METHANEX CORP
Form 6-K
April 27, 2007

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 2007

METHANEX CORPORATION

(Registrant s name)

SUITE 1800, 200 BURRARD STREET, VANCOUVER, BC V6C 3M1 CANADA

(Address of principal executive offices)

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

Form 20-F o Form 40-F þ

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

Yes o No þ

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

SIGNATURES

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

METHANEX CORPORATION

Date: April 26, 2007

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

NEWS RELEASE

Methanex Corporation
1800 200 Burrard St.
Vancouver, BC Canada V6C 3M1
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For immediate release

APRIL 25, 2007

METHANEX COMPLETES ANOTHER EXCELLENT QUARTER

For the first quarter of 2007, we realized Adjusted EBITDA[1] of $236.9 million and net income of $144.7 million ($1.37 per share on a diluted basis). This compares with Adjusted EBITDA[1] of $166.5 million and income before unusual items (after-tax) of $89.4 million ($0.79 per share on a diluted basis) for the first quarter of 2006.

Bruce Aitken, President and CEO of Methanex commented, The methanol shortage that arose in the third quarter of 2006 kept market conditions very favourable through the first quarter, and led to another quarter of high methanol pricing and near-record cash flows and earnings. Our average realized price of $444 per tonne in the first quarter was marginally lower than our fourth quarter of 2006 average realized price of $460 per tonne.

Mr. Aitken continued, The strong methanol price environment over the past couple of quarters has supported high industry operating rates and has led to inventories increasing to more normal levels. As a result, at the end of the quarter methanol prices decreased to levels similar to those in effect before the shortage occurred in the second half of last year. The April posted contract price is approximately $330 per tonne in all of the major regions and earlier this week we announced a price roll at the same price level for May in North America.

Mr. Aitken added, As expected, we are seeing the current pricing environment leading to some tightening of the global methanol supply and demand balance. In recent weeks, we have seen the closure of about 1.3 million tonnes of high cost capacity and we believe further closures may occur for producers who are challenged to remain profitable at current pricing levels. We are also seeing a positive impact for the demand outlook, as the current methanol pricing environment coupled with high energy prices has improved the economics for energy related methanol derivatives such as biodiesel, MTBE and fuel blending.

Mr. Aitken concluded, With our continued strong cash generation, we extended and accelerated our share repurchases under our normal course issuer bid, and we continue to be in a very strong financial position. With US$474 million cash on hand at the end of the quarter, a strong balance sheet and a US$250 million undrawn credit facility, we are well positioned to meet our financial requirements related to our methanol project in Egypt, pursue other strategic growth initiatives, and continue to deliver on our commitment to return excess cash to shareholders.

A conference call is scheduled for **Thursday, April 26, 2007 at 11:00 am EST (8:00 am PST)** to review these first quarter results. To access the call, dial the Telus Conferencing operator ten minutes prior to the start of the call at **(416) 883-0139**, or toll free at **(888) 458-1598**. The passcode for the call is **75577**. A playback version of the conference call will be available for fourteen days at **(877) 653-0545**. The reservation number for the playback version is **377222.** There will be a simultaneous audio-only webcast of the conference call, which can be accessed from our website at www.methanex.com. In addition, an audio recording of the conference call can be downloaded from our website for three weeks after the call.

Methanex is a Vancouver based, publicly-traded company engaged in the worldwide production and marketing of methanol. Methanex shares are listed for trading on the Toronto Stock Exchange in Canada under the trading symbol MX

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and on the Nasdaq Global Market in the United States under the trading symbol MEOH . Methanex can be visited online at www.methanex.com.

