4,342)	9,388
Other comprehensive loss	—	—	—	(169)	(15,288)	(15,457)	—	(15,457)
Compensation expense recorded for stock options	—	—	258	—	—	258	—	258
Issue of shares on exercise of stock options	28,100	708	—	—	—	708	—	708
Reclassification of grant date fair value on exercise of stock options	—	238	(238)	—	—	—	—	—
Dividend payments to Methanex Corporation shareholders	—	—	—	(49,398)	—	(49,398)	—	(49,398)
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(13,038)	(13,038)
Equity contributions by non-controlling interests	—	—	—	—	—	—	(500)	(500)
Balance, December 31, 2016	89,824,338	\$511,465	\$2,568	\$1,124,104	\$(41,302)	\$1,596,835	\$208,515	\$1,805,350
Net income	—	—	—	215,715	—	215,715	36,103	251,818
Other comprehensive loss	—	—	—	—	(13,076)	(13,076)	—	(13,076)
Compensation expense recorded for stock options	—	—	266	—	—	266	—	266
Issue of shares on exercise of stock options	54,720	1,597	—	—	—	1,597	—	1,597
Reclassification of grant date fair value on exercise of stock options	—	503	(503)	—	—	—	—	—
Payment for shares repurchased	(3,330,000)	(19,012)	—	(129,687)	—	(148,699)	—	(148,699)
Dividend payments to Methanex Corporation shareholders	—	—	—	(50,783)	—	(50,783)	—	(50,783)
Distributions made and accrued to non-controlling interests	—	—	—	—	—	—	(12,886)	(12,886)
Balance, June 30, 2017	86,549,058	\$494,553	\$2,331	\$1,159,349	\$(54,378)	\$1,601,855	\$231,732	\$1,833,587

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		Six Months Ended	
	Jun 30 2017	Jun 30 2016	Jun 30 2017	Jun 30 2016
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES				
Net income (loss)	\$ 100,790	\$ (7,247)	\$ 251,818	\$ (37,613)
Deduct earnings of associate	(21,766)	(2,314)	(38,755)	(2,087)
Dividends received from associate	20,192	3,155	44,801	31,550
Add (deduct) non-cash items:				
Depreciation and amortization	61,009	58,494	116,981	111,473
Income tax expense (recovery)	9,048	(582)	46,758	(10,220)
Share-based compensation expense (recovery)	(7,880)	(3,535)	4,630	(652)
Finance costs	23,312	21,858	46,629	42,859
Other	1,212	1,742	2,617	2,129
Income taxes paid	(7,214)	(1,514)	(11,877)	(2,084)
Other cash payments, including share-based compensation	(1,039)	(11,754)	(6,993)	(17,664)
Cash flows from operating activities before undernoted	177,664	58,303	456,609	117,691
Changes in non-cash working capital (note 8)	72,098	(24,506)	13,807	(13,916)
	249,762	33,797	470,416	103,775
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES				
Payments for repurchase of shares	(114,957)	—	(148,699)	—
Dividend payments to Methanex Corporation shareholders	(26,062)	(24,694)	(50,783)	(49,399)
Interest paid	(26,780)	(25,362)	(42,286)	(38,736)
Net proceeds on issue of long-term debt	—	35,007	—	39,600
Repayment of long-term debt	(2,087)	(918)	(26,601)	(22,984)
Finance leases	(1,508)	(1,411)	(3,352)	(2,357)
Equity contributions by non-controlling interests	—	525	—	525
Distributions to non-controlling interests	—	—	—	(500)
Proceeds on issue of shares on exercise of stock options	38	—	1,597	798
Changes in non-cash working capital related to financing activities (note 8)	(6,638)	(5,689)	(10,605)	(11,154)
	(177,994)	(22,542)	(280,729)	(84,207)
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES				
Property, plant and equipment	(29,479)	(45,857)	(49,056)	(61,307)
Other assets	—	—	—	(66)
Changes in non-cash working capital related to investing activities (note 8)	3,911	(1,439)	(3,188)	25,841
	(25,568)	(47,296)	(52,244)	(35,532)
Increase (decrease) in cash and cash equivalents	46,200	(36,041)	137,443	(15,964)
Cash and cash equivalents, beginning of period	315,133	275,011	223,890	254,934
Cash and cash equivalents, end of period	\$ 361,333	\$ 238,970	\$ 361,333	\$ 238,970

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 producer and supplier of methanol to the major international markets of Asia Pacific, North America, Europe and South 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 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 July 26, 2017.

