METHANEX CORP
Form 6-K
May 03, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF APRIL 2010
METHANEX CORPORATION
(Registrant s name)
SUITE 1800, 200 BURRARD STREET, VANCOUVER, BC V6C 3M1 CANADA
(Address of principal executive offices)

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

Form 20-F o Form 40-F þ

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

Yes o No þ

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

NEWS RELEASE

Methanex Corporation
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Vancouver, BC Canada V6C 3M1
Investor Relations: (604) 661-2600
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For immediate release

METHANEX REPORTS FIRST QUARTER RESULTS

April 28, 2010

For the first quarter of 2010, Methanex reported Adjusted EBITDA[1] of $81.5 million and net income of $29.3 million ($0.31 per share on a diluted basis). This compares with Adjusted EBITDA of $72.9 million and net income of $25.7 million ($0.28 per share on a diluted basis) for the fourth quarter of 2009.

Bruce Aitken, President and CEO of Methanex commented, We achieved an average realized price which was about $20 per tonne higher than last quarter and this led to higher EBITDA in the first quarter. Our results would normally have been higher, however they were negatively impacted by lower produced product sales volumes relative to production and higher stock-based compensation.

Mr. Aitken added, Methanol demand continues to be healthy and our sales volumes were up 12% over last quarter. We also reported higher production in the first quarter due to a better operating rate at our Chile site as a result of the recent successful development of new gas supply in that country. We look forward to a further improvement to our production and cash flow generation in the second half of this year with the Egypt Project targeted to be producing methanol in the middle of this year.

Mr. Aitken concluded, With US$196 million of cash on hand, a strong balance sheet, no near term refinancing requirements, and an undrawn credit facility, we are well positioned to continue to invest to grow the Company.

A conference call is scheduled for April 29, 2010 at 11:00 am ET (8:00 am PT) to review these first quarter results. To access the call, dial the Conferencing operator ten minutes prior to the start of the call at (416) 340-8018, or toll free at (866) 223-7781. A playback version of the conference call will be available for fourteen days at (416) 695-5800, or toll free at (800) 408-3053. The passcode for the playback version is 4661035. There will be a simultaneous audio-only webcast of the conference call, which can be accessed from our website at www.methanex.com. The webcast will be available on our website for three weeks following the call.

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

- more -

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

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

-end-

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

Interim Report
For the
Three Months Ended
March 31, 2010

1

At April 28, 2010 the Company had 92,182,652 common shares issued and outstanding and stock options exercisable for 3,717,120 additional common shares.

Share Information

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

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Investor Information

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

Contact Information

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FIRST QUARTER MANAGEMENT S DISCUSSION AND ANALYSIS

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

This First Quarter 2010 Management s Discussion and Analysis dated April 28, 2010 should be read in conjunction with the 2009 Annual Consolidated Financial Statements and the Management s Discussion and Analysis included in the Methanex 2009 Annual Report. The Methanex 2009 Annual Report and additional information relating to Methanex is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

	Three Months Ended		
($ millions, except where noted)	**Mar 31 2010**	Dec 31 2009	Mar 31 2009
Sales volumes (thousands of tonnes)			
Produced methanol	**924**	880	1,000
Purchased methanol	**604**	467	270
Commission sales [1]	**150**	152	131
Total sales volumes	**1,678**	1,499	1,401
Methanex average non-discounted posted price ($ per tonne) [2]	**352**	327	216
Average realized price ($ per tonne) [3]	**305**	282	199
Adjusted EBITDA [4]	**81.5**	72.9	13.1
Cash flows from operating activities	**56.6**	35.7	60.9
Cash flows from operating activities before changes in non-cash working capital [4]	**77.9**	74.2	(0.1)
Operating income (loss) [4]	**47.8**	40.9	(15.8)
Net income (loss)	**29.3**	25.7	(18.4)
Basic net income (loss) per common share	**0.32**	0.28	(0.20)
Diluted net income (loss) per common share	**0.31**	0.28	(0.20)
Common share information (millions of shares):			
Weighted average number of common shares	**92.1**	92.1	92.0
Diluted weighted average number of common shares	**93.4**	93.1	92.0
Number of common shares outstanding, end of period	**92.2**	92.1	92.0

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

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

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

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

measure and a
reconciliation to the
most comparable
GAAP measure.

