

METHANEX CORPORATION

INVESTOR'S CONFERENCE CALL

Fourth Quarter 2007 RESULTS CONFERENCE CALL

January 24, 2008

****CHECK AGAINST DELIVERY****

Jason Chesko

Good morning, ladies and gentlemen. I would like to remind our listeners that our comments and answers to your questions may contain forward-looking information. This information by its nature is subject to risks and uncertainties that may cause the stated outcome to differ materially from the actual outcome. Certain material factors or assumptions were applied in drawing the conclusions or making the forecasts or projections which are included in the forward-looking information. Please refer to the bottom of our latest news release and to our 2006 annual report for more information.

I would now like to turn the call over to Methanex's president and CEO, Mr. Bruce Aitken, for his comments.

Bruce Aitken

Thank you Jason and good morning everyone. And welcome to the Methanex fourth quarter investor conference call. I have a number of colleagues with me in the room and they will be available to answer questions a little later.

I am delighted to report that we have completed a record quarter and another excellent year of results. In the fourth quarter we generated EBITDA of \$270 million, and net income of \$172 million or \$1.72 per share. These results represented a substantial increase compared to Q3. This very strong quarter also completes another excellent year, in which we generated EBITDA of \$652 million.

Earnings in the fourth quarter were significantly higher on the strength of record-high methanol pricing. We entered the fourth quarter with tight market conditions and very low global inventories. During the quarter, global demand remained healthy while plant outages continued to impact industry supply, keeping markets tight. This resulted in escalating methanol prices through the quarter. We achieved an average realized price of \$514/tonne in Q4 compared to an average realized price of \$270/tonne in Q3.

Our earnings in the fourth quarter were also positively impacted by a couple of factors. Firstly, we benefited from our produced sales volume being higher

than our production in the quarter. Secondly, it is normal in a transition pricing period that our earnings will be impacted either positively or negatively by the cost of inventory, whether this was produced or purchased. This was the case in the fourth quarter as our earnings were positively impacted by selling lower cost inventory from the third quarter into the fourth quarter. Those of you that have studied our results will note that we earned a \$36 million margin on traded methanol and this very good achievement is partly the result of the rising price environment. I will comment more on the first quarter pricing and our earnings expectations later in the call, but first I would like to provide you with an update on our operations during the fourth quarter.

Production from our large, low cost plants in Trinidad during the quarter was, once again, excellent. We produced a total of 498,000 tonnes, which is above the total design capacity for those plants of 481,000 tonnes per quarter.

Our site in Chile produced 288,000 tonnes during the quarter, up from 233,000 tonnes in the third quarter but well below production capacity for the site of 960,000 tonnes. We did not receive any gas from Argentina during the quarter and this is the reason for our production shortfall. Our production increased in the fourth quarter as both of our gas suppliers in Chile increased gas supply to our plants; as a result we are now operating at roughly 1/3 capacity in Chile

and operating two plants at reduced rates. Again, I will comment more on our outlook for natural gas to our plants in Chile in just a few moments.

Our plant in New Zealand was off line for about a month for planned maintenance during the fourth quarter, but operated well during the rest of the period and produced 75,000 tonnes of methanol. We currently have contracted enough natural gas to operate our 500,000 tonne Waitara Valley plant in New Zealand until the middle of this year. We are now in the process of securing more gas to continue to operate this plant longer, or possibly switch production to one of our larger 900,000 tonne plants in our Motunui location in New Zealand. Switching to the larger plant will require that we spend some capital, and a decision on this will depend on our ability to secure sufficient gas on economic terms. I expect we will be able to announce some progress on this initiative in the next few weeks. Assuming that we are successful with this initiative we will have effectively replaced one Chile methanol plant at economics that are superior to using gas from Argentina.

Switching topics now to the industry and pricing outlook. Entering the first quarter, we remain in a very high methanol price environment, with non-discounted methanol pricing averaging \$775/tonne across all regions in the month of January. Recently, we have seen downward pressure on spot prices, as the industry has been achieving a higher operating rate in recent months.

However, while industry supply has improved, we continue to believe that overall global inventories are still at reasonably low levels. Our own inventory continues to be well below the level at which we like to operate. Yesterday we announced the Methanex Non-discounted list price in the US for the month of February at \$2.10 per gallon or \$700 per MT. This is a reduction from \$2.50 per gallon or \$830 per MT in January. So, while prices are trending downwards, they continue to be very high.