These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15") establishing a comprehensive framework for revenue recognition. The standard replaces IAS 18, Revenue and IAS 11, Construction Contracts and related interpretations and is effective for annual periods beginning on or after January 1, 2018. The Company has performed a preliminary assessment of the impact of the new standard and currently anticipates no significant impact on its consolidated financial statements, with the assessment to be finalized in the second half of 2017.

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 recognized as an expense in cost of sales and operating expenses and depreciation and amortization for the three and six month periods ended June 30, 2017 is \$507 million (2016 - \$426 million) and \$1,051 million (2016 - \$812 million), respectively.

3. Property, plant and equipment:

	Buildings, Plant Installations & Machinery	Finance Leases	Other	Total
Cost at June 30, 2017	\$ 4,597,387	\$ 215,008	\$ 272,071	\$ 5,084,466
Accumulated depreciation at June 30, 2017	1,856,283	26,083	145,279	2,027,645
Net book value at June 30, 2017	\$ 2,741,104	\$ 188,925	\$ 126,792	\$ 3,056,821
Cost at December 31, 2016	\$ 4,549,816	\$ 206,260	\$ 272,878	\$ 5,028,954
Accumulated depreciation at December 31, 2016	1,752,540	18,557	140,388	1,911,485
Net book value at December 31, 2016	\$ 2,797,276	\$ 187,703	\$ 132,490	\$ 3,117,469

4. Interest in Atlas joint venture:

- a) The Company has a 63.1% equity interest in Atlas Methanol Company Unlimited ("Atlas"). Atlas owns a 1.8 million tonne per year methanol production facility in Trinidad. The Company accounts for its interest in Atlas using the equity method. Summarized financial information of Atlas (100% basis) is as follows:

Statements of financial position	Jun 30 2017	Dec 31 2016
Cash and cash equivalents	\$ 10,299	\$ 15,530
Other current assets	92,908	45,219
Non-current assets	306,841	324,297
Current liabilities	(63,353)	(24,783)
Other long-term liabilities, including current maturities	(164,267)	(168,253)
Net assets at 100%	182,428	192,010
Net assets at 63.1%	115,112	121,158
Long-term receivable from Atlas	76,323	76,244
Investment in associate	\$ 191,435	\$ 197,402

Statements of income	Three Months Ended		Six Months Ended	
	Jun 30 2017	Jun 30 2016	Jun 30 2017	Jun 30 2016
Revenue	\$ 128,189	\$ 45,604	\$ 243,398	\$ 67,977
Cost of sales and depreciation and amortization	(71,627)	(33,244)	(142,044)	(51,420)
Operating income	56,562	12,360	101,354	16,557
Finance costs, finance income and other expenses	(2,874)	(3,488)	(5,752)	(6,580)
Income tax expense	(19,193)	(5,205)	(34,183)	(6,670)
Net earnings at 100%	34,495	3,667	61,419	3,307
Earnings of associate at 63.1%	21,766	\$ 2,314	38,755	2,087
Dividends received from associate	\$ 20,192	\$ 3,155	\$ 44,801	\$ 31,550

b) Contingent liability:

The Board of Inland Revenue of Trinidad and Tobago has issued assessments against Atlas in respect of the 2005 to 2010 financial years. All subsequent tax years remain open to assessment. The assessments relate to the pricing arrangements of certain long-term fixed price sales contracts from 2005 to 2019 related to methanol produced by Atlas. Atlas had partial relief from corporation income tax until late July 2014.

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

5. Long-term debt:

As at	Jun 30 2017	Dec 31 2016
Unsecured notes		
\$350 million at 3.25% due December 15, 2019	\$ 347,589	\$ 347,126
\$250 million at 5.25% due March 1, 2022	247,876	247,685
\$300 million at 4.25% due December 1, 2024	296,699	296,529
\$300 million at 5.65% due December 1, 2044	295,120	295,084
	1,187,284	1,186,424
Egypt limited recourse debt facilities	266,775	288,515
Other limited recourse debt facilities	77,093	81,267
Total long-term debt¹	1,531,152	1,556,206
Less current maturities	(55,534)	(53,997)
	\$ 1,475,618	\$ 1,502,209

¹ Long-term debt is presented net of deferred financing fees.

During the quarter ended June 30, 2017, the Company made repayments of \$2.1 million on its other limited recourse debt facilities. Other limited recourse debt facilities relates to financing for certain of our ocean going vessels which we own through less than wholly-owned entities under the Company's control.

