METHANEX CORP
Form 6-K
October 24, 2008

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 OCTOBER 2008

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: October 24, 2008

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
Investor Relations: (604) 661-2600
http://www.methanex.com

For immediate release

METHANEX Q3 EARNINGS UP 80% OVER SECOND QUARTER

October 22, 2008

For the third quarter of 2008, Methanex reported Adjusted EBITDA[1] of $140.4 million and net income of $70.9 million ($0.75 per share on a diluted basis). This compares with Adjusted EBITDA[1] of $78.9 million and net income of $38.9 million ($0.41 per share on a diluted basis) for the second quarter of 2008.

Bruce Aitken, President and CEO of Methanex commented, Methanol prices remained strong in the third quarter and we achieved an average realized price of $413 per tonne. The stable price environment led to a significant improvement to our purchased methanol margins which contributed to significantly higher earnings.

Entering the fourth quarter, methanol prices have moderated. However, with the recent decline in prices, we have seen some tightening on the supply side of the industry with high cost capacity in China either shutting in or switching to fertilizer production. In addition, a major unplanned outage at a competitor plant has impacted global industry supply.

We have seen softness in demand for methanol for some derivatives and the global financial crisis poses uncertainty for our business. However, to date overall global methanol demand has been relatively stable. Demand into new energy applications in China has been healthy, and with the onset of winter, we expect demand into these uses to continue to be steady.

We completed the restart of our larger plant in New Zealand at the end of the third quarter, which added 450,000 tonnes of annualized production to our asset base. Longer term, with our Egypt Project, gas exploration and development activities in southern Chile, and upside potential in New Zealand, we are well positioned to significantly increase our production and cash generation capability in the future.

Mr. Aitken concluded, With US$358 million of cash on hand at the end of the quarter, a strong balance sheet and a US$250 million undrawn credit facility, we believe we are well positioned to meet our financial commitments related to the Egypt methanol project, invest to accelerate natural gas development in southern Chile, pursue other strategic initiatives, and continue to deliver on our commitment to return excess cash to shareholders.

A conference call is scheduled for Thursday, October 23, 2008 at 10:30 am EST (7:30 am PST) to review these third 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 45654. 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 518974. 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, distribution and marketing of methanol. 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.

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FORWARD-LOOKING STATEMENTS

Information contained in this press release and the attached Third Quarter 2008 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, the success of natural gas exploration and development activities in southern Chile and New Zealand and our ability to obtain any additional gas in that region on commercially acceptable terms, actions of competitors and suppliers, actions of governments and governmental authorities, our ability to access credit on commercially reasonable terms, changes in laws or regulations in foreign jurisdictions, world-wide economic conditions and other risks described in our 2007 Management s Discussion & Analysis and the attached Third Quarter 2008 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 2007 Management s Discussion & Analysis and the attached Third Quarter 2008 Management s Discussion and Analysis.

[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 Supplemental Non-GAAP Measures in the*

attached Third Quarter 2008 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

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Interim Report
For the
Three Months Ended
September 30, 2008

At October 22, 2008 the Company had 92,940,892 common shares issued and outstanding and stock options exercisable for 1,606,743 additional common shares.

Share Information

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

Transfer Agents & Registrars

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Investor Information

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

Contact Information

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THIRD QUARTER MANAGEMENT S DISCUSSION AND ANALYSIS

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

This third quarter 2008 Management s Discussion and Analysis dated October 22, 2008 should be read in conjunction with the 2007 Annual Consolidated Financial Statements and the Management s Discussion and Analysis included in the Methanex 2007 Annual Report. The Methanex 2007 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			**Nine Months Ended**	
	Sep 30	Jun 30	Sep 30	**Sep 30**	Sep 30
($ millions, except where noted)	**2008**	2008	2007	**2008**	2007
Sales volumes (thousands of tonnes)					
Produced methanol	**946**	910	1,073	**2,534**	3,572
Purchased methanol	**429**	541	387	**1,639**	1,031
Commission sales [1]	**172**	168	168	**483**	396
Total sales volumes	**1,547**	1,619	1,628	**4,656**	4,999