FORWARD-LOOKING STATEMENTS

Information contained in this press release and the attached First Quarter 2007 Management s Discussion and Analysis contains forward-looking statements. 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. Methanex believes that it has a reasonable basis for making such forward-looking statements. However, forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The risks and uncertainties include those attendant with producing and marketing methanol and successfully carrying out major capital expenditure projects in various jurisdictions, the ability to successfully carry out corporate initiatives and strategies, conditions in the methanol and other industries including the supply and demand balance for methanol, actions of competitors and suppliers, changes in laws or regulations in foreign jurisdictions, worldwide economic conditions and other risks described in our 2006 Management s Discussion & Analysis and the attached First Quarter 2007 Management s Discussion and Analysis. Undue reliance should not be placed 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. These materials also contain certain non-GAAP financial measures. Non-GAAP financial measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures used by other companies. For more information regarding these non-GAAP measures, please see our 2006 Management s Discussion & Analysis and the attached First Quarter 2007 Management s Discussion and Analysis.

[1] *These items are non-GAAP measures that do not have any standardized meaning prescribed by Canadian generally accepted accounting principles (GAAP) and therefore are unlikely to be comparable to similar measures presented by other companies. Refer to Supplemental Non-GAAP Measures in the attached First Quarter 2007 Management s*

Discussion and Analysis for a description of each Supplemental Non-GAAP Measure and a reconciliation to the most comparable GAAP measure.

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

Share Information
Methanex Corporation s common shares are listed for trading on the Toronto Stock Exchange under the symbol MX and on the Nasdaq Global Market under the symbol MEOH.

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

At April 25, 2007 the Company had 103,212,092 common shares issued and outstanding and stock options exercisable for 1,198,975 additional common shares.

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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 2007 Management s Discussion and Analysis should be read in conjunction with the 2006 Annual Consolidated Financial Statements and the Management s Discussion and Analysis included in the Methanex 2006 Annual Report. The Methanex 2006 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 2007**	Dec 31 2006	Mar 31 2006
Sales volumes (thousands of tonnes)			
Company produced			
Chile and Trinidad	**1,015**	1,077	1,254
New Zealand and Kitimat	**125**	83	67
	1,140	1,160	1,321
Purchased methanol	**375**	288	297
Commission sales [1]	**139**	134	141
Total sales volumes	**1,654**	1,582	1,759
Average realized price ($ per tonne) [2]	**444**	460	283
Methanex average non-discounted posted price ($ per tonne) [3]	**537**	558	335
Operating income [4]	**213.1**	251.5	142.9
Net income	**144.7**	172.4	115.2
Income before unusual items (after-tax) [4]	**144.7**	172.4	89.4
Cash flows from operating activities [4 5]	**179.0**	218.5	113.2
Adjusted EBITDA [4]	**236.9**	279.2	166.5
Basic net income per common share	**1.38**	1.62	1.02
Diluted net income per common share	**1.37**	1.61	1.02
Diluted income before unusual items (after-tax) per share [4]	**1.37**	1.61	0.79

Common share information (millions of shares):			
Weighted average number of common shares	**105.1**	106.5	112.4
Diluted weighted average number of common shares	**105.6**	106.9	112.9
Number of common shares outstanding, end of period	**104.2**	105.8	110.6

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

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

[3] 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.

[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

Supplemental Non-GAAP Measures for a description of each non-GAAP measure and a reconciliation to the most comparable GAAP measure.

5 Cash flows from operating activities in the above table represents cash flows from operating activities before changes in non-cash working capital.

For the first quarter of 2007 we recorded Adjusted EBITDA of $236.9 million and net income and income before unusual items (after-tax) of $144.7 million ($1.37 per share on a diluted basis). This compares with Adjusted EBITDA of $279.2 million and net income and income before unusual items (after-tax) of $172.4 million ($1.61 per share on a diluted basis) for the fourth quarter of 2006 and Adjusted EBITDA of $166.5 million, net income of $115.2 million ($1.02 per share on a diluted basis) and income before unusual items (after-tax) of $89.4 million ($0.79 per share on a diluted basis) for the first quarter of 2006.

The following is a reconciliation of income before unusual items (after-tax) to net income:

	Three Months Ended		
($ millions)	**Mar 31 2007**	Dec 31 2006	Mar 31 2006
Income before unusual items (after-tax)	**$ 144.7**	$ 172.4	$ 89.4
Add unusual item:			
Future income tax recovery related to change in tax legislation			$ 25.8
Net income	**$ 144.7**	$ 172.4	$ 115.2

Refer to page 5 of this Management s Discussion and Analysis and note 6 to our first quarter of 2007 interim consolidated financial statements for further information regarding the future income tax recovery related to a change in tax legislation.