The Company maintains a \$300 million committed revolving credit facility with a syndicate of highly rated financial institutions that expires in December 2019. Significant covenant and default provisions of the facility include:

- a) the obligation to maintain an EBITDA to interest coverage ratio of greater than 2:1 calculated on a four-quarter trailing basis and a debt to capitalization ratio of less than or equal to 55%, both ratios calculated in accordance with definitions in the credit agreement that include adjustments to the limited recourse subsidiaries,
- b) a default if payment is accelerated by a creditor on any indebtedness of \$50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries, and
- c) a default if a default occurs that permits a creditor to demand repayment on any other indebtedness of \$50 million or more of the Company and its subsidiaries, except for the limited recourse subsidiaries.

The limited recourse debt facilities are described as limited recourse as they are secured only by the assets of the entity that carries the debt. Accordingly, the lenders to the limited recourse debt facilities have no recourse to the Company or its other subsidiaries.

The Egypt limited recourse debt facilities have covenants and default provisions that apply only to the Egypt entity, including restrictions on the incurrence of additional indebtedness and a requirement to fulfill certain conditions before the payment of cash or other shareholder distributions. Certain conditions have not been met, resulting in a restriction on shareholder distributions from the Egypt entity. As of June 30, 2017, the Egypt cash balance on a 100% ownership basis was \$109 million. The Egypt entity continues to be able to fully utilize its funds for operating, capital and financing needs, including the repayment of the Egypt limited recourse debt facilities.

Failure to comply with any of the covenants or default provisions of the long-term debt facilities described above could result in a default under the applicable credit agreement that would allow the lenders to not fund future loan requests, accelerate the due date of the principal and accrued interest on any outstanding loans or restrict the payment of cash or other distributions.

As at June 30, 2017, management believes the Company was in compliance with all significant terms and default provisions related to long-term debt obligations.

6. Net income (loss) per common share:

Diluted net income (loss) per common share is calculated by considering the potential dilution that would occur if outstanding stock options and, under certain circumstances, tandem share appreciation rights ("TSARs") were exercised or converted to common shares.

Outstanding TSARs may be settled in cash or common shares at the holder's option and for purposes of calculating diluted net income (loss) per common share, the more dilutive of the cash-settled and equity-settled method is used, regardless of how the plan is accounted for. Accordingly, TSARs that are accounted for using the cash-settled method will require adjustments to the numerator and denominator if the equity-settled method is determined to have a dilutive effect on diluted net income (loss) per common share as compared to the cash-settled method. For all periods presented, the equity-settled method was more dilutive and an adjustment was required for both the numerator and the denominator.

Stock options and, if calculated using the equity-settled method, 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. For the three and six months ended June 30, 2017, stock options were considered dilutive resulting in an adjustment to the denominator. For the three and six months ended June 30, 2016, the Company incurred a net loss attributable to Methanex shareholders and therefore exclusion of the stock options was more dilutive.

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

	Three Months Ended		Six Months Ended	
	Jun 30 2017	Jun 30 2016	Jun 30 2017	Jun 30 2016
Numerator for basic net income (loss) per common share	\$ 84,146	\$ (2,877)	\$ 215,715	\$ (26,275)
Adjustment for the effect of TSARs:				
Cash-settled expense (recovery) included in net income	(3,895)	(2,252)	1,431	(675)
Equity-settled expense	(1,860)	(1,793)	(3,774)	(3,656)
Numerator for diluted net income (loss) per common share	\$ 78,391	\$ (6,922)	\$ 213,372	\$ (30,606)

A reconciliation of the denominator used for the purposes of calculating diluted net income (loss) per common share is as follows:

	Three Months Ended		Six Months Ended	
	Jun 30 2017	Jun 30 2016	Jun 30 2017	Jun 30 2016
Denominator for basic net income (loss) per common share	87,692,627	89,796,238	88,728,106	89,757,698
Effect of dilutive stock options	40,091	—	54,153	—
Effect of dilutive TSARs	324,784	80,611	381,952	64,266
Denominator for diluted net income (loss) per common share	88,057,502	89,876,849	89,164,211	89,821,964

7. Share-based compensation:

a) Share appreciation rights ("SARs"), TSARs and stock options:

(i) Outstanding units:

Information regarding units outstanding at June 30, 2017 is as follows:

(per share amounts in USD)	SARs		TSARs	
	Number of Units	Weighted Average Exercise Price	Number of Units	Weighted Average Exercise Price
Outstanding at December 31, 2016	1,511,485	\$42.68	2,416,111	\$42.10
Granted	167,600	50.15	340,200	50.17
Exercised	(88,106)	27.13	(118,305)	27.17
Expired	(5,000)	25.22	—	—
Outstanding at March 31, 2017	1,585,979	\$44.39	2,638,006	\$43.81
Exercised	(7,349)	34.51	(2,000)	34.59
Cancelled	(10,801)	50.18	(2,200)	34.59
Outstanding at June 30, 2017	1,567,829	\$44.39	2,633,806	\$43.82

(per share amounts in USD)	Stock Options	
	Number of Units	Weighted Average Exercise Price
Outstanding at December 31, 2016	344,767	\$40.91
Granted	31,400	50.17
Exercised	(53,620)	29.07
Cancelled	(5,200)	55.22
Outstanding at March 31, 2017	317,347	\$43.59
Exercised	(1,100)	34.59
Outstanding at June 30, 2017	316,247	\$43.62

Range of Exercise Prices (per share amounts in USD)	Units Outstanding at June 30, 2017			Units Exercisable at June 30, 2017	
	Weighted Average Remaining Contractual Life (Years)	Number of Units Outstanding	Weighted Average Exercise Price	Number of Units Exercisable	Weighted Average Exercise Price
SARs:					
\$25.97 to \$35.51	3.65	660,910	\$32.70	421,222	\$31.62
\$38.24 to \$73.13	4.24	906,919	52.91	643,511	53.23
	3.99	1,567,829	\$44.39	1,064,733	\$44.68
TSARs:					
\$25.97 to \$35.51	3.56	1,107,125	\$32.74	728,980	\$31.78
\$38.24 to \$73.13	4.27	1,526,681	51.86	1,054,338	51.93
	3.97	2,633,806	\$43.82	1,783,318	\$43.64
Stock options:					
\$25.97 to \$35.51	3.38	142,250	\$32.48	96,246	\$31.48
\$38.24 to \$73.13	4.19	173,997	52.73	125,758	52.98
	3.82	316,247	\$43.62	222,004	\$43.65

(ii) 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 June 30, 2017 was \$39.1 million compared with the recorded liability of \$34.8 million. The difference between the fair value and the recorded liability of \$4.3 million will be recognized over the weighted average remaining vesting period of approximately 1.7 years. The weighted average fair value was estimated at June 30, 2017 using the Black-Scholes option pricing model.

For the three and six month periods ended June 30, 2017, compensation expense related to SARs and TSARs included a recovery in cost of sales and operating expenses of \$6.6 million (2016 - recovery of \$3.5 million) and an expense of \$2.5 million (2016 - recovery of \$1.1 million), respectively. This included a recovery of \$9.1 million (2016 - recovery of \$5.7 million) and a recovery of \$2.7 million (2016 - recovery of \$6.2 million), respectively, related to the effect of the change in the Company's share price for the three and six month periods ended June 30, 2017.

(iii) Compensation expense related to stock options:

For the three and six month periods ended June 30, 2017, compensation expense related to stock options included in cost of sales and operating expenses was \$0.1 million (2016 - \$0.2 million) and \$0.3 million (2016 - 0.4 million), respectively. The fair value of each stock option grant was estimated on the grant date using the Black-Scholes option pricing model

b) Deferred, restricted and performance share units:

Deferred, restricted and performance share units outstanding at June 30, 2017 are as follows:

	Number of Deferred Share Units	Number of Restricted Share Units	Number of Performance Share Units
Outstanding at December 31, 2016	251,017	18,649	572,272
Granted	6,505	8,100	163,500
Performance factor impact on redemption ¹	—	—	(102,557)
Granted in-lieu of dividends	1,424	160	3,551
Redeemed	(13,789)	—	(34,186)
Cancelled	—	—	(3,967)
Outstanding at March 31, 2017	245,157	26,909	598,613
Granted	1,462	—	—
Granted in-lieu of dividends	1,665	189	4,205
Cancelled	—	—	(2,353)
Outstanding at June 30, 2017	248,284	27,098	600,465

¹ Performance share units have a feature where the ultimate number of units that vest are adjusted by a performance factor of the original grant as determined by the Company's total shareholder return in relation to a predetermined target over the period to vesting. These units relate to performance share units redeemed in the quarter ended March 31, 2017.