Methanex average non-discounted posted price (per tonne) [2]	**499**	489	303	**564**	390
Average realized price (per tonne) [3]	**413**	412	270	**455**	334
Adjusted EBITDA [4]	**140.4**	78.9	68.6	**346.4**	382.0
Cash flows from operating activities [4 5]	**104.9**	68.5	59.9	**275.8**	306.1
Operating income [4]	**109.2**	52.5	37.4	**265.6**	298.6
Net income	**70.9**	38.9	23.6	**175.4**	204.0
Basic net income per common share	**0.76**	0.41	0.24	**1.84**	1.99
Diluted net income per common share	**0.75**	0.41	0.24	**1.83**	1.98
Common share information (millions of shares):					
Weighted average number of common shares	**93.9**	94.5	100.2	**95.2**	102.7
Diluted weighted average number of common shares	**94.3**	95.1	100.4	**95.7**	103.0
Number of common shares outstanding, end of period	**93.4**	94.0	99.4	**93.4**	99.4

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.

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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.

PRODUCTION SUMMARY

(thousands of tonnes)	Q3 2008 Capacity	Q3 2008 Production	Q2 2008 Production	Q3 2007 Production	YTD Q3 2008 Production	YTD Q3 2007 Production
Chile I, II, III and IV	**960**	**246**	261	233	**816**	1,553
Titan	**213**	**200**	229	191	**646**	641
Atlas (63.1% interest)	**268**	**284**	288	290	**865**	704
New Zealand	**132**	**126**	124	122	**370**	360
	1,573	**856**	902	836	**2,697**	3,258

Chile

Our methanol facilities in Chile produced 246,000 tonnes during the third quarter of 2008 compared with 261,000 tonnes during the second quarter of 2008. We have natural gas supply contracts for approximately 60% of our natural gas requirements for our production facilities in Chile with natural gas suppliers in Argentina with the remaining natural gas supply coming from natural gas suppliers in Chile. Since June 2007, the government of Argentina has curtailed all natural gas exports to our plants and we do not expect to receive natural gas supply from Argentina. We currently source natural gas for our methanol facilities in Chile primarily from Empresa Nacional del Petroleo (ENAP), the Chilean state-owned energy company, and from GeoPark Chile Limited (GeoPark). Methanol production at our facilities in Chile was lower during the third quarter of 2008 compared with the second quarter of 2008 primarily as a result of lower natural gas supply from ENAP due to production and deliverability issues as well as higher demand for natural gas general use in southern Chile during the winter months.

We believe the solution to the issue of natural gas supply from Argentina is to continue to source more natural gas from suppliers in Chile. On May 5, 2008, we announced that we signed an agreement with ENAP to accelerate natural gas exploration and development in the Dorado Riquelme exploration block and supply natural gas to our production facilities in Chile. Under the arrangement, we expect to contribute approximately $100 million in capital, over a two to three year period to fund a 50% participation in the block. The arrangement is subject to approval by the government of Chile. We have invested $38 million in the Dorado Riquelme block to date, of which approximately $33 million has been placed in escrow until final approval is received and approximately $5 million has been paid to fund development and exploration activities. We have been receiving some natural gas deliveries from the Dorado Riquelme block since May 2008. Also, in late 2007, we signed a natural gas prepayment agreement with GeoPark under which we agreed to provide US$40 million in financing to support and accelerate GeoPark s natural gas exploration and development activities in the Fell block in southern Chile. Under the arrangement, GeoPark will also provide us with natural gas supply sourced from the Fell block under a 10-year exclusive supply agreement. GeoPark continues increasing its deliveries of natural gas to our plants and during the third quarter of 2008 approximately 20% of total production at our Chile facilities was produced with natural gas from the Fell block.

We continue to pursue other opportunities to invest to help accelerate natural gas exploration and development in areas of southern Chile. In late 2007, the government of Chile completed an international bidding round to assign natural gas exploration areas that lie close to our production facilities and announced the participation of five international oil and gas companies. Planning activities in these areas in southern Chile have commenced. On July 16, 2008, we announced that under the international bidding round, the government of Chile awarded the Otway hydrocarbon exploration block in southern Chile to a consortium that includes Wintershall, GeoPark, and ourselves. Wintershall and GeoPark each own a 42% interest in the consortium and we own a 16% interest. Exploration work is expected to commence by the end of this year. The minimum exploration investment committed in the block by the consortium for the first phase is US$11 million over the next three years.