EARNINGS ANALYSIS

A core element of our strategy is to strengthen our position as a low cost producer. Our core production facilities in Chile and Trinidad are underpinned by long-term take-or-pay natural gas purchase agreements with pricing terms that vary with methanol prices. These production hubs have an annual production capacity of 5.8 million tonnes and represent over 90% of our current annual production capacity. The operating results for these facilities represent a substantial proportion of our Adjusted EBITDA and, accordingly, we separately discuss the impact of the changes in average realized price, sales volumes and total cash costs related to these facilities.

Over the last few years we have been shutting down our high cost production which was exposed to volatile prices for natural gas. We permanently closed our Kitimat facility on November 1, 2005. Our facilities in New Zealand have been positioned as flexible production assets with future operations dependent on securing natural gas on commercially acceptable terms. As the operating results for these facilities represent a smaller proportion of our Adjusted EBITDA, the impact of changes in average realized price, sales volumes and total cash costs have been combined and presented as the change in cash margin related to these facilities in our analysis of Adjusted EBITDA.

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

Adjusted EBITDA

The increase (decrease) in Adjusted EBITDA resulted from changes in the following:

($ millions)		**Q1 2007 compared with Q4 2006**		**Q1 2007 compared with Q1 2006**
Chile and Trinidad facilities:				
Average realized price	$	(23)	$	151
Sales volumes		(17)		(38)
Total cash costs[1]		(12)		(83)
		(52)		30
Changes in cash margin related to sales of:				
New Zealand production		8		25
Purchased methanol		2		15
	$	(42)	$	70

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

Average realized price

	Three Months Ended		
($ per tonne, except where noted)	**Mar 31 2007**	Dec 31 2006	Mar 31 2006
Methanex average non-discounted posted price [1]	**537**	558	335
Methanex average realized price [2]	**444**	460	283
Average discount	**17%**	18%	16%

[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.

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

During the first quarter of 2007, high methanol pricing continued as a result of the tight market conditions brought on by a global supply shortage in the latter half of 2006. Our average non-discounted posted price for the first quarter of 2007 was $537 per tonne compared with $558 per tonne for the fourth quarter of 2006 and $335 per tonne for the first quarter of 2006. Our average realized price for the first quarter of 2007 was $444 per tonne compared with $460 per tonne for the fourth quarter of 2006 and $283 per tonne for the first quarter of 2006. The change in our average realized price for the first quarter of 2007 decreased our Adjusted EBITDA by $23 million compared with the fourth quarter of 2006 and increased our Adjusted EBITDA by $151 million compared with the first quarter of 2006.

The methanol industry is highly competitive and prices are affected by supply/demand fundamentals. We publish non-discounted prices for each major methanol market and offer discounts to customers based on various factors. For the first quarter of 2007 our average realized price was approximately 17% lower than our average non-discounted posted price. This compares with approximately 18% lower for the fourth quarter of 2006 and 16% lower for the first quarter of 2006. To reduce the impact of cyclical pricing on our earnings, 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. We expect the discount from our non-discounted posted prices will narrow during periods of lower methanol pricing. We believe it is important to maintain financial flexibility throughout the methanol price cycle and these strategic contracts are a part of our balanced approach to managing cash flow and liquidity.

Chile and Trinidad sales volumes

Sales volumes of methanol produced at our production hubs in Chile and Trinidad for the first quarter of 2007 were lower by 62,000 tonnes compared with the fourth quarter of 2006 and lower by 239,000 tonnes compared with the first quarter of 2006 and this decreased Adjusted EBITDA by $17 million and $38 million, respectively. The decrease in sales volumes of Chile and Trinidad production during the first quarter of 2007 compared with the first quarter of 2006 is primarily due to lower production at our Chile facilities refer to *Production Summary* section for more detail.