PRODUCTION SUMMARY

(thousands of tonnes)	Q1 2010 Capacity[1]	Q1 2010 Production	Q4 2009 Production	Q1 2009 Production
Chile I, II, III and IV	**950**	**304**	265	228
Atlas (Trinidad) (63.1% interest)	**288**	**238**	279	204
Titan (Trinidad)	**225**	**217**	188	223
New Zealand [2]	**225**	**208**	223	194
	1,688	**967**	955	849

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

[2] *The production capacity of New Zealand represents only our 0.9 million tonne per year Motunui facility which we restarted in late 2008. Practical operating capacity will depend partially on the composition of natural gas feedstock and may differ from the stated capacity above. We also have*

additional potential production capacity that is currently idled in New Zealand (refer to the New Zealand section on page 3 for more information).

Chile

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

During the first quarter of 2010 we increased production from our methanol facilities in Chile and produced 304,000 tonnes compared with 265,000 tonnes during the fourth quarter of 2009. Production was higher than the fourth quarter of 2009 due to increased natural gas supply which allowed us to start-up a second plant late in the fourth quarter of 2009.

Our goal is ultimately to return to operating all four of our plants in Chile with natural gas from suppliers in Chile. We are pursuing investment opportunities with the state-owned energy company Empresa Nacional del Petroleo (ENAP), GeoPark Chile Limited (GeoPark) and others to help accelerate natural gas exploration and development in southern Chile. Over the past few years, we have provided GeoPark with $55 million (of which approximately $13 million had been repaid at March 31, 2010) to support and accelerate GeoPark s natural gas exploration and development activities in southern Chile. GeoPark has agreed to supply us with all natural gas sourced from the Fell block in southern Chile under a ten-year exclusive supply arrangement commencing in 2008. We are also working with ENAP to accelerate natural gas exploration and development in the Dorado Riquelme block in southern Chile and to supply natural gas to our production facilities in Chile. Under the arrangement, we fund a 50% participation in the block and, as at March 31, 2010, we had contributed approximately $74 million.

Approximately 55% of total production at our Chilean facilities is currently being produced with natural gas supplied from the Fell and Dorado Riquelme blocks. In mid-December 2009, based on the success of the natural gas development initiatives, we restarted a second plant in Chile and throughout the first quarter of 2010 we operated two plants, each at approximately 60% capacity. In early April 2010, we returned to operating one plant in Chile at almost full rates as a result of lower natural gas deliveries due to the need for ENAP to satisfy incremental demand for natural gas for residential purposes during the winter season in southern Chile. We believe after the southern hemisphere winter period we will again be able to restart a second plant.

Other investment activities are also supporting the acceleration of natural gas exploration and development in areas of southern Chile. In late 2007, the government of Chile completed an international bidding round to assign oil and natural gas exploration areas that lie close to our production facilities and announced the participation of several international oil and gas companies. The terms of the agreements from the bidding round require minimum investment commitments. In July 2008, we announced that under the international bidding round, the Otway exploration block in southern Chile was awarded to a consortium that includes Wintershall Chile Limitada (Wintershall), GeoPark and Methanex. During the first quarter of 2010, we agreed to participate in the Tranquilo exploration block, also located in southern Chile. The participation is part of a new ownership structure that involves both the Tranquilo block and the Otway block. In the new ownership structure, Wintershall, GeoPark, and Pluspetrol Chile S.A. (Pluspetrol) each have 25% participation and International Finance Corporation (IFC), member of the World Bank Group, and Methanex each have 12.5% participation. GeoPark will be the operator of both blocks. The arrangement is subject to approval by the government of Chile. In 2010, approved budgets by the consortium for the two blocks total $37 million.