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

Trinidad

Our methanol facilities in Trinidad produced a total of 484,000 tonnes during the third quarter of 2008 compared with 517,000 tonnes during the second quarter of 2008. In July 2008, we performed unplanned repair work at our Titan facility resulting in approximately 30,000 tonnes of lost production.

New Zealand

Our Waitara Valley facility in New Zealand produced 126,000 tonnes during the third quarter of 2008 compared with 124,000 tonnes during second quarter of 2008.

In early October, we restarted one of our two idled 900,000 tonne per year facilities at our Motunui site in New Zealand and we shutdown our smaller scale 500,000 tonne Waitara Valley facility. We plan to operate the larger scale Motunui facility until at least the middle of 2010. We have become more optimistic about the longer term future of our New Zealand operations and believe there is potential to operate the Motunui plant longer and potentially restart the Waitara Valley plant. The continued operations of the New Zealand facilities are dependant upon the methanol industry supply and demand dynamics and the availability of natural gas on commercially acceptable terms.

EARNINGS ANALYSIS

We analyze the results of produced methanol sales separately from purchased methanol sales as the margin characteristics of each are very different. We discuss changes in average realized price, sales volumes and total cash costs related to our produced methanol sales whereas we discuss purchased methanol on a net margin basis.

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

For the third quarter of 2008 we recorded Adjusted EBITDA of $140.4 million and net income of $70.9 million ($0.75 per share on a diluted basis). This compares with Adjusted EBITDA of $78.9 million and net income of $38.9 million ($0.41 per share on a diluted basis) for the second quarter of 2008 and Adjusted EBITDA of $68.6 million and net income of $23.6 million ($0.24 per share on a diluted basis) for the third quarter of 2007.

For the nine months ended September 30, 2008, we recorded Adjusted EBITDA of $346.4 million and net income of $175.4 million ($1.83 per share on a diluted basis). This compares with Adjusted EBITDA of $382.0 million and net income of $204.0 million ($1.98 per share on a diluted basis) during the same period in 2007.

Adjusted EBITDA

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

($ millions)	**Q3 2008 compared with Q2 2008**	**Q3 2008 compared with Q3 2007**	**YTD Q3 2008 compared with YTD Q3 2007**
Average realized price	$ 16	$ 131	$ 262
Sales volumes	7	(14)	(139)
Total cash costs[1]	12	(42)	(101)
Purchased methanol	27	(3)	(58)
	$ 62	$ 72	$ (36)

[1] *Includes cash costs related to methanol produced at our Chile, Trinidad, and New*

Zealand facilities as well as consolidated selling, general and administrative expenses and fixed storage and handling costs.

Average realized price

($ per tonne, except where noted)	Three Months Ended Sep 30 2008	Jun 30 2008	Sep 30 2007	Nine Months Ended Sep 30 2008	Sep 30 2007
Methanex average non-discounted posted price [1]	**499**	489	303	**564**	390
Methanex average realized price [2]	**413**	412	270	**455**	334
Average discount	**17%**	16%	11%	**19%**	14%

[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] *Methanex average realized price disclosed above is calculated as revenue, net of commissions earned, divided by the total sales volumes of produced and purchased methanol.*

We commenced 2008 in a tight methanol market environment as a result of planned and unplanned supplier outages in the second half of 2007 and strong demand. At the beginning of 2008, our average non-discounted posted pricing was approximately $775 per tonne. Into the second quarter of 2008, the methanol market rebalanced and methanol prices remained stable through the third quarter of 2008. Our average non-discounted posted price for the third quarter of 2008 was $499 per tonne compared with $489 per tonne for the second quarter of 2008 and $303 per tonne for the third quarter of 2007. Our average realized price for the third quarter of 2008 was $413 per tonne compared with $412 per tonne for the second quarter of 2008 and $270 per tonne for the third quarter of 2007. For the third quarter of 2008 our average realized price was approximately 17% lower than our average non-discounted posted price. This compares with approximately 16% lower for the second quarter of 2008 and 11% lower for the third quarter of 2007. 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.