Total cash costs

Our production facilities in Chile and Trinidad 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 increases in methanol prices above pre-determined prices.

Total cash costs for the first quarter of 2007 were higher than in the fourth quarter of 2006 by $12 million. Our natural gas costs for Chile production has a pricing component based on a twelve month trailing average of methanol prices. Natural gas costs on sales of Chile production were higher during the first quarter of 2007 due to an increase in the twelve month trailing average of methanol prices as a result of high methanol pricing in late 2006 and early 2007, and this increased our cash costs by $15 million. Natural gas costs on sales of Chile production were also higher by $14 million during the first quarter of 2007 compared with the fourth quarter of 2006 due to the impact of sharing export duties with our gas suppliers from Argentina for more detail refer to *Production Summary* of this Management s Discussion and Analysis. The amount charged to earnings for the cost of sharing export duties during the first quarter of 2007 was $22 million compared with $8 million for the fourth quarter of 2006. Natural gas costs for our Trinidad production were lower by $5 million as a result of the lower methanol pricing during first quarter of 2007 compared with the fourth quarter of 2006. Also, cash costs were lower by $12 million for the first quarter of 2007 compared with the fourth quarter of 2006 due to lower selling, general and administrative expenses as a result of lower stock-based compensation expense as well as timing of expenditures.

Total cash costs for the first quarter of 2007 were higher than the first quarter of 2006 by $83 million. Natural gas costs on sales of Chile and Trinidad production were higher for the first quarter of 2007 compared with the first quarter of 2006 due to the impact of higher methanol prices, and this increased cash costs by approximately $53 million. Natural gas costs on sales of Chile production in the first quarter of 2007 compared with the first quarter of 2006 were also higher by $22 million as a result of the impact of sharing export duties with our natural gas suppliers from Argentina. The remaining increase in cash costs of $8 million for the first quarter of 2007 compared with the first quarter of 2006 was primarily due to higher in-market distribution costs and higher ocean shipping fuel costs. These higher in-market distribution costs have been substantially recovered from customers and this recovery is included in revenue.

Margin earned from New Zealand facilities

Our cash margin on the sale of New Zealand production for the first quarter of 2007 was $8 million higher than the fourth quarter of 2006 primarily as a result of higher sales volumes during the first quarter of 2007. Our cash margin on the sale of New Zealand production during the first quarter of 2007 was $25 million higher than the first quarter of 2006. The increase in cash margin was primarily due to higher methanol pricing and higher sales volumes in 2007.

Margin on sale of purchased methanol

We purchase additional methanol produced by others through long-term and short-term offtake contracts or on the spot market to meet customer needs and support our marketing efforts. Consequently, we realize holding gains or losses on the resale of this product depending on the methanol price at the time of resale. During the first quarter of 2007, our cash margin was $15 million on the resale of 0.4 million tonnes of purchased methanol compared with a cash margin of $13 million on the resale of 0.3 million tonnes for the fourth quarter of 2006 and a cash margin of nil on the resale of 0.3 million tonnes for the first quarter of 2006.

Depreciation and Amortization

Depreciation and amortization was $24 million for the first quarter of 2007 compared with $28 million for the fourth quarter of 2006 and $24 million for the first quarter of 2006. The decrease in depreciation and amortization for the first quarter of 2007 compared with the fourth quarter of 2006 is primarily as a result of lower sales volumes of Chile and Trinidad production and lower unabsorbed depreciation during the first quarter of 2007.

Interest Expense & Interest and Other Income

	Three Months Ended		
($ millions)	**Mar 31 2007**	Dec 31 2006	Mar 31 2006
Interest expense	**$ 11**	$ 11	$ 11
Interest and other income	**$ 5**	$	$ 3

Interest expense for the first quarter of 2007 was $11 million compared with $11 million for the fourth quarter of 2006 and the first quarter of 2006. Interest and other income was $5 million for the first quarter of 2007 compared with nil for the fourth quarter of 2006 and $3 million for the first quarter of 2006.