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

Trinidad

Our equity ownership of methanol facilities in Trinidad represent approximately 2.1 million tonnes of competitive-cost annual capacity. Our methanol facilities in Trinidad produced 455,000 tonnes during the first quarter of 2010 compared with 467,000 tonnes during the fourth quarter of 2009. Production at our Trinidad facilities was lower than capacity by approximately 60,000 tonnes during the first quarter of 2010 and by approximately 50,000 tonnes during the fourth quarter of 2009 primarily as a result of unplanned maintenance activities in both periods.

New Zealand

Our New Zealand facilities produced 208,000 tonnes during the first quarter of 2010 compared with 223,000 tonnes during the fourth quarter of 2009. Production was lower in the first quarter of 2010 compared with the fourth quarter of 2009 as a result of reduced operating rates at times during the first quarter of 2010 to resolve a plant technical issue.

In October 2008, we restarted one of our idled 0.9 million tonne per year Motunui methanol plants and idled our 0.5 million tonne per year Waitara Valley plant. We currently have 1.4 million tonnes per year of idled capacity in New Zealand, including a second 0.9 million tonne per year Motunui plant and the Waitara Valley plant. These facilities provide the potential to increase production in New Zealand depending on methanol supply and demand dynamics and the availability of economically priced natural gas feedstock.

EARNINGS ANALYSIS

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

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

For the first quarter of 2010, we recorded Adjusted EBITDA of $81.5 million and net income of $29.3 million ($0.31 per share on a diluted basis). This compares with Adjusted EBITDA of $72.9 million and net income of $25.7 million ($0.28 per share on a diluted basis) for the fourth quarter of 2009 and Adjusted EBITDA of $13.1 million and a net loss of $18.4 million ($0.20 loss per share on a diluted basis) for the first quarter of 2009.

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

($ millions)	**Q1 2010 compared with Q4 2009**	**Q1 2010 compared with Q1 2009**
Average realized price	$ 34	$ 162
Sales volumes	15	10
Total cash costs	(41)	(104)
	$ 8	$ 68

Average realized price

	Three Months Ended		
($ per tonne, except where noted)	**Mar 31 2010**	Dec 31 2009	Mar 31 2009
Methanex average non-discounted posted price [1]	**352**	327	216
Methanex average realized price	**305**	282	199
Average discount	**13%**	14%	8%

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

The global financial crisis and weak economic environment in late 2008 and early 2009 resulted in a significant reduction in global methanol demand and a period of low methanol pricing. During 2009, global demand improved, and as a result of this improvement as well as some planned and unplanned plant outages across the industry, methanol prices increased in the latter half of 2009 and into 2010 (refer to *Supply/Demand Fundamentals* section below for more information). Our average non-discounted posted price for the first quarter of 2010 was $352 per tonne compared with $327 per tonne for the fourth quarter of 2009 and $216 per tonne for the first quarter of 2009. Our average realized price for the first quarter of 2010 was $305 per tonne compared with $282 per tonne for the fourth quarter of 2009 and $199 per tonne for the first quarter of 2009. The changes in our average realized price for the first quarter of 2010 increased revenues by $34 million compared with the fourth quarter of 2009 and increased revenues by $162 million compared with first quarter of 2009.

We have entered into long-term contracts for a portion of our production volume with certain global customers where prices are either fixed or linked to our costs plus a margin and accordingly, we expect the discount from our average non-discounted posted prices to widen during periods of higher methanol pricing. The discount from our average non-discounted posted price for the first quarter of 2010 was approximately 13% compared with approximately 14% for the fourth quarter of 2009 and approximately 8% for the first quarter of 2009. Certain of these contracts where prices are either fixed or linked to our costs plus a margin expired at the end of 2009. The contracts represented approximately 10% of overall sales volumes for the first quarter of 2010 compared with approximately 15% for the fourth quarter of 2009 and approximately 18% for the first quarter of 2009.

Sales volumes

Total methanol sales volumes excluding commission sales volumes for the first quarter of 2010 were higher compared with the fourth quarter of 2009 by 181,000 tonnes and higher compared with the first quarter of 2009 by 258,000 tonnes. This resulted in higher Adjusted EBITDA by $15 million for the first quarter of 2010 compared with the fourth quarter of 2009 and higher Adjusted EBITDA by $10 million for the first quarter of 2010 compared with the first quarter of 2009. We have increased sales volumes in 2010 compared with 2009 to capture demand growth and in anticipation of the new methanol plant in Egypt and improved production in Chile.