For the purposes of our Adjusted EBITDA analysis, we analyze changes in our average realized price for sales of our produced methanol. The average realized price for sales of our produced methanol will differ from the Methanex average realized price disclosed above as sales under long-term contracts, where the prices are either fixed or linked to our costs plus a margin, are included as sales of produced methanol. The change in our average realized price for produced methanol for the third quarter of 2008 increased our Adjusted EBITDA by $16 million compared with the second quarter of 2008. Sales under long-term contracts represented a lower proportion of our produced methanol sales volumes during the third quarter of 2008 compared with the second quarter of 2008 and this resulted in a higher average realized price for produced methanol during the third quarter of 2008.

The change in our average realized price for produced methanol for the third quarter of 2008 and nine months ended September 30, 2008 compared with the same periods in 2007 increased our Adjusted EBITDA by $131 million and $262 million, respectively. This was primarily a result of higher methanol pricing in 2008 compared with 2007.

Sales volumes of produced methanol

Sales volumes of produced methanol for the third quarter of 2008 were higher by 36,000 tonnes compared with the second quarter of 2008 and this increased Adjusted EBITDA by $7 million.

Sales volumes of produced methanol for the third quarter of 2008 and nine months ended September 30, 2008 were lower by 127,000 tonnes and 1,038,000 tonnes, respectively, compared with the same periods in 2007 primarily as a result of lower production at our Chile facilities during 2008. Lower sales volumes for these periods decreased Adjusted EBITDA by $14 million and $139 million, respectively.

Total cash costs

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.

Total cash costs for the third quarter of 2008 were lower than in the second quarter of 2008 by $12 million. The decrease in our cash costs was primarily due to lower stock-based compensation as result of the impact of a decrease in our share price on our stock-based compensation in the third quarter of 2008.

Total cash costs for the third quarter of 2008 were higher than the third quarter of 2007 by $42 million. Natural gas costs and other costs for produced methanol for the third quarter of 2008 were higher compared with the third quarter of 2007 by $52 million primarily as a result of higher methanol pricing in 2008. Ocean freight costs were higher for the third quarter of 2008 compared with the third quarter of 2007 by $5 million primarily as a result of higher fuel costs. Fixed manufacturing costs were lower for the third quarter of 2008 compared with the third quarter of 2007 by $4 million primarily as a result of lower fixed costs at our Chile facilities in 2008. Stock-based compensation expense was lower for the third quarter 2008 compared with the third quarter of 2007 by $11 million primarily as result of the impact of a decrease in our share price in the third quarter of 2008 on our stock-based compensation.

Total cash costs for the nine months ended September 30, 2008 were higher than the same period in 2007 by $101 million. Natural gas costs and other costs for produced methanol for the nine months ended September 30, 2008 were higher compared with the same period in 2007 by $83 million primarily as a result of higher methanol pricing in 2008. Ocean freight costs were higher for the nine months ended September 30, 2008 compared with the same period in 2007 by $13 million primarily as a result of higher fuel costs. Total cash costs for the nine months ended September 30, 2008 were also higher by $10 million compared with the same period in 2007 as a result of higher unabsorbed fixed costs at our Chile facilities by $6 million and higher selling, general and administrative expenses by $4 million as a result of changes in foreign exchange rates and timing of expenditures. In-market logistics costs were higher by $5 million for the nine months ended September 30, 2008 compared with the same period in 2007. These higher in-market distribution costs have been substantially recovered from customers and this recovery has been included in revenue. Stock-based compensation expense was lower for nine months ended September 30, 2008 compared with the same period in 2007 by $10 million primarily as result of the impact of a decrease in our share price in the third quarter of 2008 on our stock-based compensation.

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 fourth quarter of 2007, as a result of reduced production rates at our Chile facilities, we increased our purchasing levels to continue to meet commitments to our customers. As these purchases were made in a period of significantly increasing methanol pricing, we recorded cash margin on sale of purchased methanol of $35 million during the fourth quarter of 2007. In 2008, methanol pricing moderated from these high levels and we recorded negative cash margin of $19 million for the first quarter of 2008, a negative cash margin of $31 million for the second quarter, and a negative cash margin of $4 million on the resale of purchased methanol for the third quarter of 2008.