During the fourth quarter of 2006 we recorded a charge to earnings of $4 million related to the change in fair value of natural gas purchase option contracts. We entered into these contracts to mitigate our exposure to increases in natural gas costs under our methanol offtake agreement with Celanese Ltd., a producer in Canada. The cost of methanol purchases under this agreement, which had a term from January 1, 2007 to March 31, 2007, included a fixed fee and variable fee based on natural gas costs. We believe these option contracts provided an economic hedge of our exposure to increases in natural gas costs during the first quarter of 2007. However, these arrangements did not meet the requirements for hedge accounting treatment under Canadian GAAP. Accordingly, the change in fair value during the fourth quarter of 2006 was charged to earnings resulting in a decrease to interest and other income.

Income Taxes

The effective tax rate for the first quarter of 2007 was 30% compared with 28% for the fourth quarter of 2006. Excluding the unusual item related to the Trinidad tax adjustment, the effective tax rate was 34% for the first quarter of 2006. 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 category tax that is payable when income is earned and a second category tax that is due when earnings are distributed from Chile. The second category tax is initially recorded as future income tax expense and is subsequently reclassified to current income tax expense when earnings are distributed. Accordingly, the ratio of current income tax expense to total income tax expense is highly dependent on the level of cash distributed from Chile.

During 2005, the Government of Trinidad and Tobago introduced new tax legislation retroactive to January 1, 2004. As a result, during 2005 we recorded a $17 million charge to increase future income tax expense to reflect the retroactive impact for the period January 1, 2004 to December 31, 2004. In February 2006, the Government of Trinidad and Tobago passed an amendment to this legislation that changed the retroactive effective date to January 1, 2005. As a result of this amendment we recorded an adjustment to decrease future income tax expense by a total of $26 million during the first quarter of 2006. The adjustment includes a reversal of the previous charge to 2005 earnings and an additional adjustment to recognize the benefit of tax deductions that were reinstated as a result of the change in the retroactive effective date.

PRODUCTION SUMMARY

(thousands of tonnes)	Q1 2007 Capacity	Q1 2007 Production	Q4 2006 Production	Q1 2006 Production
Chile and Trinidad:				
Chile I, II, III and IV	**947**	**751**	766	882
Titan	**210**	**225**	229	215
Atlas (63.1% interest)	**265**	**180**	268	253
	1,422	**1,156**	1,263	1,350
Other:				
New Zealand	**131**	**118**	111	104
	1,553	**1,274**	1,374	1,454

Our methanol facilities in Trinidad are capable of operating above design capacity. For the first quarter of 2007, our Titan methanol production facility produced 225,000 tonnes or 107% of design capacity. Our Atlas methanol production facility produced 180,000 tonnes, or 87% of design capacity, after taking into account planned maintenance activities that commenced in mid-March and which resulted in reduced production of approximately 50,000 tonnes for the first quarter of 2007. These maintenance activities have been completed. The remaining lost production primarily relates to technical issues experienced at our Atlas facilities during the first quarter of 2007. We believe these technical issues have been addressed through the maintenance activities performed at our Atlas facility and we expect to have improved performance for the remainder of 2007.

Our methanol production facilities in Chile produced 751,000 tonnes during the first quarter of 2007 compared with an operating capacity of 947,000 tonnes. During the first quarter of 2007, we lost approximately 70,000 tonnes of methanol production as a result of ongoing problems with delivery infrastructure being experienced by our Chilean natural gas supplier. We experienced a reduction in natural gas supply from Argentina due to a temporary labour dispute in Argentina in February and March resulting in lost production of approximately 40,000 tonnes. The remaining lost production of approximately 90,000 tonnes is primarily due to one of our Argentiean gas suppliers undergoing repairs to natural gas delivery infastructure. All of our gas suppliers from Argentina, with the exception of this supplier, are currently supplying their full contract obligations.

We currently source approximately 62% of our natural gas requirements for our production facilities in Chile from natural gas suppliers in Argentina that are affiliates of international oil and gas companies. The remaining natural gas requirements are supplied from gas reserves in Chile, mainly by Empresa Nacional del Petroleo (ENAP), the Chilean state-owned energy company.