Compensation expense for deferred, restricted and performance share units is measured at fair value based on the market value of the Company's common shares and is recognized over the vesting period. Changes in fair value are recognized in net income for the proportion of the service that has been rendered at each reporting date. The fair value of deferred, restricted and performance share units at June 30, 2017 was \$19.7 million compared with the recorded liability of \$17.2 million. The difference between the fair value and the recorded liability of \$2.5 million will be recognized over the weighted average remaining vesting period of approximately 1.7 years.

For the three and six month periods ended June 30, 2017, compensation expense related to deferred, restricted and performance share units included in cost of sales and operating expenses was a recovery of \$1.6 million (2016 - recovery of \$0.2 million) and an expense of \$2.5 million (2016 - expense of \$0.2 million), respectively. This included a recovery of \$2.6 million (2016 - recovery of \$1.1 million) and an expense of \$0.6 million (2016 - recovery of \$1.8 million), respectively, related to the effect of the change in the Company's share price for the three and six month periods ended June 30, 2017.

8. Changes in non-cash working capital:

Changes in non-cash working capital for the three and six month periods ended June 30, 2017 and 2016 were as follows:

	Three Months Ended		Six Months Ended	
	Jun 30 2017	Jun 30 2016	Jun 30 2017	Jun 30 2016
Changes in non-cash working capital:				
Trade and other receivables	\$ 15,275	\$ (21,261)	\$ 1,302	\$ 98,495
Inventories	68,426	(7,281)	(1,609)	(472)
Prepaid expenses	(7,037)	(5,768)	(9,633)	(217)
Trade, other payables and accrued liabilities	15,042	12,688	66,713	(64,387)
	91,706	(21,622)	56,773	33,419
Adjustments for items not having a cash effect and working capital changes relating to taxes and interest paid	(22,335)	(10,012)	(56,759)	(32,648)
Changes in non-cash working capital having a cash effect	\$ 69,371	\$ (31,634)	\$ 14	\$ 771
These changes relate to the following activities:				
Operating	\$ 72,098	\$ (24,506)	\$ 13,807	\$ (13,916)
Financing	(6,638)	(5,689)	(10,605)	(11,154)
Investing	3,911	(1,439)	(3,188)	25,841
Changes in non-cash working capital	\$ 69,371	\$ (31,634)	\$ 14	\$ 771

9. Financial instruments:

Financial instruments are either measured at amortized cost or fair value.

In the normal course of business, the Company's assets, liabilities and forecasted transactions, as reported in U.S. dollars, are impacted by various market risks including, but not limited to, natural gas prices and currency exchange rates. The time frame and manner in which the Company manages those risks varies for each item based on the Company's assessment of the risk and the available alternatives for mitigating risks.

The Company uses derivatives as part of its risk management program to mitigate variability associated with changing market values. Changes in fair value of derivative financial instruments are recorded in earnings unless the instruments are designated as cash flow hedges. The Company designates as cash flow hedges derivative financial instruments to hedge its risk exposure to fluctuations in natural gas prices and derivative financial instruments to hedge its risk exposure to fluctuations in the euro compared to the U.S. dollar.

The fair value of derivative instruments is determined based on industry-accepted valuation models using market observable inputs and are classified within Level 2 of the fair value hierarchy. The fair value of all of the Company's derivative contracts as presented in the consolidated statements of financial position are determined based on present values and the discount rates used are adjusted for credit risk. The effective portion of the changes in fair value of derivative financial instruments designated as cash flow hedges is recorded in other comprehensive income. The spot element of forward contracts in the hedging relationships is recorded in other comprehensive income as the change in fair value of cash flow hedges. The change in the fair value of the forward element of forward contracts is recorded separately in other comprehensive income as the forward element excluded from hedging relationship.

Until settled, the fair value of the derivative financial instruments will fluctuate based on changes in commodity prices or foreign currency exchange rates.

Natural gas forward contracts

The Company manages its exposure to changes in natural gas prices for a portion of its North American natural gas requirements by executing a number of fixed price forward contracts.

The Company has entered into forward contracts to manage its exposure to changes in natural gas prices for the Geismar 2 facility which it has designated as cash flow hedges. The Company has also entered into physical forward contracts to manage its exposure to changes in natural gas prices for the Medicine Hat facility over the period 2017 to 2022. The Company has designated contracts for the 2021 and 2022 periods as cash flow hedges for its highly probable forecast natural gas purchases in Medicine Hat. Other costs incurred to transport natural gas from the contracted delivery point, either Henry Hub or AECO, to the relevant production facility represent an insignificant portion of the overall underlying risk and are recognized as incurred outside of the hedging relationship.