Depreciation and Amortization

Depreciation and amortization was $31 million for the third quarter of 2008 compared with $26 million for the second quarter of 2008. The increase in depreciation and amortization for the third quarter of 2008 compared with the second quarter of 2008 was primarily due to higher sales volume of produced methanol and higher unabsorbed depreciation costs.

Depreciation and amortization for the third quarter of 2008 and nine months ended September 30, 2008 was $31 million and $81 million, respectively, compared with $31 million and $83 million, respectively, for the same periods in 2007.

Interest Expense

($ millions)	Three Months Ended Sep 30 2008	Jun 30 2008	Sep 30 2007	Nine Months Ended Sep 30 2008	Sep 30 2007
Interest expense before capitalized interest	**$ 13**	$ 13	$ 13	**$ 40**	$ 35
Less capitalized interest	**(4)**	(3)	(2)	**(10)**	(2)
Interest expense	**$ 9**	$ 10	$ 11	**$ 30**	$ 33

Interest expense before capitalized interest for the third quarter of 2008 was $13 million compared with $13 million for the second quarter of 2008 and $13 million for the third quarter of 2007. Interest expense before capitalized interest for the nine months ended September 30, 2008 was $40 million compared with $35 million for the same period in 2007. In May 2007, we reached financial close and secured limited recourse debt of $530 million for our joint venture project to construct a 1.3 million tonne per year methanol facility in Egypt. Interest costs related to this project have been capitalized since that date.

Interest and Other Income

($ millions)	Three Months Ended Sep 30 2008	Jun 30 2008	Sep 30 2007	Nine Months Ended Sep 30 2008	Sep 30 2007
Interest and other income	**$ 1**	$ 13	$ 7	**$ 12**	$ 24

Interest and other income for the third quarter of 2008 was $1 million compared with $13 million for the second quarter of 2008. The decrease in interest and other income during the third quarter of 2008 compared with the second quarter of 2008 was primarily due to the impact of changes in foreign exchange gains and losses as well as a $5 million gain on sale of ammonia production assets during the second quarter of 2008.

Interest and other income for the third quarter of 2008 and nine months ended September 30, 2008 decreased by $6 million and $12 million, respectively, compared with the same periods in 2007. Interest and other income during 2008 was lower than 2007 due to the impact of lower interest rates and lower cash balances during 2008 and the impact of changes in foreign exchange gains and losses.

Income Taxes

The effective tax rate for the third quarter of 2008 was 29% compared with 30% for the second quarter of 2008 and 29% for the third quarter of 2007. 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. Accordingly, the ratio of current income tax expense to total income tax expense is highly dependent on the level of cash distributed from Chile.

SUPPLY/DEMAND FUNDAMENTALS

We commenced 2008 in a tight methanol market environment as a result of planned and unplanned supplier outages in the second half of 2007. This resulted in high methanol prices during the first quarter and into the second quarter which are unsustainable in a normal supply and demand environment. During the second quarter of 2008, the methanol market rebalanced and methanol prices have remained stable through the third quarter. As we entered the fourth quarter of 2008, methanol prices have declined from the third quarter. In October, our average non-discounted price across all of the major regions is approximately $450 per tonne.

Methanex Non-Discounted Regional Posted Prices [1]

(US$ per tonne)	**Oct 2008**	**Sep 2008**	**Aug 2008**	**Jul 2008**
United States	499	526	526	526
Europe [2]	426	465	465	465
Asia	450	500	500	500

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

2 295 at October 2008 (July 2008 295) converted to United States dollars at the date of settlement.

The next increments of world scale capacity additions outside of China are two 1.7 million tonne per year plants under construction in Malaysia and Iran, and we expect product from both of these plants to be available to the market later this year or in the first half of 2009. We also believe that global methanol demand growth combined with the potential shutdown of high cost capacity (mainly in China) could offset this new industry supply.

Overall, global methanol demand has been relatively stable, however demand for some derivatives has weakened and the global financial crisis and weak economic environment poses uncertainty for our business.