As we saw last year, in a high methanol price environment China has the incentive to operate at higher production rates and export more methanol. And while China remained a net importer of methanol through November, we believe that they became a net exporter of methanol over the last month and this has been a factor in the recent decline in spot prices. It is interesting that most of the exports from China have been gas-based methanol and that most are re-exports of product previously imported from other countries. Exports of the lower quality coal-based methanol which is more typical in China have been quite small as this product is not suitable for many international customers. In addition, I have commented in previous calls on how the production costs and costs for producers in China to export have continued to escalate, as feedstock costs have increased, export tax rebates have been reduced, and the domestic currency has continued to appreciate. This trend continued in the fourth quarter as the NDRC, the main economic planning body

in China, increased natural gas feedstock costs in November for gas-based methanol producers, who represent about one third of the total production in China. We are also aware of significant increases in coal prices in both inland and coastal markets. We have been very consistent in our belief that, in a more moderate pricing environment, China will become a more substantial importer of methanol, and this continues to be our view.

Contrary to what some industry followers have indicated, we have seen little negative impact on methanol demand recently, despite very high methanol prices. While there have been some pockets of weakness, such as formaldehyde in some regions, overall demand remains steady, with strong demand growth in fuels and energy related uses such as MTBE, DME and fuel blending. While I commented on the last conference call that we anticipated that we might see reduced demand in energy related uses in the fourth quarter as a result of very high methanol prices, the high energy price environment - with oil in the \$90-\$100 a barrel range - has kept these energy related derivatives competitive.

I will switch topics now and talk about some of the opportunities and challenges that we face.

Firstly, natural gas supplies to our plants in Chile. As I mentioned earlier, we continue not to receive any gas from Argentina and this has been the case since mid-June. The situation has changed little from the last conference call when I provided an update. There is sufficient gas production capability in Argentina to supply us with our full contractual entitlement. All pipeline capacity to transport natural gas from Southern Argentina to the more populated areas in northern Argentina is full and gas today is either shut in or being re-injected. In a recent development, the governments of Argentina and Chile have established a bilateral committee with government representatives from both countries to study energy policy between the two countries. We understand that this committee is going to make some recommendations in the coming weeks and this may provide some clarity on our situation. However, we are not particularly optimistic that natural gas exports will resume any time soon.

As we have discussed on previous calls, the solution to our challenges related to gas supply from Argentina is to secure more natural gas from Chile, and we continue to see good progress on this initiative. Firstly, in late November, we announced a long term supply agreement with GeoPark in which we provided \$40 million in financing to accelerate gas development and exploration in the Fell Block near to our plants. GeoPark increased gas supply to our plants during the fourth quarter and we expect further small improvements during

this quarter. They plan to be supplying us with up to 10% of our total gas needs in Chile by the end of this year and ultimately up to 20% of our total needs. In addition, our main gas supplier, ENAP, has also increased gas deliveries to our plants during the fourth quarter which allowed us to begin operating a second methanol plant in November. ENAP is also continuing a substantial capital expenditure program in Southern Chile and they announced a commercial discovery of gas last year in the Dorado Riquelme block which is very near our plants, and adjacent to GeoPark's gas-producing Fell Block. We are optimistic about the development potential of this block and believe it has the potential to be supplying us with gas by as early as next year.

And, on November 15th, the Government of Chile finalized its international bidding round of oil and gas exploration blocks and awarded nine blocks to several international oil and gas companies, including three of our current gas suppliers: Total, Apache, and Pan-American. The successful companies are in the process of finalizing their contracts and we expect exploration activity to commence in the next few months. In summary, I am pleased with all of the gas development activity occurring in southern Chile. When we total the monetary commitments of the various companies operating in Chile we expect that there will be more than \$600 million spent in the next 3 years exploring for and developing natural gas. On the basis of these commitments I continue to be optimistic that our Chile plants can be back to operating at full capacity

over the next few years with gas supply from Chile. As we demonstrated with our recent GeoPark agreement, we are focused on initiatives to accelerate gas development in southern Chile and I expect we will commit further capital to these initiatives over the next year.