Total cash costs

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

Total cash costs for the first quarter of 2010 were higher compared with the fourth quarter of 2009 by $41 million. Natural gas costs on sales of produced methanol and purchased methanol costs were higher for the first quarter of 2010 compared with the fourth quarter of 2009 by $7 million and $16 million, respectively, primarily as a result of higher methanol pricing. Purchased methanol represented a higher proportion of our overall sales volumes for the first quarter of 2010 compared with the fourth quarter of 2009 and this resulted in higher cash costs by approximately $10 million. Selling, general and administrative expenses for the first quarter of 2010 compared with the fourth quarter of 2009 were higher by $7 million as a result of higher stock-based compensation expense and higher by $1 million as a result of other changes in costs. Stock-based compensation expense was higher for the first quarter of 2010 compared with the fourth quarter of 2009 as a result of the impact of an increase in our share price during the first quarter of 2010 as well as the requirement under accounting rules for immediate recognition of stock-based compensation issued to retirement eligible employees.

Total cash costs for the first quarter of 2010 were higher compared with the first quarter of 2009 by $104 million. Natural gas costs on sales of produced methanol and purchased methanol costs were higher for the first quarter of 2010 compared with the first quarter of 2009 by $19 million and $63 million, respectively, primarily as a result of higher methanol pricing. Purchased methanol represented a higher proportion of our overall sales volumes for the first quarter of 2010 compared with the first quarter of 2009 and this resulted in higher cash costs by approximately $16 million. Selling, general and administrative expenses for the first quarter of 2010 compared with the first quarter of 2009 were higher by $10 million primarily as a result of higher stock-based compensation expense primarily from the impact of changes in our share price. Also cash costs were higher during the first quarter of 2009 as a result of a charge of $4 million for severance and termination costs associated with our Chilean operations.

Depreciation and Amortization

Depreciation and amortization was $34 million for the first quarter of 2010 compared with $32 million for the fourth quarter of 2009 and $29 million for the first quarter of 2009. The increase in depreciation and amortization expense for the first quarter of 2010 compared with the fourth quarter of 2009 and the first quarter of 2009 was primarily due to depletion charges associated with our oil and gas investment in Chile. Depletion charges recorded in earnings for the first quarter of 2010 were approximately $4 million compared with $3 million for the fourth quarter of 2009 and nil for the first quarter of 2009. Upon receipt of final approval from the government of Chile in the third quarter of 2009, we adopted the full cost methodology for accounting for oil and gas exploration costs associated with our 50% participation in the Dorado Riquelme block in Southern Chile (refer to *Production Summary* section on page 2 for more information). Under these accounting standards, cash investments in the block are initially capitalized and are recorded to earnings through non-cash depletion charges as natural gas is produced from the block.

Interest Expense

($ millions)	Three Months Ended **Mar 31 2010**	Dec 31 2009	Mar 31 2009
Interest expense before capitalized interest	**$ 15**	$ 15	$ 15
Less capitalized interest	**(9)**	(9)	(7)
Interest expense	**$ 6**	$ 6	$ 8

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

Interest and Other Income

($ millions)	Three Months Ended **Mar 31 2010**	Dec 31 2009	Mar 31 2009
Interest and other income (expense)	**$ 1**	$	$ (4)

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

Income Taxes

We recorded income tax expense of $12.6 million for the first quarter of 2010 compared with income tax expense of $9.0 million for the fourth quarter of 2009 and income tax recovery of $8.5 million for the first quarter of 2009. The effective tax rate for the first quarter of 2010 was approximately 30% compared with approximately 26% for the fourth quarter of 2009 and 32% for the first quarter of 2009.