As at June 30, 2017, the Company had outstanding forward contracts designated as cash flow hedges with a notional amount of \$482 million (December 31, 2016 - \$484 million) and a net negative fair value of \$78.3 million (December 31, 2016 - \$61.9 million) included in other long-term liabilities.

Euro forward exchange contracts

The Company manages its foreign currency exposure to euro denominated sales by executing a number of forward contracts which it has designated as cash flow hedges for its highly probable forecast euro collections.

As at June 30, 2017, the Company had outstanding forward exchange contracts designated as cash flow hedges to sell a notional amount of 117 million euros (December 31, 2016 - 92 million euros). The euro contracts had a negative fair value of \$3.0 million included in current liabilities (December 31, 2016 - positive fair value \$0.3 million included in current assets).

Fair value

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

The table below shows the nominal net cash flows for derivative hedging instruments, excluding credit risk adjustments, based upon contracted settlement dates. The amounts reflect the maturity profile of the hedging instruments and are subject to change based on the prevailing market rate at each of the future settlement dates. Financial asset derivative positions are held with investment-grade counterparties and therefore the settlement day risk exposure is considered to be negligible.

	Cash outflows by term to maturity					Total
	1 year or less	1-3 years	3-5 years	More than 5 years		
Natural gas forward contracts	(1,839)	(13,919)	(21,557)	(54,574)	\$	(91,889)
Euro forward exchange contracts	(3,005)	—	—	—	\$	(3,005)

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

As at	June 30, 2017	
	Carrying Value	Fair Value
Long-term debt excluding deferred financing fees	\$ 1,542,577	\$ 1,552,842

Long-term debt consists of limited recourse debt facilities and unsecured notes. There is no publicly traded market for the limited recourse debt facilities. The fair value of the limited recourse debt facilities as disclosed on a recurring basis and categorized as Level 2 within the fair value hierarchy is estimated by reference to current market rates as at the reporting date. The fair value of the unsecured notes disclosed on a recurring basis and also categorized as Level 2 within the fair value hierarchy is estimated using quoted prices and yields as at the reporting date. The fair value of the Company's long term debt will fluctuate until maturity.

Methanex Corporation
Quarterly History (unaudited)

	2017	Q2	Q1	2016	Q4	Q3	Q2	Q1
METHANOL SALES VOLUME (thousands of tonnes)								
Methanex-produced ¹	3,546	1,790	1,756	6,828	1,750	1,860	1,689	1,529
Purchased methanol	899	387	512	1,892	526	411	533	422
Commission sales ¹	601	297	304	758	245	205	140	168
	5,046	2,474	2,572	9,478	2,521	2,476	2,362	2,119
METHANOL PRODUCTION (thousands of tonnes)								
New Zealand	883	350	533	2,181	536	559	577	509
Geismar (Louisiana, USA)	930	437	493	2,055	526	519	527	483
Trinidad (Methanex interest)	845	449	396	1,605	455	420	417	313
Egypt (50% interest)	318	159	159	293	96	69	53	75
Medicine Hat (Canada)	277	159	118	488	92	114	123	159
Chile	227	60	167	395	154	68	73	100
	3,480	1,614	1,866	7,017	1,859	1,749	1,770	1,639
AVERAGE REALIZED METHANOL PRICE ² (\$/tonne)	347	327	365	242	278	236	223	230
(\$/gallon)	1.04	0.98	1.10	0.73	0.84	0.71	0.67	0.69
PER SHARE INFORMATION (\$ per common share attributable to Methanex shareholders)								
Adjusted net income (loss)	2.40	0.85	1.56	(0.17)	0.46	(0.01)	(0.34)	(0.27)
Basic net income (loss)	2.43	0.96	1.47	(0.14)	0.28	(0.12)	(0.03)	(0.26)
Diluted net income (loss)	2.39	0.89	1.46	(0.14)	0.28	(0.12)	(0.08)	(0.26)

¹ Methanex-produced methanol represents our equity share of volume produced at our facilities and excludes volume marketed on a commission basis related to the 36.9% of the Atlas facility and 50% of the Egypt facility that we do not own. Methanex-produced methanol includes any volume produced by Chile using natural gas supplied from Argentina under a tolling arrangement ("Tolling Volume"). There has been no Tolling Volume produced since the fourth quarter of 2015.

² Averagerealized price is calculated as revenue, excluding commissions earned and the Egypt non-controlling interest share of revenue, but including an amount representing our share of Atlas revenue, divided by the total sales volume of Methanex-produced and purchased methanol, but excluding Tolling Volume.