The next opportunity that I wanted to provide you an update on is our new methanol plant project in Egypt. The project is proceeding on schedule and is now almost 20% complete. We have established an excellent relationship with our contractors and the various other stakeholders in this project and I am confident that we can deliver this project on time and on budget. There are several hundred people working on the site with current construction activities including site preparation, construction buildings and piling. Most of the equipment and bulk materials have now been committed with material deliveries such as structural steel expected before the end of this quarter. When this project starts up as scheduled in early 2010 it will be among the lowest cost plants in the world and will contribute significant cash flow to our shareholders, while reinforcing our leadership position in the global methanol industry.

The last projects I wanted to discuss are our DME projects. Firstly, our joint venture DME project near Shanghai, China in which we own a 20% interest. The plant began operations in early November and is operating well. We are

supplying 100% of the methanol to this plant and the DME is being sold to LPG distributors in China through the existing distribution business of our joint venture partner. As I mentioned earlier, despite high methanol prices, demand for DME has been good, as the high energy price environment has led to high LPG and DME prices in China.

Last month, we also announced the signing of an MOU to be a minority participant in a DME project in Egypt, similar to the scope of our DME joint venture in China. This project demonstrates the exciting growth potential for methanol to compete in energy markets around the world. This project also supports Egypt's energy and environmental policies, as it allows Egypt to use its own natural gas resource to develop a clean new fuel and substitute imported LPG. This project underpins my optimism for the growth potential for DME globally, as I believe there are many countries around the world that could benefit from using DME as a clean alternative fuel.

I will change topics now and make a few comments about liquidity. Our cash flow from operating activities during the fourth quarter was \$188 million before changes in working capital. During 2007 we generated almost \$500 million of cash flow from operating activities which once again is a demonstration of our ability to generate cash. We returned a total of \$54 million to shareholders in Q4 and \$260 million during 2007 via both dividends and share repurchases.

As of a couple of days ago, we had re-purchased 4.9 million shares under our current Normal Course Issuer Bid and we continue buying back shares every day. We have a number of uses for cash as part of our consideration in managing our balance sheet. Firstly, we are in a strong position to meet our commitments on the Egypt project. Secondly, we will continue to focus on opportunities to invest to accelerate development of gas in southern Chile and to improve the security of natural gas supply to our Chilean plants. And finally, we will also continue to explore initiatives to invest to expand the demand for methanol in the energy markets. In the strong cash flow environment we are operating in, we are well-positioned to meet all of these objectives, while continuing to return excess cash to our shareholders.

Before stopping for questions, I'll make a few comments regarding our expectations for the first quarter.

We enter the first quarter with very high methanol prices that we do not believe are sustainable or particularly good for our industry. High prices have been successful in bringing demand and supply back into some semblance of balance and, assuming a reasonable operating rate for the global industry in the coming months, we expect that inventories can recover and that prices should decline to reflect the energy value of methanol and to impact the top end of the cost curve. As I mentioned earlier in the call, there were a couple of

factors positively impacting our fourth quarter results which I would not expect to occur in the first quarter. Firstly, while sales volumes should be similar in the first quarter, in the fourth quarter our sales of produced product were higher than our production and we expect the reverse to occur in the first quarter because of inventory flows. Secondly, as I mentioned earlier, we benefited significantly from inventory timing in the fourth quarter, as we sold produced and purchased inventory that reflected lower the third quarter costs. Again, I would not expect this to occur in Q1 given the similar pricing environments in Q4 and Q1. Also there is a risk of some reversal on the gain on purchased product that we earned in Q4 if prices were to decline this quarter. So in short, while the strong pricing environment should lead to another good quarter, I would not expect the first quarter to be as strong as the fourth quarter for the reasons I just mentioned.

At this point I am happy to stop and take any questions that you might have.

Closing comments

Well, thank you very much everyone, for your attendance on the call. Certainly as we enter 2008, this is as exciting a time as ever to be a Methanex shareholder, and I think as the last year has shown, there is new demand forming for methanol in energy applications that could see our industry grow at much higher rates than it has historically. We've also got what I think is a great project in Egypt that will be producing methanol for our customers and strong cash flows for our shareholders within the next couple of years and that's not too far away. We continue to look for opportunities to sponsor new demand for methanol in energy applications and I think that's good for our industry and good for our company, as well.

So again, thank you very much for your support and good morning to all of you.