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

SUPPLY/DEMAND FUNDAMENTALS

During 2009 and into 2010, global methanol demand recovered significantly from the effects of the global financial crisis and weak economic environment and we estimate global demand has surpassed pre-recession levels and is currently approximately 44 million tonnes measured on an annualized basis. We believe current indications are that global demand will continue to improve during 2010. Increases in demand have been in both traditional and energy derivatives in Asia (particularly in China), while we have seen on-going positive signs of modest demand recovery since mid-2009 in other regions including Latin America, Europe and North America. Methanol blending into gasoline in China has been particularly strong and we believe that future growth in this application is supported by recent regulatory changes in that country. For example, an M85 (or 85% methanol) national standard took effect December 1, 2009, and we expect an M15 (or 15% methanol) national standard to be released later in 2010. Supported by a strong energy price environment, methanol demand into DME in China has also been healthy.

Methanex Non-Discounted Regional Posted Prices [1]

(US$ per tonne)	**Apr 2010**	**Mar 2010**	**Feb 2010**	**Jan 2010**
United States	366	366	366	366
Europe [2]	338	319	321	338
Asia	345	365	350	350

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

2 250 for Q2 2010 (Q1 2010 235) converted to United States dollars.

In addition to the improvement in demand, over the last year we have seen escalation in feedstock costs for some producers and there have been a number of planned and unplanned plant outages across the industry. Increasing demand and constrained supply led to methanol prices increasing through the latter half of 2009 and into 2010. Higher prices have resulted in the restart of a significant amount of higher cost production, particularly in China. However, supported by strong methanol demand in China, net imports into that country have remained high compared to historical levels. Our average non-discounted posted price in the first quarter of 2010 was approximately $350 per tonne, compared to an average price of $290 per tonne in the second half of 2009. Recently, spot prices in certain markets have declined primarily as a result of industry supply operating at higher rates. We recently posted the non-discounted price for May in North America at $333 per tonne.

The next increments of world scale capacity outside of China are four plants with capacity totaling 4.0 million tonnes. These plants are in the process of starting up or are expected to start up later in 2010, including our own 1.3 million tonne per year plant in Egypt which is targeted for start up in mid-2010. After these four new plants, there are no new capacity additions expected outside of China over the next few years, with the exception of a 0.7 million tonne plant in Azerbaijan, which we expect will impact the market in 2012.

Methanol demand into traditional derivatives is correlated to industrial production and we believe that methanol demand into these derivatives should improve further as the macro-economic environment improves. Also over the last few years, high energy prices have driven demand for methanol into energy applications such as gasoline blending and DME, primarily in China. Recent regulatory changes have improved the demand outlook for methanol gasoline blending in China and we believe demand potential into these energy derivatives will be stronger in a high energy price environment.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities before changes in working capital in the first quarter of 2010 were $78 million compared with $74 million for the fourth quarter of 2009 and nil for the first quarter of 2009. The change in cash flows for the first quarter of 2010 compared with the first quarter of 2009 is primarily a result of the change in earnings levels.

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

We are constructing a 1.3 million tonne per year methanol facility in Egypt. We are targeting the methanol facility to start up in mid-2010. We own 60% of Egyptian Methanex Methanol Company S.A.E. (EMethanex) which is the company that is developing the project and we will market 100% of the methanol produced from the facility. We account for our investment in EMethanex using consolidation accounting. This results in 100% of the assets and liabilities of EMethanex being included in our financial statements. The other investors interest in the project is presented as non-controlling interest . During the first quarter of 2010, total plant and equipment construction costs were $24 million. EMethanex has limited recourse debt facilities of $530 million. As at March 31, 2010 a total of $494 million has been drawn, with $22 million being drawn during the first quarter of 2010. We estimate total remaining capital expenditures of approximately $75 million to complete the construction of the Egypt methanol facility, including capitalized interest related to the project financing and excluding working capital. This excludes unpaid capital expenditures recorded in accounts payable at March 31, 2010 of approximately $26 million. These expenditures will be funded from cash generated from operations and cash on hand, cash contributed by the non-controlling shareholders and proceeds from the limited recourse debt facilities. At March 31, 2010, our 60% share of remaining cash equity contributions, including capitalized interest related to the project financing and excluding working capital, is estimated to be approximately $25 million and we expect to fund these expenditures from cash generated from operations and cash on hand.