Effective July 25, 2006, the government of Argentina increased the duty on exports of natural gas from Argentina to Chile, which have been in place since May 2004, from approximately $0.30 per mmbtu to $2.25 per mmbtu. Exports of natural gas from the province of Tierra del Fuego were exempt from this duty until late October 2006 when the government of Argentina extended this duty to include this province at the same rates applicable to the other provinces. As a result, the increased duty on exports of natural gas applies to all of the natural gas feedstock that we source from Argentina. Assuming we receive all of our Argentinean natural gas entitlements, the total annual cost of the export duty to our natural gas suppliers from Argentina has increased to approximately $200 million. While our natural gas contracts provide that natural gas suppliers are to pay any duties levied by the government of Argentina, we have been contributing towards the cost of these duties and are in continuing discussions with our Argentinean natural gas suppliers regarding the impact of the increased export duty.

We have interim agreements in place with all of our Argentinean natural gas suppliers. In principle, we have agreed to share the cost of duties based in part on prevailing methanol prices while providing a minimum price to our natural gas suppliers. At methanol prices below approximately $250 per tonne, we pay substantially all of the export duty. We have gained considerable flexibility to take the natural gas depending on prevailing methanol market conditions, and to the extent that these arrangements are not economic then we will not purchase the natural gas. We cannot provide assurance that we will be able to reach continuing arrangements with our natural gas suppliers or that the impact of this export duty will not have an adverse effect on our results of operations and financial condition. During the first quarter of 2007, we received approximately 75% of our Argentinean natural gas entitlements and we accrued $26 million to record the estimated cost of sharing export duties for this natural gas. Based on the timing of inventory flows, the amount charged to earnings related to the cost of sharing export duties during the first quarter of 2007 was $22 million.

We continue to work on sourcing additional natural gas supply for our Chile facilities from alternative sources. There is renewed interest in natural gas exploration in Southern Chile and our Chilean natural gas supplier, ENAP, and others are undertaking gas exploration and development programs in areas of Southern Chile that are relatively close to our production facilities. In addition, we are pursuing investment opportunities to help accelerate the discovery and development of natural gas in Southern Chile. For example, we signed a memorandum of understanding with Geopark Holdings Limited which would provide long-term supply from the development and acquisition of new natural gas reserves in Southern Chile. If these programs are successful we believe that some additional gas could be available during 2007. In addition, the government of Chile has announced its intention to assign exploration areas which lie close to our facilities in a bidding round during 2007. However, there can be no assurance that ENAP or others will be successful or that we would obtain any additional natural gas on economic terms.

We produced 118,000 tonnes at our Waitara Valley facility in New Zealand during the first quarter of 2007. We have sufficient contracted natural gas supply to allow us to produce at this facility at least until the end of 2007. This facility has been positioned as a flexible production asset with operations dependant upon methanol industry supply and demand and the availability of natural gas on commercially acceptable terms.

SUPPLY/DEMAND FUNDAMENTALS

We commenced 2007 in a tight methanol market environment which began in the latter half of 2006 as a result of a global methanol supply shortage brought on by planned and unplanned supplier outages. This resulted in high methanol pricing levels which in a normal supply and demand environment are unsustainable. During the first quarter of 2007, global methanol inventories recovered, and as a result, methanol prices have recently moderated. Methanex non-discounted posted prices for April are about $330 per tonne in all of the major regions and we have announced the same price level for May in North America.

Methanex Non-Discounted Regional Posted Prices [1]

(US$ per tonne)	**Apr 2007**	**Mar 2007**	**Feb 2007**	**Jan 2007**
United States	336	516	549	599
Europe [2]	329	545	545	545
Asia	320	490	490	520

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

2 250 at April 2007 (Feb 2007 420) converted to United States dollars at the date of settlement.