Demand for methanol in energy applications has been healthy as relatively high energy prices have driven steady demand for fuel blending and di-methyl ether (DME) in China. If industrial production growth rates in China and world oil prices are above historical averages, we believe methanol demand in China will continue to grow at high rates as a result of strong traditional demand and strong demand related to alternative fuel uses such as gasoline blending and DME. We also believe that there is increasing pressure on the cost structure of the Chinese methanol industry as a result of high feedstock costs for both coal and natural gas based producers in China, the continued appreciation of the Chinese currency and reduced fiscal incentives for exports of methanol introduced during 2007. In recent weeks, some high cost Chinese producers have shut down or switched to fertilizer production in response to moderating methanol prices in China. During the first quarter of 2008, China was a net exporter of methanol as a result of the very high methanol price environment, which gave producers in China the incentive to export methanol. In the second and third quarters of 2008 as methanol prices moderated China reverted back to being a net importer of methanol. Due to the high cost position of many of the Chinese producers, we believe that substantially all domestic methanol production in China will be consumed within the local market and 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 third quarter of 2008 were $105 million compared with $60 million for the same period in 2007. The cash flows from operating activities before non-cash working capital are consistent with the level of earnings in each period.

During the third quarter of 2008, we repurchased for cancellation a total of 0.6 million common shares at an average price of US$23.74 per share, totaling $15 million. This bid commenced May 20, 2008 and expires May 19, 2009 and allows us to repurchase for cancellation up to 7.9 million common shares. For the nine months ended September 30, 2008, we repurchased a total of 5.1 million common shares at an average price of US$25.89 per share, totaling $133 million, inclusive of 4.3 million common shares repurchased in 2008 under a normal course issuer bid that expired May 16, 2008.

During the third quarter of 2008 we paid a quarterly dividend of US$0.155 per share, or $15 million. For the nine months ended September 30, 2008 we paid total dividends of US$0.45 per share or $43 million.

We are constructing a 1.3 million tonne per year methanol facility at Damietta on the Mediterranean Sea in Egypt. We expect commercial operations of the methanol facility to begin in early 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 sell 100% of the methanol 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 third quarter of 2008, total plant and equipment construction costs related to our project in Egypt were $99 million. EMethanex has limited recourse debt of $530 million. During the third quarter of 2008, a total of $48 million of this limited recourse debt was drawn. The total estimated future costs to complete the project over the next two years, excluding financing costs and working capital, are expected to be approximately $420 million. Our 60% share of future equity contributions, excluding financing costs and working capital, over the next two years is estimated to be approximately $115 million and we expect to fund these expenditures from cash generated from operations and cash on hand.

As previously mentioned, 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 expect to contribute approximately $100 million in capital, including the $38 million we have invested to date, over the next two to three years and will have a 50% participation in the block. The arrangement is subject to approval by the government of 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. This is particularly important in the current uncertain economic environment. We have excellent financial capacity and flexibility. Our cash balance at September 30, 2008 was $358 million and we have a strong balance sheet with an undrawn $250 million credit facility provided by highly rated financial institutions that expires in mid-2010. 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, is currently estimated to total approximately $100 million for the period to the end of 2010.

We believe we are well positioned to meet financial requirements related to the methanol project in Egypt, complete our capital maintenance spending program, other strategic initiatives including continuing to pursue investment opportunities to accelerate the development of natural gas in southern Chile and continue to deliver on our commitment to return excess cash to shareholders.

The credit ratings for our unsecured notes at September 30, 2008 were as follows:

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

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

In the short term there is uncertainty caused by the global financial crisis and its impact on the economy and our business. Assuming some reasonable return of confidence, over the next year, we believe that traditional and non-traditional demand growth, along with closures of high cost capacity, will substantially offset the new supply that is scheduled to start up over the coming year and that supply/demand fundamentals will be in reasonable balance. The methanol price will ultimately depend on industry operating rates, global energy prices, 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 low cost position will provide a sound basis for Methanex continuing to be the leader in the methanol industry.

CONTROLS AND PROCEDURES

For the three months ended September 30, 2008, 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.

NEW ACCOUNTING STANDARDS

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. IFRS uses a conceptual framework similar to Canadian generally accepted accounting standards (GAAP), but there are significant differences in recognition, measurement and disclosures. As a result, we are developing a plan to convert our consolidated financial statements to IFRS at the changeover date of January 1, 2011 with comparative financial results for 2010. We are currently in the process of assessing the differences between IFRS and Canadian GAAP, as well as the alternatives available on adoption. This assessment includes the impact of conversion on our financial reporting and disclosure controls, information technology systems and other business activities. We will continue to provide status updates in the Management s Discussion & Analysis over the course of the project.