We have an agreement with ENAP to accelerate natural gas exploration and development in the Dorado Riquelme hydrocarbon exploration block in southern Chile. Under the arrangement, we fund a 50% participation in the block and have contributed $74 million to date. We expect to make further contributions over the next few years to fully realize the potential of the block. These contributions will be based on annual budgets established by ENAP and Methanex in accordance with the Joint Operating Agreement that governs this development.

We have agreements with GeoPark under which we have provided $55 million in financing, of which GeoPark has repaid $13 million as at March 31, 2010, to support and accelerate GeoPark s natural gas exploration and development activities in southern Chile.

We operate in a highly competitive commodity industry and believe it is appropriate to maintain a conservative balance sheet and to retain financial flexibility. Our cash balance at March 31, 2010 was $196 million. We have a strong balance sheet, no near term re-financing requirements, and an undrawn $200 million credit facility provided by highly rated financial institutions that expires in mid-2012. We invest our cash only in highly rated instruments that have maturities of three months or less to ensure preservation of capital and appropriate liquidity. Our planned capital maintenance expenditure program directed towards major maintenance, turnarounds and catalyst changes for existing operations, is currently estimated to total approximately $70 million for the period to the end of 2011.

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

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

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

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

SHORT-TERM OUTLOOK

Into 2010 the methanol supply demand fundamentals have been reasonably balanced as a result of strong demand in both traditional and energy derivatives in Asia and some recovery demand for traditional derivatives in other regions including Europe and North America. This has resulted in a relatively stable price environment throughout the first quarter of 2010.

The next increments of world scale capacity outside of China are four plants with capacity totaling 4.0 million tonnes per year, which are in the process of starting up or are scheduled to start up later in 2010. This includes our own 1.3 million tonne per year plant in Egypt which is targeted to start up in mid-2010. We believe this new methanol facility will further enhance our earnings and cash generation capability and positioning within the industry with its competitive cost structure and excellent location to supply the European market.

We expect it may take some time for the new plants to achieve high rates of utilization and have a meaningful impact on industry supply. We also believe that the impact of new supply will be offset by global methanol demand growth and shutdown of high cost capacity. Recent regulatory changes have improved the demand outlook for methanol gasoline blending in China and we believe demand potential into these energy derivatives will be stronger in a high energy price environment. We also believe that methanol demand into traditional derivatives should continue to improve as the macro economic environment improves.

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

CONTROLS AND PROCEDURES

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

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

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

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

We have developed a plan to convert our consolidated financial statements to IFRS at the changeover date of January 1, 2011 with comparative financial results for 2010. The IFRS transition plan addresses the impact of IFRS on accounting policies and implementation decisions, infrastructure, business activities, and control activities. For a detailed discussion of the key elements and activities of the changeover plan, see the *Anticipated Changes to Canadian Generally Accepted Accounting Principles* section of the Management s Discussion and Analysis in our 2009 annual report. An update of the status of these activities is as follows:

<u>Accounting policies and implementation decisions</u>

In 2010, we have continued to review our selection of IFRS accounting policies with our auditors to ensure consistent interpretation of IFRS guidance in key areas. We have developed preliminary estimates of adjustments to the financial statements on transition to IFRS. In 2010, all accounting policy changes from the transition to IFRS and the corresponding adjustments to the financial statements will be subject to review by senior management, the IFRS Steering Committee and ultimately final review and approval by the Audit, Finance and Risk Committee of the Board. For a discussion of those accounting policy changes that management considers most significant to the Company, as well as a discussion of optional exemptions available under IFRS 1, *First-time Adoption of International Financial Reporting Standards*, that the Company currently intends to elect on transition to IFRS, see the *Anticipated Changes to Canadian Generally Accepted Accounting Principles* section of the Management s Discussion and Analysis in our 2009 annual report.

<u>Infrastructure: Financial reporting expertise</u>

We continue to provide training and updates for key employees, senior management, the Audit, Risk and Finance Committee, and the Board regarding the application of IFRS accounting policies and the corresponding impact on our consolidated financial statements.