We estimate global methanol demand to be approximately 40 million tonnes annually. The 1.65 million tonne per year NPC plant in Iran commenced operations late in the first quarter of 2007. We understand that during startup there were technical problems that constrain maximum production to approximately 50% and could take up to one year to repair. In recent weeks there were approximately 1.3 million tonnes of high cost capacity shut-down and we believe further closures may occur. Over the next twelve months, we expect new capacity and expansions to add approximately 1.2 million tonnes of annual capacity to the global industry, outside of China. Over the same period, we believe a similar volume of high cost capacity could shut down as a result of high feedstock prices. The next increment of world-scale capacity is the 1.0 million tonne per year plant in Oman which is under construction and we expect product from this plant to be available to the market in the second half of 2007.

We believe global demand for methanol for traditional uses remains healthy and is underpinned by strong global economies, particularly in China. In addition, we believe that high energy prices combined with the current methanol environment has improved the economics for energy related derivatives such biodiesel, MTBE and fuel blending.

We believe methanol demand growth in China will continue to grow at high rates, in line with industrial production growth rates. We believe that a large proportion of this additional demand is related to non-traditional uses for methanol such as gasoline blending and di-methyl ether (DME) as well as very strong traditional demand. In the current price environment we expect China will not be a significant net exporter of methanol and that substantially all domestic methanol production will be consumed within the local market. We also expect that imports of methanol into China will grow over time.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities before changes in non-cash working capital in the first quarter of 2007 were $179 million compared with $113 million for the same period in 2006. The increase in cash flows from operating activities before changes in non-cash working capital are primarily the result of higher earnings during the first quarter of 2007 compared with first quarter of 2006.

During the first quarter of 2007, we repurchased 1.7 million common shares at an average price of US$26.03 per share under our current normal course issuer bid that expires May 16, 2007. On March 5, 2007, we announced an increase to the normal course issuer bid, increasing the maximum allowable repurchases by 2.0 million common shares to 7.5 million common shares. At March 31, 2007, we had repurchased a total of 5.6 million common shares at an average price of US$23.84 per share under this bid.

During the first quarter of 2007, we paid a quarterly dividend of US$0.125 per share, or $13 million.

We are developing a methanol project to build a 1.3 million tonne per year methanol facility in Egypt. This project is a joint venture in which we have a 60 percent interest and the marketing rights for all of the production. We are in the final stages of developing the project and expect to be in a position to make a final investment decision shortly. We expect the joint venture will fund ongoing construction costs through a combination of project financing and equity contributions.

We have excellent financial capacity and flexibility. Our cash balance at March 31, 2007 was $474 million and we have a strong balance sheet with an undrawn $250 million credit facility. Our planned capital maintenance expenditure program directed towards major maintenance, turnarounds and catalyst changes is currently estimated to total approximately $100 million for the period to the end of 2009.

The credit ratings for our unsecured notes at March 31, 2007 were as follows:

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

We are well positioned to meet our financial requirements related to the methanol project in Egypt, complete our capital maintenance spending program, pursue new opportunities to enhance our leadership position in the methanol industry, pursue opportunities to invest to accelerate the development of natural gas in Southern Chile, investigate opportunities related to new methanol demand for energy applications and continue to deliver on our commitment to return excess cash to shareholders.

SHORT-TERM OUTLOOK

We believe the global methanol industry fundamentals continue to be favourable and are underpinned by high global energy prices. We also believe there is considerable potential for demand growth for methanol use in traditional and emerging applications, including MTBE, fuel blending, biodiesel, DME and methanol for power generation. The methanol price will ultimately depend on industry operating rates, the rate of industry restructuring and the strength of global demand. We believe that our excellent financial position and financial flexibility, outstanding global supply network and asset position will provide a sound basis for Methanex continuing to be the leader in the methanol industry.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) on a basis consistent with those followed in the most recent annual consolidated financial statements, except as described in Note 2 to our interim consolidated financial statements. Certain of our accounting policies are recognized as critical because they require management to make subjective or complex judgments about matters that are inherently uncertain. Our critical accounting policies and estimates relate to property, plant and equipment, asset retirement obligations, and income taxes. For further details, refer to pages 29 to 30 of our 2006 Annual Report.