Changes in accounting policies are likely and may materially impact our consolidated financial statements.

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, and current income taxes.

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

	Three Months Ended			**Nine Months Ended**	
($ thousands)	**Sep 30 2008**	Jun 30 2008	Sep 30 2007	**Sep 30 2008**	Sep 30 2007
Cash flows from operating activities	**$ 129,099**	$ 34,220	$ 132,497	**$ 273,906**	$ 447,424
Add (deduct):					
Changes in non-cash working capital	**(24,183)**	34,294	(72,609)	**1,844**	(141,319)
Other cash payments	**435**	1,801	598	**2,556**	4,886
Stock-based compensation recovery (expense)	**5,870**	(5,207)	(5,386)	**(3,965)**	(15,655)
Other non-cash items	**(685)**	1,378	(4,282)	**(5,734)**	(10,469)
Interest expense	**9,444**	9,630	10,807	**29,764**	33,033
Interest and other income	**(615)**	(12,671)	(6,601)	**(12,449)**	(24,279)
Current income taxes	**21,050**	15,441	13,571	**60,451**	88,375
Adjusted EBITDA	**$ 140,415**	$ 78,886	$ 68,595	**$ 346,373**	$ 381,996

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)	**Sep 30 2008**	**Jun 30 2008**	**Mar 31 2008**	**Dec 31 2007**
Revenue	$ 569,876	$ 600,025	$ 735,934	$ 731,057
Net income	70,931	38,945	65,484	171,697
Basic net income per common share	0.76	0.41	0.67	1.74
Diluted net income per common share	0.75	0.41	0.67	1.72

	Three Months Ended			
($ thousands, except per share amounts)	**Sep 30 2007**	**Jun 30 2007**	**Mar 31 2007**	**Dec 31 2006**
Revenue	$ 395,118	$ 466,414	$ 673,932	$ 668,159
Net income	23,610	35,654	144,706	172,445
Basic net income per common share	0.24	0.35	1.38	1.62
Diluted net income per common share	0.24	0.35	1.37	1.61

NORMAL COURSE ISSUER BID

On May 6, 2008 the Company filed a Notice of Intention to Make a Normal Course Issuer Bid with Toronto Stock Exchange (TSX) pursuant to which the Company may repurchase up to 7,909,393 common shares of the Company, representing 10% of the public float of the issued and outstanding common shares of the Company as at May 2, 2008. This normal course issuer bid repurchase program, which is carried out through the facilities of the TSX, commenced on May 20, 2008 and will expire on the earlier of May 19, 2009 and the date upon which the Company has acquired the maximum number of common shares permitted under the purchase program or otherwise decided not to make further purchases. The Company has entered into an automatic securities purchase plan with its broker in connection with purchases to be made under this program. Shareholders may obtain a copy of the Notice of Intention without charge by contacting the Corporate Secretary at 604-661-2600.

FORWARD-LOOKING STATEMENTS

Information contained in this Third Quarter 2008 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, the success of natural gas exploration and development activities in southern Chile and New Zealand and our ability to obtain any additional gas in that region on commercially acceptable terms, actions of competitors and suppliers, actions of governments and governmental authorities, our ability to access credit on commercially reasonable terms, changes in laws or regulations in foreign jurisdictions, world-wide economic conditions and other risks described in our 2007 Management s Discussion & Analysis and this Third Quarter 2008 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.

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.

Methanex-Produced Methanol

Our production facilities generate the substantial portion of our Adjusted EBITDA, and accordingly, the key drivers of changes in our Adjusted EBITDA for produced methanol are analyzed separately. The key drivers of changes in our Adjusted EBITDA for produced methanol are average realized price, sales volume and cash costs. Changes in Adjusted EBITDA related to our produced methanol include sales of methanol from our facilities in Chile, Trinidad and New Zealand.

The price, cash cost and volume variances included in our Adjusted EBITDA analysis for produced methanol are defined and calculated as follows:

PRICE	The change in Adjusted EBITDA as a result