<u>Infrastructure: Information technology and data systems</u>

We have assessed the impact on system requirements for the convergence and post-convergence periods. We do not anticipate significant impact to applications arising from the transition to IFRS.

<u>Business activities: Financial covenants</u>

The financial covenant requirements in our financing relationships are measured on the basis of Canadian GAAP in effect at the commencement of the various relationships, and the transition to IFRS will therefore have no impact on our current financial covenant requirements. In 2010, we will develop a process to compile our financial results on a historical Canadian GAAP basis and to monitor financial covenant requirements through to the conclusion of our current financing relationships.

Business activities: Compensation arrangements

We have identified compensation policies that rely on indicators derived from the financial statements. In 2010, we will work with the Company s human resources department and the Human Resources Committee of the Board to ensure that compensation arrangements incorporate IFRS results in accordance with the Company s overall compensation principles.

Control activities: Internal control over financial reporting

We have identified the required accounting process changes that result from the application of IFRS accounting policies; these changes are not anticipated to be significant. In 2010, we will complete the design, implementation and documentation of the internal controls over accounting process changes that result from the application of IFRS accounting policies.

Control activities: Disclosure controls and procedures

We continue to provide IFRS project updates in quarterly and annual disclosure documents. In 2010, all accounting policy changes from the transition to IFRS and the corresponding adjustments to the financial statements will be subject to review by senior management, the IFRS Steering Committee and ultimately final review and approval by the Audit, Finance and Risk Committee of the Board.

We are progressing according to schedule and continue to be on-track toward project completion in 2011. We will continue to provide updates on the status of the project and its impact on financial reporting in our quarterly and annual Management s Discussion and Analysis throughout the convergence period to January 1, 2011.

ADDITIONAL INFORMATION SUPPLEMENTAL NON-GAAP MEASURES

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

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

	Three Months Ended		
	Mar 31	Dec 31	Mar 31
($ thousands)	**2010**	2009	2009
Cash flows from operating activities	**$ 56,646**	$ 35,737	$ 60,947
Add (deduct):			
Changes in non-cash working capital	**21,206**	38,433	(61,052)
Other cash payments	**3,162**	327	6,514
Stock-based compensation expense	**(9,980)**	(4,598)	(1,874)
Other non-cash items	**(2,202)**	(1,329)	(2,451)
Interest expense	**6,389**	6,217	7,559
Interest and other income (expense)	**(526)**	(18)	3,581
Current income taxes	**6,794**	(1,880)	(95)
Adjusted EBITDA	**$ 81,489**	$ 72,889	$ 13,129

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

QUARTERLY FINANCIAL DATA (UNAUDITED)
A summary of selected financial information for the prior eight quarters is as follows:

	Three Months Ended			
	Mar 31	**Dec 31**	**Sep 30**	**Jun 30**
($ thousands, except per share amounts)	**2010**	**2009**	**2009**	**2009**
Revenue	$ 466,706	$ 381,729	$ 316,932	$ 245,501
Net income (loss)	29,320	25,718	(831)	(5,743)
Basic net income (loss) per common share	0.32	0.28	(0.01)	(0.06)
Diluted net income (loss) per common share	0.31	0.28	(0.01)	(0.06)

	Three Months Ended			
	Mar 31	**Dec 31**	**Sep 30**	**Jun 30**
($ thousands, except per share amounts)	**2009**	**2008**	**2008**	**2008**
Revenue	$ 254,007	$ 408,384	$ 569,876	$ 600,025
Net income (loss)	(18,406)	(3,949)	70,045	38,059
Basic net income (loss) per common share	(0.20)	(0.04)	0.75	0.40

Diluted net income (loss) per common share	(0.20)	(0.04)	0.74	0.40

FORWARD-LOOKING INFORMATION WARNING

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

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

expected demand for methanol and its derivatives,

expected new methanol supply and timing for start-up of the same,

expected shut downs (either temporary or permanent) or re-starts of existing methanol supply (including our own facilities), including, without limitation, timing of planned maintenance outages,

expected methanol and energy prices,

anticipated production rates of our plants, including the new methanol plant in Egypt targeted for startup in mid-2010,

expected levels of natural gas supply to our plants,