CHANGES IN ACCOUNTING POLICIES OR ESTIMATES

On January 1, 2007, we adopted, on a prospective basis, the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments Recognition and Measurement*, Section 3861, *Financial Instruments - Disclosure and Presentation*, and Section 3865, *Hedges*. These standards, and the impact on our financial statements, are discussed in Note 2 to our interim consolidated financial statements.

CONTROLS AND PROCEDURES

For the three months ended March 31, 2007, 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.

ADDITIONAL INFORMATION SUPPLEMENTAL NON-GAAP MEASURES

In addition to providing measures prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP), we present certain supplemental non-GAAP measures. These are Adjusted EBITDA, income before unusual items (after-tax), diluted income before unusual items (after-tax) per share, 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)	**2007**	2006	2006
Cash flows from operating activities	**$ 191,102**	$ 149,731	$ 19,913
Add (deduct):			
Changes in non-cash working capital	**(12,109)**	68,761	93,298
Other cash payments	**740**	15,612	6,050
Stock-based compensation expense	**(3,522)**	(8,702)	(6,019)
Other non-cash items	**(2,647)**	(2,854)	(983)
Interest expense	**11,067**	11,096	10,958
Interest and other income (expense)	**(5,072)**	316	(2,535)
Current income taxes	**57,326**	45,252	45,864
Adjusted EBITDA	**$ 236,885**	$ 279,212	$ 166,546

Income before Unusual Items (after-tax) and Diluted Income before Unusual Items (after-tax) Per Share
These supplemental non-GAAP measures are provided to assist readers in comparing earnings from one period to another without the impact of unusual items that management considers to be non-operational and/or non-recurring. Diluted income before unusual items (after-tax) per share has been calculated by dividing income before unusual items (after-tax) by the diluted weighted average number of common shares outstanding.
The following table shows a reconciliation of net income to income before unusual items (after-tax) and the calculation of diluted income before unusual items (after-tax) per share:

	Three Months Ended		
($ thousands, except number of shares and per share amounts)	**Mar 31 2007**	Dec 31 2006	Mar 31 2006
Net income	**$ 144,706**	$ 172,445	$ 115,177
Add (deduct) unusual items:			
Future income tax recovery related to change in tax legislation			(25,753)
Income before unusual items (after-tax)	**$ 144,706**	$ 172,445	$ 89,424
Diluted weighted average number of common shares	**105,597,445**	106,890,909	112,906,382
Diluted income before unusual items (after-tax) per share	**$ 1.37**	$ 1.61	$ 0.79

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			
($ thousands, except per share amounts)	**Mar 31 2007**	**Dec 31 2006**	**Sep 30 2006**	**Jun 30 2006**
Revenue	$ 673,932	$ 668,159	$ 519,586	$ 460,915
Net income	144,706	172,445	113,230	82,097
Basic net income per common share	1.38	1.62	1.05	0.75
Diluted net income per common share	1.37	1.61	1.05	0.75

	Three Months Ended			
($ thousands, except per share amounts)	**Mar 31 2006**	**Dec 31 2005**	**Sep 30 2005**	**Jun 30 2005**
Revenue	$ 459,590	$ 459,615	$ 349,291	$ 410,914
Net income (loss)	115,177	48,574	(21,789)	62,935
Basic net income (loss) per common share	1.02	0.42	(0.19)	0.53
Diluted net income (loss) per common share	1.02	0.42	(0.19)	0.53

HOW WE ANALYZE OUR BUSINESS

We review our results of operations by analyzing changes in the components of our Adjusted EBITDA (refer to *Supplemental Non-GAAP Measures* for a reconciliation to the most comparable GAAP measure), depreciation and amortization, interest expense, interest and other income, unusual items and income taxes. In addition to the methanol that we produce at our facilities, we also purchase and re-sell methanol produced by others. We analyze the results of produced methanol sales separately from purchased methanol sales as the margin characteristics of each are very different.

Produced Methanol